

PRE-CONDITIONAL VOLUNTARY 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

UNITED ENVIROTECH LTD.

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

other than those already owned, controlled or agreed to be acquired by
CKM (Cayman) Company Limited

1. INTRODUCTION

1.1 The Pre-Conditional Offer

Rothschild (Singapore) Limited ("**Rothschild**") wishes to announce, for and on behalf of CKM (Cayman) Company Limited (the "**Offeror**"), that subject to and contingent upon the satisfaction or waiver of the Offer Pre-Conditions (as defined in Section 3.1 below), the Offeror intends to make a voluntary conditional offer to acquire all the issued and paid-up ordinary shares (the "**UEL Shares**") in the capital of United Envirotech Ltd. (the "**Company**" or "**UEL**") other than those already owned, controlled or agreed to be acquired by the Offeror (the "**Offer**") 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 the date of this Announcement (the "**Pre-Conditional Announcement Date**") the Offeror is jointly owned by each of CITIC Environment (International) Company Limited ("**CITIC**") and KKR China Water Investment Holdings Limited ("**KKRCW**") in equal proportion. Further information on the Offeror, KKRCW and CITIC is set out in Section 6 below.

The Offer will not be made unless and until the Offer Pre-Conditions are satisfied or waived (as the case may be). Accordingly, all references to the Offer in this Announcement refer to the possible Offer which will only be made if and when such Offer Pre-Conditions are satisfied or waived (as the case may be).

Shareholders of the Company (“Shareholders”) should exercise caution and seek appropriate independent advice when dealing in the UEL Shares.

1.2 Convertible Bonds Conversion

On 11 November 2014 (the “**Signing Date**”), KKRCW delivered an irrevocable conversion notice (the “**CB Conversion Notice**”) to UEL to exercise its right to convert US\$18.7 million of its US\$62.7 million in aggregate principal amount of Convertible Bonds (as defined in Section 4.1 below) into 50,118,630 new UEL Shares at the conversion price of S\$0.45¹ for each new UEL Share (the “**Convertible Bonds Conversion**”), details of which are set out in paragraph 2.1 of **Appendix A** to this Announcement.

1.3 Aggregate Holdings

As at 11 November 2014, being the latest practicable date prior to the release of this Announcement (the “**Latest Practicable Date**”):

- (a) but prior to the Convertible Bonds Conversion being effected, the Offeror and the Relevant Persons (as defined in Section 12.1 below) own or control an aggregate of:
 - (i) 235,491,188 UEL Shares, representing approximately 25.79% of the total number of issued UEL Shares²; and
 - (ii) US\$62.7 million in principal amount of Convertible Bonds which are convertible into 168,044,819 UEL Shares, representing approximately 14.58% of the enlarged total number of UEL Shares, as at the Latest Practicable Date³; and
- (b) upon the Convertible Bonds Conversion being effected, the Offeror and the Relevant Persons own or control an aggregate of:
 - (i) 285,609,818 UEL Shares, representing approximately 29.65% of the total number of issued UEL Shares⁴; and
 - (ii) US\$44.0 million in principal amount of Convertible Bonds (the “**Relevant Convertible Bonds**”) which are convertible into 117,926,189 new UEL Shares, representing approximately 10.23% of the enlarged total number of UEL Shares, as at the Latest Practicable Date.

¹ Based on an exchange rate of US\$1 : S\$1.2060633.

² Unless otherwise stated, references in this Announcement to the total number of issued UEL Shares before the Convertible Bonds Conversion are based on 913,242,738 UEL Shares (based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore on the Latest Practicable Date).

³ References in this Announcement to the enlarged total number of UEL Shares are based on 1,152,237,557 UEL Shares. This figure has been arrived at on the basis set out in Section 7 of this Announcement.

⁴ Unless otherwise stated, references in this Announcement to the total number of issued UEL Shares following the Convertible Bonds Conversion are based on 963,361,368 UEL Shares (taking into account the 50,118,630 new UEL Shares to be issued pursuant to the Convertible Bonds Conversion).

2. PROPOSED TRANSACTION

2.1 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 (as defined in Section 4.2 below); and
- (b) subscribing for new UEL Shares pursuant to a private placement 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 below,

(collectively, the "**Proposed Transaction**").

Please refer to **Appendix B** to this Announcement which sets out a general indicative timeline for the Proposed Transaction. Shareholders and investors of the Company may also wish to refer to **Appendix C** to this Announcement for an overview of the salient points of the Proposed Transaction.

