

CIRCULAR DATED 2 APRIL 2015

THIS CIRCULAR (AS DEFINED HEREIN) IS IMPORTANT AS IT CONTAINS THE RECOMMENDATIONS OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF ERNST & YOUNG CORPORATE FINANCE PTE LTD. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

This Circular is issued by United Envirotech Ltd. (the "Company"). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, please forward this to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The SGX-ST (as defined herein) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



United Envirotech Ltd

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200306466G)

CIRCULAR TO SHAREHOLDERS AND THE CB HOLDER

in relation to the

VOLUNTARY CONDITIONAL CASH OFFER

by

ROTHSCHILD (SINGAPORE) LIMITED

(Company Registration No.: 197301242C)
(Incorporated in the Republic of Singapore)

for and on behalf of

CKM (CAYMAN) COMPANY LIMITED

(Company Registration No.: MC-292230)
(Incorporated in the Cayman Islands)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by CKM (Cayman) Company Limited

Financial Adviser to United Envirotech Ltd.



Stirling Coleman Capital Limited

(Company Registration No.: 200105040N)
(Incorporated in the Republic of Singapore)

Independent Financial Adviser to the Independent Directors of United Envirotech Ltd.



Ernst & Young Corporate Finance Pte Ltd

(Registration No. 199702967E)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT ON 26 MARCH 2015, ROTHSCHILD ANNOUNCED, FOR AND ON BEHALF OF THE OFFEROR, THAT THE MINIMUM ACCEPTANCE CONDITION OF THE OFFER HAS BEEN SATISFIED AND THAT THE OFFER HAS THEREFORE BECOME AND IS HEREBY DECLARED UNCONDITIONAL IN ALL RESPECTS. ACCORDINGLY, THE OFFER WILL CLOSE AT 5.30 P.M. (SINGAPORE TIME) ON 16 APRIL 2015 (THE "CLOSING DATE").

SHAREHOLDERS SHOULD ALSO NOTE THAT THE OFFEROR DOES NOT INTEND TO EXTEND THE OFFER BEYOND 5.30 P.M. (SINGAPORE TIME) ON THE CLOSING DATE. ACCORDINGLY, THE OFFER WILL NOT BE OPEN FOR ACCEPTANCE BEYOND 5.30 P.M. (SINGAPORE TIME) ON THE CLOSING DATE.

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DEFINITIONS

In this Circular, the following definitions apply throughout, unless the context otherwise requires or unless otherwise stated:

- “26 March Announcement”* : The announcement dated 26 March 2015 made by Rothschild, for and on behalf of the Offeror announcing that the Offer has become unconditional in all respects
- “3Q2015”* : The nine (9) months ended 31 December 2014
- “3Q2015 Results”* : The unaudited consolidated results of the Group for the nine (9) months ended 31 December 2014
- “Acceptance Forms”* : The FAA and the FAT collectively or any one of them, as the case may be
- “Amendment Date”* : 14 February 2013, being the date on which the Scheme was amended
- “Articles”* : The articles of association of the Company
- “Board”* : The board of Directors
- “Bonds FAT”* : Form of Acceptance and Transfer in respect of the Convertible Bonds Offer, which forms part of the Bonds Offer Letter and which is issued to KKRCW whose Convertible Bonds are not deposited with CDP
- “Bonds Offer Letter”* : The formal offer letter containing the terms and conditions of the Convertible Bonds Offer to KKRCW as the CB Holder
- “Bonds Record Date”* : In relation to any Distribution in respect of the Convertible Bonds, the date on which the CB Holder must be registered with the Company in order to participate in such Distribution
- “Business Day”* : Any day other than a Saturday, Sunday or other day on which commercial banks in the PRC, Singapore, Hong Kong or New York are required or authorised by law or executive order to be closed
- “CB Holder”* : KKRCW, as the sole holder of the Convertible Bonds
- “CB Settlement Date”* : Has the meaning ascribed to it in Section 4.2(c)(ii) of this Circular
- “CDP”* : The Central Depository (Pte) Limited
- “Circular”* : This Circular to Shareholders and the CB Holder in relation to the Offer and the Convertible Bonds Offer enclosing, *inter alia*, the letter from EYCF to the Independent Directors

DEFINITIONS

<i>“CITIC Environment”</i>	:	CITIC Environment (International) Company Limited
<i>“CITIC EP”</i>	:	CITIC Environment Protection Co. Ltd. (now known as CITIC Environment Investment Group Co., Ltd)
<i>“Closing Date”</i>	:	5.30 p.m. (Singapore time) on 16 April 2015 , being the last day for the lodgement of acceptances of the Offer and the Convertible Bonds Offer
<i>“Code”</i>	:	The Singapore Code on Take-overs and Mergers
<i>“Company Securities”</i>	:	(a) Shares, (b) securities which carry substantially the same rights as any Shares, and (c) convertible securities, warrants, options and derivatives in respect of any Shares or such securities in (b)
<i>“Companies Act”</i>	:	The Companies Act, Chapter 50 of Singapore
<i>“Concert Parties”</i>	:	Parties acting in concert with the Offeror in connection with the Offer
<i>“Consortium Agreement”</i>	:	The agreement entered into between KKRCW, CITIC Environment, the Key Management Shareholders, CITIC EP and the Offeror on the Signing Date, to govern the relationship of KKRCW, CITIC Environment and the Key Management Shareholders as shareholders of the Offeror
<i>“Conversion Ratio”</i>	:	Has the meaning ascribed to it in Section 4.2(b) of this Circular
<i>“Convertible Bonds”</i>	:	The aggregate outstanding principal amount of US\$44.0 million convertible bonds due 2016 held by KKRCW as the CB Holder
<i>“Convertible Bonds Interest Payments”</i>	:	Has the meaning ascribed to it in Section 4.2(c)(ii) of this Circular
<i>“Convertible Bonds Offer”</i>	:	The voluntary conditional cash offer by Rothschild, for and on behalf of the Offeror, to acquire the Convertible Bonds on the terms and subject to the conditions set out in the Bonds Offer Letter and the Bonds FAT
<i>“Convertible Bonds Offer Price”</i>	:	The offer price for each in principal amount of the Offer Convertible Bonds validly tendered in acceptance of the Convertible Bonds Offer, as specified in Section 4.2(b) of this Circular
<i>“CPF”</i>	:	Central Provident Fund

DEFINITIONS

“CPFIS”	:	Central Provident Fund Investment Scheme
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
“Deloitte”	:	Deloitte & Touche LLP
“Deloitte Letter”	:	The letter from Deloitte dated 12 March 2015 in relation to the 3Q2015 Results
“Directors”	:	Directors of the Company as at the Latest Practicable Date
“Distributions”	:	Any dividends, rights and other distributions declared, paid or made by the Company (and return of capital (if any)) in respect of Shares, or Convertible Bonds, as the case may be
“Encumbrances”	:	Any claims, charges, mortgages, securities, liens, options, equities, powers of sale, hypothecation or other third party rights, retention of title, rights of pre-emption, rights of first refusal or security interests of any kind or any agreements, arrangements or obligations to create any of the foregoing
“Excluded New Shares”	:	Has the meaning ascribed to it in Section 3.6 of this Circular
“EYCF”	:	Ernst & Young Corporate Finance Pte Ltd, the independent financial adviser to the Independent Directors
“EYCF Letter”	:	Letter from EYCF dated 12 March 2015 in relation to the 3Q2015 Results
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
“FAT”	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are not deposited with CDP
“FY”	:	The financial year ended or ending, as the case may be, 31 March
“Group”	:	The Company and its subsidiaries
“IFA Letter”	:	The letter from EYCF to the Independent Directors dated 2 April 2015, containing <i>inter alia</i> , the advice of EYCF to the Independent Directors in respect of the Offer and the Convertible Bonds Offer, annexed as Appendix 3 to this Circular

DEFINITIONS

- “Independent Directors”* : The Directors who are considered independent for the purposes of making the recommendation to the Shareholders and the CB Holder in respect of the Offer and the Convertible Bonds Offer, namely, Mr Yeung Koon Sang *alias* David Yeung, Mr Tay Beng Chuan, Mr Lee Suan Hiang, Mr Wang Ning and Dr Chong Weng Chiew
- “Independent Shareholders”* : Means the following Shareholders and such number of Shares in respect of which they have provided an Irrevocable Undertaking to the Offeror: (a) Mr Pang Lim, 22,546,000 Shares; (b) Mr Zhuo Jing Ming, 6,000,000 Shares; (c) Mr Tan Choon Wann, 4,000,000 Shares; (d) Mr Yeo Chung Sun, 4,000,000 Shares; (e) Mr Zheng He Peng, 3,000,000 Shares; (f) Mr Paul Leong Kah Fook, 2,900,000 Shares; (g) Mr Tan Swee Peng, 2,700,000 Shares; (h) Mr Gregory Leong Goh Han, 2,205,000 Shares; and (i) Mr Tay Siak Chwee, 915,000 Shares
- “Interested Person”* : As defined in the Note on Rule 23.12 of the Code, an interested person, in relation to a company, is:
- (a) a director, chief executive officer, or substantial shareholder of the company;
 - (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the company;
 - (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
 - (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
 - (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
 - (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
- “Irrevocable Undertaking”* : Has the meaning ascribed to it in Section 5.1 of this Circular
- “Joyfield”* : Joyfield Group Limited, an affiliate of the UEL CIO

DEFINITIONS

<i>“Key UEL Senior Managers”</i>	:	Six (6) key management employees of the Company comprising the following: (a) Dr Lin Yucheng (the UEL CEO), (b) Ms Pan Shuhong (the UEL CIO), (c) Dr Ge Hailin (the Chief Technology Officer of UEL), (d) Mr Wang Ning (Deputy Chief Executive Officer), (e) Mr Tan Huchuan (Deputy Chief Executive Officer) and (f) Mr Li Li (Deputy Chief Executive Officer)
<i>“Key Management Shareholders”</i>	:	The UEL CEO and the UEL CIO
<i>“Key Management Shareholder Subscription Agreements”</i>	:	The Lin Subscription Agreement and the Pan Subscription Agreement
<i>“Key Management Shareholders’ Agreements”</i>	:	The Key Management Shareholder Subscription Agreements, the Consortium Agreement, the Key Management Shareholders’ Irrevocable Undertakings and the Key Management Shareholders’ Service Contracts
<i>“KKRCW”</i>	:	KKR China Water Investment Holdings Limited
<i>“Latest Practicable Date”</i>	:	25 March 2015, being the latest practicable date prior to the printing of this Circular
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST
<i>“Lin Subscription Agreement”</i>	:	The subscription agreement entered into between the Offeror and the UEL CEO on the Signing Date
<i>“Long-Stop Date”</i>	:	11 May 2015, being the date falling six (6) months after the Signing Date or such other date as the Company and the Offeror may agree in writing
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading of securities
<i>“Offer”</i>	:	The voluntary conditional cash offer by Rothschild, for and on behalf of the Offeror, to acquire all the Shares other than those already owned, controlled or agreed to be acquired by the Offeror, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT
<i>“Offer Announcement”</i>	:	The announcement in connection with the Offer released by Rothschild, for and on behalf of the Offeror, on the Offer Announcement Date
<i>“Offer Announcement Date”</i>	:	5 March 2015, being the date of the Offer Announcement
<i>“Offer Condition”</i>	:	Has the meaning ascribed to it in Section 3.6 of this Circular

DEFINITIONS

<i>“Offer Convertible Bonds”</i>	:	Has the meaning ascribed to it in Section 4.2 of this Circular
<i>“Offer Document”</i>	:	The document dated 19 March 2015 and any other document(s) which may be issued for and on behalf of the Offeror to supplement or update that document from time to time
<i>“Offer Period”</i>	:	The period commencing from the Pre-Conditional Offer Announcement Date until the date the Offer is declared to have closed or lapsed
<i>“Offer Pre-Conditions”</i>	:	The pre-conditions of the Offer, as set out in Section 3.1 of the Pre-Conditional Offer Announcement
<i>“Offer Price”</i>	:	S\$1.65 in cash for each Offer Share
<i>“Offer Settlement Date”</i>	:	In relation to any Offer Shares tendered in acceptance of the Offer, the settlement date in respect of such Offer Shares
<i>“Offer Shares”</i>	:	All the issued Shares to which the Offer relates, as more particularly described in Section 3.3 of this Circular
<i>“Offeror”</i>	:	CKM (Cayman) Company Limited
<i>“Offeror Shares”</i>	:	Ordinary shares in the capital of the Offeror
<i>“Offeror LPD”</i>	:	13 March 2015, being the latest practicable date prior to the printing of the Offer Document
<i>“Offeror Securities”</i>	:	(a) Offeror Shares, (b) securities which carry substantially the same rights as any Offeror Shares, and (c) convertible securities, warrants, options and derivatives in respect of any Shares or such securities in (b)
<i>“Options”</i>	:	Options to subscribe for new Shares granted under the Scheme
<i>“Option Shares”</i>	:	In respect of an Option granted to an Option holder, the number of Shares which such Option holder may subscribe for on a valid exercise of such Option
<i>“Overseas Shareholder”</i>	:	Has the meaning ascribed to it in Section 13 of this Circular
<i>“Pan Subscription Agreement”</i>	:	The subscription agreement entered into among the Offeror, the UEL CIO and Joyfield on the Signing Date
<i>“Placement AIP”</i>	:	The approval in principle granted by the SGX-ST for the listing of and quotation for up to 90,909,091 Placement Shares on the Official List of the SGX-ST

DEFINITIONS

<i>“Placement Completion”</i>	:	Completion of the Proposed Placement
<i>“Placement Conditions”</i>	:	The conditions precedent to the Proposed Placement, as set out in Sections 2.3(a) to 2.3(e) of this Circular
<i>“Placement IFA Opinion”</i>	:	The opinion from EYCF to the Company confirming that the terms of the Proposed Placement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders, in accordance with Rule 921(4)(a) of the Listing Manual
<i>“Placement Shareholders Approval”</i>	:	Approval from the Shareholders in a general meeting in connection with the Placing Agreement and the Proposed Placement and the transactions contemplated therein as may be required under the Listing Manual and/or applicable law, including without limitation, Shareholders’ approvals required under Rules 805, 812 and 906 of the Listing Manual
<i>“Placement Shares”</i>	:	New Shares to be placed by the Company to the Offeror pursuant to the Proposed Placement
<i>“Placing Agreement”</i>	:	The agreement entered into between the Company and the Offeror on the Signing Date in relation to the Proposed Placement
<i>“PRC”</i>	:	People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, for the purposes of this Circular
<i>“PRC Regulatory Approvals”</i>	:	Requisite filing and approval processes in the PRC which are necessary pursuant to the laws and regulations of the PRC in connection with the Proposed Transaction, as more particularly outlined in Sections 3.1(a)(i) to (vi) of the Pre-Conditional Offer Announcement
<i>“Pre-Conditional Offer Announcement”</i>	:	The announcement dated 12 November 2014 released by Rothschild for and on behalf of the Offeror in connection with the pre-conditional voluntary offer for the Company
<i>“Pre-Conditional Offer Announcement Date”</i>	:	12 November 2014, being the date of the Pre-Conditional Offer Announcement
<i>“Proposed Placement”</i>	:	The proposed placement by the Company of, and the proposed subscription by the Offeror of, an aggregate of 30,303,031, 60,606,061 or 90,909,091 Placement Shares, at a subscription price per Placement Share of S\$1.65, pursuant to a private placement exemption under Section 272B of the SFA

DEFINITIONS

<i>“Proposed Transaction”</i>	:	The Offer, the Convertible Bonds Offer and the Proposed Placement
<i>“Record Date”</i>	:	In relation to any Distribution in respect of the Shares, the date on which Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such Distribution
<i>“Register”</i>	:	The register of holders of the Shares, as maintained by the Registrar
<i>“Registrar” or “Tricor”</i>	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), in its capacity as the share registrar of the Company
<i>“Relevant Maximum Potential Issued Shares”</i>	:	Has the meaning ascribed to it in Section 3.6 of this Circular
<i>“Relevant Placement Conditions”</i>	:	The Placement Conditions set out in Sections 2.3(a) to 2.3(d) of this Circular
<i>“Rothschild”</i>	:	Rothschild (Singapore) Limited, the financial adviser to the Offeror in relation to the Offer and the Convertible Bonds Offer
<i>“Scheme”</i>	:	The United Envirotech Employee Share Option Scheme
<i>“SFA”</i>	:	The Securities and Futures Act, Chapter 289 of Singapore
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Shareholders”</i>	:	Holders of the Offer Shares, including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST
<i>“Shares”</i>	:	Ordinary shares in the capital of the Company
<i>“SIC”</i>	:	Securities Industry Council of Singapore
<i>“SIC Ruling Date”</i>	:	7 November 2014, being the date on which the SIC provided its rulings in relation to the Proposed Transaction
<i>“Signing Date”</i>	:	11 November 2014, being the date on which the definitive agreements relating to the Proposed Transaction were signed
<i>“Stirling Coleman” or the “Financial Adviser”</i>	:	Stirling Coleman Capital Limited
<i>“S\$” and “cents”</i>	:	Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore

DEFINITIONS

“UEL” or the “Company”	:	United Envirotech Ltd.
“UEL CEO”	:	Dr Lin Yucheng, the Chairman and Chief Executive Officer of the Company
“UEL CEO’s Options”	:	15,000,000 Options that the UEL CEO owns
“UEL CIO”	:	Ms Pan Shuhong, the Vice President and Chief Investment Officer of the Company
“Unreleased Post-Amendment Options”	:	Options (which are exercisable into 45,083,500 new Option Shares) which were granted after the Amendment Date and are not expected to be released by the Company’s Remuneration Committee
“US\$” and “US cents”	:	United States dollars and cents, respectively, being the lawful currency of the United States of America
“%” or “per cent.”	:	Per centum or percentage

Acting in concert. The term “**acting in concert**” shall have the meaning ascribed to it in the Code.

Depositors, etc. The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meaning ascribed to them respectively in Section 130A of the Companies Act.

Genders. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Offer Document. References to “**Offer Document**” shall include the Acceptance Forms, unless the context otherwise requires.

Rounding. Any discrepancies in figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to “**you**”, “**your**” and “**yours**” in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Code or the Listing Manual or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Code or the Listing Manual or any modification thereof, as the case may be, unless the context otherwise requires.

DEFINITIONS

Subsidiary and Related Corporation. References to “**subsidiary**” and “**related corporation**” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Time and Date. Any reference to a time of the day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise stated.

Total number of issued Shares. References in this Circular to the total number of issued Shares are based on 963,361,368 Shares in issue as at the Latest Practicable Date, unless otherwise stated.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Articles are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Articles, respectively.

Forward-Looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future assumptions in light of currently available information. Such forward-looking statements are not guarantees of future results, performance, events or achievements and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward looking statements, and none of the Company, Stirling Coleman and EYCF assumes any obligation to update publicly or revise any forward-looking statement.

SUMMARY TIMETABLE

The following are indicative dates and times for the Offer:

EVENT	DATE
Date of despatch of Offer Document	19 March 2015
Date of despatch of Offeree Circular	2 April 2015
Closing Date	5.30 p.m. on 16 April 2015, being the last day for the lodgement of acceptances of the Offer
Settlement of consideration for Offer Shares acquired by the Offeror	(a) in respect of acceptances of the Offer which are complete in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within 10 days of that date; or (b) in respect of acceptances of the Offer which are complete in all respects and are received after the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within 10 days of the date of such receipt.

SUMMARY PROCEDURES FOR ACCEPTANCE OF THE OFFER

The information on the procedures for the acceptance of the Offer set out in italics below has been reproduced from Appendix 2 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. DEPOSITORS

1.1 Depositors whose Securities Accounts are credited with Offer Shares. *If you have Offer Shares standing to the credit of your Securities Account, you should receive this Offer Document together with the FAA. If you do not receive the FAA, you may obtain a copy of such FAA, upon production of satisfactory evidence that you are a Shareholder, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.*

Acceptance. *If you wish to accept the Offer, you should:*

(a) *complete the FAA in accordance with the provisions and instructions in this Offer Document and the FAA (which provisions and instructions shall be deemed to form part of the terms of the Offer). In particular, you must state in Part A of the FAA the number of Offer Shares in respect of which you wish to accept the Offer. If you:*

(i) *do not specify such number; or*

(ii) *specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt, or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date (provided always that the Date of Receipt must fall on or before the Closing Date),*

you shall be deemed to have accepted the Offer in respect of all the Offer Shares already standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date;

(b) *sign the FAA in accordance with this Offer Document and the instructions printed on the FAA; and*

(c) *deliver the completed and signed FAA in its entirety (no part may be detached or otherwise mutilated):*

(i) ***by hand***, *to CKM (Cayman) Company Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or*

(ii) ***by post***, *in the enclosed pre-addressed envelope at your own risk, to CKM (Cayman) Company Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,*

SUMMARY PROCEDURES FOR ACCEPTANCE OF THE OFFER

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

If you have sold or transferred all your Offer Shares held through CDP, you need not forward this Offer Document and the accompanying FAA to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee.

If you are a Depository Agent, you may accept the Offer via Electronic Acceptance. CDP has been authorised by the Offeror to receive Electronic Acceptances on its behalf and such Electronic Acceptances must be submitted **not later than 5.30 p.m. (Singapore time) on the Closing Date.** Electronic Acceptances submitted will be deemed irrevocable and subject to each of the terms and conditions contained in the FAA and this Offer Document as if the FAA had been completed and delivered to CDP.

- 1.2 **Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the “Free Balance” of your Securities Account, you should also receive this Offer Document together with the FAA. If you do not receive that FAA, you may obtain a copy, upon production of satisfactory evidence that you have purchased the Offer Shares on the SGX-ST, from CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Acceptance. If you wish to accept the Offer in respect of such Offer Shares, you should, **AFTER** the “Free Balance” of your Securities Account has been credited with such number of Offer Shares purchased:

- (a) complete and sign the FAA in accordance with this Offer Document and the instructions printed on the FAA; and
- (b) deliver the completed and signed FAA in its entirety (no part may be detached or otherwise mutilated):
 - (i) **by hand**, to CKM (Cayman) Company Limited c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588; or
 - (ii) **by post**, in the enclosed pre-addressed envelope at your own risk, to CKM (Cayman) Company Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934,

in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date. If the completed and signed FAA is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

SUMMARY PROCEDURES FOR ACCEPTANCE OF THE OFFER

1.3 Depositors whose Securities Accounts are and will be credited with Offer Shares. *If you have Offer Shares credited to the “Free Balance” of your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to the “Free Balance” of your Securities Account, you may accept the Offer in respect of the Offer Shares standing to the credit of the “Free Balance” of your Securities Account and may accept the Offer in respect of the additional Offer Shares purchased which are in the process of being credited to your Securities Account only **AFTER** the “Free Balance” of your Securities Account has been credited with such number of additional Offer Shares purchased. The provisions set out above shall apply mutatis mutandis to your acceptance of the Offer.*

1.4 Rejection. *If upon receipt by CDP, on behalf of the Offeror, of the FAA, it is established that such Offer Shares have not been credited to the “Free Balance” of your Securities Account (as, for example, where you are selling or have sold such Offer Shares), then your acceptance is liable to be rejected and none of CDP, Rothschild and the Offeror (and, for the avoidance of doubt, any of the Offeror’s related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.*

If you purchase Offer Shares on the SGX-ST during the Offer Period and on a date near to the Closing Date, your acceptance of the Offer in respect of such Offer Shares will be rejected if the “Free Balance” of your Securities Account is not credited with such Offer Shares by 5.00 p.m. (Singapore time) on the Date of Receipt or 5.30 p.m. (Singapore time) on the Closing Date (if the Date of Receipt is on the Closing Date). None of CDP, Rothschild and the Offeror (and, for the avoidance of doubt, any of the Offeror’s related corporations) accepts any responsibility or liability for such a rejection, including the consequences of such a rejection.

1.5 Receipt. *No acknowledgement of receipt will be given by CDP for submissions of the FAA made by hand or by post or deposited into boxes located at CDP’s premises. All communications, notices, documents and payments will be sent by ordinary post at your risk to your mailing address as it appears in the records of CDP. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify the number of Offer Shares credited to your Securities Account through: (a) CDP Online if you have registered for the CDP Internet Access Service or (b) CDP Phone Service if you have a T-PIN.*

1.6 Suspense Account. *Upon receipt by CDP, for and on behalf of the Offeror, of the duly completed and signed original of the FAA, CDP will take such measures as it may consider necessary or expedient to prevent any trading of the Offer Shares in respect of which you have accepted the Offer during the period commencing on the Date of Receipt and ending on the date of settlement of the Offer Price, in the event the Offer becomes or is declared unconditional in all respects in accordance with its terms (including, without limitation, earmarking, blocking, and/or transferring the relevant number of such Offer Shares from the “Free Balance” of your Securities Account to a “Suspense Account”).*

1.7 Return of Offer Shares. *In the event the Offer does not become or is not declared unconditional in all respects in accordance with its terms, the relevant Offer Shares in respect of which you have accepted the Offer will be returned to the “Free Balance” of your Securities Account as soon as possible but, in any event, not later than 14 days from the lapse of the Offer.*

SUMMARY PROCEDURES FOR ACCEPTANCE OF THE OFFER

1.8 **Offer Conditional.** *In the event the Offer becomes or is declared unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the Offer Price by means of a Singapore Dollar cheque drawn on a bank in Singapore for the appropriate amount and sent by ordinary mail to your mailing address as recorded with CDP, or in such other manner as you may have agreed with CDP for the payment of any cash distribution, at your own risk.*

1.9 **No Securities Account.** *If you do not have any existing Securities Account in your own name at the time of acceptance of the Offer, your acceptance as contained in the FAA will be rejected.*

2. SCRIP HOLDERS

2.1 **Shareholders whose Offer Shares are not deposited with CDP.** *If you hold Offer Shares which are not deposited with CDP (“in scrip form”), you should receive this Offer Document together with the FAT.*

Acceptance. If you wish to accept the Offer, you should:

(a) *complete the FAT in accordance with the provisions and instructions in this Offer Document and the FAT (which provisions and instructions shall be deemed to form part of the terms of the Offer). In particular, you must state in Part A of the FAT the number of Offer Shares in respect of which you wish to accept the Offer. If you:*

(i) *do not specify any number in the FAT; or*

(ii) *specify a number which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT,*

you shall be deemed to have accepted the Offer in respect of all the UEL Shares represented by the share certificate(s) accompanying the FAT;

(b) *sign the FAT in accordance with this Offer Document and the instructions printed on the FAT; and*

(c) *deliver:*

(i) *the completed and signed FAT in its entirety (no part may be detached or otherwise mutilated);*

(ii) *the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure the Company to issue such share certificate(s) in accordance with the Memorandum and Articles of Association of the Company and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document and the FAT; and*

SUMMARY PROCEDURES FOR ACCEPTANCE OF THE OFFER

(iii) where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of transferee left blank (to be completed by the Offeror or a person authorised by it),

either **by hand**, to CKM (Cayman) Company Limited c/o Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #11-02, Singapore 068898, or **by post**, in the enclosed pre-addressed envelope at your own risk, to CKM (Cayman) Company Limited c/o Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #02-00, Singapore 068898, **in either case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date**. If the completed and signed FAT is delivered by post to the Offeror, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

2.2 Receipt. No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) or any other accompanying document(s) will be given by the Offeror, Rothschild or the Registrar.

2.3 Return of Offer Shares. In the event that the Offer does not become or is not declared unconditional in all respects in accordance with its terms, the FAT, share certificate(s) and/or any other accompanying document(s) will be returned to you as soon as possible but, in any event, not later than 14 days from the lapse of the Offer.

3. GENERAL

3.1 Disclaimer. The Offeror, Rothschild, CDP and/or the Registrar will be entitled, at their sole and absolute discretion, to reject or treat as invalid any acceptance of the Offer through the FAA and/or the FAT, as the case may be, which is not entirely in order or which does not comply with the terms contained in this Offer Document and the relevant Acceptance Forms or which is otherwise incomplete, incorrect, unsigned, signed but not in its originality, or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the relevant Acceptance Forms are properly completed and executed in all respects and are submitted with original signature(s) and that all required documents (where applicable) are provided. Any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), Rothschild, CDP and/or the Registrar accepts any responsibility or liability for such a decision, including the consequences of such a decision.

3.2 Discretion. The Offeror and Rothschild each reserves the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated in this Offer Document or in the relevant Acceptance Forms, or if made otherwise than in accordance with the provisions of this Offer Document and in the relevant Acceptance Forms. In respect of the FAA, any decision by the Offeror or Rothschild to reject or treat as valid any acceptance will be final and binding and CDP takes no responsibility for any decision made by the Offeror or Rothschild. In respect of the FAT, any decision to reject or treat as valid any acceptance will be final and binding and none of the Offeror (or, for the avoidance of doubt, any of the Offeror's related corporations), Rothschild, and the Registrar accepts any responsibility or liability for such a decision, including the consequences of such a decision.

SUMMARY PROCEDURES FOR ACCEPTANCE OF THE OFFER

- 3.3 **Scrip and Scripless Offer Shares.** *If you hold some Offer Shares in scrip form and others with CDP, you should complete a FAT for the former and a FAA for the latter in accordance with the respective procedures set out in this Appendix 2 and the relevant Acceptance Forms if you wish to accept the Offer in respect of all such Offer Shares.*
- 3.4 **Acceptances received on Saturday, Sunday or public holiday.** *Acceptances in the form of the FAA and/or the FAT received by CDP and/or the Registrar, for and on behalf of the Offeror, on a Saturday, Sunday or public holiday will only be processed and validated on the next Singapore Business Day.*
- 3.5 **Deposit Time.** *If you hold Offer Shares in scrip form, the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer by way of the FAA if you were to deposit your share certificate(s) with CDP after the Despatch Date. If you wish to accept the Offer in respect of such Offer Shares held in scrip form, you should complete the FAT and follow the procedures set out in paragraph 2 of this Appendix 2 and the FAT.*
- 3.6 **Correspondences.** *All communications, certificates, notices, documents and remittances to be delivered or sent to you (or, in the case of scrip holders, your designated agent or, in the case of accepting joint Shareholders who have not designated any agent, to the one first named in the Register, as the case may be) will be sent by ordinary post to your mailing address appearing in the records of CDP or the Register, as the case may be, at the risk of the person(s) entitled thereto (or for the purposes of remittances only, to such address as may be specified by you in the FAT, at your own risk).*
- 3.7 **Evidence of Title.** *Delivery of the duly completed and signed FAA and/or FAT, as the case may be, together with the relevant share certificate(s) and/or other documents of title and/or other relevant documents required by the Offeror, to the Offeror, CDP and/or the Registrar, as the case may be, shall be conclusive evidence in favour of the Offeror (or its nominee), CDP and/or the Registrar, as the case may be, of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.*
- 3.8 **Loss in Transmission.** *The Offeror, Rothschild, CDP or the Registrar, as the case may be, shall not be liable for any loss in transmission of the FAA and/or the FAT.*
- 3.9 **Acceptance Irrevocable.** *The acceptance of the Offer made by you using the FAA and/or the FAT, as the case may be, shall be irrevocable and any instructions or subsequent FAA(s) and/or FAT(s) received by CDP and/or the Registrar, as the case may be, after the FAA and/or the FAT, as the case may be, has been received shall be disregarded."*

LETTER TO SHAREHOLDERS AND THE CB HOLDER

UNITED ENVIROTECH LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200306466G)

LETTER TO SHAREHOLDERS AND THE CB HOLDER

Directors:

Dr Lin Yucheng (Chairman)
Mr Wang Ning (Executive Director)
Dr Chong Weng Chiew (Executive Director)
Mr David Haifeng Liu (Non-Executive Director)
Mr Zhao Fu (Non-Executive Director)
Dr Li Yan (Non-Executive Director)
Mr Yeung Koon Sang alias David Yeung (Lead Independent Director)
Mr Tay Beng Chuan (Independent Director)
Mr Lee Suan Hiang (Independent Director)

Registered Office:

80 Robinson Road
#02-00
Singapore 068898

Date: 2 APRIL 2015

To: The Shareholders and the CB Holder of United Envirotech Ltd.

Dear Sir/Madam

VOLUNTARY CONDITIONAL CASH OFFER BY ROTHSCHILD, FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Pre-Conditional Offer Announcement

On 12 November 2014, Rothschild announced, for and on behalf of the Offeror, that the Offeror intended to make the Offer for the Offer Shares at the Offer Price of S\$1.65 in cash for each Offer Share, subject to the satisfaction or waiver of the Offer Pre-Conditions (as the case may be).

A copy of the Pre-Conditional Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 The Offer Announcement

On 5 March 2015, Rothschild announced, for and on behalf of the Offeror, that as of the Offer Announcement Date, all of the Offer Pre-Conditions have been satisfied or waived (as the case may be), and that Rothschild (for and on behalf of the Offeror) would make the formal Offer.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

LETTER TO SHAREHOLDERS AND THE CB HOLDER

1.3 Offer Document

Shareholders and the CB Holder should have by now received a copy of the Offer Document, setting out, *inter alia*, the terms of the Offer and the Convertible Bonds Offer. Shareholders and the CB Holder are urged to read the terms and conditions of the Offer and the Convertible Bonds Offer set out in the Offer Document carefully.

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

1.4 Purpose of the Circular

The purpose of this Circular is to provide Shareholders and the CB Holder with relevant information pertaining to the Offer and/or the Convertible Bonds Offer (as the case may be) and to set out the recommendations of the Independent Directors and the advice of EYCF to the Independent Directors in respect of the Offer and the Convertible Bonds Offer.

Shareholders and the CB Holder should consider carefully the recommendations of the Independent Directors and the advice of EYCF to the Independent Directors in respect of the Offer and/or the Convertible Bonds Offer (as the case may be) before deciding whether to accept or reject the Offer and/or the Convertible Bonds Offer (as the case may be).

1.5 Aggregate Existing Holding

Based on section 1.4 of the Offer Document, as at the Offeror LPD, based on responses received pursuant to enquiries that the Offeror has made, the Offeror and its Concert Parties own or control an aggregate of:

- (a) 285,609,818 Shares, representing approximately 29.65% of the total number of issued Shares; and
- (b) US\$44.0 million in principal amount of Convertible Bonds which are convertible into 117,926,189 new Shares, representing approximately 10.23% of the enlarged total number of Shares¹, as at the Offeror LPD,

details of which are set out in Appendix 6 to the Offer Document.