2.2 Proposed Placement

On the Signing Date, 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 (i.e., whether 30,303,031, 60,606,061 or 90,909,091 new UEL 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% of the enlarged total number of UEL Shares (after taking into account the Placement Shares to be issued by UEL)⁵.

The Proposed Placement is conditional upon the following conditions precedent (the "**Placement Conditions**") being satisfied or fulfilled:

- (a) the Company having obtained the approval in principle from the Singapore Exchange Securities Trading Limited (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 (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 (as defined below), they are so fulfilled;

⁵ For the avoidance of doubt, the enlarged total number of UEL Shares referred to in this paragraph is based on 1,152,237,557 UEL Shares plus the Placement Shares to be issued by UEL.

- (b) the Company having obtained such approval(s) from its 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 of the SGX-ST (the "**Listing Manual**") and/or applicable law, including without limitation, Shareholders' approvals required under Rules 805, 812 and 906 of the Listing Manual (the "**Placement Shareholders Approval**");
- (c) the receipt by the directors of UEL of an opinion from an independent financial adviser to UEL confirming that the terms of the Proposed Placement are on normal commercial terms and are not prejudicial to the interest of UEL and its minority Shareholders, in accordance with Rule 921(4)(a) of the Listing Manual (the "**Placement IFA Opinion**");
- (d) the PRC Regulatory Approvals (as defined in Section 3.1(a) below) being obtained by CITIC; and
- (e) the Offer becoming or being declared unconditional in accordance with its terms upon the satisfaction or fulfillment of the Offer Condition (as defined in Section 3.3(f) below).

Subject to the satisfaction or fulfillment of all the Placement Conditions, the Offeror will effect completion of the Proposed Placement (the "**Placement Completion**") not later than 5 business days⁶ after the final closing date of the Offer ("**Final Offer Closing Date**").

If any of the Placement Conditions are not satisfied or fulfilled, and the Placement Completion does not occur, CITIC will undertake the Inter-Consortium Members Transfers (as defined in Section 6.5(e) below) and the further acquisitions or subscriptions of Offeror Shares (as defined in Section 6.1 below) so as to acquire statutory control (i.e., more than 50%) of the Offeror (if required). Please refer to Section 6.8 of this Announcement for further details.

Pursuant to the terms of the Placing Agreement, the long-stop date for the satisfaction or fulfillment of the Placement Conditions set out in Sections 2.2(a) to (d) above (the "**Relevant Placement Conditions**") is 11 May 2015, being the date falling six months after the Signing Date or such other date as the Company and the Offeror may agree in writing (the "**Long-Stop Date**"). **In the event (I) any of the Relevant Placement Conditions are not satisfied or fulfilled by the Long-Stop Date or (II) the Placement Condition set out in Section 2.2(e) above is not satisfied or fulfilled, the Placing Agreement shall terminate and the Proposed Placement will not be made.**

The announcement released today by the Company in relation to the Proposed Placement is available on the website of the SGX-ST at www.sgx.com (the "**Placement Announcement**"). Please refer to the Placement Announcement for further information on the Proposed Placement.

⁶ For this purpose, "**business day**" means any day other than a Saturday, Sunday or other day on which commercial banks in the People's Republic of China, Singapore, Hong Kong or New York are required or authorised by law or executive order to be closed.

3. THE OFFER

3.1 The Offer Pre-Conditions

The making of the Offer and the despatch of the formal offer document containing the terms and conditions of the Offer (the "**Offer Document**") to Shareholders will be subject to and contingent upon, and will only take place following the satisfaction or waiver of the following pre-conditions (the "**Offer Pre-Conditions**"):

(a) the satisfaction and fulfillment by CITIC of the following filing and approval processes in the People's Republic of China (the "**PRC**") which are necessary pursuant to the laws and regulations of the PRC in connection with the Proposed Transaction (the "**PRC Regulatory Approvals**"):

- (i) the approval of the PRC Ministry of Finance in relation to the Proposed Transaction being obtained;
- (ii) the approval of the PRC National Development and Reform Commission in relation to the Proposed Transaction being obtained;
- (iii) the approval of and requisite filings made with the PRC Ministry of Commerce ("**MOC**") in relation to the incorporation of offshore entities in connection with the Proposed Transaction being obtained;
- (iv) the applicable approval and/or registration with the PRC State Administration for Foreign Exchange ("**SAFE**") in relation to the incorporation of offshore entities in connection with the Proposed Transaction being obtained and/or completed;
- (v) the applicable approval and/or registration with SAFE in relation to any cross-border guarantee to be provided by CITIC's affiliates in connection with the Proposed Transaction being obtained and/or completed; and
- (vi) the approval of the Anti-Monopoly Bureau of the MOC in relation to anti-monopoly issues that may arise in connection with the Proposed Transaction being obtained,

(collectively, the "**PRC Regulatory Pre-Condition**"); and

(b) there being no event, matter or circumstance occurring from the Pre-Conditional Announcement Date which has the effect of causing a diminution in the consolidated net asset value ("**NAV**") of UEL, its subsidiaries and associated companies (collectively, the "**UEL Group**") to an amount below S\$304 million⁷, as determined in accordance with the accounting principles, policies, bases, practices and estimation techniques used in preparing the unaudited consolidated quarterly financial statements of the UEL Group for the financial period ended 30 June 2014, applied on

⁷ S\$304 million represents approximately 80% of the NAV of the UEL Group of approximately S\$380 million based on the unaudited consolidated financial statements of the UEL Group for the financial period ended 30 June 2014.

a consistent basis, provided that any diminution or increase in the value of any asset and liability arising from currency translation shall not be taken into account and shall be fixed at the foreign exchange rates of S\$1.00 : RMB4.731 on 11 November 2014 (being the business day prior to the Pre-Conditional Announcement Date). For the avoidance of doubt, the NAV of the UEL Group shall mean net assets excluding goodwill and minority interests (the "**MAE Offer Pre-Condition**").

The Securities Industry Council ("**SIC**") has on 7 November 2014 (the "**SIC Ruling Date**") confirmed that it has no objections to the Offer Pre-Conditions, provided that the Offer Pre-Conditions shall not be invoked to cause the Offer to lapse unless (I) the Offeror has demonstrated reasonable efforts to fulfill the Offer Pre-Conditions within the time frame specified and (II) the circumstances that give rise to the right to invoke the Offer Pre-Conditions are material in the context of the Proposed Transaction (collectively, the "**SIC Conditions**").

In this connection, in relation to the SIC Conditions, CITIC has agreed under the Consortium Agreement (as defined in Section 6.5 below) as follows:

- (A) to use its best efforts to obtain all the PRC Regulatory Approvals as soon as possible and in any event within six months after the Signing Date; and
- (B) if an Offer Pre-Condition (the "**Relevant Offer Pre-Condition**") is not satisfied, but the SIC determines that any SIC Condition is not fulfilled, the Offeror shall not invoke the Relevant Offer Pre-Condition so as to cause the Offer to lapse. If the Offeror wishes to invoke the Relevant Offer Pre-Condition to cause the Offer to lapse, CITIC shall deliver all evidence to demonstrate to the reasonable satisfaction of the SIC that the SIC Conditions are satisfied. In this connection, CITIC EP has agreed under the Consortium Agreement to procure that CITIC will, and that CITIC will procure that the Offeror will, comply with its respective obligations described in this Section 3.1(B).

Further, in the event that any of the Offer Pre-Conditions is not satisfied or fulfilled for any reason, the Offeror may in its absolute discretion (to the extent legally possible) waive the Offer Pre-Condition in question and proceed with the Offer.

3.2 Formal Offer Announcement

If and when the Offer Pre-Conditions are satisfied or waived, as the case may be, Rothschild, for and on behalf of the Offeror, will announce a firm intention on the part of the Offeror to make the Offer not later than five business days⁸ of the satisfaction or waiver of the Offer Pre-Conditions (the "**Formal Offer Announcement**"). The SIC has on the SIC Ruling Date confirmed that it has no objections to the Formal Offer Announcement being released within the said five business days period.

The Offer Document will thereafter be despatched to Shareholders not earlier than 14 days and not later than 21 days from the date of the Formal Offer Announcement, if any. **However, in the event that any of the Offer Pre-Conditions are not satisfied or waived by the**

⁸ For this purpose, "**business day**" means any day other than a Saturday, Sunday or other day on which commercial banks in the People's Republic of China, Singapore, Hong Kong or New York are required or authorised by law or executive order to be closed.

Offeror on or before the Long-Stop Date (or such later date as the Offeror may determine in consultation with the SIC), the Offer will not be made and Rothschild will issue an announcement, for and on behalf of the Offeror, confirming that fact as soon as reasonably practicable thereafter.

Shareholders and investors of the Company may wish to refer to page (ii) of **Appendix C** to this Announcement for a diagrammatic illustration of the timeline and process of the Proposed Transaction.