2. THE PROPOSED TRANSACTION

2.1 The Proposed Transaction

Based on section 2.1 of the Offer Document, the Offeror proposes to acquire at least a majority stake in the Company by way of:

- (a) undertaking the Offer and the Convertible Bonds Offer; and
- (b) subscribing for new Shares pursuant to a private placement exemption under Section 272B of the SFA after the close of the Offer and the Convertible Bonds Offer, as more particularly described in Section 2.2 of the Offer Document.

¹ References in this Circular to the enlarged total number of Shares are based on 1,152,237,557 Shares. This figure has been arrived at on the basis set out in paragraph 3 of Appendix 1 to this Circular.

LETTER TO SHAREHOLDERS AND THE CB HOLDER

2.2 The Proposed Placement

Pursuant to the Placing Agreement, the Company agreed to place to the Offeror, and the Offeror agreed to subscribe from the Company, an aggregate of 30,303,031, 60,606,061 or 90,909,091 Placement Shares, at a subscription price per Placement Share of S\$1.65, representing an aggregate subscription amount of approximately S\$50 million, S\$100 million or S\$150 million respectively. The actual number of Placement Shares (i.e., whether 30,303,031, 60,606,061 or 90,909,091 new Shares) to be placed by the Company to the Offeror shall be determined by the Offeror.

The Placement Shares to be placed by the Company to the Offeror will represent approximately 2.56%, 5.00% or 7.31% (as the case may be) of the enlarged total number of Shares (after taking into account the Placement Shares to be issued by the Company)².

2.3 Placement Conditions

The Proposed Placement is conditional upon the following Placement Conditions being satisfied or fulfilled:

- (a) the Company having obtained the Placement AIP and such Placement AIP not having been revoked or amended and being in full force and effect and, where the Placement AIP is subject to any other conditions, to the extent such other conditions are required to be fulfilled on or before the Placement Completion, they are so fulfilled;
- (b) the Company having obtained the Placement Shareholders Approval;
- (c) the receipt by the Directors of the Placement IFA Opinion;
- (d) the PRC Regulatory Approvals being obtained by CITIC Environment and its affiliates; and
- (e) the Offer becoming or being declared unconditional in accordance with its terms upon the satisfaction or fulfilment of the Offer Condition.

Subject to the satisfaction or fulfilment of all the Placement Conditions, the Offeror will effect the Placement Completion not later than five (5) Business Days after the Closing Date.

Pursuant to the terms of the Placing Agreement, the Relevant Placement Conditions are to be satisfied or fulfilled on or before the Long-Stop Date. **In the event (I) any of the Relevant Placement Conditions is not satisfied or fulfilled by the Long-Stop Date or (II) the Placement Conditions are not satisfied or fulfilled, the Placing Agreement shall terminate and the Proposed Placement will not be made.**

² For the avoidance of doubt, the enlarged total number of Shares referred to in this paragraph is based on 1,152,237,557 Shares plus the Placement Shares to be issued by the Company.

LETTER TO SHAREHOLDERS AND THE CB HOLDER

2.4 Satisfaction of the Relevant Placement Conditions.

On 15 January 2015, the SGX-ST indicated that it has no objection to the Proposed Placement and for the listing of and quotation for the Placement Shares on the Official List of the SGX-ST and on 6 February 2015, Shareholders approved the Proposed Placement. The Placement IFA Opinion was obtained on 22 January 2015 and all the PRC Regulatory Approvals in connection with the Proposed Transaction have been obtained or waived as at 3 March 2015. Accordingly, all the Relevant Placement Conditions have been satisfied as at the Offer Announcement Date.

Shareholders are advised to refer to future announcements to be released by the Company on the website of the SGX-ST at www.sgx.com in relation to the Proposed Placement (including details relating to the Placement Completion) for further information.

3. THE OFFER

3.1 Principal Terms of the Offer

Based on section 3.1 of the Offer Document, Rothschild, for and on behalf of the Offeror, will make the Offer for all the Offer Shares in accordance with Rule 15 of the Code on the terms and conditions set out in the Offer Document, the FAA and the FAT (as the case may be).

3.2 Offer Price

Based on section 3.2 of the Offer Document, the consideration for each Offer Share is as follows:

For each Offer Share: S\$1.65 in cash

The Offeror had stated in the Offer Document that it does not intend to increase the Offer Price.

3.3 Offer Shares

Based on section 3.3 of the Offer Document, the Offer is extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by the Concert Parties. For the purpose of the Offer, the expression “**Offer Shares**” shall include such Shares.

3.4 No Encumbrances

Based on section 3.4 of the Offer Document, the Offer Shares are to be acquired (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, interests, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date, and thereafter attaching thereto, including all voting rights, the right to receive and retain all Distributions (if any), in respect of which, the Record Date falls on or after the Pre-Conditional Offer Announcement Date.

LETTER TO SHAREHOLDERS AND THE CB HOLDER

3.5 Adjustments for Distributions

Based on section 3.5 of the Offer Document, without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions, in respect of which, the Record Date falls on or after the Pre-Conditional Offer Announcement Date. In the event of any such Distribution, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the Offer Settlement Date falls:

- (a) if the Offer Settlement Date falls on or before the Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Price of S\$1.65 in cash for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and
- (b) if the Offer Settlement Date falls after the Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.

3.6 Offer Condition

Based on section 3.6 of the Offer Document, the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the “**Offer Condition**”)³.

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer), will result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the maximum potential issued shares of the Company. For these purposes, the “**maximum potential issued shares of the Company**” means the total number of Shares which would be in issue had all the aggregate outstanding Options and Convertible Bonds which are exercisable or convertible prior to the close of the Offer been validly exercised or converted as of the date of such declaration, but excluding any new Shares which may be issued pursuant to (collectively, the “**Excluded New Shares**”):

- (a) the valid exercise of any Unreleased Post-Amendment Options;

³ For the purposes of this paragraph and based on the Offer Document, the Offeror and its concert parties need to own, control or agree to acquire an aggregate of at least 490,863,935 Shares in order for the Offer to be declared unconditional as to acceptances as at the close of the Offer, assuming the total number of Shares issued or to be issued as at the close of the Offer is 981,727,868 Shares, which excludes such number of new Shares that would be issued pursuant to the valid conversion of any Convertible Bonds prior to the close of the Offer. Based on section 5.2(a) of the Offer Document, KKRCW has undertaken not to convert any of its Convertible Bonds into new Shares during the Offer Period.

LETTER TO SHAREHOLDERS AND THE CB HOLDER

- (b) the exercise of any of the UEL CEO's Options; and
- (c) the Proposed Placement,

(collectively, the “**Relevant Maximum Potential Issued Shares**”).

The Offeror had stated in the Offer Document that the SIC had on the SIC Ruling Date confirmed to the Offeror that in determining whether, prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Shares which will result in the Offeror holding the Relevant Maximum Potential Issued Shares, the Offeror shall be entitled to exclude the Excluded New Shares.

The Offer will not become or be capable of being declared unconditional in accordance with its terms unless the Offer Condition is satisfied or fulfilled. The Offer is unconditional in all other respects.

Based on section 3.6 of the Offer Document (read in connection with Section 1.4 of the Offer Document), as at the Offeror LPD, the Offeror and its Concert Parties own or control an aggregate of 285,609,818 Shares, representing approximately 29.65% of the total number of issued Shares.

On 26 March 2015, Rothschild, for and on behalf of the Offeror announced that it has received valid acceptances of the Offer in respect of 580,303,857 Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), result in the Offeror and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the maximum potential issued shares of the Company⁴. Accordingly, the minimum acceptance condition of the Offer has been satisfied and the Offer has become and is declared unconditional in all respects.

A copy of the 26 March Announcement is available on the website of the SGX-ST at www.sgx.com.

3.7 Warranty

Based on section 3.7 of the Offer Document, a Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (i) fully paid, (ii) free from all Encumbrances, and (iii) together with all rights, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Pre-Conditional Offer Announcement Date.

⁴ The Company understands from the 26 March Announcement that, references in this paragraph to the maximum potential issued shares of the Company are based on a total of 1,099,654,057 Shares which would be in issue, assuming that all the aggregate outstanding Convertible Bonds and Options which are convertible or exercisable prior to the close of the Offer has been validly converted or exercised as of the date of such declaration, but excluding the Excluded New Shares.

LETTER TO SHAREHOLDERS AND THE CB HOLDER

3.8 Choices

Based on section 3.8 of the Offer Document, in respect of the Offer, a Shareholder can, in relation to all or part of his Offer Shares, either:

- (a) accept the Offer in respect of such Offer Shares in accordance with such procedures set out in Appendix 2 to the Offer Document and the FAA or FAT (as the case may be); or
- (b) take no action and let the Offer lapse in respect of his Offer Shares and remain as a Shareholder.

4. THE CONVERTIBLE BONDS OFFER

4.1 Convertible Bonds

Based on section 4.1 of the Offer Document, as at the Offeror LPD, based on the latest information available to the Offeror, the Company has an aggregate outstanding principal amount of US\$44.0 million convertible bonds due 2016 held by the CB Holder, representing all the Convertible Bonds issued by the Company as at the Offeror LPD, which are convertible at a conversion price of S\$0.45 per Share into 117,926,189 new Shares, representing approximately 10.23% of the enlarged total number of Shares.

4.2 The Convertible Bonds Offer

Based on section 4.2 of the Offer Document, in addition to the Offer, Rothschild, for and on behalf of the Offeror, will also make an offer to the CB Holder for all the Convertible Bonds (the “**Offer Convertible Bonds**”) in accordance with Rule 19 of the Code, and on the terms and subject to the conditions set out in this Offer Document, the Bonds Offer Letter and the Bonds FAT.

- (a) **Condition of Convertible Bonds Offer.** The Convertible Bonds Offer will be subject to and conditional upon the Offer becoming or being declared unconditional in accordance with its terms and the Offer Convertible Bonds continuing to be transferable and convertible into new Shares. **If the Offer lapses or is withdrawn or if the relevant Offer Convertible Bonds cease to be transferable or convertible into Shares, the Convertible Bonds Offer shall lapse accordingly.**
- (b) **Convertible Bonds Offer Price.** The offer price for each in principal amount of the Offer Convertible Bonds tendered in acceptance of the Convertible Bonds Offer will, in accordance with Note 1(a) on Rule 19 of the Code, be the “see-through” price. The said “see-through” price is equal to the Offer Price multiplied by the number of new Shares into which such principal amount of Offer Convertible Bonds may be converted (rounded down to the nearest Share) (the “**Conversion Ratio**”). In the event the Conversion Ratio is or will be adjusted in accordance with the terms and conditions of the Convertible Bonds, the Offeror reserves the right to adjust the Convertible Bonds Offer Price subject to consultation with the SIC.
- (c) **No Encumbrances.** The Offer Convertible Bonds are to be acquired:
 - (i) fully paid and free from all Encumbrances; and

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- (ii) together with all rights, interests, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all interests, payments, rights or other distributions (if any), the Bonds Record Date for which falls on or after the Pre-Conditional Offer Announcement Date (but excluding any payments of interest (including default interest) on the principal amount of the Offer Convertible Bonds (the “**Convertible Bonds Interest Payments**”), the Bonds Record Date for which falls before the relevant settlement date for the Offer Convertible Bonds tendered in acceptance of the Convertible Bonds Offer by the CB Holder) (the “**CB Settlement Date**”).

For the purpose of this Circular, the term “**Bonds Record Date**” means, in relation to any interests, payments, rights or other distributions, the date on which the CB Holder must be registered with the Company in order to participate in such interests, payments, rights or other distributions.

In the event of any such interests, payments, rights or other distributions or if any right arises for any reason whatsoever (other than the Convertible Bonds Interest Payments) on or after the Pre-Conditional Offer Announcement Date for the benefit of the CB Holder who validly accepts or has validly accepted the Convertible Bonds Offer, the Offeror reserves the right to reduce the Convertible Bonds Offer Price payable to the accepting CB Holder by the amount of such interests, payments, rights or other distributions, subject to consultation with the SIC.

In relation to the Convertible Bonds Interest Payments:

- (I) **the Bonds Record Date for which falls before the CB Settlement Date**, the SIC has on the SIC Ruling Date confirmed to the Offeror that KKRCW would be entitled to the amount of the Convertible Bonds Interest Payments in respect of the Convertible Bonds to be paid prior to the CB Settlement Date. Accordingly, the amount of Convertible Bonds Interest Payments in respect of the Convertible Bonds to be paid prior to the CB Settlement Date (if any) will not be deducted by the Offeror from the Convertible Bonds Offer Price payable to the accepting CB Holder; and
 - (II) **the Bonds Record Date for which falls on or after the CB Settlement Date**, the SIC has on the SIC Ruling Date confirmed to the Offeror that the Offeror would be entitled to all Convertible Bonds Interest Payments to be paid on or after the CB Settlement Date. In addition, the SIC has also confirmed that all Convertible Bonds Interest Payments from and including the last interest payment date (i.e., 4 October 2014) up to and including the CB Settlement Date received by the Offeror on or after the CB Settlement Date, may be paid by the Offeror to KKRCW (as the accepting CB Holder) pursuant to the terms of the KKRCW Subscription Agreement, and KKRCW shall be entitled to all such Convertible Bonds Interest Payments.
- (d) **Offer and Convertible Bonds Offer Mutually Exclusive.** For the avoidance of doubt, whilst the Convertible Bonds Offer is conditional upon the Offer becoming or being declared unconditional in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Convertible Bonds Offer. The Offer and the Convertible Bonds Offer are separate and mutually exclusive. The Convertible Bonds Offer does not form part of the Offer and *vice versa*.
 - (e) **Letter to CB Holder.** Further details of the Convertible Bonds Offer are set out in the Bonds Offer Letter and the Bonds FAT.

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5. IRREVOCABLE UNDERTAKINGS

5.1 Irrevocable Undertakings in relation to the Offer

Based on section 5.1 of the Offer Document, as at the Offeror LPD, the following Shareholders have provided irrevocable undertakings to the Offeror (each, an “**Irrevocable Undertaking**”) to, amongst other things, accept the Offer in respect of an aggregate of 491,230,201 Shares, representing approximately 50.99% of the total number of issued Shares:

No.	Name of Shareholder	Number of Shares undertaken	Percentage of Shares (%)
1.	KKRCW	285,609,818	29.65
2.	UEL CEO	71,761,000	7.45
3.	UEL CIO and Joyfield	85,593,383	8.88
4.	Independent Shareholders	48,266,000	5.01
Total number of Shares in relation to the Irrevocable Undertakings:		491,230,201	50.99

5.2 Principal Terms of the Irrevocable Undertakings

Based on section 5.2 of the Offer Document, the other principal terms of the Irrevocable Undertakings are as follows:

- (a) the Irrevocable Undertaking by KKRCW includes an undertaking by KKRCW not to convert any of the Convertible Bonds held by it into new Shares or exercise any right to request for early redemption by the Company of the Convertible Bonds during the Offer Period, but to tender all of the Convertible Bonds in acceptance of the Convertible Bonds Offer;
- (b) the Irrevocable Undertaking by the UEL CEO includes an undertaking by the UEL CEO not to exercise any of the UEL CEO’s Options into new Shares during the Offer Period; and
- (c) the Irrevocable Undertakings by the Independent Shareholders include an undertaking by each of them to vote, or procure the voting of, such number of Shares which are the subject of their undertakings in favour of the resolution(s) to approve the Proposed Placement at a general meeting of the Company to be convened for that purpose.

Each of the Irrevocable Undertakings by KKRCW, the UEL CEO, the UEL CIO (including Joyfield) and the Independent Shareholders will terminate on the earlier of (i) the Long-Stop Date (or such later date as the Offeror may determine in consultation with the SIC) and (ii) the date on which the Offer lapses or is withdrawn (other than by reason of a breach of their respective Irrevocable Undertakings).

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6. FURTHER DETAILS OF THE OFFER

The following information on the Offer has been extracted from Appendix 1 to the Offer Document and set out in Appendix 2 to this Circular:

- (a) the duration of the Offer;
- (b) the settlement of the consideration for the Offer;
- (c) the requirements relating to the announcement(s) of the level of acceptances of the Offer; and
- (d) the right of withdrawal of acceptances of the Offer.

7. INFORMATION ON THE OFFEROR, ITS CONCERT PARTIES AND THE CONSORTIUM ARRANGEMENTS

The information on the Offeror set out in italics below has been extracted from section 8 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“8.1 Information on the Offeror. The Offeror is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 30 September 2014. Its principal activities are those of an investment holding company. As at the Latest Practicable Date, the Offeror has an authorised share capital of S\$13,000 divided into 1,300,000,000 shares of a par value of S\$0.00001 each and an issued and paid-up share capital of S\$0.00002 comprising two Offeror Shares, and each of KKRCW and CITIC Environment owns one Offeror Share.

As at the Latest Practicable Date, the Offeror Board comprise four members, consisting of (a) two nominees of CITIC Environment (namely, Mr Hao Weibao and Mr Wang Song) and (b) two nominees of KKRCW (namely, Mr David Haifeng Liu and Mr Zhao Fu).

Post-completion of the Proposed Transaction, it is currently expected that the Offeror Board will comprise nine members, consisting of (i) five nominees of CITIC Environment (namely, Mr Hao Weibao, Mr Zhang Yong, Mr Wang Song, Ms Ren Xia, and Ms Mao Yimin), (ii) two nominees of KKRCW (namely, Mr David Haifeng Liu and Mr Zhao Fu), and (iii) the Key Management Shareholders.

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8.2 Information on KKRCW. *KKRCW, a controlling shareholder⁵ of the Company, is a company incorporated under the laws of the British Virgin Islands. Its principal activities are those of an investment holding company. As at the Latest Practicable Date, KKRCW is authorised to issue a maximum of 50,000 ordinary shares with a par value of US\$1.00 each and currently, 15,001 ordinary shares with a par value of US\$1.00 each have been issued for an aggregate subscription price of US\$153,800,001. KKRCW is an indirect wholly-owned subsidiary of KKR China Water Holdings I Limited, which in turn is approximately 93.20% held by KKR Asian Fund L.P. as at the Latest Practicable Date. The investment manager for KKR Asian Fund L.P. is Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, “KKR”).*

KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners’ capital and brings opportunities to others through its capital markets business. References to KKR’s investments may include the activities of its sponsored funds. For additional information about KKR (NYSE: KKR), please visit KKR’s website at www.kkr.com.

As at the Latest Practicable Date, the sole director of KKRCW is Mr William J. Janetschek, the Chief Financial Officer of KKR.

Since KKR’s initial investment in UEL through KKRCW’s subscription of the Convertible Bonds in 2011, KKR has been a value-added partner of UEL. KKR has played an active role in assisting and supporting UEL on all its significant investments since 2011 and has contributed not just its investment and mergers and acquisition expertise but also its capital markets network and know-how.

8.3 Information on CITIC Environment. *CITIC Environment is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 29 September 2014. Its principal activities are those of an investment holding company. As at the Latest Practicable Date, CITIC Environment has an authorised share capital of S\$13,000 divided into 1,300,000,000 shares of a par value of S\$0.00001 each and an issued and paid-up share capital of S\$0.00001 comprising one ordinary share, and is wholly-owned by CITIC EP.*

As at the Latest Practicable Date, the directors of CITIC Environment are Mr Hao Weibao, Mr Zhang Yong and Mr Wang Song.

⁵ The term “controlling shareholder” is as defined in the Listing Manual.

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As at the Latest Practicable Date, CITIC EP is a wholly-owned subsidiary of CITIC Corporation Limited, which in turn, is a wholly-owned subsidiary of CITIC Limited (formerly known as CITIC Pacific Limited). CITIC Limited, 77.90% owned by CITIC Group Corporation which is incorporated in Beijing, and listed in Hong Kong (SEHK: 267), is one of the constituent stocks of the Hang Seng Index. As the largest conglomerate in the PRC, its businesses include financial services, resources and energy, manufacturing, real estate and infrastructure, engineering contracting, and other businesses in the PRC and overseas. For more information about CITIC Limited, please visit its company website at www.citic.com.

As at the Latest Practicable Date, the members on the board of directors of CITIC EP are (a) Mr Wang Jiong (President and Vice Chairman of CITIC Corporation Limited, President and Vice Chairman of CITIC Limited and Chairman of CITIC EP), (b) Mr Nie Xuequn (Vice Chairman of CITIC EP), (c) Mr Hao Weibao (President of CITIC EP), (d) Mr Chen Bin (Vice President of CITIC EP) and (e) Mr Luo Wei (Assistant President of CITIC EP).

As at the Latest Practicable Date, the members on the board of directors of CITIC Corporation Limited are (i) Mr Chang Zhenming (Chairman and Executive Director of CITIC Corporation Limited and Chairman of CITIC Limited), (ii) Mr Wang Jiong, (President and Vice Chairman of CITIC Corporation Limited, President and Vice Chairman and Executive Director of CITIC Limited and Chairman of CITIC EP), (iii) Mr Dou Jianzhong (Vice President and Executive Director of CITIC Corporation Limited, and Vice President and Executive Director of CITIC Limited), (iv) Mr Yang Jinming (Non-Executive Director), (v) Mr Yu Zhensheng (Non-Executive Director), (vi) Ms Cao Pu (Non-Executive Director) and (vii) Mr Liu Yeqiao (Non-Executive Director).

As at the Latest Practicable Date, the members on the board of directors of CITIC Limited are (1) Mr Chang Zhenming (Chairman and Executive Director of CITIC Corporation Limited and Chairman of CITIC Limited), (2) Mr Wang Jiong (President and Vice Chairman of CITIC Corporation Limited, President and Vice-Chairman and Executive Director of CITIC Limited, and Chairman of CITIC EP), (3) Mr Dou Jianzhong (Vice President and Executive Director of CITIC Corporation Limited, and Vice President and Executive Director of CITIC Limited), (4) Mr Zhang Jijing (Vice President and Executive Director of CITIC Limited), (5) Mr Yang Jinming (Non-Executive Director), (6) Mr Yu Zhensheng (Non-Executive Director), (7) Ms Cao Pu (Non-Executive Director), (8) Mr Liu Zhongyuan (Non-Executive Director), (9) Mr Liu Yeqiao (Non-Executive Director), (10) Mr Alexander Reid Hamilton (Independent Non-Executive Director), (11) Mr Francis Siu Wai Keung (Independent Non-Executive Director), (12) Dr Xu Jinwu (Independent Non-Executive Director), (13) Mr Anthony Francis Neoh (Independent Non-Executive Director) and (14) Ms Lee Boo Jin (Independent Non-Executive Director).

Additional information on CITIC Limited is set out in Appendix 4 to this Offer Document.

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8.4 Joint Offerors and Key Management Shareholders Retaining an Interest. *The SIC has on the SIC Ruling Date confirmed to the Offeror that:*

- (a) CITIC Environment and KKRCW are regarded as joint offerors under Note 6 on Rule 10 of the Code for the purpose of making the Offer through the Offeror and that accordingly, the Consortium Agreement, the KKRCW Subscription Agreement and KKRCW's Irrevocable Undertaking (referred to in Section 5.1 of this Offer Document) will not constitute a special deal by CITIC Environment or the Offeror to KKRCW under Rule 10 of the Code;*
- (b) pursuant to Note 4 on Rule 10 of the Code, the Key Management Shareholders' Agreements will not constitute a special deal by CITIC Environment or the Offeror to the Key Management Shareholders under Rule 10 of the Code, subject to the IFA to UEL publicly stating in its opinion that the terms of the Key Management Shareholders' Agreements are fair and reasonable; and*
- (c) the Key Management Shareholders' Agreements will not amount to an agreement or understanding (whether formal or informal) to co-operate to obtain or consolidate effective control of UEL.*

8.5 Capitalisation of the Offeror. *On the Signing Date, KKRCW, CITIC Environment, the Key Management Shareholders and CITIC EP, have entered into the Consortium Agreement with the Offeror to govern the relationship of KKRCW, CITIC Environment and the Key Management Shareholders as shareholders of the Offeror. Pursuant to the Consortium Agreement, the Offeror Shareholders have agreed that the Offeror will be capitalised as follows:*

- (a) pursuant to the CITIC Loan Agreement, CITIC Environment will extend to the Offeror the CITIC Loan to fund the payment obligations of the Offeror in connection with the Proposed Transaction.*

Following the completion of the Offer, the Convertible Bonds Offer and the Placement Completion, the CITIC Loan Capitalisation will occur pursuant to the terms of the CITIC Subscription Agreement.

Further, CITIC Corporation Limited has, on the Signing Date, given a guarantee to KKRCW to guarantee the obligations of CITIC Environment (I) under the CITIC Loan Agreement (including all the payment obligations of the Offeror under or in connection with the Offer, the Convertible Bonds Offer and the Proposed Placement) and (II) in relation to the KKRCW Put Option.

- (b) pursuant to KKRCW's Irrevocable Undertaking and the KKRCW Subscription Agreement, KKRCW has agreed to:*
 - (i) tender all its 285,609,818 UEL Shares in acceptance of the Offer;*
 - (ii) tender all the Convertible Bonds in acceptance of the Convertible Bonds Offer;*

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- (iii) *subject to the Inter-Consortium Members Transfers, accept payment by the Offeror of approximately 66.67% of the aggregate consideration that KKRCW would receive as a result of the KKRCW Acceptances, in the form of new Offeror Shares at the Offeror Share Issue Price (the “**KKRCW Swap**”); and*
 - (iv) *subject to the Inter-Consortium Members Transfers, accept payment by the Offeror of the remaining approximately 33.33% of the aggregate consideration payable by the Offeror to KKRCW as a result of the KKRCW Acceptances, in the form of cash;*
- (c) *pursuant to the Irrevocable Undertaking given by the UEL CEO and the Lin Subscription Agreement, the UEL CEO has agreed to:*
 - (i) *tender all his 71,761,000 UEL Shares in acceptance of the Offer;*
 - (ii) *subject to the Inter-Consortium Members Transfers, accept payment by the Offeror of approximately 59.70%⁶ of the aggregate consideration that the UEL CEO would receive as a result of the UEL CEO Acceptance, in the form of new Offeror Shares at the Offeror Share Issue Price (the “**UEL CEO Swap**”); and*
 - (iii) *subject to the Inter-Consortium Members Transfers, accept payment by the Offeror of the remaining approximately 40.30%⁷ of the aggregate consideration payable by the Offeror to the UEL CEO as a result of the UEL CEO Acceptance, in the form of cash;*
- (d) *pursuant to the Irrevocable Undertaking given by the UEL CIO and the Pan Subscription Agreement, the UEL CIO and Joyfield have agreed to:*
 - (i) *tender all the 85,593,383 UEL Shares held by the UEL CIO and Joyfield (in the aggregate) in acceptance of the Offer;*
 - (ii) *subject to the Inter-Consortium Members Transfers, accept payment by the Offeror of approximately 66.67% of the aggregate consideration that the UEL CIO and Joyfield would receive as a result of the UEL CIO Acceptance, in the form of new Offeror Shares to be issued to the UEL CIO at the Offeror Share Issue Price (the “**UEL CIO Swap**”); and*
 - (iii) *subject to the Inter-Consortium Members Transfers, accept payment by the Offeror of the remaining approximately 33.33% of the aggregate consideration payable by the Offeror to the UEL CIO and Joyfield as a result of the UEL CIO Acceptance, in the form of cash; and*

⁶ 59.70% of the aggregate consideration that the UEL CEO would receive is equivalent to the sum of 66.67% of the UEL CEO's 71,761,000 UEL Shares and the UEL CEO's UEL Options of 15,000,000.

⁷ 40.30% of the aggregate consideration that the UEL CEO would receive is equivalent to the sum of 33.33% of the UEL CEO's 71,761,000 UEL Shares and the UEL CEO's UEL Options of 15,000,000.

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(e) *in the event, however, following the completion of the Proposed Transaction and the CITIC Loan Capitalisation, CITIC Environment fails to hold at least 51% of the Offeror, each of KKRCW and the Key Management Shareholders will transfer a proportionate number of Offeror Shares held by them (such number not exceeding (i) in the case of KKRCW, 26,902,401 Offeror Shares held by it, (ii) in the case of the UEL CEO, 5,784,067 Offeror Shares held by him and (iii) in the case of the UEL CIO, 5,706,225 Offeror Shares held by her) to CITIC Environment at the Offeror Share Issue Price, to enable CITIC Environment to hold at least 51% of the Offeror, immediately following such transfers (the “**Inter-Consortium Members Transfers**”).*

8.6 Board Seat Rights and Reserved Matters. *Post-completion of the Proposed Transaction and pursuant to the terms of the Consortium Agreement, the Offeror Shareholders have, amongst other things, agreed that:*

- (a) *the Offeror Board will comprise nine members as described in Section 8.1 of this Offer Document; and*
- (b) *the UEL Board will comprise eight members. It is currently contemplated that, subject to compliance with the Listing Manual and the Companies Act, the eight members of the UEL Board shall be:*

No.	Name	Position
1.	<i>Mr Hao Weibao</i>	<i>Chairman and Non-Executive Director (and nominee of CITIC Environment)</i>
2.	<i>Mr Zhang Yong</i>	<i>Non-Executive Director (and nominee of CITIC Environment)</i>
3.	<i>Mr Wang Song</i>	<i>Non-Executive Director (and nominee of CITIC Environment)</i>
4.	<i>Dr Lin Yucheng</i>	<i>Chief Executive Officer</i>
5.	<i>Mr Zhao Fu</i>	<i>Non-Executive Director (and nominee of KKRCW)</i>
6.	<i>Mr Yeung Koon Sang alias David Yeung</i>	<i>Lead Independent Director</i>
7.	<i>Mr Tay Beng Chuan</i>	<i>Independent Director</i>
8.	<i>Mr Lee Suan Hiang</i>	<i>Independent Director</i>

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(c) *The Offeror Shareholders have further agreed pursuant to the terms of the Consortium Agreement, on a list of reserved matters (the “**Reserved Matters**”) which shall not be undertaken by the Offeror, UEL and/or any of their respective subsidiaries and associated companies (each, a “**Group Company**”, and collectively, the “**Offeror Group**”), without the affirmative vote of (i) a director of the Offeror Board nominated by each Offeror Shareholder, or (ii) three-fourths of the directors representing the Offeror Board. The Reserved Matters include, amongst other things, (I) any alterations to the constitutional documents of a Group Company, (II) the delisting of UEL from the SGX-ST, (III) the issuance of new equity securities by any Group Company save for permitted exceptions such as the granting of Options under the UEL Scheme and (IV) the conduct of any merger, consolidation, reorganisation or restructuring, or any dissolution, liquidation or winding up of any Group Company.*

8.7 **Transfer Restrictions.** *Pursuant to the Consortium Agreement, the Offeror Shareholders agreed that pro rata proportions of the UEL Shares corresponding to the shareholding percentages of CITIC Environment, KKRCW and the Key Management Shareholders in the Offeror will be held in the Relevant Offeror Sub, and the Offeror will direct that all Offer Shares tendered in acceptance of the Offer will be credited directly into the Securities Account (or securities sub-account) of each Relevant Offeror Sub pursuant to the terms of the Subscription Agreements.*

The Consortium Agreement provides for restrictions on the transfer by:

- (a) *each of the Offeror Shareholders of Offeror Shares held by it;*
- (b) *the Offeror of shares in the Relevant Offeror Sub held by the Offeror; and*
- (c) *the Relevant Offeror Sub of UEL Shares held by it,*

except in certain circumstances.

The Consortium Agreement further contains, among other things, put option rights:

- (i) *of KKRCW to require CITIC Environment to either purchase or cause the Offeror to redeem the Offeror Shares held by KKRCW at a price to be determined by reference to the financial performance and market prices of the UEL Group at the relevant time of exercise by KKRCW of its put option (the “**KKRCW Put Option**”). The KKRCW Put Option is exercisable on the expiry of 18 months after the Closing Date and for a period of 20 months thereafter; and*

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- (ii) of each of the Key Management Shareholders to require CITIC Environment to either purchase or cause the Offeror to redeem the Offeror Shares held by him/her at a price to be determined by reference to the market prices of the UEL Group at the relevant time of exercise by him/her of his/her put option (each, the “**Key Management Shareholder’s Put Option**”). The Key Management Shareholder’s Put Option is exercisable in agreed tranches, on the expiry of three years after settlement is made by the Offeror in respect of the Offer Shares that each Key Management Shareholder has tendered in acceptance of the Offer, and for a period of three years thereafter.

Each of KKRCW and the Key Management Shareholders will have to bear the risks associated with the business and financial performance of the Offeror Group going forward and will have to accept the restricted rights of minority shareholders in a privately held company.

- 8.8 **Resultant Shareholding in the Offeror.** Subject to the Offer becoming or being declared unconditional in accordance with its terms and assuming that the only Shareholders who have tendered their Offer Shares in acceptance of the Offer are Shareholders who have provided the Irrevocable Undertakings:

- (a) Upon the Swaps, the Placement Completion⁸ and the CITIC Loan Capitalisation occurring (but prior to the Inter-Consortium Members Transfers), the resultant percentage of shareholding of the Offeror Shareholders in the Offeror will be as follows:

No.	Name of Shareholder	Percentage of enlarged issued share capital in the Offeror (%)
1.	CITIC Environment	44.9
2.	KKRCW	40.2
3.	Dr Lin Yucheng	6.4
4.	Ms Pan Shuhong	8.5

- (b) Upon the Swaps, the Placement Completion, the CITIC Loan Capitalisation and the Inter-Consortium Members Transfers occurring, the resultant percentage of shareholding of the Offeror Shareholders in the Offeror will be as follows:

No.	Name of Shareholder	Percentage of enlarged issued share capital in the Offeror (%)
1.	CITIC Environment	50.6
2.	KKRCW	36.2
3.	Dr Lin Yucheng	5.5
4.	Ms Pan Shuhong	7.7

⁸ Assuming that the aggregate subscription amount for the Proposed Placement is approximately S\$100 million.

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In summary, upon the Swaps, the Placement Completion, the CITIC Loan Capitalisation and the Inter-Consortium Members Transfers (if necessary) occurring, it is expected that the percentage of shareholding to be held by each Offeror Shareholder in the Offeror will be as follows:

No.	Name of Shareholder	Percentage⁹ of enlarged issued share capital in the Offeror (%)¹⁰
1.	CITIC Environment	Between 50.6 to 67.4
2.	KKRCW	Between 23.8 to 36.2
3.	Dr Lin Yucheng	Between 3.8 to 5.5
4.	Ms Pan Shuhong	Between 5.0 to 7.7

The final percentage of shareholding to be held by each Offeror Shareholder would depend on (1) the level of acceptances of the Offer, (2) the number of Placement Shares to be issued to the Offeror, and (3) whether the Inter-Consortium Members Transfers occur.

After the close of the Offer (but prior to the Placement Completion, the CITIC Loan Capitalisation and the Inter-Consortium Members Transfers), CITIC Environment will hold less than 50% of all the Offeror Shares in issue and will subsequently increase its stake in the Offeror through (A) the Placement Completion and the CITIC Loan Capitalisation and/or (B) the Inter-Consortium Members Transfers, so as to acquire statutory control (i.e., more than 50%) of the Offeror (and thereby become the leader of the Offeror concert party group). The SIC has on the SIC Ruling Date ruled that such increase in shareholding in the Offeror by CITIC Environment will not result in CITIC Environment triggering a mandatory takeover obligation under Rule 14 of the Code, provided that (I) the Placement Completion and the CITIC Loan Capitalisation and (II) the Inter-Consortium Members Transfers are effected not later than 10 Business Days after the close of the Offer, and the Offeror releases a public announcement on the resulting shareholding of the Offeror and UEL thereafter.

⁹ Any discrepancies in this table between the listed percentages and the totals thereof are due to rounding.

¹⁰ The enlarged issued share capital in the Offeror has been computed on the assumption that out of the 70,950,000 Options outstanding, only 18,366,500 Options will be exercised into new UEL Shares and tendered in acceptance of the Offer (after subtracting 45,083,500 Unreleased Post-Amendment UEL Options and 7,500,000 of the UEL CEO's UEL Options). This assumption is on the basis that (i) the UEL CEO undertakes not to convert any of his 15,000,000 Options into new UEL Shares during the Offer Period, and (ii) none of the 45,083,500 Unreleased Post-Amendment UEL Options will be exercised into new UEL Shares during the Offer Period, out of which 7,500,000 comprise the Options held by the UEL CEO.

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The SIC has on the SIC Ruling Date further ruled that for so long as the Offeror holds more than 49% of all the UEL Shares in issue following the close of the Offer, and CITIC Environment holds more than 50% of all the Offeror Shares in issue, any acquisition (whether directly or indirectly) by CITIC Environment of (i) Offeror Shares, (ii) shares in the Relevant Offeror Subs or (iii) UEL Shares, whether pursuant to CITIC Environment's right of first refusal under the Consortium Agreement, the KKRCW Put Option, the Key Management Shareholder's Put Option or on or off-market purchases (whether through private placements or rights issues) or otherwise, would not result in CITIC Environment triggering a mandatory takeover obligation under Rule 14 of the Code.

8.9 Conversion of the Convertible Bonds. *Pursuant to the terms of the Consortium Agreement, the Offeror Shareholders have agreed to procure that the Offeror (through KKRCW Offeror Sub) converts all the Convertible Bonds into new UEL Shares, post-completion of the Offer. Under the Consortium Agreement, the Offeror Shareholders have agreed that the Offeror will deliver a conversion notice in relation to the Convertible Bonds within 10 Business Days of the Closing Date. The SIC has on the SIC Ruling Date confirmed to the Offeror that the subscription of new UEL Shares by the Offeror (or the KKRCW Offeror Sub) following the conversion of the Convertible Bonds into new UEL Shares by the Offeror after the successful close of the Offer, would not contravene Rule 33.2 of the Code.*

8.10 Service Contracts. *Post-completion of the Proposed Transaction, UEL will enter into a Service Contract with each of the Key UEL Senior Managers on terms substantially similar to his or her existing employment terms, save for the following:*

- (a) each Service Contract may not be terminated by UEL during the period commencing three years after the Closing Date, except for cause (as such term is defined or prescribed under each Service Contract);*
- (b) the compensation of the Key UEL Senior Managers concerned (including bonuses and other discretionary compensation), will be recommended by UEL's Remuneration Committee for the UEL Board's approval; and*
- (c) the non-compete provisions in each Service Contract will reflect the non-compete provisions in the Consortium Agreement.*

In relation to the UEL CEO, his Service Contract will include the following additional provisions:

- (i) that his job responsibilities include being a director of UEL; and*
- (ii) that he has the authority to appoint, terminate and determine the compensation of subordinate employees and to make recommendations to UEL's Remuneration Committee in relation to the compensation of the Key UEL Senior Managers (other than himself).*

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The SIC has confirmed on the SIC Ruling Date that the Service Contracts with the Key UEL Senior Managers will not:

- (1) constitute a special deal by the Offeror to the Key UEL Senior Managers under Rule 10 of the Code (but in relation to the Key Management Shareholders, such confirmation by the SIC is subject to the IFA of UEL publicly stating in its opinion that the terms of their Service Contracts are fair and reasonable); or*
- (2) amount to an agreement or understanding (whether formal or informal) with the Offeror to cooperate to obtain or consolidate effective control of UEL.”*

8. RATIONALE FOR THE PROPOSED TRANSACTION

The full text of the Offeror’s rationale for the Proposed Transaction has been extracted from section 10 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully and note the Offeror’s intentions relating to the Company as set out therein.**

*“10.1 **Rationale for the Proposed Transaction.** The Offeror believes that the Proposed Transaction provides an opportunity for Shareholders to participate in the growth of the Company, a market leader in the membrane-based water and wastewater treatment industry, with CITIC Environment as the single largest shareholder and KKRCW as the second largest shareholder of the Offeror (which will, in turn, hold at least a majority stake in the Company), post-completion of the Proposed Transaction.*

(a) Attractive industry dynamics

*According to the “12th Five-Year Development Plan for the Energy Saving and Environmental Protection Industry” (the “**Five-Year Plan**”) issued by the State Council of the PRC in 2012, the energy saving and environmental protection industry has been identified as one of the seven strategic industries that the PRC government will nurture and develop. Based on the Five-Year Plan, it is expected that by 2015, the total industry output value of the energy saving and environmental protection industry will reach RMB4.5 trillion, which is more than twice the amount for 2010 (the last year of the 11th Five-Year Plan period). The Five-Year Plan projects that the industry is expected to grow with a CAGR of more than 15% per annum, and the increase in industry output value is estimated to reach 2% of the PRC’s gross domestic product by the end of the Five-Year Plan.*

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In addition, as the public expectation of environmental quality in the PRC continues to rise, investment in the environmental protection industry is expected to grow rapidly in the near future. According to the World Bank¹¹, per capita water resources in the PRC are approximately one third of the world's average. By applying advanced membrane technology in wastewater treatment and recycling, it is expected that companies like UEL can provide a viable solution to water shortage and pollution problems in the PRC, thereby supporting sustainable and environmentally friendly development of the economy. With this attractive industry backdrop, it is the vision of the Offeror and CITIC Limited to expand their business in the areas of environmental protection and water treatment.

(b) UEL will become the flagship for CITIC Limited in the water and wastewater treatment business

It is the intention of CITIC Limited to develop its business in the environmental protection sector and its investment in UEL provides a unique opportunity for CITIC Limited to invest in a leading membrane-based water and wastewater treatment and reclamation solution provider in the PRC's chemical, petrochemical and industrial park sectors.

Pursuant to the Proposed Transaction, CITIC Environment will obtain an indirect controlling interest in UEL and the Offeror intends to maintain the listing status of UEL on the SGX-ST. It is noted that with an increasing number of state-owned enterprises being involved in water and wastewater treatment business in the PRC, the market is becoming more competitive. To increase the competitiveness of UEL, it is envisaged that CITIC Limited will leverage on its business network and resources in the PRC to support UEL's business development strategy and growth plans. It is also the vision of CITIC Limited to continue to invest in the water and environmental protection industry in the PRC and to develop UEL as CITIC Limited's flagship for its water and wastewater treatment sector. CITIC Limited also plans to use UEL as a strategic platform and new source of revenue in the water and environmental protection industry.

(c) Unique technologies and proven track record

UEL is a leading membrane-based water and wastewater treatment and recycling solutions provider in the PRC's chemical, petrochemical and municipal sectors. Through the acquisition of Memstar Technology Ltd in 2014, UEL has not only acquired leading technologies in the manufacturing of Polyvinylidene Fluoride hollow fibre membrane and membrane products, but has also become one of the few companies with vertically integrated water and wastewater treatment and reclamation solution expertise with businesses spanning from fibre membrane production to engineering, procurement and construction projects and water treatment plant investments.

¹¹ Source: World Bank (<http://data.worldbank.org/indicator/ER.H2O.INTR.PC>).

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UEL has designed and built several of the largest industrial and municipal wastewater treatment plants in Asia using the membrane bioreactor technology. In the past three years¹², it has also achieved exceptional growth in revenue (CAGR of 54.0%) and net profit attributable to Shareholders (CAGR of 38.5%).

(d) KKR supporting the Proposed Transaction

As at the Latest Practicable Date, KKRCW is a controlling shareholder and the single largest shareholder of UEL. KKRCW is supporting the Proposed Transaction as a joint offeror to enable CITIC Environment to indirectly obtain a controlling interest in UEL and become the largest shareholder of the Offeror post-completion of the Proposed Transaction with KKRCW as the second largest shareholder. KKR will continue to devote its global expertise and experience to UEL and, together with CITIC Environment as a value-added partner, work with UEL to support the long term growth and development of UEL.

(e) Management continuity

The Offeror highly values the experience and technical expertise of the existing management team of UEL and believes that the existing management team is an invaluable asset of UEL. To ensure continuity of the management of UEL, it is intended that after completion of the Proposed Transaction, the service contracts for the Key UEL Senior Managers shall be renewed for a three-year period. In addition, so as to incentivise and align the interest of the management team with that of the employees of UEL, it is expected that the existing UEL Scheme will be maintained post-completion of the Proposed Transaction.

10.2 Proposed Placement at a premium to historical prices. *Unlike typical placement exercises which are usually priced at or at a discount to the prevailing market price, the Proposed Placement is at a premium of approximately 16.1% to the one-month VWAP of UEL prior to the Unaffected Date, which is a vote of confidence to the Company. It is intended that the Proposed Placement proceeds will be used for, amongst other things, business expansion and general working capital of the UEL Group, which is in line with the intention of the Key Management Shareholders and the Offeror to grow UEL's business and drive it to the next level."*

9. THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY

The full text of the Offeror's intention relating to the Company has been extracted from section 11 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully and note the Offeror's intentions relating to the Company as set out therein.**

¹² From the financial year ended 31 March 2012 to the financial year ended 31 March 2014, based on the annual report of UEL for the financial year ended 31 March 2014, excluding any pro-forma impact from Memstar Technology Ltd.

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“11. THE OFFEROR’S INTENTIONS RELATING TO UEL

Save as disclosed in this Offer Document, the Offeror presently has no intention to (a) introduce any major changes to the business of the Company; (b) redeploy the fixed assets of the Company; or (c) discontinue the employment of the employees of the UEL Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to UEL which may present themselves and which the Offeror may regard to be in the best interests of the Offeror. Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses of the UEL Group and the review will help the Offeror to determine the optimal business strategy for the UEL Group.”

10. LISTING STATUS AND COMPULSORY ACQUISITION

The full text of the Offeror’s intention relating to the listing status of the Company and compulsory acquisition has been extracted from section 12 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“12. LISTING STATUS OF THE COMPANY

Under Rule 1105 of the Listing Manual, in the event that the Offeror and its Concert Parties, as a result of the Offer or otherwise, own or control more than 90% of all the UEL Shares (excluding treasury shares), the SGX-ST may suspend the listing of the UEL Shares until such time when the SGX-ST is satisfied that at least 10% of all the UEL Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the UEL Shares (excluding treasury shares) held in public hands falls below 10%, UEL must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the UEL Shares. Under Rule 1303(1) of the Listing Manual, where the Offeror succeeds in garnering acceptances exceeding 90% of all the UEL Shares (excluding treasury shares), thus causing the percentage of UEL’s total number of the UEL Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of UEL Shares at the close of the Offer.

Rule 724(2) of the Listing Manual states that the SGX-ST may allow UEL a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of the UEL Shares in public hands to at least 10%, failing which UEL may be delisted.

It is the present intention of the Offeror to maintain the listing status of UEL on the SGX-ST, post-completion of the Proposed Transaction.

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If for any reason, post-completion of the Proposed Transaction, the free float requirements under the Listing Manual are not met, the Offeror currently intends to take steps to restore the free float of the UEL Shares within the period prescribed under Rule 724(2) of the Listing Manual, such as through the sell down of existing UEL Shares held by CITIC Offeror Sub, and/or the placement of new UEL Shares to the public by UEL, to be determined by the Offeror at the relevant time pursuant to the Consortium Agreement.

If UEL is delisted from the Main Board of the SGX-ST as a result of failure by UEL to maintain the free float requirements under the Listing Manual, the Offeror Shareholders have agreed, pursuant to the Consortium Agreement, to cooperate in good faith and use their best efforts to cause UEL to implement an initial public offering and listing of the UEL Shares on the Main Board of the SGX-ST as soon as possible.”

11. DISCLOSURES OF HOLDINGS AND DEALINGS IN SHARES

The full text of the disclosures of holdings and dealings in Shares of the Offeror, the Offeror's directors and the parties acting in concert with them had been extracted from section 15 of the Offer Document. All terms and expression used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“15. DISCLOSURES OF HOLDINGS AND DEALINGS

15.1 Holdings and Dealings. Appendix 6 to this Offer Document sets out, based on responses received pursuant to enquiries that the Offeror has made:

- (a) *the number of Company Securities owned, controlled or agreed to be acquired by the Offeror, its Concert Parties, the Independent Shareholders and the Key Management Shareholders as at the Latest Practicable Date; and*
- (b) *the dealings in the Company Securities by the Offeror, its Concert Parties, the Independent Shareholders and the Key Management Shareholders during the Reference Period.*

15.2 No Other Holdings and Dealings. Save as disclosed in Appendix 6 to this Offer Document, and based on responses received pursuant to enquiries that the Offeror has made, as at the Latest Practicable Date, none of the Offeror, its Concert Parties, the Independent Shareholders and the Key Management Shareholders:

- (a) *owns, controls or has agreed to acquire any Company Securities; or*
- (b) *has dealt for value in any Company Securities during the Reference Period.*

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15.3 Other Arrangements. *Save as disclosed in this Offer Document, and based on responses received pursuant to enquiries that the Offeror has made, as at the Latest Practicable Date, none of the Offeror, its Concert Parties, the Independent Shareholders and the Key Management Shareholders has:*

- (a) granted any security interest relating to any Company Securities to another person, whether through a charge, pledge or otherwise;*
- (b) borrowed any Company Securities from another person (excluding borrowed Company Securities which have been on-lent or sold), or*
- (c) lent any Company Securities to another person.*

15.4 No Irrevocable Undertakings. *As at the Latest Practicable Date and based on the latest information available to the Offeror, save as disclosed in Section 5 of this Offer Document, none of the Offeror and its Concert Parties has received any irrevocable undertaking from any party to accept or reject the Offer.”*

12. ADVICE AND RECOMMENDATIONS

12.1 Appointment of Financial Adviser

As announced on 12 November 2014, Stirling Coleman has been appointed as the financial adviser of the Company.

12.2 Appointment of Independent Financial Adviser

As announced on 19 November 2014, EYCF has been appointed as the independent financial adviser to the Independent Directors in respect of the Proposed Transaction. Shareholders and the CB Holder should carefully consider the recommendation of the Independent Directors and the advice of EYCF before deciding whether to accept or reject the Offer and/or the Convertible Bonds Offer (as the case may be). Shareholders and the CB Holder are also advised to read the Offer Document carefully.

12.3 Factors considered by EYCF

(i) The Offer and the Convertible Bonds Offer

In arriving at its advice to the Independent Directors, EYCF has relied on the following key considerations set out in Section 9 of the IFA Letter and reproduced in italics below. The considerations set out below should be considered and read by Shareholders and the CB Holder in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

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“9. EVALUATION OF THE FINANCIAL TERMS OF THE OFFER AND THE CONVERTIBLE BONDS OFFER

In our analysis and evaluation of the Offer and the Convertible Bonds Offer, and our recommendations thereon, we have taken into consideration the following factors:

- (a) Rationale for the Proposed Transaction and the Offeror’s intentions;*
- (b) Market quotation and historical trading activity of the Shares;*
- (c) Comparison of the valuation measures of the Company implied by the Offer Price against those of selected comparable listed companies;*
- (d) Comparison with similar offer transactions for companies listed on the SGX-ST; and*
- (e) Other relevant considerations.*

The factors above are discussed in more detail in the following sections.”

(ii) The Key Management Shareholders’ Agreements

In arriving at its advice to the Independent Directors, EYCF has reviewed and relied on the following factors set out in section 8 of the IFA Letter and reproduced in italics below. The considerations set out below should be considered and read by Shareholders and the CB Holder in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated.

“In arriving at our opinion, we have reviewed and deliberated on the Key Management Shareholders’ Agreements and considered, inter alia, the following factors: (a) the Key Management Shareholders’ historical service contracts, including compensation and the term of the contracts, (b) the compensation of the Key Management Shareholders (including bonuses and other discretionary compensation) being subject to the recommendation by UEL’s Remuneration Committee and the approval of the UEL Board under the Service Contracts, (c) the Key Management Shareholders’ Subscription Agreements and Key Management Shareholders’ Irrevocable Undertakings being in line with the agreed capitalisation of the Offeror under the Consortium Agreement and with CITIC Environment being the single largest shareholder of the Company, (d) the redemption of the Offeror Shares in connection with the put option rights by each of the Key Management Shareholders under the Consortium Agreement to be determined by reference to the market prices of UEL Group at the relevant time of exercise by him/her of his/her put option, and (e) the publicly disclosed irrevocable undertakings and subscription agreements of key management personnel for precedent offer transactions.”

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12.4 EYCF's Advice to the Independent Directors

The advice of EYCF to the Independent Directors on the Offer, the Convertible Bonds Offer and the Key Management Shareholders Agreement is set out in the IFA Letter annexed as Appendix 3 to this Circular. The key considerations relied upon by EYCF in arriving at its advice to the Independent Directors are set out in sections 8 and 10 of the IFA Letter.

(i) The Offer and the Convertible Bonds Offer

The advice of EYCF to the Independent Directors in respect of the Offer and the Convertible Bonds Offer has been extracted from the IFA Letter and is reproduced in italics below. **Shareholders and the CB Holder should read and consider carefully the key considerations relied upon by EYCF, in arriving at its advice to the Independent Directors, in conjunction with and in the context of the full text of the IFA Letter.**

"10 OUR ADVICE ON THE OFFER AND THE CONVERTIBLE BONDS OFFER

In arriving at our advice on the Offer and the Convertible Bonds Offer, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the Offer and Convertible Bonds Offer. The factors we have considered in our evaluation, which are discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:

- (a) ***The rationale for the Proposed Transaction.*** *We note that the Proposed Transaction provides an opportunity for UEL to become the flagship of CITIC Limited in the water and wastewater treatment business. It is envisaged that CITIC Limited, which is part of the largest conglomerate in the PRC with businesses in financial services, resources and energy, manufacturing, real estate and infrastructure, will leverage on its business network and resources in the PRC to support UEL's business development strategy and growth plans.*
- (b) ***The premiums implied by the Offer Price.*** *The Offer Price of S\$1.65 per Share represents premiums of 79.2%, 38.8%, 28.1%, 20.2%, and 16.5% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the Holding Announcement Date.*

The Offer Price of S\$1.65 per Share represents premiums of 61.0%, 28.1%, 19.5%, 20.7%, and 21.1% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the Pre-Conditional Offer Announcement.

The Offer Price represents a premium of approximately 12.6% over the last transacted price on 2 July 2014, being the last trading session prior to the Holding Announcement Date. Also, the Offer Price represents a premium of approximately 8.9% over the last transacted price prior to the Pre-Conditional Offer Announcement.

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(c) **Price performance against the Singapore equity market.** Over the last two years prior to the Offer Announcement Date and up till the Latest Practicable Date, the market price of the Shares has outperformed both the FSSTI and FSChina in relative terms.

(d) **Comparison of Valuation Measures of the Company.** Based on our analysis, the Company's Shares, implied by the Offer Price of S\$1.65 and the fully diluted number of shares, trade at an EV/EBITDA Ratio, P/E Ratio and P/NAV Ratio of 23.2 times, 35.6 times and 2.4 times respectively.

The EV/EBITDA Ratio implied by the Offer Price is above both the median and average EV/EBITDA Ratio of the Comparable Companies.

The P/E Ratio implied by the Offer Price is above both the median and average P/E Ratios of the Comparable Companies.

The P/NAV Ratio implied by the Offer Price is within the range of the P/NAV Ratios of the Comparable Companies, but below both the median and average P/NAV Ratios of the Comparable Companies.

(e) **Comparison with similar offer transactions of companies listed on the SGX-ST.** The premium of 12.6% implied by the Offer Price against the last transacted price of the Shares prior to the Holding Announcement Date is within the range of premiums and above the median premiums of the Comparable Offer Transactions.

The premiums of 16.5% and 20.2% implied by the Offer Price against the 1-month and 3-month VWAPs of the Shares prior to the Holding Announcement Date are within the respective ranges of premiums, but are lower than the median and average premiums of the Comparable Offer Transactions.

The premiums of 28.1% and 38.8% implied by the Offer Price against the 6-month and 12-month VWAPs of the Shares prior to the Holding Announcement Date are within the respective ranges of premiums and above the median and average premiums of the Comparable Offer Transactions.

(f) **Financial outlook for the Group.** The revenue and profit before income tax of the Group has grown in the latest quarter ended 31 December 2014, as compared to the corresponding quarter in 2013. The Management expects the business performance of the Company to continue to strengthen due to strong government policy support.

(g) **No revision of the Offer Price.** The Offeror has stated its intention in Section 3.2 of the Offer Document and Section 3.2 of the Offeree Circular that the Offer Price will not be increased.

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- (h) **Irrevocable Undertakings.** Shareholders have provided undertaking to accept the Offer in respect of an aggregate of 491,230,201 UEL Shares, and this represents approximately 50.99% of the total number of issued UEL Shares.
- (i) **Offer Condition.** On 26 March 2015, the Offeror and its concert parties announced that it has received valid acceptances of the Offer in respect of more than 50% of the voting rights attributable to the maximum potential issued shares in the capital of UEL. Accordingly, the Offer has become unconditional as to acceptances and has been declared unconditional in all respects.
- (j) **Offeror's intentions for the Group.** The Offeror presently has no intention to introduce major changes to the business, fixed assets and employees of the Company, other than in the ordinary course of business.
- (k) **Listing status of the Company.** The Offeror intends to maintain the listing of UEL on the SGX-ST, post-completion of the Proposed Transaction.
- (l) **Compulsory acquisition.** The Offeror does not intend to avail itself of the powers of compulsory acquisition pursuant to Section 215 of the Companies Act.
- (m) **Alternative offers from third parties.** As at the Latest Practicable Date, there is no other alternative offer or proposal to the Company which is comparable to the Offer.

In arriving at our conclusion, we have considered the information available to us as at the Latest Practicable Date. The summary of the analyses we have undertaken is set out as items a to m above.

After having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the Offer Price and the Convertible Bonds Offer are fair and reasonable from a financial point of view. Accordingly, we advise the Independent Directors to recommend that Shareholders accept the Offer and that the CB Holder accepts the Convertible Bonds Offer.

We note that on 26 March 2015, the Offeror announced that it has received valid acceptances of the Offer in respect of more than 50% of the voting rights attributable to the maximum potential issued shares in the capital of UEL. Accordingly, the Offer has become unconditional as to acceptances and has been declared unconditional in all respects.

With regard to the Convertible Bonds Offer, we note that, as set out in Section 5 of the Offer Document, the Irrevocable Undertaking by the CB Holder includes an undertaking to tender all of the Convertible Bonds in acceptance of the Convertible Bonds Offer.

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Shareholders may wish to sell their Shares in the open market if they are able to obtain a price higher than the Offer Price, net of related expenses (such as brokerage and trading costs). In this regard, we note that Shares have not traded above the Offer Price subsequent to the announcement of the Offer.

We note that, as set out in Sections 10 and 11 of the Offer Document, the Offeror has stated its rationale for the Proposed Transaction and its present intention to maintain the listing status of UEL on the SGX-ST, post-completion of the Proposed Transaction. The Independent Directors may wish to consider advising Shareholders who are prepared to take a longer term view of their investment in the Shares, hold a favourable view of the Company's prospects and/or are of the view that they will be able to realise greater value from continuing to own their Shares, to retain their Shares in the Company.

We also advise the Independent Directors to consider highlighting to the Shareholders that there is no assurance that the price of the Shares will remain at current levels after the close or lapse of the Offer and the current price performance of the Shares is not indicative of the future price performance levels of the Shares.

The Independent Directors should note that we have arrived at our recommendation based on information made available to us prior to, and including, the Latest Practicable Date. Our advice on the Offer and the Convertible Bonds Offer cannot and does not take into account any subsequent developments after the Latest Practicable Date (save for the Offeror's announcement dated 26 March 2015 in relation to the condition of the Offer), including future trading activity or price levels of the UEL Shares, as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Offer and the Convertible Bonds Offer."

(ii) The Key Management Shareholders' Agreements

The advice of EYCF to the Independent Directors in respect of the Key Management Shareholders' Agreements has been extracted from the IFA Letter and is reproduced in italics below. **Shareholders and the CB Holder should read and consider carefully the key considerations relied upon by EYCF, in arriving at its advice to the Independent Directors, in conjunction with and in the context of the full text of the IFA Letter.**

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“In arriving at our opinion, we have reviewed and deliberated on the Key Management Shareholders’ Agreements and considered, inter alia, the following factors: (a) the Key Management Shareholders’ historical service contracts, including compensation and the term of the contracts, (b) the compensation of the Key Management Shareholders (including bonuses and other discretionary compensation) being subject to the recommendation by UEL’s Remuneration Committee and the approval of the UEL Board under the Service Contracts, (c) the Key Management Shareholders’ Subscription Agreements and Key Management Shareholders’ Irrevocable Undertakings being in line with the agreed capitalisation of the Offeror under the Consortium Agreement and with CITIC Environment being the single largest shareholder of the Company, (d) the redemption of the Offeror Shares in connection with the put option rights by each of the Key Management Shareholders under the Consortium Agreement to be determined by reference to the market prices of UEL Group at the relevant time of exercise by him/her of his/her put option, and (e) the publicly disclosed irrevocable undertakings and subscription agreements of key management personnel for precedent offer transactions.

After having considered carefully the information available to us as at the Latest Practicable Date and subject to the paragraphs set out in this section, we are of the opinion that the terms of the Key Management Shareholders’ Agreements are fair and reasonable.

Our opinion on the Key Management Shareholders’ Agreements is addressed solely to the Independent Directors for the purpose of their consideration of the Offer and the Convertible Bonds Offer, and may not be relied upon for any other purpose.

It is not within our terms of reference to advise, and we do not advise, any person, other than the Independent Directors, in relation to the Key Management Shareholders’ Agreements. In particular, we do not express any opinion, whether explicitly or implied, as to whether the Key Management Shareholders should accept the Key Management Shareholders’ Agreements or as to how the Key Management Shareholders’ Agreements are to be implemented.

In providing our opinion on the Key Management Shareholders’ Agreements, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder and the CB Holder. As different Shareholders as well as the CB Holder would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.”

12.5 Independent Directors

The Company understand that the Offeror has, on the SIC Ruling Date, obtained a ruling from the SIC that (i) Mr David Haifeng Liu (ii) Mr Zhao Fu and (iii) Dr Li Yan are exempted from the requirement to make a recommendation to the Shareholders and the CB Holder on the Offer and the Convertible Bonds Offer as they face irreconcilable conflicts of interest in relation to the Offer and the Convertible Bonds Offer.

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The Company has further obtained a ruling from the SIC on 24 March 2015 that Dr Lin Yucheng is exempted from the requirement to make a recommendation to the Shareholders and the CB Holder on the Offer and the Convertible Bonds Offer as he faces irreconcilable conflicts of interest in relation to the Offer and the Convertible Bonds Offer.

Mr Yeung Koon Sang alias David Yeung, Mr Tay Beng Chuan, Mr Lee Suan Hiang, Mr Wang Ning and Dr Chong Weng Chiew are independent for the purposes of the Proposed Transaction and are required to make a recommendation to the Shareholders and the CB Holder in respect of the Offer and the Convertible Bonds Offer.

All the Directors (including, for the avoidance of doubt, (i) Mr David Haifeng Liu, (ii) Mr Zhao Fu, (iii) Dr Li Yan and (iv) Dr Lin Yucheng) are jointly and severally responsible for the accuracy of facts stated and completeness of the information given by the Company to Shareholders and the CB Holder on the Offer and the Convertible Bonds Offer, including information contained in announcements and documents issued by or on behalf of the Company in connection with the Offer and the Convertible Bonds Offer.

12.6 Recommendation of Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the Convertible Bonds Offer and the advice given by EYCF to the Independent Directors in the IFA Letter, have set out their recommendations on the Offer and the Convertible Bonds Offer, respectively below:

(a) The Offer

The Independent Directors **CONCUR** with EYCF's assessment of the financial terms of the Offer and its recommendations thereon. **Accordingly, the Independent Directors recommend that Shareholders ACCEPT the Offer.**

(b) The Convertible Bonds Offer:

The Independent Directors **CONCUR** with EYCF's assessment of the financial terms of the Convertible Bonds Offer and its recommendation thereon. **Accordingly, the Independent Directors recommend that the CB Holder ACCEPT the Convertible Bonds Offer.**

In making the above recommendations, the Independent Directors wish to highlight to Shareholders and the CB Holder who are considering rejecting the Offer and/or the Convertible Bonds Offer the factors highlighted by EYCF as set out in Sections 8 to 10 of the IFA Letter.

In rendering the above advice and making the above recommendation, EYCF and the Independent Directors have not had regard to the specific investment objectives, financial situation, risk profiles, tax position and/or unique needs and constraints of the CB Holder or any individual Shareholders. As the CB Holder and each Shareholder would have different investment profiles and objectives, the Independent Directors recommend that the CB Holder and any individual Shareholders who may require specific advice in relation to his Shares and/or Convertible Bonds to consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

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Shareholders and the CB Holder should read and consider carefully the recommendation of the Independent Directors and the advice of EYCF to the Independent Directors in respect of the Offer and/or the Convertible Bonds Offer (as the case may be) in their entirety before deciding whether to accept or reject the Offer and/or the Convertible Bonds Offer (as the case may be). Shareholders and the CB Holder are also urged to read the Offer Document carefully.

13. OVERSEAS SHAREHOLDERS

Shareholders whose addresses are outside Singapore as shown on the register of members of the Company or as the case may be in the records of the CDP (each an “**Overseas Shareholder**”) should refer to section 17 of the Offer Document, an extract of which is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“17. OVERSEAS SHAREHOLDERS

*17.1 **Overseas Jurisdictions.** This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law.*

The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

*Copies of this Offer Document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer will violate the laws of that jurisdiction (“**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

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17.2 Overseas Shareholders. *The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an “Overseas Shareholder”) may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions.*

For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document and the relevant Acceptance Forms may not be sent.

It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, its related corporations, Rothschild, CDP, the Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, Rothschild, CDP, the Registrar and/or any person acting on their behalf may be required to pay. In accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and Rothschild that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

17.3 Copies of this Offer Document and the relevant Acceptance Forms. *Where there are potential restrictions on sending this Offer Document and the relevant Acceptance Forms to any overseas jurisdiction, the Offeror and Rothschild each reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, attend in person and obtain a copy of this Offer Document, the relevant Acceptance Forms and any related documents during normal business hours and up to the Closing Date, from the office of the Registrar, Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #02-00, Singapore 068898. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write to the Offeror c/o the Registrar at the above-stated address to request for this Offer Document, the relevant Acceptance Forms and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.*

LETTER TO SHAREHOLDERS AND THE CB HOLDER

17.4 **Notice.** *The Offeror and Rothschild each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.*

14. INFORMATION RELATING TO CPFIS INVESTORS

Shareholders who require information relating to CPFIS should refer to section 18 of the Offer Document, an extract of which is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“18. INFORMATION PERTAINING TO CPFIS INVESTORS

CPFIS Investors will receive further information on how to accept the Offer from their respective CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.

CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, CPFIS Investors who accept the Offer will receive the Offer Price in respect of their Offer Shares, in their CPF investment accounts.”

15. ACTION TO BE TAKEN

Shareholders who wish to accept the Offer in respect of all or any part of their holdings in Shares must do so no later than 5.30 p.m. (Singapore time) on the Closing Date. The Independent Directors would like to draw the attention of Shareholders who wish to accept the Offer to the “Procedures for Acceptance of the Offer” as set out in Appendix 2 to the Offer Document.

Acceptance should be completed and returned so as to be received by CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, no later than 5.30 p.m. on the Closing Date.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and the FAA and/or the FAT which have been sent to them.

LETTER TO SHAREHOLDERS AND THE CB HOLDER

16. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (a) the IFA Letter, (b) the Deloitte Letter, (c) the EYCF Letter, (d) the information extracted from the Pre-Conditional Offer Announcement, the Offer Announcement, the 26 March Announcement or the Offer Document and (e) information relating to the Offeror, KKRCW and CITIC, the Directors (including those whom may have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects, and the Directors are not aware of any material facts the omission of which would make any statement in this Circular misleading in any material respects. In respect of (i) the IFA Letter, (ii) the Deloitte Letter, and (iii) the EYCF Letter, the sole responsibility of the Directors have been to ensure that the facts stated therein with respect to the Group are fair and accurate.