3.3 Principal Terms of the Offer

Subject to and contingent upon the satisfaction or waiver of the Offer Pre-Conditions (as the case may be) and the terms and conditions to be set out in the Offer Document, the Offeror will make the Offer for all 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 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")

- (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 hereafter attaching thereto, including all voting rights, the right to receive and retain all dividends, rights, other distributions and 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.

For the purpose of this Announcement, 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 ("**CDP**"), 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 (if made) 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 (if made) (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, if and 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 or to be held by KKRCW). For the purpose of the Offer, the expression "**Offer Shares**" shall include such UEL Shares.
- (e) **Conversion Shares.** The Offer, if and 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, if and 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**")⁹.

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 outstanding Options and Relevant Convertible Bonds which are exercisable or convertible prior to the

⁹ For the purposes of this paragraph, the Offeror and its concert parties need to own, control or agree to acquire an aggregate of at least 490,863,935 UEL 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 UEL Shares issued or to be issued as at the close of the Offer is 981,727,868 UEL Shares, which excludes such number of new UEL Shares that would be issued pursuant to the valid conversion of any Relevant Convertible Bonds prior to the close of the Offer. As mentioned in Section 5.2(a) of this Announcement, KKRCW has undertaken not to convert any of its Relevant Convertible Bonds into new UEL Shares during the Offer Period.

close of the Offer been validly exercised or converted as of the date of such declaration, but excluding any 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 3.4 below);
- (ii) the exercise of any of the UEL CEO’s UEL Options (as defined in Section 5.2(b) below); and
- (iii) the Proposed Placement,

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

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.

- (g) **Revision of Terms of the Offer.** The Offeror reserves the right to revise the terms of the Offer in accordance with the Code.

3.4 No Options Proposal

The UEL Scheme was approved on 2 February 2010 and amended on 14 February 2013 (the “**Amendment Date**”). As at the Latest Practicable Date, the Offeror understands from UEL that there are outstanding Options granted under the UEL Scheme which are exercisable into 70,950,000 new UEL Shares, of which 45,083,500 Options (which are exercisable into 45,083,500 new UEL Shares) were granted after the Amendment Date and are not expected to be released by UEL’s Remuneration Committee (the “**Unreleased Post-Amendment UEL Options**”) and will not be exercisable during the period commencing on the Pre-Conditional Offer Announcement Date to the date the Offer closes or lapses (the “**Offer Period**”).

Pursuant to the rules of the UEL Scheme, the Options are not transferable by the holders thereof, without the UEL’s Remuneration Committee’s prior written approval. UEL has confirmed to the Offeror that the UEL’s Remuneration Committee will not approve any waiver of the restriction on the transferability of the Options. **In view of the foregoing, the Offeror will not make an offer to acquire the Options.** For the avoidance of doubt, the Offer, if and when made, will be extended to all Conversion Shares unconditionally issued or to be issued pursuant to the valid exercise of the Options (if any) on or prior to the close of the Offer. On the basis that UEL has confirmed to the Offeror that the UEL’s Remuneration Committee will not approve any waiver of the restriction on the transferability of the Options, the SIC has confirmed on the SIC Ruling Date that no comparable offer needs to be made by the Offeror to participants of the UEL Scheme under Rule 19 of the Code.

Further, pursuant to Rule 15.1 of the UEL Scheme, and subject to Rules 11.8 and 15.5 of the UEL Scheme, in the event of a takeover offer, participants (including participants holding Options which are not then exercisable) shall be entitled to exercise such Options in full or in part from the period commencing on the date the general offer becomes or is declared unconditional ("**Unconditional Date**"), and ending on the earlier of (the "**Accelerated Exercise Period**"):

- (a) the expiry of six months thereafter unless prior to the expiration of such six month period, at the recommendation of the Offeror and with the approval of UEL's Remuneration Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the option period relating thereto); or
- (b) the date of expiry of the option period relating to such Options.

After the expiry of the Accelerated Exercise Period, any and all Options then remaining unexercised (including the Unreleased Post-Amendment UEL Options) shall immediately lapse and become null and void.

The Offeror has informed UEL that it intends to maintain the listing status of UEL following the close of the Offer (as set out in Section 9 below), and has requested that UEL's Remuneration Committee extends the expiry date of all Options (including the Unreleased Post-Amendment UEL Options) such that they do not lapse six months after the Unconditional Date, but will lapse only on the date of the expiry of the relevant option period(s) relating to each Option (the "**Extended Accelerated Exercise Period**").