In respect of (aa) the information extracted from the Pre-Conditional Offer Announcement, the Offer Announcement, the 26 March Announcement or the Offer Document and (bb) information relating to the Offeror, KKRCW and CITIC, the sole responsibility of the Directors have been to ensure that the information has been accurately reflected or reproduced in this Circular.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

17. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

Save for (a) the IFA Letter, (b) the Deloitte Letter, (c) the EYCF Letter, (d) the information extracted from the Pre-Conditional Offer Announcement, the Offer Announcement, the 26 March Announcement or the Offer Document, and (e) information relating to the Offeror, KKRCW and CITIC, to the best of the Financial Adviser's knowledge and belief the facts stated and opinions expressed in this Circular are fair and accurate in all material respects, and the Financial Adviser is not aware of any material facts the omission of which would make any statement in this Circular misleading in all material respects. In respect of (i) the IFA Letter, (ii) the Deloitte Letter, and (iii) the EYCF Letter, the sole responsibility of the Financial Adviser has been to ensure that the facts stated therein with respect to the Group are fair and accurate.

In respect of (aa) the information extracted from the Pre-Conditional Offer Announcement, the Offer Announcement, the 26 March Announcement or the Offer Document and (bb) information relating to the Offeror, KKRCW and CITIC, the sole responsibility of the Financial Adviser has been to ensure that the information has been accurately reflected or reproduced in this Circular.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Financial Adviser has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

LETTER TO SHAREHOLDERS AND THE CB HOLDER

18. ADDITIONAL GENERAL INFORMATION

Additional general information is provided in Appendix 1 to this Circular.

The attention of Shareholders is also drawn to Appendices 1 to 8 which form part of this Circular.

Yours faithfully
For and on behalf of the Board

Dr Chong Weng Chiew
United Envirotech Ltd.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Description
Dr Lin Yucheng	65 Andrew Road Singapore 299983	Chairman and Chief Executive Officer
Mr Wang Ning	10 Science Park Road The Alpha Singapore 117684	Executive Director
Dr Chong Weng Chiew	50 Berwick Drive Serangoon Garden Estate Singapore 559929	Executive Director
Mr David Haifeng Liu	Level 56, Cheung Kong Centre 2 Queen's Road Central Hong Kong	Non-Executive Director
Mr Zhao Fu	Level 56, Cheung Kong Centre 2 Queen's Road Central Hong Kong	Non-Executive Director
Dr Li Yan	2303, Unit A, No. 2 Building, No. 216 of Balizhuangbeili Chaoyang District Beijing, China	Non-Executive Director
Mr Yeung Koon Sang alias David Yeung	17 Jalan Seruling Faber Garden Singapore 576850	Lead Independent Director
Mr Tay Beng Chuan	4 Goodman Road Singapore 438970	Independent Director
Mr Lee Suan Hiang	16 Jalan Jelita McMahon Park Singapore 278340	Independent Director

2. HISTORY AND PRINCIPAL ACTIVITIES

The Company is a limited liability company and was incorporated in Singapore on 9 July 2003. The Company has been listed on the Main Board of the SGX-ST since 22 April 2004. The Company's registered office is 80 Robinson Road #02-00 Singapore 068898.

The Company is a leading membrane-based water and wastewater treatment and recycling solutions provider with businesses mainly in the PRC's chemical, petrochemical and industrial park sectors. Its principal activities include design, fabrication, installation and commissioning of water and wastewater systems using its proprietary advanced membrane technologies such as the membrane bioreactor technology. The Company has designed and built several of the largest industrial wastewater treatment plants in Asia using the membrane bioreactor technology.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

3. SHARE CAPITAL

3.1 Issued Shares

As at the Latest Practicable Date, the Company has only one (1) class of share, being ordinary shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S\$430,267,223.30 comprising 963,361,368 Shares, and the Company does not hold any Shares in treasury.

As at the Latest Practicable Date, no new Shares have been issued since the end of the previous financial year. The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles. For ease of reference, selected texts of the Articles relating to the same have been extracted and reproduced in Appendix 4 to this Circular.

3.2 Convertible Securities

Save as disclosed below and in this Circular, the Company has not issued any other instruments convertible into, rights to subscribe for and options in respect of Shares and securities which carry voting rights affecting Shares that are outstanding as at the Latest Practicable Date.

As at the Latest Practicable Date, the following convertible securities in respect of the Shares are outstanding:

3.2.1 the Options

Date of Grant	No. of Option Shares	Exercise Price per Share (S\$)	Final Exercise Date
1 March 2010	4,375,000	0.2780	1 March 2020
1 March 2010	4,375,000	0.2224	1 March 2020
20 July 2010	1,500,000	0.3830	20 July 2020
20 July 2010	1,500,000	0.3064	20 July 2020
15 February 2013	49,550,000	0.5520	15 February 2023
28 March 2013	12,000,000	0.5840	28 March 2023
Total	73,300,000		

Notes:

- (1) Pursuant to Rule 15.1 of the Scheme, and subject to Rules 11.8 and 15.5 of the Scheme, in the event of a takeover offer, participants (including participants holding Options which are not then exercisable) shall be entitled to (i) exercise such Options in full or in part from the period commencing on the date the Offer becomes or is declared unconditional; and (ii) all Options will lapse only on the date of the expiry of the relevant option period(s) relating to each Option.
- (2) Option exercisable into 28,216,500 Option Shares have met the performance criterion under the terms of the Scheme.
- (3) Option exercisable into 45,083,500 Option Shares have not met the performance criterion under the terms of the Scheme.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

3.2.2 the Convertible Bonds, details of which are set out in paragraph 4.1 of this Circular; and

3.2.3 assuming that all the outstanding Convertible Bonds and the Options are exercised into Option Shares as at the Latest Practicable Date, the enlarged total number of Shares would be 1,152,237,557.

4. DISCLOSURE OF INTEREST

4.1 Interest of the Company in the Offeror Securities

The Company does not have any direct or deemed interest in the Offeror Securities as at the Latest Practicable Date.

4.2 Dealings in the Offeror Securities by the Company

The Company has not dealt for value in the Offeror Securities during the period six (6) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.3 Interest of Directors in Offeror Securities

Save for the Key Management Shareholders' Agreements, none of the Directors has any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

4.4 Dealings in the Offeror Securities by the Directors

None of the Directors has dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.5 Interests of the Directors in the Company Securities

Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any direct or deemed interest in the Company Securities:

Name of Director	Direct Interest		Deemed Interest		No. of Options Shares
	No. of Shares	%	No. of Shares	%	
Dr Lin Yucheng ⁽¹⁾⁽²⁾	71,761,000	7.45	–	–	15,000,000
Mr Wang Ning ⁽³⁾	3,307,200	0.34	–	–	6,000,000
Dr Chong Weng Chiew ⁽⁴⁾	250,000	0.03	–	–	2,000,000
Mr David Haifeng Liu	–	–	–	–	–
Mr Zhao Fu	–	–	–	–	–
Dr Li Yan	–	–	–	–	–
Mr Yeung Koon Sang <i>alias</i> David Yeung ⁽⁵⁾	250,000	0.03	–	–	350,000
Mr Tay Beng Chuan ⁽⁶⁾	775,000	0.08	–	–	350,000
Mr Lee Suan Hiang ⁽⁷⁾	10,500	0.001	400,000	0.04	350,000

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

Notes:

- (1) Dr Lin Yucheng is directly interested in five (5) Options to subscribe for an aggregate of 15,000,000 Option Shares, further details of which are set out below:
 - (i) one (1) Option to subscribe for 1,500,000 Option Shares at the option price of S\$0.3830. This Option has fully vested and can be exercised on or before 20 July 2020;
 - (ii) one (1) Option to subscribe for 1,500,000 Option Shares at the option price of S\$0.3064. This Option has fully vested and can be exercised on or before 20 July 2020;
 - (iii) one (1) Option to subscribe for 3,000,000 Option Shares at the option price of S\$0.5840. This Option has fully vested and can be exercised on or before 28 March 2023;
 - (iv) one (1) Option to subscribe for 1,500,000 Option Shares at the option price of S\$0.5840. This Option has fully vested and can be exercised on or before 28 March 2023; and
 - (v) one (1) Option to subscribe for 7,500,000 Option Shares at the option price of S\$0.5840. This Option cannot be exercised as the performance criteria has not been met.
- (2) Dr Lin Yucheng has accepted the Offer in respect of 71,761,000 Shares directly held by him. On 26 March 2015, Rothschild has announced, for and on behalf of the Offeror, that the minimum acceptance condition has been satisfied and the Offer has become and is declared unconditional in all respects.
- (3) Mr Wang Ning is directly interested in three (3) Options to subscribe for an aggregate of 6,000,000 Shares, further details of which are set out below:
 - (i) one (1) Option to subscribe for 964,000 Option Shares at the option price of S\$0.5520. This Option has fully vested and can be exercised on or before 15 February 2023;
 - (ii) one (1) Option to subscribe for 627,000 Option Shares at the option price of S\$0.5520. This Option has fully vested and can be exercised on or before 15 February 2023; and
 - (iii) one (1) Option to subscribe for 4,409,000 Option Shares at the option price of S\$0.5520. This Option cannot be exercised as the performance criteria have not been met.
- (4) Dr Chong Weng Chiew is directly interested in three (3) Options to subscribe for an aggregate of 2,000,000 Shares, further details of which are set out below:
 - (i) one (1) Option to subscribe for 450,000 Option Shares at the option price of S\$0.5520. This Option has fully vested and can be exercised on or before 15 February 2023;
 - (ii) one (1) Option to subscribe for 450,000 Option Shares at the option price of S\$0.5520. The Option has fully vested and can be exercised on or before 15 February 2023; and
 - (iii) one (1) Option to subscribe for 1,100,000 Option Shares at the option price of S\$0.5520. This Option cannot be exercised as the performance criteria has not been met.
- (5) Mr Yeung Koon Sang *alias* David Yeung is directly interested in one (1) Option to subscribe for an aggregate of 350,000 Option Shares at the option price of S\$0.5520. This Option has fully vested and can be exercised on or before 15 February 2023.
- (6) Mr Tay Beng Chuan is directly interested in one (1) Option to subscribe for an aggregate of 350,000 Option Shares at the option price of S\$0.5520. This Option has fully vested and can be exercised on or before 15 February 2023.
- (7) Mr Lee Suan Hiang is directly interested in one (1) Option to subscribe for an aggregate of 350,000 Option Shares at the option price of S\$0.5520. This Option has fully vested and can be exercised on or before 15 February 2023.

4.6 Dealings in the Company Securities by the Directors

Save as disclosed below, none of the Directors has dealt for value in any Company Securities during the period commencing six (6) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date:

Name of Director	Date of Transaction	Price per Share (\$)	Total number of Shares sold
Mr Wang Ning	21 November 2014	1.63	1,000,000 Shares

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

4.7 Company Securities owned or controlled by EYCF

None of EYCF, its related corporations or any of the funds whose investments are managed by EYCF on a discretionary basis owns or controls any Company Securities as at the Latest Practicable Date.

4.8 Dealings in the Company Securities by EYCF

None of EYCF, its related corporations or any of the funds whose investments are managed by EYCF on a discretionary basis has dealt for value in any Company Securities during the period commencing six (6) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

4.9 Intention of the Directors in respect of their Shares

The following Directors who have direct interests in the Shares and/or have been granted the Options have informed the Company of their intentions in respect of the Offer, as follows:

- (a) as set out in paragraph 7 of this Circular and pursuant to the Irrevocable Undertaking given by Dr Lin Yucheng and the Lin Subscription Agreement, Dr Lin Yucheng has tendered all his 71,761,000 Shares in acceptance of the Offer, but shall not exercise any of his Options into new Shares;
- (b) Mr Wang Ning intends to accept the Offer in respect of 500,000 Shares, but does not intend to accept the Offer for the remainder of his Shares or Offer Shares (if any);
- (c) Dr Chong Weng Chiew intends to accept the Offer in respect of all his 250,000 Shares. In addition, Dr Chong intends to exercise all of his Options that have vested and will tender all of his Option Shares in acceptance of the Offer;
- (d) Mr Yeung Koon Sang alias David Yeung does not intend to accept the Offer in respect of all his Shares or Offer Shares (if any);
- (e) Mr Tay Beng Chuan does not intend to accept the Offer in respect of all of his Shares or Offer Shares (if any); and
- (f) Mr Lee Suan Hiang does not intend to accept the Offer in respect of all his Shares or Offer Shares (if any).

5. OTHER DISCLOSURES

5.1 Directors' Service Contracts

Save for the Key Management Shareholders' Agreements, as at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with the Company or any of its subsidiaries which have more than twelve months to run and which are not terminable by the employing company within the next twelve months without paying any compensation; and

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

5.2 Arrangements Affecting Directors

- (a) Save for the Key Management Shareholders' Agreements and save as disclosed in paragraphs 1.2(c) and (d) of Appendix 7 of the Offer Document, as at the Latest Practicable Date, it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer.
- (b) Save for Key Management Shareholders' Agreement, as at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.

5.3 Material Contracts with Directors

Save for the Key Management Shareholders' Agreements, as at the Latest Practicable Date, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

6. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save for the Placing Agreement, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries has entered into material contracts with persons who are Interested Persons (other than those entered into in the ordinary course of business) during the period beginning three (3) years before the Pre-Conditional Offer Announcement Date.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, the Company or any of its subsidiaries or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of the Company and any of its subsidiaries, taken as a whole.

8. FINANCIAL INFORMATION

8.1 Consolidated Income Statement

The audited consolidated income statements of the Group for the last three (3) financial years (ended 31 March 2012, 31 March 2013 and 31 March 2014) and the unaudited consolidated income statements of the Group for 3Q2015 are summarised below. The summary set out below should be read together with the annual reports, the audited consolidated financial statements of the Group for the relevant financial periods, the 3Q2015 Results and their respective accompanying notes. Copies of all of the above are available for inspection at the registered address of the Company at 80 Robinson Road #02-00, Singapore 068898 during normal business hours for the period during which the Offer and the Convertible Bonds Offer remain open for acceptance.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

	Unaudited	← Audited →		
	3Q2015 S\$'000	FY2014 S\$'000	FY2013 S\$000	FY2012 S\$000
Turnover	287,764	202,342	185,044	85,319
Exceptional Items	–	–	–	–
Net profit before tax	65,749	31,190	39,139	14,032
Net profit after tax	53,576	21,010	31,024	10,475
Minority Interest	1,845	921	1,509	–
Net earnings per share (cents)	5.70	3.38	6.13	2.19
Net dividend per share (cents)	–	0.30	0.50	0.30

8.2 Consolidated Balance Sheet

The audited consolidated balance sheet of the Group as at 31 March 2014 and the unaudited consolidated balance sheet of the Group for 3Q2015 are summarised below. The summary set out below should be read together with the annual report for FY2014, the audited consolidated financial statements of the Group for FY2014, the 3Q2015 Results and their respective accompanying notes. Copies of all of the above are available for inspection at the registered address of the Company at 80 Robinson Road #02-00, Singapore 068898 during normal business hours for the period during which the Offer and the Convertible Bonds Offer remain open for acceptance.

	3Q2015 S\$'000	FY2014 S\$'000
ASSETS		
Current assets:		
Cash and bank balances	116,335	141,672
Trade receivables	158,133	103,715
Service concession receivables	4,203	3,257
Other receivables and prepayments	63,202	60,701
Inventories	13,621	427
Prepaid lease	103	110
Total current assets	355,597	309,882
Non-current assets:		
Trade receivables	67,861	2,241
Service concession receivables	354,709	232,392
Prepaid lease	13,875	5,041
Subsidiaries	–	–
Associates	–	10,790
Joint venture	13,402	12,119
Available-for-sale investment	–	53,461
Property, plant and equipment	34,702	13,459
Goodwill	229,052	1,389
Intangible assets	210,582	145,139
Deferred tax assets	798	615
Total non-current assets	924,981	476,646
Total assets	1,280,578	786,528

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

	3Q2015 S\$'000	FY2014 S\$'000
LIABILITIES AND EQUITY		
Current liabilities:		
Bank loans	42,019	15,381
Trade payables	120,001	104,150
Other payables	60,043	33,015
Finance leases	84	55
Income tax payable	21,821	14,158
Total current liabilities	243,968	166,759
Non-current liabilities:		
Bank loans	160,060	69,205
Finance leases	151	25
Medium term note	97,390	97,016
Convertible bonds	49,099	126,560
Deferred tax liabilities	27,255	7,756
Total non-current liabilities	333,955	300,562
Capital and reserves:		
Share capital	484,125	151,325
General reserve	4,410	4,410
Share option reserve	10,279	7,766
Fair value reserve	–	17,252
Convertible bonds reserve	8,707	22,520
Currency translation reserves	24,518	765
Accumulated profits (losses)	153,279	104,287
Total equity attributable to owners of the Company Total equity	685,318	308,325
Non-controlling interests	17,337	10,882
Total equity	702,655	319,207
Total liabilities and equity	1,280,578	786,528

8.3 Material Change in Financial Position

Save as disclosed in this Circular, the 3Q2015 Results and any financial information on the Group which is publicly available (including without limitation the announcements released by the Group on the SGX-ST) as at the Latest Practicable Date, there has been no known material change in the financial position of the Company since 31 March 2014, being the date of the Company's last published audited financial statements.

8.4 Accounting Policies

The summary of significant accounting policies of the Group disclosed in Note 2 of the audited consolidated financial statements of the Group for FY2014 are reproduced in Appendix 8 to this Circular.

8.5 Changes in Accounting Policies

As at the Latest Practicable Date, there is no change in the accounting policies of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

9. GENERAL

- 9.1 All expenses and costs incurred by the Company in relation to the Offer and the Convertible Bonds Offer will be borne by the Company.
- 9.2 EYCF has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, its advice to the Independent Directors set out in paragraph 12 of this Circular, the IFA Letter annexed as Appendix 3 to this Circular, the EYCF Letter annexed as Appendix 7 to this Circular and all references thereto, in the form and context in which they appear in this Circular.
- 9.3 Stirling Coleman has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular and all references thereto, in the form and context in which they appear in this Circular.
- 9.4 The auditors of the Company, Deloitte, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in this Circular, the Deloitte Letter annexed as Appendix 6 to this Circular and all references thereto, in the form and context in which they appear in this Circular.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered address of the Company at 80 Robinson Road #02-00, Singapore 068898 during normal business hours for the period during which the Offer and the Convertible Bonds Offer remain open for acceptance:

- (a) the memorandum and articles of association of the Company;
- (b) the rules of the Scheme
- (c) the annual reports of the Company for FY2012, FY2013 and FY2014;
- (d) the IFA Letter as set out in Appendix 3 to this Circular;
- (e) the 3Q2015 Results annexed as Appendix 5 to this Circular;
- (f) the Deloitte Letter annexed as Appendix 6 to this Circular;
- (g) the EYCF Letter annexed as Appendix 7 to this Circular; and
- (h) the letters of consent from EYCF, Deloitte and Stirling Coleman referred to in paragraphs 9.2 to 9.4 of this Appendix 1 respectively.

APPENDIX 2 – FURTHER DETAILS OF THE OFFER

All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

“DETAILS OF THE OFFER

1. DURATION OF THE OFFER

1.1 Closing Date. *The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder.*

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 16 April 2015, the Closing Date.

The Offeror does not intend to extend the Offer beyond 5.30 p.m. on the Closing Date. Accordingly, notice is hereby given that the Offer will not be open for acceptances beyond 5.30 p.m. on the Closing Date.

1.2 No Obligation to Extend the Offer. *The Offeror is not obliged to extend the Offer if the Offer Condition as set out in Section 3.6 of this Offer Document is not fulfilled by the Closing Date.*

1.3 Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances. *Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period of not less than 14 days after the date on which the Offer would otherwise have closed, in order to give Shareholders who have not accepted the Offer the opportunity to do so.*

*This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (“**Shut-Off Notice**”) that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:*

(a) the Offeror may not give a Shut-Off Notice in a competitive situation; and

(b) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, the SIC would normally regard a “competitive situation” to have arisen if a competing offer for UEL has been announced.

As indicated in paragraph 1.1 of this Appendix 1, a Shut-Off Notice is hereby given that the Offer will not be open for acceptances beyond 5.30 p.m. on the Closing Date.

APPENDIX 2 – FURTHER DETAILS OF THE OFFER

2. SETTLEMENT FOR THE OFFER

2.1 **When Settlement Due.** Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms and the receipt by the Offeror from accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete in all respects and in accordance with the instructions given in this Offer Document and in the FAA and/or the FAT (as the case may be), and in the case of Depositors, the receipt by the Offeror of confirmations satisfactory to it that the relevant number of Offer Shares tendered by the accepting Shareholders in acceptance of the Offer are standing to the credit of the “Free Balance” of their respective Securities Accounts at the relevant time, remittances for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to the accepting Shareholders (or in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by means of a Singapore Dollar crossed cheque drawn on a bank in Singapore and sent by ordinary post to their respective addresses as they appear in the records of CDP or in the Register (as the case may be), at the risk of the accepting Shareholders (or in such other manner as the accepting Shareholders may have agreed with CDP for payment of any cash distribution) as soon as practicable and in any case:

- (a) in respect of acceptances of the Offer which are complete in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within 10 days of that date; or
- (b) in respect of acceptances of the Offer which are complete in all respects and are received **after** the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within 10 days of the date of such receipt.

2.2 **Method of Settlement.** Payment of the Offer Price will be made by way of Singapore Dollar crossed cheques drawn on a bank in Singapore (or in such other manner as the accepting Shareholders may have agreed with CDP for payment of any cash distribution) for the appropriate amounts.

2.3 **Crediting of Offer Shares.** In connection with settlement of the Offer, the Offeror will direct CDP to credit the relevant number of Offer Shares that are tendered in acceptance of the Offer to the securities account or securities sub-account of the Relevant Offeror Sub that is maintained with CDP or a depository agent (as the case may be), in accordance with the arrangements set out in the Consortium Agreement and the Subscription Agreements.

3. ANNOUNCEMENTS

3.1 **Timing and Contents.** Pursuant to Rule 28.1 of the Code, by 8.00 a.m. (Singapore time) on the dealing day (the “**Relevant Day**”) immediately after the day on which, *inter alia*, the Offer is due to expire, or become or is declared to be unconditional as to acceptances, the Offeror will announce and simultaneously inform the SGX-ST of the total number of UEL Shares (as nearly as practicable):

- (a) for which valid acceptances of the Offer have been received;

APPENDIX 2 – FURTHER DETAILS OF THE OFFER

(b) held by the Offeror and any of its Concert Parties before the Offer Period; and

(c) acquired or agreed to be acquired by the Offeror and any of its Concert Parties during the Offer Period,

and will specify the percentages of the total number of issued UEL Shares represented by such numbers.

3.2 Suspension. Under Rule 28.2 of the Code, if the Offeror is unable, within the time limit, to comply with any of the requirements of paragraph 3.1 of this Appendix 1, the SIC will consider requesting the SGX-ST to suspend dealings in the UEL Shares until the relevant information is given.

3.3 Valid Acceptances for Offer Shares. Subject to Section 19.4 of this Offer Document, in computing the number of Offer Shares represented by acceptances received by the Offeror, the Offeror will, at the time of making an announcement, take into account acceptances which are valid in all respects.

Acceptances of the Offer will only be treated as valid for the purposes of the acceptance condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.

3.4 Announcements. In this Offer Document, references to the making of any announcement or the giving of notice by the Offeror include the release of an announcement by Rothschild, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

4. RIGHT OF WITHDRAWAL IN RELATION TO THE OFFER

4.1 Acceptances Irrevocable. Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.

4.2 Right of Withdrawal of Shareholders. A Shareholder who has accepted the Offer may:

(a) withdraw his acceptance immediately if the Offer has become or been declared to be unconditional but the Offeror fails to comply with any of the requirements set out in paragraph 3.1 of this Appendix 1 by 3.30 p.m. (Singapore time) on the Relevant Day. The Offeror may terminate this right of withdrawal not less than eight days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in paragraph 3.1 of this Appendix 1; and

(b) withdraw his acceptance immediately if a competing offer becomes or is declared unconditional as to acceptances. This right of withdrawal also applies in the converse situation i.e., if the Offer becomes or is declared unconditional, a Shareholder who has accepted a competing offer may likewise withdraw his acceptance for such competing offer immediately.

APPENDIX 2 – FURTHER DETAILS OF THE OFFER

4.3 **Method of Withdrawal.** *To withdraw his acceptance, a Shareholder who has accepted the Offer must give written notice to the Offeror:*

- (a) *c/o The Central Depository (Pte) Limited, 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588, where the Offer Shares are deposited with the CDP;*
or
- (b) *c/o Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road #02-00, Singapore 068898, where the Offer Shares are not deposited with the CDP.*

A notice of withdrawal shall be effective only if signed by the accepting Shareholder or his agent duly appointed in writing and evidence of whose appointment is produced in a form satisfactory to the Offeror within the said notice and when actually received by the Offeror.”

APPENDIX 3 – THE IFA LETTER

2 April 2015

**The Independent Directors of
United Envirotech Ltd.**

80 Robinson Road
#02-00
Singapore 068898

Dear Sirs:

VOLUNTARY CONDITIONAL OFFER BY ROTHSCHILD (SINGAPORE) LIMITED (“ROTHSCHILD”) FOR AND ON BEHALF OF CKM (CAYMAN) COMPANY LIMITED (THE “OFFEROR”) TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF UNITED ENVIROTECH LTD. (“UEL” OR THE “COMPANY”) OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR (THE “OFFER”)

1 INTRODUCTION

On 12 November 2014 (the “**Pre-Conditional Offer Announcement Date**”), Rothschild, for and on behalf of the Offeror, announced (the “**Pre-Conditional Offer Announcement**”) that subject to and contingent upon the satisfaction and waiver of the Offer Pre-Conditions (as defined in the Pre-Conditional Offer Announcement), the Offeror intends to make the Offer for all the issued and paid-up ordinary shares in the capital of the Company (the “**UEL Shares**”) other than those already owned, controlled or agreed to be acquired by the Offeror (the “**Offer Shares**”) in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”) and Rule 15 of The Singapore Code on Take-overs and Mergers (the “**Code**”).

The Offeror is a special purpose vehicle incorporated in the Cayman Islands for purposes of the Offer. As at 13 March 2015, being the latest practicable date (the “**Offer Document LPD**”) prior to the printing of the Offer Document dated 19 March 2015 (the “**Offer Document**”), the Offeror is jointly owned by each of CITIC Environment (International) Company Limited (“**CITIC Environment**”) and KKR China Water Investment Holdings Limited (“**KKRCW**”) in equal proportion.

As at 5 March 2015 (the “**Offer Announcement Date**”), all of the Offer Pre-Conditions have been satisfied or waived (as the case may be) and accordingly, Rothschild announced, for and on behalf of the Offeror, the Offeror’s firm intention to make the Offer.

In addition to the Offer, Rothschild, for and on behalf of the Offeror, also made an offer to KKRCW as the sole holder (the “**CB Holder**”) of the convertible bonds due 2016 for an aggregate outstanding principal amount of US\$44.0 million (the “**Offer Convertible Bonds**”), in accordance with Rule 19 of the Code (the “**Convertible Bonds Offer**”), subject to and upon certain principal terms and conditions as set out in Section 4 of the Offer Document.

As at the Offer Document LPD, the Offeror and parties acting in concert with the Offeror own or control an aggregate of:

- (a) 285,609,818 UEL Shares, representing approximately 29.65% of the total number of issued UEL Shares; and

APPENDIX 3 – THE IFA LETTER

- (b) US\$44.0 million in principal amount of Convertible Bonds which are convertible into 117,926,189 new UEL Shares, representing approximately 10.23% of the enlarged total number of UEL Shares.

On 7 November 2014 (the “**SIC Ruling Date**”), the Securities Industry Council (“**SIC**”) has, *inter alia*, confirmed, subject to the opinion of the independent financial adviser (“**IFA**”), that pursuant to Note 4 on Rule 10 of the Code,

- (a) the subscription agreement entered into between the Offeror and Dr Lin Yucheng, the Chairman and Chief Executive Officer of UEL (the “**UEL CEO**”) (the “**Lin Subscription Agreement**”) on 11 November 2014 (being the date on which the definitive agreements relating to the Proposed Transaction were signed) (the “**Signing Date**”) and the subscription agreement entered into among the Offeror, Ms Pan Shuhong, the Vice President and Chief Investment Officer of UEL (the “**UEL CIO**”) and together with the UEL CEO, the “**Key Management Shareholders**”) and Joyfield Group Limited (an affiliate of the UEL CIO) (“**Joyfield**”) on the Signing Date (the “**Pan Subscription Agreement**”) and together with the Lin Subscription Agreement, the “**Key Management Shareholder Subscription Agreements**”);
- (b) the agreement entered into between KKRCW, CITIC Environment, the Key Management Shareholders, CITIC Environment Protection Co. Ltd. (“**CITIC EP**”) and the Offeror on the Signing Date, to govern the relationship of KKRCW, CITIC Environment and the Key Management Shareholders as shareholders of the Offeror (the “**Consortium Agreement**”);
- (c) the Key Management Shareholders’ Irrevocable Undertakings; and
- (d) the amended and restated service contracts to be entered into by UEL with each of the Key Management Shareholders (the “**Key Management Shareholders’ Service Contracts**”)

(collectively, the “**Key Management Shareholders’ Agreements**”) will not constitute a special deal by CITIC Environment or the Offeror to the Key Management Shareholders.

Ernst & Young Corporate Finance Pte Ltd (“**EYCF**”) has been appointed as the IFA to the directors of the Company (the “**Directors**”) who are considered independent in relation to the Offer, the Convertible Bonds Offer, and the Key Management Shareholders’ Agreements (the “**Independent Directors**”), for the purpose of advising on the Offer, the Convertible Bonds Offer and the Key Management Shareholders’ Agreements.

This letter sets out, *inter alia*, our evaluation of the terms of the Offer, the Convertible Bonds Offer, and the Key Management Shareholders’ Agreements, and our advice thereon. It forms part of the circular to Shareholders dated 2 April 2015 which provides, *inter alia*, the details of the Offer, the Convertible Bonds Offer, and the Key Management Shareholders’ Agreements, and the recommendation of the Independent Directors in relation to the Offer and the Convertible Bonds Offer (the “**Circular**”).

Unless otherwise defined, all terms in the Circular have the same meaning in this letter.

APPENDIX 3 – THE IFA LETTER

2 TERMS OF REFERENCE

EYCF has been appointed to advise the Independent Directors on the financial terms of the Offer and the Convertible Bonds Offer, and to recommend for or against acceptance of the Offer and the Convertible Bonds Offer, pursuant to Rules 7.1, 19 and 24.1(b) of the Code. We are also appointed to advise the Independent Directors and to provide our opinion on the terms of the Key Management Shareholders' Agreements pursuant to Rule 10 of the Code.

Our views as set forth in this letter are based on the prevailing market conditions, economic conditions, and financial conditions, and our evaluation of the Offer, the Convertible Bonds Offer, and the Key Management Shareholders' Agreements, as well as information provided to us by the Company and its management, as at 25 March 2015 (the "**Latest Practicable Date**") (save for the Offeror's announcement dated 26 March 2015 in relation to the condition of the Offer). Accordingly, our opinion shall not take into account any event or condition which occurs after the Latest Practicable Date (save for the Offeror's announcement dated 26 March 2015 in relation to the condition of the Offer). Shareholders should take note of any announcement and/or event relevant to their consideration of the Offer which may be released after the Latest Practicable Date.

We have confined our evaluation and analysis of the Offer and the Convertible Bonds Offer to the financial terms thereof. It is not within our terms of reference to assess the rationale for, commercial merits and/or commercial risks of the Offer and the Convertible Bonds Offer, and to comment on the financial merits and/or financial risks of the Offer and the Convertible Bonds Offer where the assessment of such financial merits and/or financial risks involves our reviewing of non-publicly available information of the companies involved to which we have no access and with which we have not been furnished. It is also not within our terms of reference to compare the relative merits of the Offer and the Convertible Bonds Offer vis-à-vis any alternative transactions that the Company may consider in the future, and as such, we do not express an opinion thereon. We have not been requested or authorised to solicit, and we have not solicited, any indication of interest from any third party with respect to the Offer Shares nor to the Offer Convertible Bonds.

The scope of our appointment does not require us to express, and we do not express, a view on the future prospects of the Company and its subsidiaries (the "**Group**"). We are, therefore, not expressing any view herein as to the prices at which the Shares may trade or on the future financial performance of the Group upon completion of the Offer. No financial or profit forecasts, business plans or management accounts of the Group have been specifically prepared for the purpose of evaluating the Offer and the Convertible Bonds Offer. Accordingly, we will not be able to comment on the expected future performance or prospects of the Group. However, we may draw upon the views of the Directors and/or the senior management of the Company, to the extent deemed necessary and appropriate by us, in arriving at our opinion as set out in this letter.

In the course of our evaluation, we have held discussions with the Directors and senior management of the Company. We have also examined and relied on publicly available information in respect of the Group collated by us as well as information provided to us by the Company, including information in relation to the Offer, the Convertible Bonds Offer, and the Key Management Shareholders' Agreements. We have not independently verified such information furnished by the Directors and/or senior management of the Company or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us,

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after making all reasonable enquiries that, to the best of their knowledge and belief, all material information relating to the Group has been disclosed to us, that such information constitutes a full and true disclosure, in all material respects, of all material facts about the Group in the context of the Offer, the Convertible Bonds Offer, and the Key Management Shareholders' Agreements, and there is no material information the omission of which would make any of the information contained herein or in the Circular (other than those relating to the Offer, the Convertible Bonds Offer, and the Key Management Shareholders' Agreements) misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have also made reasonable enquiries and exercised reasonable judgement in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in relation to the Offer, the Convertible Bonds Offer, and the Key Management Shareholders' Agreements have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of the Group or any of its associated or joint venture companies. We have also not made an independent valuation or appraisal of the assets and liabilities of the Company, its subsidiaries or any of its associated or joint venture companies.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder and the CB Holder. As different Shareholders as well as the CB Holder would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

This letter and our opinion are addressed solely for the use and benefit of the Independent Directors in connection with and for the purpose of their consideration of the Offer and the Convertible Bonds Offer, and the recommendations made by them to the Shareholders shall remain the responsibility of the Independent Directors.

The Company has been separately advised in the preparation of the Circular (other than this letter). We were not involved and have not provided any advice, whether financial or otherwise, in the preparation, review and verification of this Circular (other than this letter). Accordingly, we do not take any responsibility for, and express no views on, whether expressed or implied, the contents of the Circular (other than this letter).

Our opinion in relation to the Offer, the Convertible Bonds Offer, and the Key Management Shareholders' Agreements should be considered in the context of the entirety of this letter and the Circular.

3 THE PROPOSED TRANSACTION

3.1 Proposed Transaction

The Offeror proposes to acquire at least a majority stake in the Company by way of:

- (a) undertaking the Offer and the Convertible Bonds Offer; and
- (b) subscribing for new UEL Shares pursuant to a private placement exemption under Section 272B of the SFA after the close of the Offer and the Convertible Bonds Offer.

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3.2 Proposed Placement

On 11 November 2014, the Offeror entered into a placing agreement with the Company (the “**Placing Agreement**”), pursuant to which the Company agreed to place to the Offeror, and the Offeror agreed to subscribe from the Company (the “**Proposed Placement**”), an aggregate of 30,303,031, 60,606,061 or 90,909,091 new UEL Shares (“**Placement Shares**”), at a subscription price per Placement Share of S\$1.65. This represents an aggregate subscription amount of approximately S\$50 million, S\$100 million or S\$150 million respectively. The actual number of Placement Shares to be placed by the Company to the Offeror shall be determined by the Offeror.

The Placement Shares to be placed by the Company to the Offeror will represent approximately 2.56%, 5.00% or 7.31% (as the case may be) of the enlarged total number of UEL Shares (after taking into account the Placement Shares to be issued by UEL and based on 1,152,237,557 UEL Shares plus the Placement Shares to be issued by UEL).

On 15 January 2015, the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) indicated that it has no objection to the Proposed Placement and for the listing of and quotation for the Placement Shares on the Official List of the SGX-ST and on 6 February 2015, the Shareholders approved the Proposed Placement. As at 3 March 2015, all the PRC Regulatory Approvals in connection with the Proposed Transaction have been obtained or waived. Accordingly, all the Relevant Placement Conditions have been satisfied as at the Offer Announcement Date.

The details on the Proposed Placement are set out in the Company’s Circular to the Shareholders dated 22 January 2015.

4 THE OFFER

4.1 Principal Terms of the Offer

The details on the principal terms of the Offer are set out in Section 3 of the Offer Document and Section 3 of the Offeree Circular. We set out below the salient terms of the Offer.

Subject to the terms and conditions set out in the Offer Document, the Offeror has made the Offer for the Offer Shares in accordance with Section 139 of the SFA and Rule 15 of the Code on the following basis:

- (a) **Offer Price.** The consideration for each Offer Share will be as follows:

For each Offer Share: S\$1.65 in cash (the “Offer Price”)

The Offeror does not intend to increase the Offer Price.

- (b) **No Encumbrances.** The Offer Shares will be acquired (i) fully paid, (ii) free from all claims, charges, mortgages, securities, liens, options, equities, powers of sale, hypothecation or other third party rights, retention of title, rights of pre-emption, rights of first refusal or security interests of any kind or any agreements, arrangements or obligations to create any of the foregoing (each, an “**Encumbrance**”), and (iii) together with all rights, interests, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Announcement Date and thereafter attaching thereto, including all voting rights, the right to receive and retail all dividends, rights, other distributions and

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return of capital (if any) (collectively referred to as “**Distributions**”), in respect of which, the Shares Record Date falls on or after the Pre-Conditional Announcement Date.

The term “**Shares Record Date**” means, in relation to any Distributions, the date on which Shareholders must be registered with the Company or with The Central Depository (Pte) Limited, as the case may be, in order to participate in such Distributions.

- (c) **Adjustments for Distributions.** Without prejudice to the generality of the foregoing, the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions, in respect of which, the Shares Record Date falls on or after the Pre-Conditional Announcement Date. In the event of any such Distribution, the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution as follows, depending on when the settlement date in respect of the Offer Shares tendered in acceptance by Shareholders pursuant to the Offer (the “**Offer Settlement Date**”) falls:
- (i) if the Offer Settlement Date falls on or before the Shares Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Price of S\$1.65 in cash for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and
 - (ii) if the Offer Settlement Date falls after the Shares Record Date, the Offer Price payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.
- (d) **Offer Shares.** The Offer, when made, will be extended, on the same terms and conditions, to all the UEL Shares owned, controlled or agreed to be acquired by parties acting in concert with the Offeror (including all the 285,609,818 UEL Shares held by KKRCW). For the purpose of the Offer, the expression “**Offer Shares**” shall include such UEL Shares.
- (e) **Conversion Shares.** The Offer, when made, will also be extended on the same terms and conditions to all new UEL Shares unconditionally issued or to be issued on or prior to the close of the Offer (including new UEL Shares issued or to be issued pursuant to the valid exercise on or prior to the close of the Offer of any options (the “**Options**”) to subscribe for new UEL Shares (the “**Conversion Shares**”) granted under the United Envirotech Employee Share Option Scheme (the “**UEL Scheme**”). For the purposes of the Offer, the expression “**Offer Shares**” shall include such Conversion Shares.
- (f) **Offer Condition.** The Offer, when made, will be subject to the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the UEL Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer), will result in the Offeror and parties acting in concert with it holding such number of UEL Shares carrying more than 50% of the voting rights attributable to the issued UEL Shares as at the close of the Offer (the “**Offer Condition**”).

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Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the UEL Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer), will result in the Offeror and parties acting in concert with it holding such number of UEL Shares carrying more than 50% of the voting rights attributable to the maximum potential issued shares of the Company. For these purposes, the “**maximum potential issued shares of the Company**” means the total number of UEL Shares which would be in issue had all the aggregate outstanding Options and Convertible Bonds which are exercisable or convertible prior to the close of the Offer been validly exercised or converted as of the date of such declaration, but excluding any new UEL Shares which may be issued pursuant to (collectively, the “**Excluded New UEL Shares**”):

- (i) the valid exercise of any Unreleased Post-Amendment UEL Options (as defined in Section 4.2 below);
- (ii) the exercise of any of the UEL CEO’s UEL Options (as defined in Section 6.1 below); and
- (iii) the Proposed Placement,

(collectively, the “**Relevant Maximum Potential Issued UEL Shares**”).

The SIC has on the SIC Ruling Date confirmed to the Offeror that in determining whether, prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of UEL Shares which will result in the Offeror holding the Relevant Maximum Potential Issued UEL Shares, the Offeror shall be entitled to exclude the Excluded New UEL Shares.

The Offer will not become or be capable of being declared unconditional in accordance with its terms unless the Offer Condition is satisfied or fulfilled.

5 THE CONVERTIBLE BONDS OFFER

The details on the principal terms of the Convertible Bonds Offer are set out in the letter to the CB Holder despatched to the CB Holder together with the Offer Document. We set out below the salient terms of the Convertible Bonds Offer.

5.1 Convertible Bonds

As at the Offer Announcement Date, the Company has an aggregate outstanding principal amount of US\$44.0 million convertible bonds due 2016 held by the CB Holder, representing all the Convertible Bonds issued by UEL as at the Offer Announcement Date, which are convertible at a conversion price of S\$0.45 per UEL Share into 117,926,189 new UEL Shares, representing approximately 10.23% of the enlarged total number of UEL Shares.

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5.2 Convertible Bonds Offer

In addition to the Offer, Rothschild, for and on behalf of the Offeror, has also made the Convertible Bonds Offer to KKRCW as the sole CB Holder for the Offer Convertible Bonds in accordance with Rule 19 of the Code, subject to and upon the following principal terms and conditions:

- (a) **Condition of Convertible Bonds Offer.** The Convertible Bonds Offer will be subject to and conditional upon the Offer becoming or being declared unconditional in accordance with its terms and the Offer Convertible Bonds continuing to be transferable and convertible into new UEL Shares. If the Offer lapses or is withdrawn or if the relevant Offer Convertible Bonds cease to be transferable or convertible into UEL Shares, the Convertible Bonds Offer shall lapse accordingly.
- (b) **Convertible Bonds Offer Price.** The offer price for each in principal amount of the Offer Convertible Bonds (the “**Convertible Bonds Offer Price**”) tendered in acceptance of the Convertible Bonds Offer will, in accordance with Note 1(a) on Rule 19 of the Code, be the “**see-through**” price. The said “**see-through**” price is equal to the Offer Price multiplied by the number of new UEL Shares into which such principal amount of Offer Convertible Bonds may be converted (rounded down to the nearest UEL Shares) (the “**Conversion Ratio**”). In the event the Conversion Ratio is or will be adjusted in accordance with the terms and conditions of the Convertible Bonds, the Offeror reserves the right to adjust the Convertible Bonds Offer Price subject to consultation with the SIC.

5.3 No Encumbrances.

The Offer Convertible Bonds are to be acquired:

- (i) fully paid and free from all Encumbrances; and
- (ii) together with all rights, interests, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Offer Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all interests, payments, rights or other distributions (if any), the Bonds Record Date for which falls on or after the Pre-Conditional Offer Announcement Date (but excluding any payments of interest (including default interest) on the principal amount of the Offer Convertible Bonds (the “**Convertible Bonds Interest Payments**”), the Bonds Record Date for which falls before the relevant settlement date for the Offer Convertible Bonds tendered in acceptance of the Convertible Bonds Offer by the CB Holder) (the “**CB Settlement Date**”).

For the purpose of the Offer Document and the Offeree Circular, the term “**Bonds Record Date**” means, in relation to any interests, payments, rights or other distributions, the date on which the CB Holder must be registered with the Company in order to participate in such interests, payments, rights or other distributions.

In the event of any such interests, payments, rights or other distributions or if any right arises for any reason whatsoever (other than the Convertible Bonds Interest Payments) on or after the Pre-Conditional Offer Announcement Date for the benefit of the CB Holder who validly accepts or has validly accepted the Convertible Bonds Offer, the Offeror reserves the right to reduce the Convertible Bonds Offer Price payable to the accepting CB Holder by the amount of such interests, payments, rights or other distributions, subject to consultation with the SIC.

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In relation to the Convertible Bonds Interest Payments:

- (i) **the Bonds Record Date for which falls before the CB Settlement Date**, the SIC has on the SIC Ruling Date confirmed to the Offeror that KKRCW would be entitled to the amount of the Convertible Bonds Interest Payments in respect of the Convertible Bonds to be paid prior to the CB Settlement Date. Accordingly, the amount of Convertible Bonds Interest Payments in respect of the Convertible Bonds to be paid prior to the CB Settlement Date (if any) will not be deducted by the Offeror from the Convertible Bonds Offer Price payable to the accepting CB Holder; and
- (ii) **the Bonds Record Date for which falls on or after the CB Settlement Date**, the SIC has on the SIC Ruling Date confirmed to the Offeror that the Offeror would be entitled to all Convertible Bonds Interest Payments to be paid on or after the CB Settlement Date. In addition, the SIC has also confirmed that all Convertible Bonds Interest Payments from and including the last interest payment date (i.e., 4 October 2014) up to and including the CB Settlement Date received by the Offeror on or after the CB Settlement Date, may be paid by the Offeror to KKRCW (as the accepting CB Holder) pursuant to the terms of the KKRCW Subscription Agreement, and KKRCW shall be entitled to all such Convertible Bonds Interest Payments.

5.4 Offer and Convertible Bonds Offer Mutually Exclusive. For the avoidance of doubt, whilst the Convertible Bonds Offer is conditional upon the Offer becoming or being declared unconditional in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Convertible Bonds Offer. The Offer and the Convertible Bonds Offer are separate and mutually exclusive. The Convertible Bonds Offer does not form part of the Offer and *vice versa*.

5.5 Letter to CB Holder. Further details of the Convertible Bonds Offer are set out in the Bonds Offer Letter and the Bonds FAT.

6 IRREVOCABLE UNDERTAKINGS

The details on the irrevocable undertakings in relation to the Offer are set out in Section 5 of the Offer Document and Section 5 of the Offeree Circular. We set out below the salient terms of the irrevocable undertakings in relation to the Offer.

As at the Offer Announcement Date, the following Shareholders have provided irrevocable undertakings to the Offeror to, amongst other things, accept the Offer in respect of an aggregate of 491,230,201 UEL Shares, representing approximately 50.99% of the total number of issued UEL Shares:

No.	Name of Shareholder	Number of UEL Shares undertaken	Percentage ⁽²⁾ of UEL Shares (%) ⁽³⁾
1.	KKRCW	285,609,818	29.65
2.	Dr Lin Yucheng, the Chairman and UEL CEO	71,761,000	7.45
3.	Ms Pan Shuhong, the Vice President and UEL CIO, and Joyfield	85,593,383	8.88
4.	Independent Shareholders ⁽¹⁾	48,266,000	5.01
Total number of UEL Shares in relation to the Irrevocable Undertakings		491,230,201	50.99

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Notes:

- (1) “**Independent Shareholders**” refer to the following Shareholders and such number of UEL Shares in respect of which they have provided an Irrevocable Undertaking to the Offeror: (a) Mr Pang Lim, 22,546,000 UEL Shares; (b) Mr Zhuo Jing Ming, 6,000,000 UEL Shares; (c) Mr Tan Choon Wann, 4,000,000 UEL Shares; (d) Mr Yeo Chung Sun, 4,000,000 UEL Shares; (e) Mr Zheng He Peng, 3,000,000 UEL Shares; (f) Mr Paul Leong Kah Fook, 2,900,000 UEL Shares; (g) Mr Tan Swee Peng, 2,700,000 UEL Shares; (h) Mr Gregory Leong Goh Han, 2,205,000 UEL Shares; and (i) Mr Tay Siak Chwee, 915,000 UEL Shares.
- (2) Any discrepancies in this table between the listed percentages and the totals thereof are due to rounding.
- (3) The total number of issued shares in the capital of UEL as at the Offer Document LPD is 963,361,368.

6.1 Other Principal Terms of the Irrevocable Undertakings

- (a) The Irrevocable Undertaking by KKRCW includes an undertaking by KKRCW not to convert any of the Convertible Bonds held by it into new UEL Shares or exercise any right to request for early redemption by the Company of the Convertible Bonds during the Offer Period, but to tender all of the Convertible Bonds in acceptance of the Convertible Bonds Offer.
- (b) The Irrevocable Undertaking by the UEL CEO includes an undertaking by the UEL CEO not to exercise any of his 15,000,000 Options into new UEL Shares during the Offer Period (the “**UEL CEO’s UEL Options**”).
- (c) The Irrevocable Undertakings by the Independent Shareholders include an undertaking by each of them to vote, or procure the voting of, such number of UEL Shares which are the subject of their undertakings in favour of the resolution(s) to approve the Proposed Placement at a general meeting of the Company to be convened for that purpose.

Each of the Irrevocable Undertakings by KKRCW, the UEL CEO, the UEL CIO (including Joyfield) and the Independent Shareholders will terminate on the earlier of (i) the Long-Stop Date (or such later date as the Offeror may determine in consultation with the SIC) and (ii) the date on which the Offer lapses or is withdrawn (other than by reason of a breach of their respective Irrevocable Undertakings).

7 INFORMATION ON THE OFFEROR, ITS CONCERT PARTIES AND THE CONSORTIUM ARRANGEMENTS

The details on the information on the Offeror, its concert parties and the Consortium Arrangements are set out in Section 8 of the Offer Document and Section 7 of the Offeree Circular.

7.1 Information on the Offeror

The Offeror is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 30 September 2014. Its principal activities are those of an investment holding company. As at the Offer Announcement Date, the Offeror has an authorised share capital of S\$13,000 divided into 1,300,000,000 shares of a par value of S\$0.00001 each and an issued and paid-up share capital of S\$0.00002 comprising two ordinary shares (the “**Offeror Shares**”), and each of KKRCW and CITIC owns one Offeror Share.

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As at the Offer Document LPD, the board of directors of the Offeror (the “**Offeror Board**”) comprise four members, consisting of (a) two nominees of CITIC Environment (namely, Mr Hao Weibao and Mr Wang Song) and (b) two nominees of KKRCW (namely, Mr David Haifeng Liu and Mr Zhao Fu).

Post-completion of the Proposed Transaction, it is currently expected that the Offeror Board will comprise nine members, consisting of (i) five nominees of CITIC Environment (namely, Mr Hao Weibao, Mr Zhang Yong, Mr Wang Song, Ms Ren Xia, and Ms Mao Yimin), (ii) two nominees of KKRCW (namely, Mr David Haifeng Liu and Mr Zhao Fu), and (iii) the Key Management Shareholders.

7.2 Information on KKRCW

KKRCW, a controlling Shareholder (as defined in the SGX-ST Listing Manual (the “**Listing Manual**”) of UEL, is a company incorporated under the laws of the British Virgin Islands. Its principal activities are those of an investment holding company. As at the Offer Announcement Date, KKRCW is authorised to issue a maximum of 50,000 ordinary shares with a par value of US\$1.00 each and currently, 15,001 ordinary shares with a par value of US\$1.00 each have been issued for an aggregate subscription price of US\$153,800,001. KKRCW is an indirect wholly-owned subsidiary of KKR China Water Holdings I Limited, which in turn is approximately 93.20% held by KKR Asian Fund L.P. as at the Offer Announcement Date. The investment manager for KKR Asian Fund L.P. is Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, “**KKR**”).

KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside its partners’ capital and brings opportunities to others through its capital markets business. References to KKR’s investments may include the activities of its sponsored funds.

As at the Offer Document LPD, the sole director of KKRCW is Mr William J. Janetschek, the Chief Financial Officer of KKR.

Since KKR’s initial investment in UEL through KKRCW’s subscription of the Convertible Bonds in 2011, KKR has been a value-added partner of UEL. KKR has played an active role in assisting and supporting UEL on all its significant investments since 2011 and has contributed not just its investment and mergers and acquisition expertise but also its capital markets network and know-how.

7.3 Information on CITIC Environment

CITIC is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 29 September 2014. Its principal activities are those of an investment holding company. As at the Announcement Date, CITIC has an authorised share capital of S\$13,000 divided into 1,300,000,000 shares of a par value of S\$0.00001 each and an issued and paid-up share capital of S\$0.00001 comprising one ordinary share, and is wholly-owned by CITIC Environment Protection Co. Ltd. (“**CITIC EP**”).

As at the Offer Document LPD, the directors of CITIC are Mr Hao Weibao, Mr Zhang Yong and Mr Wang Song.

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As at the Offer Document LPD, CITIC EP is a wholly-owned subsidiary of CITIC Corporation Limited, which in turn, is a wholly-owned subsidiary of CITIC Limited (formerly known as CITIC Pacific Limited). CITIC Limited, 77.90% owned by CITIC Group Corporation which is incorporated in Beijing, and listed in Hong Kong (SEHK: 267), is one of the constituent stocks of the Hang Seng Index. As the largest conglomerate in the People's Republic of China (the "PRC"), its businesses include financial services, resources and energy, manufacturing, real estate and infrastructure, engineering contracting, and other businesses in the PRC and overseas.

As at the Offer Document LPD, the members on the board of directors of CITIC EP are (a) Mr Wang Jiong (President and Vice Chairman of CITIC Corporation Limited, President and Vice Chairman of CITIC Limited and Chairman of CITIC EP), (b) Mr Nie Xuequn (Vice Chairman of CITIC EP), (c) Mr Hao Weibao (President of CITIC EP), (d) Mr Chen Bin (Vice President of CITIC EP) and (e) Mr Luo Wei (Assistant President of CITIC EP).

As at the Offer Document LPD, the members on the board of directors of CITIC Corporation Limited are (i) Mr Chang Zhenming (Chairman and Executive Director of CITIC Corporation Limited and Chairman of CITIC Limited), (ii) Mr Wang Jiong, (President and Vice Chairman of CITIC Corporation Limited, President and Vice Chairman and Executive Director of CITIC Limited and Chairman of CITIC EP), (iii) Mr Dou Jianzhong (Vice President and Executive Director of CITIC Corporation Limited, and Vice President and Executive Director of CITIC Limited), (iv) Mr Yang Jinming (Non-Executive Director), (v) Mr Yu Zhensheng (Non-Executive Director), (vi) Ms Cao Pu (Non-Executive Director) and (vii) Mr Liu Yeqiao (Non-Executive Director).

As at the Offer Document LPD, the members on the board of directors of CITIC Limited are (1) Mr Chang Zhenming (Chairman and Executive Director of CITIC Corporation Limited and Chairman of CITIC Limited), (2) Mr Wang Jiong (President and Vice Chairman of CITIC Corporation Limited, President and Vice-Chairman and Executive Director of CITIC Limited, and Chairman of CITIC EP), (3) Mr Dou Jianzhong (Vice President and Executive Director of CITIC Corporation Limited, and Vice President and Executive Director of CITIC Limited), (4) Mr Zhang Jijing (Vice President and Executive Director of CITIC Limited), (5) Mr Yang Jinming (Non-Executive Director), (6) Mr Yu Zhensheng (Non-Executive Director), (7) Ms Cao Pu (Non-Executive Director), (8) Mr Liu Zhongyuan (Non-Executive Director), (9) Mr Liu Yeqiao (Non-Executive Director), (10) Mr Alexander Reid Hamilton (Independent Non-Executive Director), (11) Mr Francis Siu Wai Keung (Independent Non-Executive Director), (12) Dr Xu Jinwu (Independent Non-Executive Director), (13) Mr Anthony Francis Neoh (Independent Non-Executive Director) and (14) Ms Lee Boo Jin (Independent Non-Executive Director).

7.4 Joint Offerors and Key Management Shareholders Retaining an Interest

The SIC has on the SIC Ruling Date confirmed to the Offeror that:

- (a) CITIC Environment and KKRCW are regarded as joint offerors under Note 6 on Rule 10 of the Code for the purpose of making the Offer through the Offeror and that accordingly, the Consortium Agreement, the KKRCW Subscription Agreement and KKRCW's Irrevocable Undertaking (referred to in Section 6) will not constitute a special deal by CITIC Environment or the Offeror to KKRCW under Rule 10 of the Code;

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- (b) pursuant to Note 4 on Rule 10 of the Code, the Key Management Shareholder Subscription Agreements (as defined in Section 6.5(d) of the Offer Announcement), the Consortium Agreement, the Key Management Shareholders' Irrevocable Undertakings and the Key Management Shareholders' Service Contracts (collectively, the "**Key Management Shareholders' Agreements**") will not constitute a special deal by CITIC Environment or the Offeror to the Key Management Shareholders under Rule 10 of the Code, subject to the independent financial adviser to UEL publicly stating in its opinion that the terms of the Key Management Shareholders' Agreements are fair and reasonable; and
- (c) the Key Management Shareholders' Agreements will not amount to an agreement or understanding (whether formal or informal) to co-operate to obtain or consolidate effective control of UEL.

7.5 Capitalisation of the Offeror. The details on the capitalisation of the Offeror are set out in Section 8.5 of the Offer Document and Section 7 of the Offeree Circular and we recommend that the Independent Directors advise the Independent Shareholders to read carefully the information on the capitalisation of the Offeror.

7.6 Board Seat Rights and Reserved Matters

- (a) Post-completion of the Proposed Transaction and pursuant to the terms of the Consortium Agreement, the Offeror Shareholders have, amongst other things, agreed that:
- (i) the Offeror Board will comprise nine members as described in Section 7.1; and
- (ii) the board of directors of UEL (the "**UEL Board**") will comprise eight members. It is currently contemplated that, subject to compliance with the Listing Manual and the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the eight members of the UEL Board shall be:

No.	Name	Position
1.	Mr Hao Weibao	Chairman and Non-Executive Director (and nominee of CITIC Environment)
2.	Mr Zhang Yong	Non-Executive Director (and nominee of CITIC Environment)
3.	Mr Wang Song	Non-Executive Director (and nominee of CITIC Environment)
4.	Dr Lin Yucheng	Chief Executive Officer
5.	Mr Zhao Fu	Non-Executive Director (and nominee of KKRCW)
6.	Mr Yeung Koon Sang alias David Yeung	Lead Independent Director
7.	Mr Tay Beng Chuan	Independent Director
8.	Mr Lee Suan Hiang	Independent Director

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- (b) The Offeror Shareholders have further agreed pursuant to the terms of the Consortium Agreement, on a list of reserved matters (the “**Reserved Matters**”) which shall not be undertaken by the Offeror, UEL and/or any of their respective subsidiaries and associated companies (each, a “**Group Company**”, and collectively, the “**Offeror Group**”), without the affirmative vote of (i) a director of the Offeror Board nominated by each Offeror Shareholder, or (ii) three-fourths of the directors representing the Offeror Board. The Reserved Matters include, amongst other things, (I) any alterations to the constitutional documents of a Group Company, (II) the delisting of UEL from the SGX-ST, (III) the issuance of new equity securities by any Group Company save for permitted exceptions such as the granting of Options under the UEL Scheme and (IV) the conduct of any merger, consolidation, reorganisation or restructuring, or any dissolution, liquidation or winding up of any Group Company.

7.7 Transfer Restrictions

Pursuant to the Consortium Agreement, the Offeror Shareholders agreed that pro rata proportions of the UEL Shares corresponding to the shareholding percentages of CITIC Environment, KKRCW and the Key Management Shareholders in the Offeror will be held in special purpose subsidiaries of the Offeror and designated as the CITIC Offeror Sub, the KKRCW Offeror Sub, the Lin Offeror Sub and the Pan Offeror Sub (each, a “**Relevant Offeror Sub**”), and the Offeror will direct that all Offer Shares tendered in acceptance of the Offer will be credited directly into the Securities Account (or securities sub-account) of each Relevant Offeror Sub pursuant to the terms of the Subscription Agreements.

The Consortium Agreement provides for restrictions on the transfer by:

- (a) each of the Offeror Shareholders of Offeror Shares held by it;
- (b) the Offeror of shares in the Relevant Offeror Sub held by the Offeror; and
- (c) the Relevant Offeror Sub of UEL Shares held by it,

except in certain circumstances.

The Consortium Agreement further contains, among other things, put option rights:

- (i) of KKRCW to require CITIC Environment to either purchase or cause the Offeror to redeem the Offeror Shares held by KKRCW at a price to be determined by reference to the financial performance and market prices of UEL, its subsidiaries and associated companies (collectively, the “**UEL Group**”) at the relevant time of exercise by KKRCW of its put option (the “**KKRCW Put Option**”). The KKRCW Put Option is exercisable on the expiry of 18 months after the Final Offer Closing Date and for a period of 20 months thereafter; and
- (ii) of each of the Key Management Shareholders to require CITIC Environment to either purchase or cause the Offeror to redeem the Offeror Shares held by him/her at a price to be determined by reference to the market prices of the UEL Group at the relevant time of exercise by him/her of his/her put option (each, the “**Key Management Shareholder’s Put Option**”). The Key Management Shareholder’s Put Option is exercisable in agreed tranches, on the expiry of three years after settlement is made by the Offeror in respect of the Offer Shares that each Key Management Shareholder has tendered in acceptance of the Offer, and for a period of three years thereafter.

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Each of KKRCW and the Key Management Shareholders will have to bear the risks associated with the business and financial performance of the Offeror Group going forward and will have to accept the restricted rights of minority shareholders in a privately held company.

7.8 Resultant Shareholding in the Offeror

Following the close of the Offer, the Placement Completion, the CITIC Loan Capitalisation and the Inter-Consortium Members Transfers (if necessary), it is expected that the percentage of shareholding to be held by each Offeror Shareholder in the Offeror will be as follows:

No.	Name of Shareholder	Percentage ⁽¹⁾ of enlarged issued share capital in the Offeror (%) ⁽²⁾
1.	CITIC Environment	Between 50.6 to 67.4
2.	KKRCW	Between 23.8 to 36.2
3.	Dr Lin Yucheng	Between 3.8 to 5.5
4.	Ms Pan Shuhong	Between 5.0 to 7.7

Notes:

- (1) Any discrepancies in this table between the listed percentages and the totals thereof are due to rounding.
- (2) The enlarged issued share capital in the Offeror has been computed on the assumption that out of the 70,950,000 Options outstanding, only 18,366,500 Options will be exercised into new UEL Shares and tendered in acceptance of the Offer (after subtracting 45,083,500 Unreleased Post-Amendment UEL Options and 7,500,000 of the UEL CEO's UEL Options). This assumption is on the basis that (i) the UEL CEO undertakes not to convert any of his 15,000,000 Options into new UEL Shares during the Offer Period, and (ii) none of the 45,083,500 Unreleased Post-Amendment UEL Options will be exercised into new UEL Shares during the Offer Period, out of which 7,500,000 comprise the Options held by the UEL CEO.

The final percentage of shareholding to be held by each Offeror Shareholder would depend on (1) the level of acceptances of the Offer, (2) the number of Placement Shares to be issued to the Offeror, and (3) whether the Inter-Consortium Members Transfers occur.

After the close of the Offer (but prior to the Placement Completion, the CITIC Loan Capitalisation and the Inter-Consortium Members Transfers), CITIC Environment will hold less than 50% of all the Offeror Shares in issue and will subsequently increase its stake in the Offeror through (a) the Placement Completion and the CITIC Loan Capitalisation and/or (b) the Inter-Consortium Members Transfers, so as to acquire statutory control (i.e., more than 50%) of the Offeror (and thereby become the leader of the Offeror concert party group). The SIC has on the SIC Ruling Date ruled that such increase in shareholding in the Offeror by CITIC Environment will not result in CITIC Environment triggering a mandatory takeover obligation under Rule 14 of the Code, provided that (i) the Placement Completion and the CITIC Loan Capitalisation and (ii) the Inter-Consortium Members Transfers are effected not later than 10 Business Days after the close of the Offer, and the Offeror releases a public announcement on the resulting shareholding of the Offeror and UEL thereafter.

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The SIC has on the SIC Ruling Date further ruled that for so long as the Offeror holds more than 49% of all the UEL Shares in issue following the close of the Offer, and CITIC Environment holds more than 50% of all the Offeror Shares in issue, any acquisition (whether directly or indirectly) by CITIC Environment of (i) Offeror Shares, (ii) shares in the Relevant Offeror Subs or (iii) UEL Shares, whether pursuant to CITIC Environment's right of first refusal under the Consortium Agreement, the KKRCW Put Option, the Key Management Shareholder's Put Option or on or offmarket purchases (whether through private placements or rights issues) or otherwise, would not result in CITIC Environment triggering a mandatory takeover obligation under Rule 14 of the Code.

7.9 Conversion of the Convertible Bonds

Pursuant to the terms of the Consortium Agreement, the Offeror Shareholders have agreed to procure that the Offeror (through KKRCW Offeror Sub) converts all the Convertible Bonds into new UEL Shares, post-completion of the Offer. Under the Consortium Agreement, the Offeror Shareholders have agreed that the Offeror will deliver a conversion notice in relation to the Convertible Bonds within 10 business days¹ of the Final Offer Closing Date. The SIC has on the SIC Ruling Date confirmed to the Offeror that the subscription of new UEL Shares by the Offeror (or the KKRCW Offeror Sub) following the conversion of the Convertible Bonds into new UEL Shares by the Offeror after the successful close of the Offer, would not contravene Rule 33.2 of the Code.

7.10 Service Contracts

Post-completion of the Proposed Transaction, UEL will enter into an amended and restated service contract (the "**Service Contract**") with each of the six key management employees of UEL comprising (a) the UEL CEO, (b) the UEL CIO, (c) Dr Ge Hailin (the Chief Technology Officer of UEL), (d) Mr Wang Ning (Deputy Chief Executive Officer), (e) Mr Tan Huchuan (Deputy Chief Executive Officer), and (f) Mr Li Li (Deputy Chief Executive Officer) (collectively, the "**Key UEL Senior Managers**") on terms substantially similar to his or her existing employment terms, save for the following:

- (a) each Service Contract may not be terminated by UEL during the period commencing three years after the Final Offer Closing Date, except for cause (as such term is defined or prescribed under each Service Contract);
- (b) the compensation of the Key UEL Senior Managers concerned (including bonuses and other discretionary compensation), will be recommended by UEL's Remuneration Committee for the UEL Board's approval; and
- (c) the non-compete provisions in each Service Contract will reflect the non-compete provisions in the Consortium Agreement.

In relation to the UEL CEO, his Service Contract will include the following additional provisions:

- (i) that his job responsibilities include being a director of UEL; and
- (ii) that he has the authority to appoint, terminate and determine the compensation of subordinate employees and to make recommendations to UEL's Remuneration Committee in relation to the compensation of the Key UEL Senior Managers (other than himself).

¹ For this purpose, "**business day**" means any day other than a Saturday, Sunday or other day on which commercial banks in the PRC, Singapore, Hong Kong or New York are required or authorised by law or executive order to be closed.

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The SIC has confirmed on the SIC Ruling Date that the Service Contracts with the Key UEL Senior Managers will not:

- (1) constitute a special deal by the Offeror to the Key UEL Senior Managers under Rule 10 of the Code (but in relation to the Key Management Shareholders, such confirmation by the SIC is subject to the IFA of UEL publicly stating in its opinion that the terms of their Service Contracts are fair and reasonable);
- (2) amount to an agreement or understanding (whether formal or informal) with the Offeror to cooperate to obtain or consolidate effective control of UEL.

8 EVALUATION OF THE KEY MANAGEMENT SHAREHOLDERS' AGREEMENTS

As set out in Section 8.4 of the Offer Document and Section 7 of the Offeree Circular, the SIC has on the SIC Ruling Date confirmed to the Offeror that pursuant to Note 4 on Rule 10 of the Code, the Key Management Shareholders' Agreements comprising:

- (a) Key Management Shareholders' Subscription Agreements (the salient terms of which are set out in Section 8 of the Offer Document);
- (b) the Consortium Agreement (the salient terms of which are set out in Section 8 of the Offer Document);
- (c) the Key Management Shareholders' Irrevocable Undertakings (the salient terms of which are set out in Section 5 of the Offer Document); and
- (d) the Key Management Shareholders' Service Contracts (the salient terms of which are set out in Section of the Offer Document),

will not constitute a special deal by CITIC Environment or the Offeror to the Key Management Shareholders, being the UEL CEO and UELCIO, subject to the opinion of the IFA on whether the Key Management Shareholders' Agreements are fair and reasonable.

We advise the Shareholders to read carefully the relevant sections of the Offer Document in connection with the Key Management Shareholders' Agreements, Key Management Shareholder Subscription Agreements, Consortium Agreement, Key Management Shareholders' Irrevocable Undertakings, and Key Management Shareholders' Service Contracts.

We did not take part, nor were we requested to take part, in any discussion in connection with the negotiations on and preparation of the terms of the Key Management Shareholders' Agreements. It is not within our terms of reference to assess the rationale for, commercial merits and/or commercial risks of the of the Key Management Shareholders' Agreements, nor are we required to express, and we do not express, a view on the future prospects of the Group in connection with the Key Management Shareholders' Agreements. No financial or profit forecasts, business plans or management accounts of the Group have been specifically prepared for the purpose of our evaluation of the Key Management Shareholders' Agreements.

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It is also not within our terms of reference to compare the relative merits and/or risks of the Key Management Shareholders' Agreements vis-à-vis any alternative agreements, or whether or not alternative agreements could be obtained or are available. We have confined our evaluation and analysis of the Key Management Shareholders' Agreements to the financial terms thereof, and our advice to the Independent Directors on the Key Management Shareholders' Agreements are based upon our evaluation, from a financial point of view, of the proposed arrangements under the Key Management Shareholders' Agreements.

In arriving at our opinion, we have reviewed and deliberated on the Key Management Shareholders' Agreements and considered, *inter alia*, the following factors: (a) the Key Management Shareholders' historical service contracts, including compensation and the term of the contracts, (b) the compensation of the Key Management Shareholders (including bonuses and other discretionary compensation) being subject to the recommendation by UEL's Remuneration Committee and the approval of the UEL Board under the Service Contracts, (c) the Key Management Shareholders' Subscription Agreements and Key Management Shareholders' Irrevocable Undertakings being in line with the agreed capitalisation of the Offeror under the Consortium Agreement and with CITIC Environment being the single largest shareholder of the Company, (d) the redemption of the Offeror Shares in connection with the put option rights by each of the Key Management Shareholders under the Consortium Agreement to be determined by reference to the market prices of UEL Group at the relevant time of exercise by him/her of his/her put option, and (e) the publicly disclosed irrevocable undertakings and subscription agreements of key management personnel for precedent offer transactions.

After having considered carefully the information available to us as at the Latest Practicable Date and subject to the paragraphs set out in this section, we are of the opinion that the terms of the Key Management Shareholders' Agreements are fair and reasonable.

Our opinion on the Key Management Shareholders' Agreements is addressed solely to the Independent Directors for the purpose of their consideration of the Offer and the Convertible Bonds Offer, and may not be relied upon for any other purpose.

It is not within our terms of reference to advise, and we do not advise, any person, other than the Independent Directors, in relation to the Key Management Shareholders' Agreements. In particular, we do not express any opinion, whether explicitly or implied, as to whether the Key Management Shareholders should accept the Key Management Shareholders' Agreements or as to how the Key Management Shareholders' Agreements are to be implemented.

In providing our opinion on the Key Management Shareholders' Agreements, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder and the CB Holder. As different Shareholders as well as the CB Holder would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

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9 EVALUATION OF THE FINANCIAL TERMS OF THE OFFER AND THE CONVERTIBLE BONDS OFFER

In our analysis and evaluation of the Offer and the Convertible Bonds Offer, and our recommendations thereon, we have taken into consideration the following factors:

- (a) Rationale for the Proposed Transaction and the Offeror's intentions;
- (b) Market quotation and historical trading activity of the Shares;
- (c) Comparison of the valuation measures of the Company implied by the Offer Price against those of selected comparable listed companies;
- (d) Comparison with similar offer transactions for companies listed on the SGX-ST; and
- (e) Other relevant considerations.

The factors above are discussed in more detail in the following sections.

9.1 Rationale of the Proposed Transaction

We reproduce below the rationale for the Proposed Transaction as set out in Section 10 of the Offer Document and Section 8 of the Offeree Circular.

“8.1 Rationale for the Proposed Transaction

The Offeror believes that the Proposed Transaction provides an opportunity for Shareholders to participate in the growth of the Company, a market leader in the membrane-based water and wastewater treatment industry, with CITIC Environment as the single largest shareholder and KKRCW as the second largest shareholder of the Offeror (which will, in turn, hold at least a majority stake in the Company), post-completion of the Proposed Transaction.

(a) Attractive industry dynamics

According to the “12th Five-Year Development Plan for the Energy Saving and Environmental Protection Industry” (the “Five-Year Plan”) issued by the State Council of the PRC in 2012, the energy saving and environmental protection industry has been identified as one of the seven strategic industries that the PRC government will nurture and develop. Based on the Five-Year Plan, it is expected that by 2015, the total industry output value of the energy saving and environmental protection industry will reach RMB4.5 trillion, which is more than twice the amount for 2010 (the last year of the 11th Five-Year Plan period). The Five-Year Plan projects that the industry is expected to grow with a compounded annual growth rate (“CAGR”) of more than 15% per annum, and the increase in industry output value is estimated to reach 2% of the PRC's gross domestic product by the end of the Five-Year Plan.

In addition, as the public expectation of environmental quality in the PRC continues to rise, investment in the environmental protection industry is expected to grow rapidly in the near future. According to the World Bank², per capita water

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resources in the PRC are approximately one third of the world's average. By applying advanced membrane technology in wastewater treatment and recycling, it is expected that companies like UEL can provide a viable solution to water shortage and pollution problems in the PRC, thereby supporting sustainable and environmentally friendly development of the economy. With this attractive industry backdrop, it is the vision of the Offeror and CITIC Limited to expand their business in the areas of environmental protection and water treatment.

(b) UEL will become the flagship for CITIC Limited in the water and wastewater treatment business

It is the intention of CITIC Limited to develop its business in the environmental protection sector and its investment in UEL provides a unique opportunity for CITIC Limited to invest in a leading membrane-based water and wastewater treatment and reclamation solution provider in the PRC's chemical, petrochemical and industrial park sectors.

Pursuant to the Proposed Transaction, CITIC Environment will obtain an indirect controlling interest in UEL and the Offeror intends to maintain the listing status of UEL on the SGX-ST. It is noted that with an increasing number of state-owned enterprises being involved in water and wastewater treatment business in the PRC, the market is becoming more competitive. To increase the competitiveness of UEL, it is envisaged that CITIC Limited will leverage on its business network and resources in the PRC to support UEL's business development strategy and growth plans. It is also the vision of CITIC Limited to continue to invest in the water and environmental protection industry in the PRC and to develop UEL as CITIC Limited's flagship for its water and wastewater treatment sector. CITIC Limited also plans to use UEL as a strategic platform and new source of revenue in the water and environmental protection industry.

(c) Unique technologies and proven track record

UEL is a leading membrane-based water and wastewater treatment and recycling solutions provider in the PRC's chemical, petrochemical and municipal sectors. Through the acquisition of Memstar Technology Ltd in 2014, UEL has not only acquired leading technologies in the manufacturing of Polyvinylidene Fluoride hollow fibre membrane and membrane products, but has also become one of the few companies with vertically integrated water and wastewater treatment and reclamation solution expertise with businesses spanning from fibre membrane production to engineering, procurement and construction projects and water treatment plant investments.

UEL has designed and built several of the largest industrial and municipal wastewater treatment plants in Asia using the membrane bioreactor technology. In the past three years³, it has also achieved exceptional growth in revenue (CAGR of 54.0%) and net profit attributable to Shareholders (CAGR of 38.5%).

² Source: World Bank (<http://data.worldbank.org/indicator/ER.H2O.INTR.PC>).

³ From the financial year ended 31 March 2012 to the financial year ended 31 March 2014, based on the annual report of UEL for the financial year ended 31 March 2014, excluding any pro-forma impact from Memstar Technology Ltd.

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(d) KKR supporting the Proposed Transaction

As at the Offer Announcement Date, KKRCW is a controlling shareholder and the single largest shareholder of UEL. KKRCW is supporting the Proposed Transaction as a joint offeror to enable CITIC Environment to indirectly obtain a controlling interest in UEL and become the largest shareholder of the Offeror post-completion of the Proposed Transaction with KKRCW as the second largest shareholder. KKR will continue to devote its global expertise and experience to UEL and, together with CITIC Environment as a value-added partner, work with UEL to support the long term growth and development of UEL.

(e) Management continuity

The Offeror highly values the experience and technical expertise of the existing management team of UEL and believes that the existing management team is an invaluable asset of UEL. To ensure continuity of the management of UEL, it is intended that after completion of the Proposed Transaction, the service contracts for the Key UEL Senior Managers shall be renewed for a three-year period. In addition, so as to incentivise and align the interest of the management team with that of the employees of UEL, it is expected that the existing UEL Scheme will be maintained post-completion of the Proposed Transaction.”

9.2 Market quotation and historical trading activity of the Shares

We set out below a chart which shows the daily closing prices for the Shares and volume traded (excluding married trades) for the period from two (2) years prior to the Holding Announcement Date and up to the Latest Practicable Date. We have also marked significant dates during the given period, including the Company’s announcements in connection with its financial results, joint venture arrangements and investments.



Source: Capital IQ, Company announcements

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Notes:

- (1) On 8 January 2013, the Board announced that the Company had on 8 January 2013 entered into a conditional subscription agreement with KKRCW, pursuant to which the Company proposed to allot and issue an aggregate number of 98,536,000 new ordinary shares in the Company, representing 11.04% of the enlarged issued share capital of the Company, for an aggregate consideration of US\$40 million.
- (2) On 9 January 2013, the Board announced that the Company has on 8 January 2013 entered into:
 - (a) a sale and purchase agreement with Dr. Ge Hailin, an existing shareholder of Memstar Technology Ltd (“MTL”), holding in aggregate 277,817,724 ordinary shares, representing approximately 10.46% of the existing issued and paid-up share capital of MTL, in relation to the proposed acquisition of 130,000,000 shares in the capital of MTL.
 - (b) a sale and purchase agreement (the “**PSH S&P Agreement**”) with Ms. Pan, an existing shareholder of MTL, holding directly and indirectly 1,040,781,124 ordinary shares, representing approximately 39.19% of the existing issued and paid-up share capital of MTL, in relation to the proposed acquisition of 220,000,000 shares in the capital of MTL.
- (3) On 28 May 2013, the Company reported group financial results for the full year ended 31 March 2013. For the year, the Company achieved a record year with a 196.2% jump in net profit to S\$31.0 million, which came on the back of a 116.9% year-on-year (“**yoy**”) rise in revenue to S\$185.0 million. The higher revenue was mainly due to a 131.9% yoy increase in engineering business segment revenue to S\$144.5 million and a 76.5% yoy increase in treatment business segment revenue to S\$40.6 million for the full year. Operating profit from recurring treatment business segment increased to S\$17.4 million.

In view of the good full year results, the Board has also proposed a final dividend of 0.5 Singapore cents per ordinary share, up from 0.3 Singapore cents declared for the previous years.
- (4) On 13 June 2013, the Company announced that it has established a US\$300,000,000 Medium Term Note Programme. In connection therewith, Standard Chartered Bank has been appointed to act as arranger and dealer.
- (5) On 29 July 2013, the Board announced that the Company has on 29 July 2013 entered into a conditional sale and purchase agreement with 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, comprising 1,670,383 issued ordinary shares and (ii) the proposed transfer and/or novation of MTL’s Sale Assets to the Company or Memstar Pte Ltd, as the case may be, on the terms and subject to the conditions of the S&P Agreement, for an aggregate purchase consideration of S\$293,414,807.
- (6) On 13 February 2014, the Company announced the signing of a RMB150 million Agreement to Acquire, Upgrade and Expand an Industrial Park Wastewater Treatment Plant in Jiangsu, China.
- (7) On 27 February 2014, the Board announced that the Company was awarded a RMB580 million (S\$120 million) contract to design and build China’s largest Membrane Bioreactor wastewater treatment plant.
- (8) On 2 July 2014 (the “**Holding Announcement Date**”), the Company announced a holding announcement stating that it has been approached to explore a potential acquisition of shares in the Company (the “**Holding Announcement**”).
- (9) On 12 November 2014, KKRCW converted US\$18.7 million in aggregate principal amount of its Convertible Bonds into an aggregate number of 50,118,630 ordinary shares in the capital of the Company at the conversion price of S\$0.45 per KKR Conversion Share.
- (10) On 12 November 2014, Rothschild (Singapore) Limited, for and on behalf of the Offeror, CKM (Cayman) Company Limited, announced that subject to and contingent upon the satisfaction or waiver of certain Offer Pre-Conditions, the Offeror intends to make a voluntary conditional offer to acquire all the Shares of the Company other than those already owned, controlled or agreed to be acquired by the Offeror, at an offer price of S\$1.65 per share.
- (11) On 15 January 2015, the Board announced that the Company has received the approval in-principle from the SGX-ST for the listing and quotation of the Placement Shares on the Mainboard of the SGX-ST, subject to certain conditions.
- (12) On 6 February 2015, at the Extraordinary General Meeting of the Company, all the resolutions as set out in the Notice of Extraordinary General Meeting, with respect to the Proposed Placement, were duly passed by the shareholders of the Company.
- (13) On 5 March 2015, the Offeror announced that it intends to make a voluntary conditional offer to acquire all the issued and paid-up ordinary shares in the capital of United Envirotech Ltd. other than those already owned, controlled or agreed to be acquired by the Offeror.
- (14) On 12 March 2015, the Company reported group financial results for the quarter ended 31 December 2014. UEL’s revenue for the current period was S\$116.1 million, which was S\$51.8 million or 80.6% higher than last corresponding period ended 31 December 2013 of S\$64.3 million.

We note that for the 2-year period prior to the Holding Announcement Date, the Company’s share price was trading below the Offer Price of S\$1.65 for the entire period.

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Additional information on the volume-weighted average price (“VWAP”) of the Shares and other trading statistics are set out below:

Reference period	VWAP ⁽¹⁾ (S\$)	Premium of Offer Price over VWAP (%)	Highest Transacted Price (S\$)	Lowest Transacted Price (S\$)	Average daily trading volume ⁽²⁾	Daily trading volume as percentage of free float ⁽³⁾ (%)
Prior to the Holding Announcement Date						
Last 2 years	0.921	79.2	1.520	0.310	2,555,576	0.6
Last 1 year	1.189	38.8	1.520	0.700	2,615,147	0.6
Last 6 months	1.288	28.1	1.520	0.915	3,929,696	0.9
Last 3 months	1.373	20.2	1.500	1.250	3,206,032	0.7
Last 1 month	1.416	16.5	1.500	1.300	2,427,012	1.0
Last transacted price prior to the Holding Announcement	1.465	12.6	1.465	1.465	12,604,000	2.8
Prior to the Pre-Conditional Offer Announcement Date						
Last 2 years	1.025	61.0	1.520	0.365	2,830,518	0.6
Last 1 year	1.288	28.1	1.520	0.700	2,985,802	0.7
Last 6 months	1.381	19.5	1.515	1.185	2,809,575	0.6
Last 3 months	1.367	20.7	1.515	1.185	2,386,328	0.5
Last 1 month	1.363	21.1	1.515	1.185	4,721,762	1.1
Last transacted price prior to the Pre- Conditional Offer Announcement	1.515	8.9	1.515	1.515	7,919,000	1.8
Prior to the Offer Announcement Date						
Last 1 month	1.617	2.0	1.620	1.610	1,002,524	0.2
Last transacted price prior to the Offer Announcement	1.620	1.9	1.620	1.620	850,300	0.2
After the Offer Announcement Date						
Between the Offer Announcement and the Latest Practicable Date	1.643	0.4	1.650	1.640	2,721,464	0.6
Last transacted price as at Latest Practicable Date	1.645	0.3	1.645	1.645	104,900	0.02

Source: Capital IQ, EYCF analysis

Notes:

- (1) The VWAP is calculated based on the closing price of the Shares and the traded volume for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the given period divided by the number of market days during that period.
- (3) Free float refers to the Shares other than those held by the Directors, substantial Shareholders and their associates (as defined in the Listing Manual, which amounts to approximately 444.47 million Shares or equivalent to approximately 46% of the total issued share capital of the Company as at the Latest Practicable Date.

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We note the following:

- (a) Over the last two years prior to the Holding Announcement Date, the market price of the Shares has traded between a low of S\$0.31 and a high of S\$1.52. We note further that for the two years prior to the Holding Announcement Date, the Shares have not traded at or above the Offer Price;
- (b) The Offer Price represents premiums of approximately 79.2%, 38.8%, 28.1%, 20.2%, and 16.5% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the Holding Announcement Date, respectively;
- (c) The Offer Price represents a premium of approximately 12.6% over the last transacted price on 2 July 2014, being the last trading session prior to the Holding Announcement Date;
- (d) Over the last two years prior to the Pre-Conditional Offer Announcement Date, the market price of the Shares has traded between a low of S\$0.365 and a high of S\$1.52. We note further that for the two years prior to the Pre-Conditional Offer Announcement Date, the Shares have not traded at or above the Offer Price;
- (e) The Offer Price represents premiums of approximately 61.0%, 28.1%, 19.5%, 20.7%, and 21.1% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the Pre-Conditional Offer Announcement Date, respectively;
- (f) The Offer Price represents a premium of approximately 8.9% over the last transacted price prior to the Pre-Conditional Offer Announcement;
- (g) The Offer Price represents a premium of approximately 2.0% over the VWAP for the period 1 month prior to the Offer Announcement Date;
- (h) The Offer Price represents a premium of approximately 1.9% over the last transacted price prior to the Offer Announcement;
- (i) For the period following the Offer Announcement Date up to the Latest Practicable Date, the Company's Share price had traded between S\$1.640 and S\$1.650 per Share. The Offer Price of S\$1.65 represents a premium of 0.4% to the VWAP of the Shares over this period; and
- (j) The Offer Price represents a premium of approximately 0.3% over the last transacted price of S\$1.645 as at the Latest Practicable Date.

We also note the following with regard to the trading liquidity of the Shares:

- (a) The average daily traded volume of the Shares for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the Holding Announcement Date represents approximately 0.6%, 0.6%, 0.9%, 0.7% and 1.0% of the free float, respectively;
- (b) The average daily traded volume of the Shares on the last trading date prior to the Holding Announcement represents 2.8% of the free float;

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- (c) The average daily traded volume of the Shares for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the Pre-Conditional Offer Announcement Date represents approximately 0.6%, 0.7%, 0.6%, 0.5% and 1.1% of the free float, respectively;
- (d) The average daily traded volume of the Shares on the last trading date prior to the Pre-Conditional Offer Announcement represents approximately 1.8% of the free float, which is significantly higher than the average daily traded volume of the Shares during the other periods observed;
- (e) The average daily traded volume of the Shares for the period 1 month prior to the Offer Announcement Date represents approximately 0.2% of the free float;
- (f) The average daily traded volume of the Shares on the last trading date prior to the Offer Announcement represents approximately 0.2% of the free float;
- (g) The average daily traded volume of the Shares for the period following the Offer Announcement Date up to the Latest Practicable Date represents approximately 0.6% of the free float; and
- (h) The average daily traded volume of the Shares on the Latest Practicable Date represents approximately 0.02% of the free float.

We have also considered the trading history of the Shares since the Company's initial public offering ("IPO") on 22 April 2004, and note that the Offer Price is higher than the highest traded price for the Company's Shares since the Company's IPO (save as the closing price on 19 March 2015). We also note that the highest price the Shares had historically traded since the Company's IPO up to the Offer Announcement Date was S\$1.635 on 20 November 2014.



Source: Capital IQ

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In order to assess the market price performance of the Shares vis-à-vis the general price performances of the Singapore equity market in general and the broad China-play companies in particular, we have compared the market movement of the Shares against the FTSE Straits Times Index (“**FSSTI**”) and the FSSTI ST China (“**FSChina**”) for the period from two years prior to the Holding Announcement Date and up to the Latest Practicable Date.



Source: Capital IQ, rebased to 0% on 2 July 2012

We note that the Shares had outperformed both the FSSTI and FSChina in relative terms over the period two years prior to the Holding Announcement Date and up to the Latest Practicable Date. After October 2012, the Shares started to outperform the FSSTI in relative terms.

We wish to highlight that the analysis on the historical trading performance of the Shares serves only as an illustrative guide and is not an indication of the future trading performance of the Shares.

9.3 Comparison of Valuation Measures of the Company against those of Selected Comparable Listed Companies

In our evaluation, we have considered the following widely used valuation measures:

Valuation Measure	Description
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation Ratio (“ EV/EBITDA Ratio ”)	<p>Enterprise value is the sum of a company’s market capitalisation, preferred equity, minority interests, short-term and long-term debts (inclusive of finance leases), less its cash and cash equivalents (“EV”).</p> <p>EBITDA refers to the historical consolidated earnings before interests, taxes, depreciation and amortisation.</p> <p>EV/EBITDA Ratio is the ratio of a company’s enterprise value divided by EBITDA.</p>

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Valuation Measure	Description
Price-to-Earnings Ratio ("P/E Ratio")	P/E Ratio or earnings multiple is the ratio of a company's market capitalisation divided by the historical consolidated net profit attributable to shareholders.
Price-to-Net Asset Value Ratio ("P/NAV Ratio")	NAV refers to consolidated net asset value, which is calculated as total assets of a company less total liabilities. P/NAV Ratio refers to the ratio of a company's share price divided by NAV per share.

Based on our discussions with the Management and a search for comparable listed companies on CapitalIQ, OneSource and other available databases, we recognise that there is no particular listed company that we may consider to be directly comparable to the Group in terms of the composition of the business activities, company size, scale of operations, service range, customer base, risk profile, geographical spread of activities, accounting standards and policies used, and such other relevant criteria. However, after discussions with the Management, we have selected companies with market capitalisation between approximately S\$500 million and S\$10 billion as at the Latest Practicable Date, primary operations and market in China, and which we believe are broad proxies to the core businesses of the Group (the "**Comparable Companies**").

The Independent Directors and Shareholders should note that any comparisons made with respect to the Comparable Companies are for illustrative purposes only as there is no one company with the exact scope of business and using the exact accounting policies and standards as those of the Group. For the analysis on the Comparable Companies, we have used the available data/information as at the Latest Practicable Date. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied market valuation of the Group as at the Latest Practicable Date. In addition, we wish to highlight that the list of Comparable Companies is by no means exhaustive.

Accordingly, for the purposes of our evaluation, we have considered the following Comparable Companies whose activities, in our view (and as explained above), are broadly comparable to those of the Group:

Comparable Company	Business Activity Description	Market Capitalisation (S\$ millions)
Listed in Singapore		
Hyflux Ltd ("Hyflux")	Hyflux provides integrated water management and environmental solutions worldwide. The municipal segment supplies a range of water and fluid treatment solutions to municipalities and governments, including commissioning, operation, and maintenance of water treatment and liquid separation plants on a turnkey or design-build-own-operate-transfer arrangement.	718

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Comparable Company	Business Activity Description	Market Capitalisation (\$ millions)
	<p>The industrial segment offers liquid separation applications for the manufacturing sector. The company is also engaged in the desalination of seawater, purification of raw water, cleaning of wastewater, recycling and reclamation of water, and production of ultra pure water for municipal and industrial clients; and provides home consumer filtration and purification products.</p> <p>Operations and projects in Singapore, Southeast Asia, China, India, Algeria, the Middle East, and North Africa.</p>	
SIIC Environment Holdings Ltd. (“ SIIC Environment ”)	<p>SIIC Environment is engaged in waste water treatment and water supply business in the People’s Republic of China and Singapore.</p> <p>The construction segment is involved in the design, assembly, construction, installation, and commissioning of water supply or waste water treatment systems/plants for industrials and municipals.</p> <p>The water treatment and water supply segment manages and operates infrastructure under service and non-service concession agreements. Others segments provide designing and consultancy services on the projects; and install water meters. It also holds a portfolio of build-operate-transfer, transfer-operate-transfer, build-own-operate, and operation and management projects in Hubei, Shandong, Hunan, Zhejiang, Shanxi, Henan, Liaoning, Jiangsu, Yunnan, Fujian, Guangdong, and Guangxi provinces.</p>	1,573
Listed in Hong Kong		
Beijing Enterprises Water Group Limited (“ Beijing Enterprises Water ”)	<p>Beijing Enterprises Water provides integrated water system solutions primarily in the People’s Republic of China, Malaysia, and Portugal.</p> <p>The company’s sewage and reclaimed water treatment and construction services segment constructs and operates sewage and reclaimed water treatment plants; constructs seawater desalination plants; and provides construction services for renovation projects. Its water distribution services segment is involved in the distribution and sale of piped water and provision of related services.</p>	7,505

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Comparable Company	Business Activity Description	Market Capitalisation (\$ millions)
CT Environmental Group Limited (“ CT Environmental ”)	<p>CT Environmental provides wastewater treatment and industrial water supply project services in the People’s Republic of China.</p> <p>The company builds, operates, and transfers wastewater treatment plants; provides sludge and solid waste treatment services; facility management services; and wastewater processing and heating services, as well as supplies industrial water.</p>	2,213
Kangda International Environmental Company Limited (“ Kangda International ”)	<p>Kangda International provides integrated wastewater treatment solutions and services in the People’s Republic of China.</p> <p>The service concession arrangements segment invests in, designs, constructs, upgrades, and operates water treatment plants under the build, operate, and transfer; and transfer, operate, and transfer arrangements.</p> <p>The build-transfer arrangements segment designs and constructs municipal infrastructures or infrastructures related to water treatment plants. The company’s other segments offer operation and management services, and construction services related to other construction service projects; and operation services for other water treatments.</p>	1,195
Sound Global Ltd (“ Sound Global ”)	<p>Sound Global provides water and wastewater treatment solutions in the People’s Republic of China, Saudi Arabia, and Bangladesh. It operates through three segments: turnkey projects and services; manufacturing; and operations of water and wastewater treatment facilities.</p> <p>The company offers design, procurement, engineering, and construction services for turnkey facilities to treat municipal wastewater or sewage, and industrial wastewater from various industries for release into the environment; and facilities for the treatment of tap water, as well as constructs water and wastewater facilities for its build, operate, and transfer projects.</p> <p>It also provides professional operations and maintenance services to local or municipal governments, which include operation and maintenance of water and wastewater treatment facilities.</p>	1,888

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Comparable Company	Business Activity Description	Market Capitalisation (\$ millions)
Listed in China		
<p>Beijing Origin Water Technology Co., Ltd (“Beijing Origin Water”)/ (Shenzhen-listed)</p>	<p>Beijing Origin Water provides water treatment solutions based on membrane water treatment technology primarily in the People’s Republic of China.</p> <p>The company’s products include membrane-bio-reactor-unit that produces reclaimed water; continuous membrane filtration side-stream unit designed for the drinking water production, the reclamation of municipal/industrial wastewater, and the pretreatment of reverse osmosis system; and reverse osmosis, which is used for desalination of seawater and brackish, production of boiler feed water, industrial pure water, electronic ultrapure water, purified drinking water, wastewater treatment, special separation, etc.</p>	<p>10,219</p>
<p>Beijing Water Business Doctor Co., Ltd. (“Beijing Water Business Doctor”)/ (Shenzhen-listed)</p>	<p>Beijing Water Business Doctor provides services for industrial water treatment systems of large scale projects in coal chemical industry, petrochemical industry, power industry, and other industries.</p> <p>The company is primarily engaged in water supplying, water drain, reclaimed water recycling, and water system operation integrated planning activities. It also provides water treatment system proposal design services, equipment purchase and installation services, engineering construction services, technical consulting services, system maintenance services, operation and management services, and other services.</p>	<p>5,284</p>
<p>Chengdu Xingrong Investment Co., Ltd. (“Chengdu Xingrong”)/ (Shenzhen-listed)</p>	<p>Chengdu Xingrong primarily supplies and distributes tap water in the People’s Republic of China.</p> <p>The company is also involved in sewage and sludge treatment, and pipeline installation activities; and the investment, design, construction, operation, and management of environment protection projects.</p>	<p>5,856</p>
<p>Chongqing Water Group Co., Ltd (“Chongqing Water”)/ (Shanghai-listed)</p>	<p>Chongqing Water is engaged in water supply business in the People’s Republic of China. It is involved in the investment, operation, construction, and management of urban water supply and drainage projects.</p>	<p>10,226</p>

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Comparable Company	Business Activity Description	Market Capitalisation (\$ millions)
Shanghai Safbon Water Service Co., Ltd. (“ Shanghai Safbon Water ”)/ (Shenzhen-listed)	<p>The company is also involved in sewage treatment, distribution of tap water, engineering construction, municipal public works, mechanical and electrical installation engineering, building construction, and engineering businesses, as well as other businesses.</p> <p>Shanghai Safbon Water provides environment protection water processing services in the People’s Republic of China. The company offers industrial water treatment, municipal wastewater and water treatment, solid waste disposal, and gas regulator systems.</p>	1,837
Tianjin Capital Environmental Protection Group Company Limited (“ Tianjin Capital Environmental ”)/ (Shanghai-listed)	<p>It serves power, petrochemical, metallurgy, iron and steel, coal chemical, municipal wastewater and water, natural gas distributed energy, and other industries.</p> <p>Tianjin Capital Environmental is primarily involved in the processing of sewage water, and construction and management of related facilities; supply of tap water and recycled water; supply of heating and cooling, and management of related facilities, as well as the provision of toll collection services in the People’s Republic of China.</p>	3,673
Tianjin MOTIMO Membrane Technology Co., Ltd. (“ Tianjin MOTIMO Membrane ”)/ (Shenzhen-listed)	<p>The company is also engaged in the manufacturing, installation, commissioning, and operation of equipment for recycled water.</p> <p>Tianjin MOTIMO Membrane researches, develops, manufactures, and sells membrane materials, processes, modules, and equipment in the People’s Republic of China.</p> <p>The company offers various hollow fiber membrane modules, and technical guidance and after-sales services.</p> <p>The company’s membranes, equipment, and systems are used for the treatment of municipal wastewater and industrial water in power plant, steel, textile, domestic, petrochemical, food, drinking water, spinning and weaving, sea water pre-treatment, and other industries.</p>	1,647

Source: Capital IQ, OneSource, company reports and company websites

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Valuation Measures of the Comparable Companies in Comparison with the Valuation Measures of the Company implied by the Offer Price

Company	Listed Exchange	Market Capitalisation ⁽¹⁾ (S\$ millions)	EV/EBITDA Ratio ⁽²⁾ (times)	P/E Ratio ⁽³⁾ (times)	P/NAV Ratio ⁽⁴⁾ (times)
Singapore-listed:					
Hyflux	Singapore	718	12.1	12.5	0.5
SIIC Environment	Singapore	1,573	24.8	26.9	1.9
For Singapore-listed companies:					
Low			12.1	12.5	0.5
High			24.8	26.9	1.9
Median			18.4	19.7	1.2
Average			18.4	19.7	1.2
Hong Kong-listed:					
Beijing Enterprises Water	Hong Kong	7,505	24.9	33.4	2.9
CT Environmental	Hong Kong	2,213	30.1	39.8	9.9
Kangda International	Hong Kong	1,195	15.9	21.8	3.7
Sound Global ⁽⁶⁾	Hong Kong	1,888	9.7	17.2	2.2
For Hong Kong-listed companies:					
Low			9.7	17.2	2.2
High			30.1	39.8	9.9
Median			20.4	27.6	3.3
Average			20.2	28.1	4.7
China-listed:					
Beijing Origin Water	Shenzhen	10,219	40.5	50.7	9.4
Beijing Water Business Doctor	Shenzhen	5,284	108.4	137.2	10.1
Chengdu Xingrong	Shenzhen	5,856	22.5	35.7	3.6
Chongqing Water	Shanghai	10,226	21.7	26.2	3.5
Shanghai Safbon Water	Shenzhen	1,837	86.7	109.9	14.4
Tianjin Capital Environmental	Shanghai	3,673	23.1	60.0	4.9
Tianjin MOTIMO Membrane	Shenzhen	1,647	66.5	85.8	9.2
For China-listed companies:					
Low⁽⁵⁾			21.7	26.2	3.5
High⁽⁵⁾			40.5	50.7	9.4
Median⁽⁵⁾			22.8	35.7	4.9
Average⁽⁵⁾			26.9	37.5	6.1
For all Comparable Companies:					
Low⁽⁵⁾			9.7	12.5	0.5
High⁽⁵⁾			40.2	50.4	9.9
Median⁽⁵⁾			22.8	27.2	3.6
Average⁽⁵⁾			22.5	29.4	4.7
United Envirotech Ltd. – Implied by Offer Price, on fully diluted basis	Singapore	1,901.2	23.2	35.6	2.4

Source: Capital IQ, OneSource and company reports

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Notes:

- (1) Market capitalisation for the Comparable Companies is based on the outstanding number of shares and the closing price as at Latest Practicable Date as obtained from CapitalIQ. Market capitalisation of the Company is approximately S\$1,901.2 million based on the Offer Price of S\$1.65 per Share and the number of UEL Shares on a fully diluted basis of 1,152,237,557 (as set out in Section 2 of the Offer Document and Appendix 1, Section 3 of the Offeree Circular).
- (2) For the Comparable Companies, EV is computed based on the latest available consolidated financial results, except for market capitalisation which is as at the Latest Practicable Date, and EBITDA is computed based on a trailing 12-month basis from the interim unaudited consolidated financial results. EV of UEL is based on the equity consideration of approximately S\$1,901.2 million implied by the Offer Price and the Company's latest unaudited consolidated financial results as at 31 December 2014. EBITDA of UEL is computed based on the Company's unaudited consolidated results for the 12 months ended 31 December 2014.
- (3) Net profit attributable to shareholders of the Comparable Companies and UEL are computed on a trailing 12-month basis based on the companies' interim unaudited consolidated financial results and the Company's unaudited consolidated results for the 12 months ended 31 December 2014, respectively.
- (4) P/NAV Ratio is the ratio of a company's share price as at the Latest Practicable Date divided by its consolidated net asset value per share as at the latest available financial results.
- (5) For the purpose of the EV/EBITDA Ratios and/or P/E Ratios for the Comparable Companies, we have excluded the valuation indicators of Beijing Water Business Doctor, Shanghai Saffon Water, Tianjin Capital Environmental and Tianjin MOTIMO Membrane as they are considered to be outliers.
- (6) Sound Global's shares were suspended from trading on 16 March 2015. Market capitalisation and the valuation measures were computed using the last transacted price of HKD7.00 on the last trading day of 13 March 2015.
- (7) The financial statements of the Comparable Companies are reported in various currencies, which may or may not be in Singapore dollars and which may be different from the respective currencies that their shares are traded in. For the purposes of computing and comparing the valuation measures, financial figures in relation to the balance sheet of the Comparable Companies have been translated (if applicable) to Singapore dollars using a suitable exchange rate as at the balance sheet date as obtained from CapitalIQ, while earnings figures have been translated (if applicable) to Singapore dollars using a suitable average exchange rate for the relevant financial period, as obtained from CapitalIQ. Closing share prices of the Comparable Companies as at the Latest Practicable Date have been translated (if applicable) to Singapore dollars using a suitable exchange rate as at the Latest Practicable Date, as obtained from CapitalIQ.

(a) Comparison of EV/EBITDA Ratios

The EV/EBITDA Ratio illustrates the ratio of the market value of an entity's business in relation to its historical pre-tax operating cashflow performance and disregards the entity's existing capital structure.

We note that for the Comparable Companies as at the Latest Practicable Date, the range of EV/EBITDA Ratios is between 9.7 times and 40.2 times, while the median EV/EBITDA Ratio is 22.8 times, and the average EV/EBITDA Ratio is 22.5 times.

The EV/EBITDA Ratio of the Company implied by the Offer Price is within the range, and above both the median and average EV/EBITDA Ratio of the Comparable Companies.

(b) Comparison of P/E Ratios

The P/E Ratio illustrates the ratio of the market capitalisation of an entity in relation to the historical net profit attributable to its shareholders.

We note that for the Comparable Companies as at the Latest Practicable Date, the range of P/E Ratios is between 12.5 times and 50.4 times, while the median P/E Ratio is 27.2 times, and the average P/E Ratio is 29.4 times.

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The P/E Ratio of the Company implied by the Offer Price is within the range, and above both the median and average P/E Ratios of the Comparable Companies.

(c) **Comparison of P/NAV Ratios**

The P/NAV Ratio represents an asset-based relative valuation which takes into consideration the book value or net asset value backing of a company.

We note that for the Comparable Companies as at the Latest Practicable Date, the range of P/NAV Ratios is between 0.5 times and 9.9 times, while the median P/NAV Ratio is 3.6 times, and the average P/NAV Ratio is 4.7 times.

The P/NAV Ratio of the Company implied by the Offer Price is within the range but lower than both the median and average P/NAV Ratios of the Comparable Companies.

9.4 Comparison with Recent Voluntary Offer for Companies listed on the SGX-ST

We have also examined recent similar transactions by listed companies on the SGX-ST involving voluntary general offers (the “**Comparable Offer Transactions**”) announced in the period 12 months prior to the Holding Announcement Date up to the Latest Practicable Date. We have used the Holding Announcement Date as the benchmark date as the Holding Announcement was the first public announcement by the Company that discussions were ongoing about the potential acquisition of Shares. Our analysis of the Comparable Offer Transactions is to illustrate the premiums/discounts represented by each of the respective offer prices over/to the average traded prices prior to the announcements of such Comparable Offer Transactions.

The Independent Directors and Shareholders should note that due to the differences in, *inter alia*, business activities, scale of operations, geographical spread of activities, track record and future prospects, accounting standards and policies, any comparison made with respect to the Comparable Offer Transactions are for illustrative purposes only. The Comparable Offer Transactions are not directly comparable to the terms and conditions of the Offer. The premium any offeror is prepared to pay for in any particular offer transaction depends on various factors, including prevailing market conditions and general economic and business risks. The conclusions drawn from such comparisons, therefore, may not necessarily reflect the perceived or implied market valuation for the Company. In addition, we wish to highlight that the list of Comparable Offer Transactions is by no means exhaustive and information relating to the Comparable Offer Transactions was compiled from publicly available information.

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Company name	Announcement date	Premium/(Discount) of the offer price over/(to) relevant prices prior to announcement				
		Last Transacted Price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	12-month VWAP (%)
Berger International Limited	21 Aug 2013	78.6	67.8	86.6	95.3	119.3
Health Management International Ltd	16 Sep 2013	31.2	32.2	33.3	32.2	32.2
Singapore Medical Group Limited	14 Oct 2013	4.0	(7.8)	(5.5)	(3.9)	(12.0)
Superbowl Holdings Limited	06 Jan 2014	15.4	34.9	41.0	45.0	52.0
Communication Design International Ltd	18 Feb 2014	2.4	n.a.	n.a.	1.2	1.2
Singapore Land Limited	24 Feb 2014	11.2	16.9	13.9	11.0	7.9
Global Premium Hotels Limited	13 Mar 2014	13.8	17.0	21.3	24.1	25.5
Olam International Limited	14 Mar 2014	11.8	24.3	33.0	39.9	35.9
Capitamalls Asia Limited	14 Apr 2014	23.0	27.0	25.5	20.5	17.4
Lee Kim Tah Holdings Limited	25 Sep 2014	6.4	11.8	12.3	13.5	15.0
UE E&C Ltd	03 Oct 2014	(2.3)	2.7	n.a.	(2.9)	6.9
ECS Holdings Limited	14 Nov 2014	11.5	9.0	11.7	9.2	7.3
Hafary Holdings Limited	30 Dec 2014	9.1	11.1	16.5	20.6	23.7
Keppel Land Limited	23 Jan 2015	20.0	25.0	29.0	28.0	30.0
XYEC Holdings Co Ltd	30 Jan 2015	20.0	31.1	34.4	38.6	38.0
Low		(2.3)	(7.8)	(5.5)	(3.9)	(12.0)
High		78.6	67.8	86.6	95.3	119.3
Median		11.8	20.7	25.5	20.6	23.7
Average		17.1	21.6	27.2	24.8	26.7
UEL:						
(a) Implied by the Offer Price and based on the last transacted price prior to the Holding Announcement		12.6	16.5	20.2	28.1	38.8
(b) Implied by the Offer Price and based on the prices prior to the Pre-Conditional Offer Announcement		8.9	21.1	20.7	19.5	28.1

Source: Capital IQ, company circulars and company reports

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We note the following with regard to the Comparable Offer Transactions:

- (a) the premium of 12.6% implied by the Offer Price against the last transacted price of the Shares prior to the Holding Announcement Date is within the range of premiums and above the median premiums of the Comparable Offer Transactions;
- (b) the premiums of 16.5% and 20.2% implied by the Offer Price against the 1-month and 3-month VWAPs of the Shares prior to the Holding Announcement Date are within the respective ranges of premiums, but are lower than the median and average premiums of the Comparable Offer Transactions;
- (c) the premiums of 28.1% and 38.8% implied by the Offer Price against the 6-month and 12-month VWAPs of the Shares prior to the Holding Announcement Date are within the respective ranges of premiums and above the median and average premiums of the Comparable Offer Transactions.

9.5 Other Relevant Considerations

We have also considered the following in our evaluation of the Offer:

(a) Financial performance for the Group

A summary of the audited profit and loss accounts of the Group for the financial years ended 31 March 2012 (“FY2012”), 31 March 2013 (“FY2013”) and 31 March 2014 (“FY2014”) are set out below:

For Financial Year ended 31 March S\$'000	Audited FY2012	Audited FY2013	Audited FY2014	Unaudited 9M ended 31 Dec 14	Change (%) FY2012 – FY2013	Change (%) FY2013 – FY2014
Revenue	85,319	185,044	202,342	287,764	117	9
Material Purchased, Consumables Used and Subcontractors’ Fees	(46,961)	(110,079)	(106,760)	(173,478)	134	(3)
Employee Benefit Expense	(7,186)	(10,738)	(14,488)	(15,058)	49	35
Other Operating Expenses	(11,761)	(19,258)	(33,822)	(37,069)	64	76
Profit before income tax	14,032	39,139	31,190	65,749	179	(20)
Profit for the year attributable to equity holders of the Company	10,475	29,515	20,089	51,731	182	(32)

Source: Capital IQ, Company’s announcements, EYCF analysis

We note that revenue for the Group increased by about 117% and net profit for the period attributable to equity holders increased by about 182% over FY2012 to FY2013.

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From FY2013 to FY2014, the audited revenue for the Group increased by about 9% but the net profit for the period attributable to equity holders decreased by about 32% from the previous year.

In the Company's annual report for FY2014, the following commentary was made:

"The Group reported a 9.3% top line revenue growth to S\$202.3 million for FY2014. This is mainly due to the increase in revenue from its recurring water treatment business segment.

Revenue from the recurring treatment business increased 54.3% yoy to S\$62.6 million for FY2014. Operating profit from the recurring water treatment business segment increased 42.8% from S\$17.4 to S\$24.8 million. We are optimistic about our growth in this recurring income and its significant contribution in the future. Revenue from the engineering business, however, decreased 3.3% yoy to S\$139.7 million for FY2014. This decrease happened because many engineering projects, approximately S\$200 million, have yet to be reflected in our revenue for FY2014. We are confident that these will contribute positively towards our revenue for FY2015."

In the 12 March 2015 announcement of the Company's unaudited financial statements for the nine months ended 31 December 2014, the following commentary was made on the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months:

"The Group continues to harness its strength as a fully-integrated water solutions provider, focusing on acquiring new water assets and engineering projects. Meanwhile, the Group's membrane manufacturing arm, Memstar, is seeing stronger demand for membrane in countries such as China and US. With increasingly stringent water discharge standards, membrane application in wastewater treatment is becoming more prevalent.

In addition, the Group is actively seeking for strategic partners to form joint venture companies to secure more projects in future. While the new JV will benefit from a constant source of engineering projects, there would also be a strong demand for the supply of membranes to these projects, boosting membrane sales for the Group.

With stronger government policy support in the water treatment sector and greater need for membrane based-water treatment solutions for the treatment and recycling of wastewater in China, the Group expects to benefit from these opportunities to further strengthen its business performance."

We note that the revenue and profit before income tax of the Group grew significantly in the latest quarter ended 31 December 2014 when compared to the financial results of the corresponding quarter in 2013. The commentary from the UEL management as disclosed in the annual report for FY2014 has generally indicated confidence about the future revenue growth of the Company for the current financial year. We also note that the Management expects stronger government policy support and great demand for membrane-based water treatment solutions to benefit the Company's future business performance.

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(b) **No revision of the Offer Price**

We wish to highlight to the Shareholders that the Offeror has stated that it does not intend to revise the Offer Price.

(c) **Irrevocable Undertakings**

We note that as at the Offer Announcement Date, KKRCW, Dr Lin Yucheng, Ms Pan Shuhong and several other independent shareholders have signed Irrevocable Undertakings to accept the Offer. Importantly, these shareholders have provided undertakings in respect of an aggregate of 491,230,201 UEL Shares, which represents approximately 50.99% of the total number of issued UEL Shares.

(d) **Offer Condition**

Shareholders should note that, as set out in Section 3.6 of the Offer Document, the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the UEL Shares owned, controlled or agreed to be acquired by the Offeror and its concert parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and its concert parties holding such number of UEL Shares carrying more than 50% of the voting rights attributable to the issued UEL Shares (excluding any UEL Shares held in treasury) as at the close of the Offer.

We note that on 26 March 2015, Rothschild announced, for and behalf of the Offeror, that it has received valid acceptances of the Offer in respect of 580,303,857 Offer Shares which, when taken together with the UEL Shares owned, controlled or agreed to be acquired by the Offeror and its concert parties (either before or during the Offer and pursuant to the Offer or otherwise), result in the Offeror and its concert parties holding such number of UEL Shares carrying more than 50% of the voting rights attributable to the maximum potential issued shares in the capital of UEL. Accordingly, Rothschild announced, for and on behalf of the Offeror, that the minimum acceptance condition of the Offer has been satisfied and the Offer has therefore been declared unconditional in all respects.

(e) **Offeror's intentions for the Group**

We note that, as set out in Section 11 of the Offer Document, the Offeror presently has no intention to (a) introduce major changes to the business of the Company; (b) redeploy the fixed assets of the Company; (c) discontinue the employment of the employees of the UEL Group, other than in the ordinary course of business. However, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to UEL which may present themselves and which the Offeror may regard to be in the best interests of the Offeror. Following the close of the Offer, the Offeror will undertake a comprehensive review of the businesses of the UEL Group and the review will help the Offeror to determine the optimal business strategy for the UEL Group.

(f) **Listing status of the Company**

We note that it is the Offeror's present intention to maintain the listing of UEL on the SGX-ST, post-completion of the Proposed Transaction.

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We also note that if for any reason, post-completion of the Proposed Transaction, the free float requirements under the Listing Manual are not met, the Offeror currently intends to take steps to restore the free float of the UEL Shares within the period prescribed under Rule 724(2) of the Listing Manual, such as through the sell down of existing UEL Shares held by CITIC Offeror Sub, and/or the placement of new UEL Shares to the public by UEL, to be determined by the Offeror at the relevant time pursuant to the Consortium Agreement.

We further note that if UEL is delisted from the Main Board of the SGX-ST as a result of failure by UEL to maintain the free float requirements under the Listing Manual, the Offeror Shareholders have agreed, pursuant to the Consortium Agreement, to cooperate in good faith and use their best efforts to cause UEL to implement an initial public offering and listing of the UEL Shares on the Main Board of the SGX-ST as soon as possible.

(g) **Compulsory acquisition**

We note that the Offeror does not intend to avail itself of the powers of compulsory acquisition pursuant to Section 215 of the Companies Act as the Offeror's intention is to acquire statutory control of the Company and to maintain the present listing status of the Company on the Main Board of the SGX-ST.

(h) **Alternative offers from third parties**

We understand from the Directors that, as at the Latest Practicable Date, there is no other alternative offer or proposal to the Company which is comparable to the Offer. We also note that there is no publicly available evidence of an alternative offer for the UEL Shares from any third party.

10 OUR ADVICE ON THE OFFER AND THE CONVERTIBLE BONDS OFFER

In arriving at our advice on the Offer and the Convertible Bonds Offer, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment of the Offer and Convertible Bonds Offer. The factors we have considered in our evaluation, which are discussed in detail in the earlier sections of this letter and which we have relied upon, are as follows:

- (a) **The rationale for the Proposed Transaction.** We note that the Proposed Transaction provides an opportunity for UEL to become the flagship of CITIC Limited in the water and wastewater treatment business. It is envisaged that CITIC Limited, which is part of the largest conglomerate in the PRC with businesses in financial services, resources and energy, manufacturing, real estate and infrastructure, will leverage on its business network and resources in the PRC to support UEL's business development strategy and growth plans.
- (b) **The premiums implied by the Offer Price.** The Offer Price of S\$1.65 per Share represents premiums of 79.2%, 38.8%, 28.1%, 20.2%, and 16.5% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the Holding Announcement Date.

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The Offer Price of S\$1.65 per Share represents premiums of 61.0%, 28.1%, 19.5%, 20.7%, and 21.1% over the VWAPs for the periods 2 years, 1 year, 6 months, 3 months and 1 month prior to the Pre-Conditional Offer Announcement.

The Offer Price represents a premium of approximately 12.6% over the last transacted price on 2 July 2014, being the last trading session prior to the Holding Announcement Date. Also, the Offer Price represents a premium of approximately 8.9% over the last transacted price prior to the Pre-Conditional Offer Announcement.

- (c) **Price performance against the Singapore equity market.** Over the last two years prior to the Offer Announcement Date and up till the Latest Practicable Date, the market price of the Shares has outperformed both the FSSTI and FSChina in relative terms.
- (d) **Comparison of Valuation Measures of the Company.** Based on our analysis, the Company's Shares, implied by the Offer Price of S\$1.65 and the fully diluted number of shares, trade at an EV/EBITDA Ratio, P/E Ratio and P/NAV Ratio of 23.2 times, 35.6 times and 2.4 times respectively.

The EV/EBITDA Ratio implied by the Offer Price is above both the median and average EV/EBITDA Ratio of the Comparable Companies.

The P/E Ratio implied by the Offer Price is above both the median and average P/E Ratios of the Comparable Companies.

The P/NAV Ratio implied by the Offer Price is within the range of the P/NAV Ratios of the Comparable Companies, but below both the median and average P/NAV Ratios of the Comparable Companies.

- (e) **Comparison with similar offer transactions of companies listed on the SGX-ST.** The premium of 12.6% implied by the Offer Price against the last transacted price of the Shares prior to the Holding Announcement Date is within the range of premiums and above the median premiums of the Comparable Offer Transactions.

The premiums of 16.5% and 20.2% implied by the Offer Price against the 1-month and 3-month VWAPs of the Shares prior to the Holding Announcement Date are within the respective ranges of premiums, but are lower than the median and average premiums of the Comparable Offer Transactions.

The premiums of 28.1% and 38.8% implied by the Offer Price against the 6-month and 12-month VWAPs of the Shares prior to the Holding Announcement Date are within the respective ranges of premiums and above the median and average premiums of the Comparable Offer Transactions.

- (f) **Financial outlook for the Group.** The revenue and profit before income tax of the Group has grown in the latest quarter ended 31 December 2014, as compared to the corresponding quarter in 2013. The Management expects the business performance of the Company to continue to strengthen due to strong government policy support.
- (g) **No revision of the Offer Price.** The Offeror has stated its intention in Section 3.2 of the Offer Document and Section 3.2 of the Offeree Circular that the Offer Price will not be increased.

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- (h) **Irrevocable Undertakings.** Shareholders have provided undertaking to accept the Offer in respect of an aggregate of 491,230,201 UEL Shares, and this represents approximately 50.99% of the total number of issued UEL Shares.
- (i) **Offer Condition.** On 26 March 2015, the Offeror and its concert parties announced that it has received valid acceptances of the Offer in respect of more than 50% of the voting rights attributable to the maximum potential issued shares in the capital of UEL. Accordingly, the Offer has become unconditional as to acceptances and has been declared unconditional in all respects.
- (j) **Offeror's intentions for the Group.** The Offeror presently has no intention to introduce major changes to the business, fixed assets and employees of the Company, other than in the ordinary course of business.
- (k) **Listing status of the Company.** The Offeror intends to maintain the listing of UEL on the SGX-ST, post-completion of the Proposed Transaction.
- (l) **Compulsory acquisition.** The Offeror does not intend to avail itself of the powers of compulsory acquisition pursuant to Section 215 of the Companies Act.
- (m) **Alternative offers from third parties.** As at the Latest Practicable Date, there is no other alternative offer or proposal to the Company which is comparable to the Offer.

In arriving at our conclusion, we have considered the information available to us as at the Latest Practicable Date. The summary of the analyses we have undertaken is set out as items a to m above.

After having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the Offer Price and the Convertible Bonds Offer are fair and reasonable from a financial point of view. Accordingly, we advise the Independent Directors to recommend that Shareholders accept the Offer and that the CB Holder accepts the Convertible Bonds Offer.

We note that on 26 March 2015, the Offeror announced that it has received valid acceptances of the Offer in respect of more than 50% of the voting rights attributable to the maximum potential issued shares in the capital of UEL. Accordingly, the Offer has become unconditional as to acceptances and has been declared unconditional in all respects.

With regard to the Convertible Bonds Offer, we note that, as set out in Section 5 of the Offer Document, the Irrevocable Undertaking by the CB Holder includes an undertaking to tender all of the Convertible Bonds in acceptance of the Convertible Bonds Offer.

Shareholders may wish to sell their Shares in the open market if they are able to obtain a price higher than the Offer Price, net of related expenses (such as brokerage and trading costs). In this regard, we note that Shares have not traded above the Offer Price subsequent to the announcement of the Offer.

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We note that, as set out in Sections 10 and 11 of the Offer Document, the Offeror has stated its rationale for the Proposed Transaction and its present intention to maintain the listing status of UEL on the SGX-ST, post-completion of the Proposed Transaction. The Independent Directors may wish to consider advising Shareholders who are prepared to take a longer term view of their investment in the Shares, hold a favourable view of the Company's prospects and/or are of the view that they will be able to realise greater value from continuing to own their Shares, to retain their Shares in the Company.

We also advise the Independent Directors to consider highlighting to the Shareholders that there is no assurance that the price of the Shares will remain at current levels after the close or lapse of the Offer and the current price performance of the Shares is not indicative of the future price performance levels of the Shares.

The Independent Directors should note that we have arrived at our recommendation based on information made available to us prior to, and including, the Latest Practicable Date. Our advice on the Offer and the Convertible Bonds Offer cannot and does not take into account any subsequent developments after the Latest Practicable Date (save for the Offeror's announcement dated 26 March 2015 in relation to the condition of the Offer), including future trading activity or price levels of the UEL Shares, as these are governed by factors beyond the scope of our review, and would not fall within our terms of reference in connection with our evaluation of the Offer and the Convertible Bonds Offer.

This letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the Offer and the Convertible Bonds Offer. The recommendations made by the Independent Directors to the Independent Shareholders in respect of the Offer and to the CB Holder in respect of the Convertible Bonds Offer shall remain their responsibility. A copy of this letter may be reproduced in the Circular.

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any purpose other than in relation to the Offer, the Convertible Bonds Offer and the Key Management Shareholders' Agreements at any time and in any manner without the prior written consent of EYCF in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

Luke Pais
Managing Director

Elisa Montano
Director

APPENDIX 4 – EXTRACT FROM THE ARTICLES

The provisions in the Articles relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below.

SHARE CAPITAL

3. The authorised share capital of the Company is Singapore Dollars \$10,000,000 divided into 1,000,000,000 ordinary shares of \$0.01 each.

ISSUE OF SHARES

4. Subject to the Statutes, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Article 8, and to any special rights attached to any shares for the time being issued, the Directors may allot or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions whether as regards dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:
 - (a) no shares shall be issued at a discount except in accordance with the statutes;
 - (b) (subject to any direction to the contrary that may be given by the Company in a General Meeting) any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Article 8(A) with such adaptations as are necessary shall apply; and
 - (c) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same and in these presents.
5.
 - (A) In the event of preference shares being issued, the total nominal value of issued preference shares shall not at any time exceed the total nominal value of the issued ordinary shares and preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.
 - (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.
- 5A. The Redeemable Convertible Preference Shares shall confer on the holders thereof the following rights and privileges that is to say:–
 - (i) The holders of Redeemable Convertible Preference Shares shall have the same rights of dividends as the existing holders of Ordinary Shares.

APPENDIX 4 – EXTRACT FROM THE ARTICLES

- (ii) The said Redeemable Convertible Preference Shares shall only confer on the holders the right to receive notice of, attend and vote at general meetings on any question directly affecting any of the rights or privileges attached to such shares or any question concerning the winding up of the Company, and one vote per share.
- (iii) The Redeemable Convertible Preference Shares will, on issue, rank in priority to the Ordinary Shares for return of capital by the Company. All the Redeemable Convertible Preference Shares will rank *pari passu* in all respects with each other.
- (iv) At any time on or after:–
 - (a) the occurrence of any material breach by the Company of any of the representations warranties and undertakings in the Subscription Agreement; or
 - (b) 4 months after the submission of the listing application to the Singapore Exchange Securities Trading Limited ('SGX-ST'),

each holder of the Redeemable Convertible Preference Shares shall be entitled to give notice to the Company (the "Redemption Notice"), which notice shall be irrevocable, of the redemption of all of the Redeemable Convertible Preference Shares or part of it.

- (v) Any notice of redemption shall specify the particulars shares to be redeemed and the date fixed for redemption which shall be a date (being a Business Day) falling not earlier than 14 days from the date of the Redemption Notice.

Upon receipt of the Redemption Notice from the holder of the Redeemable Convertible Preference Shares, the Company shall give notice to all holders of the Redeemable Convertible Preference Shares of their option to redeem. The holders of the Redeemable Convertible Preference Shares are entitled to give the Redemption Notice to the Company. The Company shall redeem all the outstanding Redeemable Convertible Preference Shares on the Redemption Date. The redemption of the Redeemable Convertible Preference Shares shall be at the Redemption Amount. Upon redemption, such Redeemable Convertible Preference Shares shall be deemed to have been cancelled.

Redemption Amount means an amount equal to the aggregate of the Subscription Price.

- (vi) All the Redeemable Convertible Preference Shares shall be converted into Ordinary Shares on or at any time after the Company shall have received the Eligibility-to-List letter from the SGX-ST for the listing and quotation of its shares on the SGX-ST.

Upon the redemption of Redeemable Convertible Preference Shares, the holders of Redeemable Convertible Preference Shares shall apply such Redemption Amount in subscribing and paying in full for the new Ordinary Shares at an issue price of S\$1.00 each. All Ordinary Shares issued hereunder shall rank *pari passu* in all respects with the existing Ordinary Shares issued.

The new Ordinary Shares to be issued upon the conversion of the Redeemable Convertible Preference Shares will rank *pari passu* in all respects with the existing Ordinary Shares issued except for any rights or other distributions the record date of which is on or prior to the relevant conversion date.

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VARIATION OF RIGHTS

6. (A) Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes, be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting, all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share. of the class held by him, Provided always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a Special Resolution carried at such General Meeting. The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.
- (B) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned Provided Always that where the necessary majority for such a Special Resolution is not obtained at the General Meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the General Meeting, shall be as valid and effectual as a special resolution carried at the General Meeting.
- (C) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.

ALTERATION OF SHARE CAPITAL

7. The Company may from time to time by Ordinary Resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.
8. (A) Subject to any direction to the contrary that may be given by the Company in a General Meeting or except as permitted under the Singapore Exchange Securities Trading Limited listing rules, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the

APPENDIX 4 – EXTRACT FROM THE ARTICLES

shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 8(A).

- (B) Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

9. The Company may by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled;
- (c) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares; or
- (d) subject to the provisions of the Statutes, convert any class of shares into any other class of shares.

10. (A) The Company may reduce its share capital or any capital redemption reserve fund, share premium account or other undistributable reserve in any manner and with and subject to any incident authorised and consent required by law.

- (B) Subject to and in accordance with the provisions of the Act, the Company may authorise the Directors in General Meeting to purchase or otherwise acquire any of its issued shares on such terms as the Company may think fit and in the manner prescribed by the Act. All shares purchased by the Company shall be cancelled. The amount of the Company's issued share capital which is diminished on cancellation of the shares purchased shall be transferred to the Company's capital redemption reserve.

SHARES

11. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository) entered in the Register of Members as the registered holder thereof or (as the case may be) a person whose name is entered in the Depository Register in respect of that share.

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12. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.
13. Subject to the provisions of these presents and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in a General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.
14. The Company may exercise the powers of paying commissions conferred by the Statutes to the full extent thereby permitted Provided that the rate or amount of the commissions paid or agreed to be paid shall be disclosed in the manner required by the Statutes. Such commissions may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.
15. Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten market days of the closing date (or such other period as may be approved by the Securities Exchange upon which the shares in the Company may be listed) of any such application. The term "market day" shall have the meaning ascribed to it in Article 18. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name of a Depositor in the Depository Register, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.

SHARE CERTIFICATES

16. Every share certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates and the amount paid up thereon. No certificate shall be issued representing shares of more than one class.
17. (A) The Company shall not be bound to register more than three persons as the registered joint holders of a share except in the case of executors, trustees or administrators of the estate of a deceased member.

(B) In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.

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18. Subject to the payment of all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require, every person whose name is entered as a member in the Register of Members shall be entitled to receive within ten market days of the closing date of any application for shares (or such other period as may be approved by the Securities Exchange upon which the shares of the Company may be listed) or within ten market days after the date of lodgement of a registerable transfer (or such other period as may be approved by the Securities Exchange upon which the shares of the Company may be listed) one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where such a member transfers part only of the shares comprised in a certificate or where such a member requires the Company to cancel any certificate or certificates and issue new certificate(s) for the purpose of subdividing his holding in a different manner, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such member shall pay all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Directors in their absolute discretion may require and a maximum fee of \$2 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the Securities Exchange upon which the shares in the Company may be listed. For the purposes of this Article 18, the term "market day" shall mean a day on which the Singapore Exchange Securities Trading Limited is open for trading in securities.
19. (A) Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register of Members may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.
- (B) If any person whose name is entered in the Register of Members shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request. Such person shall (unless such fee is waived by the Directors) pay a maximum fee of \$2 for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine having regard to any limitation thereof as may be prescribed by the Securities Exchange upon which the shares in the Company may be listed.
- (C) In the case of shares registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders.
20. Subject to the provisions of the Statutes, if any share certificates shall be defaced, worn-out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Securities Exchange upon which the Company is listed or on behalf of its or their client or clients as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding \$2 as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

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CALLS ON SHARES

21. The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or, when permitted, by way of premium) but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.
22. Each member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.
23. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as the Directors determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.
24. Any sum (whether on account of the nominal value of the share or by way of premium) which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these presents be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment, all the relevant provisions of these presents as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
25. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.
26. The Directors may, if they think fit, receive from any member willing to advance the same all or any part of the moneys (whether on account of the nominal value of the shares or by way of premium) uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum) as the member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in profits.

FORFEITURE AND LIEN

27. If a member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

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28. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith, the shares on which the call has been made will be liable to be forfeited.
29. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.
30. A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposition, the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.
31. A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or waive payment in whole or in part.
32. The Company shall have a first and paramount lien on every share (not being a fully paid share) and on the dividends declared or payable in respect thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share and for all moneys as the Company may be called upon by law to pay in respect of the shares of the member or deceased member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.
33. The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.
34. The residue of the proceeds of such sale pursuant to Article 33 after the satisfaction of the unpaid calls and accrued interest and expenses of such sale shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.

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35. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold or disposed to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository) or allottee thereof shall (subject to the execution of a transfer if the same is required) constitute a good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

TRANSFER OF SHARES

36. All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by the Securities Exchange upon which the Company may be listed or any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed Provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.
37. The Register of Members may be closed at such times and for such period as the Directors may from time to time determine Provided always that such Register shall not be closed for more than thirty days in any year Provided always that the Company shall give prior notice of such closure as may be required to the Securities Exchange upon which the Company may be listed, stating the period and purpose or purposes for which the closure is made.
38. (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or the listing rules of the Securities Exchange upon which the shares of the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve (except where such refusal to register contravenes the listing rules of the Securities Exchange upon which the shares of the Company may be listed) Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within one month beginning with the day on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.
- (B) The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:
- (a) all or any part of the stamp duty (if any) payable on each share certificate and such fee not exceeding \$2 as the Directors may from time to time require pursuant to Article 41, is paid to the Company in respect thereof;

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- (b) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;
 - (c) the instrument of transfer is in respect of only one class of shares; and
 - (d) the amount of the proper duty with which each share certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force relating to stamps is tendered.
39. If the Directors refuse to register a transfer of any shares, they shall within one month after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal as required by the Statutes.
40. All instruments of transfer which are registered may be retained by the Company.
41. There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding \$2 as the Directors may from time to time require or prescribe.
42. The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; Provided always that:
- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
 - (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article; and
 - (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

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TRANSMISSION OF SHARES

43. (A) In the case of the death of a member whose name is entered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.
- (B) In the case of the death of a member who is a Depositor, the survivor or survivors where the deceased is a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.
- (C) Nothing in this Article shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.
44. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of these presents relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the person whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such person.
45. Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share pursuant to Article 43(A) or (B) or Article 44 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.

STOCK

46. The Company may from time to time by Ordinary Resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares of any denomination.
47. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Articles and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units (not being greater than the nominal amount of the shares from which the stock arose) as the Directors may from time to time determine.

APPENDIX 4 – EXTRACT FROM THE ARTICLES

48. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

PROCEEDINGS AT GENERAL MEETINGS

55. The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within five minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the members present shall choose one of their number) to be chairman of the meeting.
56. No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more members present in person or by proxy.
57. If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday, then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days' notice appoint. At the adjourned meeting, any one or more members present in person or by proxy shall be a quorum.
58. The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.
59. Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
60. If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

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61. At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:
- (a) The chairman of the meeting; or
 - (b) Not less than two members present in person or by proxy and entitled to vote; or
 - (c) a member present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
 - (d) a member present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting and being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares conferring that right,

provided always that no poll shall be demanded on the choice of a chairman or on a question of adjournment.

62. A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.
63. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.
64. A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTES OF MEMBERS

65. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the company, each member entitled to vote may vote in person or by proxy. On a show of hands, every member who is present in person or by proxy shall have one vote and on a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company.

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66. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share.
67. Where in Singapore or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.
68. No member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.
69. No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.
70. On a poll, votes may be given personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
71. (A) A member may appoint not more than two proxies to attend and vote at the same General Meeting Provided that if the member is a Depositor, the Company shall be entitled and bound:
- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company; and
 - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at forty-eight hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.
- (B) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

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- (C) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (D) A proxy need not be a member of the Company.
72. (A) An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:
- (a) in the case of an individual, shall be signed by the appointor or his attorney; and
 - (b) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.
- (B) The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Article 73, failing which the instrument may be treated as invalid.
73. An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office) not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.
74. An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.
75. A vote cast by proxy shall not be invalidated by the previous death or insanity of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made Provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.
- 75A. Subject to these Articles and any applicable legislation, the board of Directors may, at its sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

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CORPORATIONS ACTING BY REPRESENTATIVES

76. Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these presents be deemed to be present in person at any such meeting if a person so authorised is present thereat.

DIVIDENDS

121. The Company may by Ordinary Resolution declare dividends but no such dividends shall exceed the amount recommended by the Directors.
122. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.
123. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article, no amount paid on a share in advance of calls shall be treated as paid on the share.
124. No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.
125. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.
126. (A) The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.
- (C) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such

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dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

127. The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.
128. The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.
129. (A) Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:
- (a) the basis of any such allotment shall be determined by the Directors;
 - (b) the Directors shall determine the manner in which members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to members, providing for forms of election for completion by members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;
 - (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion;
 - (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as

APPENDIX 4 – EXTRACT FROM THE ARTICLES

fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Article 133, the Directors shall capitalise and apply the amount standing to the credit of the Company's reserve accounts as the Directors may determine, such sum as may be required to pay up in full (to the nominal value thereof) the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

- (B) (a) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Article shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (A) of this Article, with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down).
- (C) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Article, determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register or (as the case maybe) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors may think fit, and in such event the provisions of this Article shall be read and construed subject to such determination.
- (D) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Article, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to members whose registered addresses entered in the Register or (as the case may be) the Depository Register is outside Singapore or to such other members or class of members as the Directors may in their sole discretion decide and in such event the only entitlement of the members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.
- (E) Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of paragraph (A) of this Article in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of paragraph (A) of this Article.

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130. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Article and the provisions of Article 132, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.
131. If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.
132. Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in a General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

APPENDIX 5 – 3Q2015 RESULTS



UNITED ENVIROTECH LTD. (Company registration number: 200306466G)

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

Third Quarter Financial Statement & Dividend Announcement for the Period Ended 31 December 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group (\$'000)	3 months ended 31/12/2014	3 months ended 31/12/2013	% Increase/ (Decrease)	9 months ended 31/12/2014	9 months ended 31/12/2013	% Increase/ (Decrease)
Revenue	116,068	64,271	80.6	287,764	160,300	79.5
Other income	1,298	887	46.3	16,249	1,462	1,011.4
Changes in inventories	2,368	962	146.2	13,194	2,177	506.1
Material purchased, consumables used and subcontractors' fees	(72,432)	(35,040)	106.7	(173,478)	(88,945)	95.0
Employee benefits expense	(6,102)	(3,749)	62.8	(15,058)	(9,912)	51.9
Depreciation and amortisation expenses	(2,653)	(1,378)	92.5	(6,470)	(3,435)	88.4
Other operating expenses	(15,966)	(10,196)	56.6	(37,069)	(24,495)	51.3
Finance costs	(6,667)	(4,697)	41.9	(20,666)	(12,305)	67.9
Share of profit of associate	-	489	N/m	-	1,312	N/m
Share of profit of joint venture	567	-	N/m	1,283	1,828	(29.8)
Profit before income tax	16,481	11,549	42.7	65,749	27,987	134.9
Income tax expense	(3,673)	(2,208)	66.3	(12,173)	(5,201)	134.1
Net profit for the period	12,808	9,341	37.1	53,576	22,786	135.1

APPENDIX 5 – 3Q2015 RESULTS

The Group (\$'000)	3 months ended 31/12/2014	3 months ended 31/12/2013	% Increase/ (Decrease)	9 months ended 31/12/2014	9 months ended 31/12/2013	% Increase/ (Decrease)
Statement of Comprehensive Income						
Profit attributable to:						
Owners of the Company	12,546	8,403	49.3	51,731	21,266	143.3
Non-controlling interests	262	938	(72.1)	1,845	1,520	21.4
Profit for the period	12,808	9,341	37.1	53,576	22,786	135.1
Fair value change in available-for-sale investment	-	2,450	N/m	-	258	N/m
Currency translation gain	12,062	6,505	85.4	23,753	11,063	114.7
Total comprehensive income for the period	24,870	18,296	35.9	77,329	34,107	126.7
Total comprehensive income attributable to:						
Owners of the company	24,608	17,358	41.8	75,484	32,587	131.6
Non-controlling interests	262	938	(72.1)	1,845	1,520	21.4
Total comprehensive income for the period	24,870	18,296	35.9	77,329	34,107	126.7

1(a)(ii) Breakdown to statement of comprehensive income

The Group (\$'000)	3 months ended 31/12/2014	3 months ended 31/12/2013	% Increase/ (Decrease)	9 months ended 31/12/2014	9 months ended 31/12/2013	% Increase/ (Decrease)
Employee share option expense	1,291	1,300	(0.7)	3,873	3,900	(0.7)
Interest expense on bank borrowings	3,898	919	324.2	11,412	3,027	277.0
Interest expense on bond	1,812	1,178	53.8	5,437	1,478	267.9
Finance cost on convertible bonds	957	2,600	(63.2)	3,817	7,800	(51.1)
Interest income	(397)	(760)	(47.8)	(676)	(971)	(30.4)
Unrealised net foreign exchange loss (gain)	52	(127)	N/m	804	(394)	N/m
Gain on disposal of AFS	-	-	-	(14,181)	-	N/m
Gain on disposal of property, plant and equipment	-	-	-	(38)	-	N/m

N/m: Not meaningful

APPENDIX 5 – 3Q2015 RESULTS

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group 31/12/2014 \$'000	Group 31/3/2014 \$'000	Company 31/12/2014 \$'000	Company 31/3/2014 \$'000
ASSETS				
Current assets:				
Cash and bank balances	116,335	141,672	15,043	75,799
Trade receivables	158,133	103,715	-	-
Service concession receivables	4,203	3,257	-	-
Other receivables and prepayments	63,202	60,701	452,222	145,454
Inventories	13,621	427	-	-
Prepaid lease	103	110	-	-
Total current assets	355,597	309,882	467,265	221,253
Non-current assets:				
Trade receivables	67,861	2,241	-	-
Service concession receivables	354,709	232,392	-	-
Prepaid lease	13,875	5,041	-	-
Subsidiaries	-	-	209,381	156,334
Associates	-	10,790	-	6,432
Joint venture	13,402	12,119	7,688	7,308
Available-for-sale investment	-	53,461	-	53,461
Property, plant and equipment	34,702	13,459	315	214
Goodwill	229,052	1,389	-	-
Intangible assets	210,582	145,139	200	200
Deferred tax assets	798	615	-	-
Total non-current assets	924,981	476,646	217,584	223,949
Total assets	1,280,578	786,528	684,849	445,202
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	42,019	15,381	1,800	3,150
Trade payables	120,001	104,150	-	-
Other payables	60,043	33,015	26,027	15,179
Finance leases	84	55	54	38
Income tax payable	21,821	14,158	-	-
Total current liabilities	243,968	166,759	27,881	18,367
Non-current liabilities:				
Bank loans	160,060	69,205	-	-
Finance leases	151	25	64	-
Bond*	97,390	97,016	97,390	97,016
Convertible bonds**	49,099	126,560	49,099	126,560
Deferred tax liabilities	27,255	7,756	-	-
Total non-current liabilities	333,955	300,562	146,553	223,576

APPENDIX 5 – 3Q2015 RESULTS

	Group 31/12/2014 \$'000	Group 31/3/2014 \$'000	Company 31/12/2014 \$'000	Company 31/3/2014 \$'000
Capital and reserves:				
Share capital	484,125	151,325	484,125	151,325
General reserve	4,410	4,410	-	-
Share option reserve	10,279	7,766	10,279	7,766
Fair value reserve	-	17,252	-	17,252
Convertible bonds reserve	8,707	22,520	8,707	22,520
Currency translation reserves	24,518	765	10,298	802
Accumulated profits (losses)	153,279	104,287	(2,994)	3,594
Total equity attributable to owners of the Company Total equity	685,318	308,325	510,415	203,259
Non-controlling interests	17,337	10,882	-	-
Total equity	702,655	319,207	510,415	203,259
Total liabilities and equity	1,280,578	786,528	684,849	445,202

* Bond - Medium Term Notes

** Convertible bonds - Convertible bonds issued to KKR

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

<u>As at 31/12/2014</u>		<u>As at 31/3/2014</u>	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
33,822	8,281	8,088	7,348

Amount repayable after one year

<u>As at 31/12/2014</u>		<u>As at 31/3/2014</u>	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
97,047	160,554	42,467	123,779

Details of any collateral

1. The finance leases of \$235,000 (31 March 2014: \$80,000) is secured over the Group's motor vehicles.
2. The bank term loan of \$98,000 (31 March 2014: \$106,000) is secured over the freehold properties of its Malaysia subsidiary.
3. The long term bank loans of \$130,536,000 (31 March 2014: \$50,369,000) are secured over the concession receivables, treatment plants, prepaid lease of certain of the group's subsidiaries and all assets of Memstar Pte Ltd Group.

APPENDIX 5 – 3Q2015 RESULTS

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group (\$'000)	3 months ended 31/12/2014	3 months ended 31/12/2013	9 months ended 31/12/2014	9 months ended 31/12/2013
Operating activities				
Profit before income tax	16,481	11,549	65,749	27,987
Adjustments for:				
Gain on disposal of available-for-sale investment	-	-	(14,181)	-
Gain on disposal of property, plant and equipment	-	-	(38)	-
Interest income	(397)	(760)	(676)	(971)
Interest expense	6,667	4,697	20,666	12,305
Share of profit of associate	-	(489)	-	(1,312)
Share of profit of joint venture	(567)	-	(1,283)	(1,828)
Depreciation and amortisation	2,653	1,378	6,470	3,435
Share option expense	1,291	1,300	3,873	3,900
Exchange difference arising on foreign currency translation	10,890	11,109	25,238	15,235
Operating profit before working capital changes	37,018	28,784	105,818	58,751
Trade receivables	(82,841)	(16,919)	(92,781)	(2,258)
Other receivables	15,242	(57)	17,259	3,999
Inventories	(2,368)	(962)	(13,194)	(2,177)
Trade payables	11,902	(3,507)	13,998	29,025
Other payables	24,517	6,156	22,191	(3,249)
Cash generated from operations	3,470	13,495	53,291	84,091
Interest received	397	760	676	971
Interest paid	(5,598)	(2,097)	(13,891)	(4,505)
Income tax paid	(3,442)	(313)	(4,827)	(4,395)
Net cash (used in) from operating activities	(5,173)	11,845	35,249	76,162
Investing activities				
Proceeds from disposal of property, plant and equipment	-	-	38	-
Proceeds from disposal of available-for-sale investment	-	-	6,159	-
Additions to property, plant and equipment	(2,405)	(2,575)	(6,705)	(4,544)
Additions to service concession receivables	(16,946)	-	(59,604)	(23,324)
Additions to intangible assets	(7,120)	(31,207)	(32,873)	(79,274)
Proceed from disposal of service concession	-	8,556	-	8,556
Net cash outflow on acquisition of subsidiary	(10,862)	(828)	(56,880)	(828)
Net cash used in investing activities	(37,333)	(26,054)	(149,865)	(99,414)

APPENDIX 5 – 3Q2015 RESULTS

The Group (\$'000)	3 months ended 31/12/2014	3 months ended 31/12/2013	9 months ended 31/12/2014	9 months ended 31/12/2013
Financing activities				
Dividend paid	-	-	(2,739)	(2,970)
Proceeds from issuing bond	-	14,612	-	63,005
Proceeds from issuing shares	-	-	2,090	-
Repayment of obligations under finance leases	(21)	(38)	(110)	(75)
Proceeds from bank borrowings	51,873	45,609	117,679	45,609
Repayment of bank borrowings	(12,940)	(12,372)	(27,856)	(27,051)
Net cash from financing activities	38,912	47,811	89,064	78,518
Net (decrease) increase in cash and cash equivalents	(3,594)	33,602	(25,552)	55,266
Cash and cash equivalents at beginning of period	119,795	82,234	141,672	59,068
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	134	164	215	1,666
Cash and cash equivalents at end of period	116,335	116,000	116,335	116,000

APPENDIX 5 – 3Q2015 RESULTS

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

	Share capital \$'000	General reserve \$'000	Share option reserve \$'000	Revaluation reserve \$'000	Convertible bonds reserve \$'000	Currency translation reserve \$'000	Accumulated profits \$'000	Total equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Group										
At 1 April 2014	151,325	4,410	7,766	17,252	22,520	765	104,287	308,325	10,882	319,207
Total comprehensive income for the period	-	-	-	(17,252)	-	(2,161)	22,515	3,102	233	3,335
Acquisition of subsidiaries	236,375	-	-	-	-	-	-	236,375	-	236,375
Recognition of share-based payment	-	-	1,291	-	-	-	-	1,291	-	1,291
Issuance of shares on conversion of convertible bonds	71,742	-	-	-	(10,112)	-	-	61,630	-	61,630
Issuance of shares on exercise of the ESOS	3,450	-	(1,360)	-	-	-	-	2,090	-	2,090
At 30 June 2014	462,892	4,410	7,697	-	12,408	(1,396)	126,802	612,813	11,115	623,928
Total comprehensive income for the period	-	-	-	-	-	13,852	16,670	30,522	1,350	31,872
Recognition of share-based payment	-	-	1,291	-	-	-	-	1,291	-	1,291
Dividend paid	-	-	-	-	-	-	(2,739)	(2,739)	-	(2,739)
Incorporation of subsidiary	-	-	-	-	-	-	-	-	4,610	4,610
At 30 September 2014	462,892	4,410	8,988	-	12,408	12,456	140,733	641,887	17,075	658,962
Total comprehensive income for the period	-	-	-	-	-	12,062	12,546	24,608	262	24,870
Recognition of share-based payment	-	-	1,291	-	-	-	-	1,291	-	1,291
Issuance of shares on conversion of convertible bonds	21,233	-	-	-	(3,701)	-	-	17,532	-	17,532
At 31 December 2014	484,125	4,410	10,279	-	8,707	24,518	153,279	685,318	17,337	702,655

APPENDIX 5 – 3Q2015 RESULTS

	Share capital \$'000	General reserve \$'000	Share option reserve \$'000	Revaluation reserve \$'000	Convertible bonds reserve \$'000	Currency translation reserve \$'000	Accumulated profits \$'000	Total equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Group										
At 1 April 2013	151,325	3,683	3,096	(3,140)	22,520	(3,966)	87,895	261,413	9,921	271,334
Total comprehensive income for the period	-	-	-	-	-	5,771	5,732	11,503	355	11,858
Recognition of share-based payment	-	-	1,300	-	-	-	-	1,300	-	1,300
Revaluation of investment	-	-	-	(4,642)	-	-	-	(4,642)	-	(4,642)
At 30 June 2013	151,325	3,683	4,396	(7,782)	22,520	1,805	93,627	269,574	10,276	279,850
Total comprehensive income for the period	-	-	-	-	-	(1,213)	7,131	5,918	227	6,145
Recognition of share-based payment	-	-	1,300	-	-	-	-	1,300	-	1,300
Revaluation of investment	-	-	-	2,450	-	-	-	2,450	-	2,450
Dividend paid	-	-	-	-	-	-	(2,970)	(2,970)	-	(2,970)
At 30 September 2013	151,325	3,683	5,696	(5,332)	22,520	592	97,788	276,272	10,503	286,775
Total comprehensive income for the period	-	-	-	-	-	6,505	8,403	14,908	938	15,846
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	11,819	11,819
Recognition of share-based payment	-	-	1,300	-	-	-	-	1,300	-	1,300
Revaluation of investment	-	-	-	2,450	-	-	-	2,450	-	2,450
At 31 December 2013	151,325	3,683	6,996	(2,882)	22,520	7,097	106,191	294,930	23,260	318,190

APPENDIX 5 – 3Q2015 RESULTS

	Share capital \$'000	Share option reserve \$'000	Revaluation reserve \$'000	Convertible bonds reserve \$'000	Currency translation reserve \$'000	Accumulated profits (losses) \$'000	Total \$'000
<u>Company</u>							
At 1 April 2014	151,325	7,766	17,252	22,520	802	3,594	203,259
Total comprehensive income for the period	-	-	(17,252)	-	(1,822)	8,744	(10,330)
Recognition of share-based payment	-	1,291	-	-	-	-	1,291
Acquisition of subsidiaries	236,375	-	-	-	-	-	236,375
Issuance of shares on conversion of convertible bonds	71,742	-	-	(10,112)	-	-	61,630
Issuance of shares on exercise of ESOS	3,450	(1,360)	-	-	-	-	2,090
At 30 June 2014	462,892	7,697	-	12,408	(1,020)	12,338	494,315
Total comprehensive income for the period	-	-	-	-	6,632	(6,037)	595
Recognition of share-based payment	-	1,291	-	-	-	-	1,291
Dividend paid	-	-	-	-	-	(2,739)	(2,739)
At 30 September 2014	462,892	8,988	-	12,408	5,612	3,562	493,462
Total comprehensive income for the period	-	-	-	-	4,686	(6,556)	(1,870)
Recognition of share-based payment	-	1,291	-	-	-	-	1,291
Issuance of shares on conversion of convertible bonds	21,233	-	-	(3,701)	-	-	17,532
At 31 December 2014	484,125	10,279	-	8,707	10,298	(2,994)	510,415

APPENDIX 5 – 3Q2015 RESULTS

	Share capital \$'000	Share option reserve \$'000	Revaluation reserve \$'000	Convertible bonds reserve \$'000	Currency translation reserve \$'000	Accumulated profits (losses) \$'000	Total \$'000
<u>Company</u>							
At 1 April 2013	151,325	3,096	(3,140)	22,520	(786)	3,000	176,015
Total comprehensive income for the period	-	-	-	-	4,395	(4,240)	155
Recognition of share-based payment	-	1,300	-	-	-	-	1,300
Revaluation of investment	-	-	(4,642)	-	-	-	(4,642)
At 30 June 2013	151,325	4,396	(7,782)	22,520	3,609	(1,240)	172,828
Total comprehensive income for the period	-	-	-	-	(51)	(5,551)	(5,602)
Recognition of share-based payment	-	1,300	-	-	-	-	1,300
Revaluation of investment	-	-	2,450	-	-	-	2,450
Dividend paid	-	-	-	-	-	(2,970)	(2,970)
At 30 September 2013	151,325	5,696	(5,332)	22,520	3,558	(9,761)	168,006
Total comprehensive income for the period	-	-	-	-	127	(5,742)	(5,615)
Recognition of share-based payment	-	1,300	-	-	-	-	1,300
Revaluation of investment	-	-	2,450	-	-	-	2,450
At 31 December 2013	151,325	6,996	(2,882)	22,520	3,685	(15,503)	166,141

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

APPENDIX 5 – 3Q2015 RESULTS

During the current financial period, 50,118,630 of new ordinary shares were issued to KKR China Water Investment Holdings Limited pursuant to the conversion of USD18.7 million of the convertible bonds.

The total number of shares that may be issued on conversion of all the outstanding convertibles bonds and employees shares options were 117,926,189 (31 December 2013: 305,000,007) and 70,950,000 (31 December 2013: 73,300,000) respectively.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31/12/2014	31/3/2014
Total number of issues shares ('000)	963,361	594,132

The company does not have any treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The financial information as of and for the 9 months ended 31 December 2014 as set out in Section 1(a), 1(b)(i) (excludes the Statement of financial position of the Company) and 1(c) to 1(d)(i) (excludes the Statement of changes in equity of the Company) of this announcement have been extracted from the condensed interim financial statements that has been prepared in accordance with Singapore Financial Reporting Standard 34 *Interim Financial Reporting*, which has been reviewed by the independent auditor in accordance with Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("SSRE2410").

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Please refer to the extract of the independent auditor's review report appended to this announcement below.

APPENDIX 5 – 3Q2015 RESULTS

UNITED ENVIROTECH LTD AND ITS SUBSIDIARIES REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE NINE MONTHS ENDED DECEMBER 31, 2014

Introduction

We have reviewed the accompanying interim financial information of United Envirotech Ltd and its subsidiaries (the “Group”) which comprise the consolidated statement of financial position of the Group as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the nine months ended December 31, 2014 and selected explanatory notes.

Management is responsible for the preparation and presentation of this interim financial information in accordance with Singapore Financial Reporting Standard 34, *Interim Financial Reporting* (“FRS 34”). Such interim financial information has been prepared by management for the announcement of Singapore Stock Exchange. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with FRS 34.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 12, 2015

APPENDIX 5 – 3Q2015 RESULTS

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the financial year ended 31 March 2014. The new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from 1 April 2014 have no material effect on the amounts reported for the current or prior period.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

There is no change in the accounting policies and methods of computation. The new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from 1 April 2014 have no material effect on the amounts reported for the current or prior period.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group 3 months ended 31/12/2014	Group 3 months ended 31/12/2013	Group 9 months ended 31/12/2014	Group 9 months ended 31/12/2013
Net profit attributable to owners of the Company(\$'000)	12,546	8,403	51,731	21,266
Weighted average number of shares in issue (in '000) for computation of Basic EPS	939,392	594,132	907,362	594,132
Earnings per share (cents)- Basic	1.34	1.41	5.70	3.58
Weighted average number of shares in issue (in '000) for computation of Diluted EPS	1,128,268	972,432	1,096,238	972,432
Earnings per share (cents) – Diluted	1.20	1.13	5.07	2.99

For the purpose of calculating diluted EPS, assumption was made that all the employee share options and convertible bonds issued will be converted to ordinary shares.

APPENDIX 5 – 3Q2015 RESULTS

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

- (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group 31/12/2014	Group 31/3/2014	Company 31/12/2014	Company 31/3/2014
Net asset value (\$'000)	702,655	319,207	510,415	203,259
Net asset value per share (cents)	72.93	53.73	52.98	34.21

The net asset value per share is calculated based on the issued share capital of 963,361,368 (31 March 2014: 594,132,000).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group completed the acquisition of the business, assets and subsidiaries of Memstar Technology Ltd on 11 April 2014 (the "*Acquisition*"). The financial statements for the current quarter ended 31 December 2014 and nine months ended 31 December 2014 reflected the inclusion of the business and assets of the *Acquisition*.

Statement of comprehensive income

The Group's revenue for the current period was \$116.1 million, which was \$51.8 million or 80.6% higher than last corresponding period ended 31 December 2013 of \$64.3 million. The increase was mainly due to the increase in:

1. the treatment business from \$20.2 million to \$27.8 million, representing an increase of \$7.6 million or 37.6%;
2. the engineering business \$44.1 million to \$76.9 million, representing an increase of \$32.8 million or 74.4%; and
3. the addition of \$11.4 million of membrane sale to outside customers arising from the *Acquisition* in current period.

Materials purchased, consumables used and subcontractors' fees increased to \$72.4 million from \$35.0 million, representing an increase of \$37.4 million or 106.7% as compared to the corresponding period ended 31 December 2013. The increase was consistent with the increase in the engineering revenue and the membrane sales.

Employee benefits expense increased to \$6.1 million from \$3.7 million, representing an increase of \$2.4 million or 62.8% as compared to the corresponding period ended 31 December 2013. The increase was mainly due to the additional staff strength for the operation and maintenance of the new treatment plants and manufacture membrane products of Memstar.

APPENDIX 5 – 3Q2015 RESULTS

Depreciation and amortization expenses increased to \$2.7 million from \$1.4 million, representing an increase of \$1.3 million or 92.5% as compared to the corresponding period ended 31 December 2013. The increase was mainly due to the amortization of intangible assets relating to the newly acquired concessions and the depreciation on the property, plant and equipment of the membrane manufacturing facilities.

Other operating expenses increased to \$16.0 million from \$10.2 million, representing an increase of \$5.8 million or 56.6% as compared to the corresponding period ended 31 December 2013. The increase was mainly due to the operating expenses incurred for the operation and maintenance of the new treatment plants acquired during the past year and the operating cost of Memstar.

Finance costs increased from \$4.7 million to \$6.7 million, representing an increase of \$2.0 million or 41.9% as compared to the corresponding period ended 31 December 2013. The increase was mainly due to the additional finance costs arising from the bank borrowings during the period.

The Group generated a net profit after tax of \$12.8 million as compared to \$9.3 million for the last corresponding period ended 31 December 2013, representing an increase of \$3.5 million or 37.1%.

Statement of financial position

The Group's non-current assets increased from \$476.6 million as at 31 March 2014 to \$925.0 million as at 31 December 2014. The increase was mainly due to the additions of service concession receivables and goodwill on consolidation arising from the *Acquisition*.

The Group's non-current liabilities increased from \$300.6 million as at 31 March 2014 to \$334.0 million as at 31 December 2014. The increase was mainly due to the new loans of \$55 million to finance the *Acquisition* and the addition of bank loan from the *Acquisition*.

The increase was offset by the decrease in convertible bonds liability. During the period, USD69.8 million of convertible bonds were converted to ordinary shares of the Company.

The Group's total equity increased from \$319.2 million as at 31 March 2014 to \$702.7 million as at 31 December 2014. The increase was mainly due to:

1. the issuance of new shares to Memstar Technology Ltd for the *Acquisition*;
2. the issuance of new shares to KKR China Water Investment Holdings Limited pursuant to the conversion of USD69.8 million of the convertible bonds; and
3. the issuance of new share pursuant to the conversion of the Employee Share Option Scheme

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

APPENDIX 5 – 3Q2015 RESULTS

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group continues to harness its strength as a fully-integrated water solutions provider, focusing on acquiring new water assets and engineering projects. Meanwhile, the Group's membrane manufacturing arm, Memstar, is seeing stronger demand for membrane in countries such as China and US. With increasingly stringent water discharge standards, membrane application in wastewater treatment is becoming more prevalent.

In addition, the Group is actively seeking for strategic partners to form joint venture companies to set up the membrane products assembly plants and also provider of engineering services. While such new JV will benefit from a constant source of order book from the sale of membrane products and the engineering revenue, there would also be a strong demand for the supply of membrane fibres, boosting the sale of membrane fibres for the Group.

With stronger government policy support in the water treatment sector and greater need for membrane based-water treatment solutions for the treatment and recycling of wastewater in China, the Group expects to benefit from these opportunities to further strengthen its business performance.

Use of proceeds

An update of the use of proceeds was summarised below:

	\$ million
Unutilised balance as at last quarterly announcement	43
Investment in Changyi and Bofa	5
Unutilised balance	38

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

Name of Dividend	N/A
Dividend Type	N/A
Dividend Amount per Share (in cents)	N/A
Optional:- Dividend Rate (in %)	N/A
Par value of shares	N/A
Tax Rate	N/A

APPENDIX 5 – 3Q2015 RESULTS

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
No

Name of Dividend	N/A
Dividend Type	N/A
Dividend Amount per Share (in cents)	N/A
Optional:- Dividend Rate (in %)	N/A
Par value of shares	N/A
Tax Rate	N/A

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared/recommendeded.

13. Related parties and interested person transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable

16. A breakdown of sales.

Not applicable

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable

18. Persons occupying managerial positions who are related to the directors, Chief Executive Officer or substantial shareholders

Not applicable

APPENDIX 5 – 3Q2015 RESULTS

Statement by Directors

Pursuant to SGX Listing Rule 705(5)

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the Third Quarter and Nine Months Results of the Group for the financial period ended 31 December 2014 to be false or misleading. The financial statements and other information included in this report, present fairly in all material respects the financial condition, results of operations and cash flows of the Group of, and for the periods presented in this report.

On Behalf of the board

Dr Lin Yucheng
Director

Dr Chong Weng Chiew
Director

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company secretary
12 March 2015

APPENDIX 6 – DELOITTE LETTER

The extract of the review report dated 12 March 2015, on the condensed interim financial statements of the Company and its subsidiaries for the nine months ended 31 December 2014 which has been prepared in accordance with Singapore Financial Report Standards 34 Interim Financial Reporting, is as follows:

APPENDIX 6 – DELOITTE LETTER

UNITED ENVIROTECH LTD AND ITS SUBSIDIARIES REPORT ON REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE NINE MONTHS ENDED DECEMBER 31, 2014

Introduction

We have reviewed the accompanying interim financial information of United Envirotech Ltd and its subsidiaries (the “Group”) which comprise the consolidated statement of financial position of the Group as at December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the nine months ended December 31, 2014 and selected explanatory notes.

Management is responsible for the preparation and presentation of this interim financial information in accordance with Singapore Financial Reporting Standard 34, *Interim Financial Reporting* (“FRS 34”). Such interim financial information has been prepared by management for the announcement of Singapore Stock Exchange. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with FRS 34.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 12, 2015

APPENDIX 7 – EYCF LETTER



Ernst & Young Corporate Finance Pte Ltd
One Raffles Quay
North Tower, Level 18
Singapore 048583

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Fax: +65 6327 8735
ey.com

The Board of Directors
United Envirotech Ltd.
80 Robinson Road
#02-00
Singapore 068898

12 March 2015

Dear Sirs

VOLUNTARY CONDITIONAL OFFER BY ROTHSCHILD (SINGAPORE) LIMITED (“ROTHSCHILD”) FOR AND ON BEHALF OF CKM (CAYMAN) COMPANY LIMITED (THE “OFFEROR”) TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF UNITED ENVIROTECH LTD. (“UEL” OR THE “COMPANY”) OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR (THE “OFFER”)

This letter has been prepared for inclusion in the Company’s unaudited quarterly financial statements for the nine months ended 31 December 2014 and the circular to the shareholders to be issued by the Company in connection with the Offer to be made by Rothschild for and on behalf of the Offeror, to acquire all the issued ordinary shares in the capital of the Company (the “**Shares**”) held by all the shareholders, other than those Shares already held, directly or indirectly, by the Offeror as at the date of the Offer Announcement.

We have examined and discussed the Company’s unaudited quarterly financial statements for the nine months ended 31 December 2014 with the management of the Company. The unaudited quarterly financial statements for the nine months ended 31 December 2014 is solely the responsibility of the Company’s directors (the “**Directors**”).

Based on the foregoing, we are of the opinion that the unaudited financial statements for the nine months ended 31 December 2014 had been made after due and careful enquiry by the Directors.

For the purpose of rendering our opinion, we have relied upon and assumed the accuracy and completeness of all information provided to, or discussed with, us by the management of the Company. Save as provided in this letter, we do not express any other opinion on the unaudited financial statements for the nine months ended 31 December 2014.

We have provided this letter to the Directors solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and for no other purpose. We do not accept any responsibility to any person (other than the Directors) in respect of, arising out of, or in connection with this letter.

Yours faithfully,
For and on behalf of
Ernst & Young Corporate Finance Pte Ltd

A handwritten signature in black ink, appearing to be 'L. Pais', with a horizontal line extending to the right.

Luke Pais
Managing Director

APPENDIX 8 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Envirotech Ltd. Annual Report 2013/2014

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2014

1 GENERAL

The Company (Registration No. 200306466G) is incorporated in Republic of Singapore with its principal place of business at 10 Science Park Road, #01-01 The Alpha, Singapore 117684 and registered office at 80 Robinson Road, #02-00, Singapore 068898. The Company is listed on the main board of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are that of investment holding company and provision of environmental engineering services.

The principal activities of the subsidiaries, associates and joint venture are disclosed in Notes 12, 13 and 14 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended March 31, 2014 were authorised for issue by the Board of Directors on July 1, 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

APPENDIX 8 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS – On April 1, 2013, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revise d FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

FRS 113 *Fair Value Measurement*

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently the Group has not made any new disclosures required by FRS 113 for the comparative period.

At the date of authorisation of these financial statements, the following FRS and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 32 *Financial Instruments: Presentation*
- FRS 36 *Impairment of Assets*
- FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*
- FRS 111 *Joint Arrangements* and FRS 28 *Investments in Associates and Joint Ventures*
- FRS 112 *Disclosure of Interests in Other Entities*

Consequential amendments were also made to various standards as a result of the new standard/revise d standards.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial application except as follows:

Amendments to FRS 32 *Financial Instruments: Presentation*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

Management does not anticipate that the application of these amendments to FRS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to FRS 36 *Impairment of Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used. Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with full retrospective application.

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When the Group adopts FRS 110, the entities it currently consolidates may not qualify for consolidation, and entities it currently does not consolidate may qualify for consolidation. Management will perform a more detailed review to quantify the impact on application of FRS 110 and FRS 27.

FRS 111 *Joint Arrangements* and FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 classifies joint arrangements either as joint operations or joint ventures based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets. The Group does not expect the adoption of FRS 111 to have a significant impact on the overall financial statements.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. FRS 112 will take effect from financial years beginning on or after January 1, 2014. The Group does not expect the adoption of FRS 112 to have a significant impact on the overall financial statements.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's entity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

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- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter year. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

Investments are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time-frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Available-for-sale financial assets

Certain investments held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in fair value reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits and other short term highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible to a known amount of cash.

Loans and receivables

Trade receivables, financial receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment had not been recognised.

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When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay if the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans, medium term notes and convertible bonds are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognition with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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PREPAID LEASES - Prepaid leases are stated at costs and are amortised, over the period of the lease, on a straight-line basis to the statement of profit or loss and other comprehensive income. The lease period for the land is 50 years.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets less residual value over their estimated useful lives, using the straight-line method, on the following bases:

Freehold building	-	5%
Leasehold building	-	3 ¹ / ₃ %
Leasehold improvements	-	10% to 20%
Motor vehicles	-	10% to 20%
Plant and machinery	-	10% to 20%
Treatment plants	-	3% to 5%
Office equipment, furniture and fittings	-	10% to 20%

Depreciation is not provided on freehold land and construction-in-progress.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance lease arrangements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

SERVICE CONCESSION RECEIVABLES - A financial asset (receivable under service concession arrangement) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to manage and operate the infrastructure for public service. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" above.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

INTANGIBLE ASSETS - Club memberships are stated at cost, less any impairment in value. Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

Operating concessions represent the rights to operate water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Operating concessions are amortised on a straight-line basis over the operation phase of the concession periods ranging from 20 to 30 years.

ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

APPENDIX 8 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant associate.

INTERESTS IN JOINT VENTURE - A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using equity accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

CONVERTIBLE BONDS - Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

APPENDIX 8 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve). In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share capital. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when the goods are delivered and legal title is passed.

Rendering of technical services

Revenue from a contract to provide technical services is recognised when the outcome of the contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period.

APPENDIX 8 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Environmental engineering contracts

Revenue from environmental engineering contracts are recognised when the outcome of the contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion that contract costs incurred for work performed to date against the estimated total contract costs and accepted by the customer, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Income from treatment of waste water

Income from treatment of waste water is recognised based on the volume of waste water treated and are recognised when the services are rendered.

Interest income and finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount.

Finance income represents the interest income on the long term receivables recognised in respect of the service concession arrangements in accordance with INT FRS 112 *Service Concession Arrangements*. Finance income is recognised in profit or loss using the effective interest method.

Commission income

Commission income is recognised when the services are rendered.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

APPENDIX 8 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

RETIREMENT BENEFIT COSTS - Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiaries of the Group ("PRC Subsidiaries") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and the Malaysia Employee Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

SHARE-BASED PAYMENTS - The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28 to the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each reporting period, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the share option reserve.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

APPENDIX 8 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is Chinese Renminbi ("RMB"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

APPENDIX 8 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the purpose of presenting financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

GENERAL RESERVE - Pursuant to relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the dividend declaring subsidiaries are required to maintain two statutory reserves, being a statutory surplus reserve fund and an enterprise fund. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the subsidiaries. The subsidiaries are required to transfer 10% of its profit after taxation as reported in its PRC statutory financial statements to the statutory surplus reserve fund until the balance reached 50% of its registered capital. The statutory surplus reserve fund can be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

The subsidiaries are also required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to the enterprise expansion fund at rates determined by the Board of Directors. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Group's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements apart from those involving estimation (see below).