As at the Pre-Conditional Announcement Date, the Offeror has been informed by UEL that both the UEL's Remuneration Committee and the SGX-ST have approved the Extended Accelerated Exercise Period. **Accordingly, all Options will not lapse six months after the Unconditional Date, but will lapse only on the date of the expiry of the relevant option period(s) relating to each Option.**

4. CONVERTIBLE BONDS OFFER

4.1 Convertible Bonds

As at the Latest Practicable Date, the Company has an aggregate outstanding principal amount of US\$62.7 million convertible bonds due 2016 held by KKRCW (the "**Convertible Bonds**") as sole holder of the Convertible Bonds (the "**CB Holder**"), representing all the Convertible Bonds issued by UEL as at the Latest Practicable Date, which are convertible at a conversion price of S\$0.45 per UEL Share into 168,044,819 new UEL Shares, representing approximately 14.58% of the enlarged total number of UEL Shares.

Upon the Convertible Bonds Conversion being effected, KKRCW will hold US\$44.0 million in aggregate principal amount of Convertible Bonds (being the Relevant Convertible Bonds), which are convertible into 117,926,189 new UEL Shares, representing approximately 10.23% of the enlarged total number of UEL Shares, as at the Latest Practicable Date.

4.2 Convertible Bonds Offer

In addition to the Offer, if and when made, Rothschild, for and on behalf of the Offeror, will also make an offer to KKRCW as the sole CB Holder for the Relevant Convertible Bonds (the "**Offer Convertible Bonds**") in accordance with Rule 19 of the Code (the "**Convertible Bonds Offer**"), 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 (if and when made) 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 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
 - (ii) together with all rights, interests, benefits, entitlements and advantages attached thereto as at the Pre-Conditional Announcement Date and hereafter 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 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 Announcement, 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 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 Relevant Convertible Bonds to be paid prior to the CB Settlement Date. Accordingly, the amount of Convertible Bonds Interest Payments in respect of the Relevant 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 (as defined in Section 6.5(b) below), and KKRCW shall be entitled to all such Convertible Bonds Interest Payments.
- (d) **Revision of Terms of the Convertible Bonds Offer.** The Offeror reserves the right to revise the terms of the Convertible Bonds Offer in accordance with the Code, including a revision of the Convertible Bonds Offer Price in accordance with Rule 19 of the Code in the event the Offer Price is revised by the Offeror.
- (e) **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*.
- As mentioned in Section 5.2(a) below, KKRCW, the sole CB Holder as at the date of this Announcement, has irrevocably undertaken not to convert any of the Relevant Convertible Bonds held by it into new UEL Shares or exercise any right to request for early redemption by the Company of the Relevant Convertible Bonds during the Offer Period, but will tender all the Relevant Convertible Bonds held by it in acceptance of the Convertible Bonds Offer.
- (f) **Letter to CB Holder.** Further details of the Convertible Bonds Offer will be set out in a letter to the CB Holder to be despatched to the CB Holder together with the Offer Document (the "**Letter to CB Holder**").

5. IRREVOCABLE UNDERTAKINGS

5.1 Irrevocable Undertakings in relation to the Offer

In relation to the Offer, the following Shareholders have provided undertakings to the Offeror (each, an “**Irrevocable Undertaking**”) 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 following the Convertible Bonds Conversion:

No.	Name of Shareholder	Number of UEL Shares Undertaken	Percentage ¹⁰ of UEL Shares (%) ¹¹
1.	KKRCW	285,609,818	29.65
2.	Dr Lin Yucheng, the Chairman and Chief Executive Officer of UEL (the “ UEL CEO ”)	71,761,000	7.45
3.	Ms Pan Shuhong, the Vice President and Chief Investment Officer of UEL (the “ UEL CIO ”), and Joyfield Group Limited (an affiliate of the UEL CIO) (“ Joyfield ”)	85,593,383	8.88
4.	Independent Shareholders ⁽¹⁾⁽²⁾	48,266,000	5.01
Total number of UEL Shares in relation to the Irrevocable Undertakings:		491,230,201	50.99

Note:

- (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.

5.2 Other Principal Terms of the Irrevocable Undertakings

- (a) The Irrevocable Undertaking by KKRCW includes an undertaking by KKRCW not to convert any of the Relevant Convertible Bonds held by it into new UEL Shares or exercise any right to request for early redemption by the Company of the Relevant Convertible Bonds during the Offer Period, but to tender all of the Relevant Convertible Bonds in acceptance of the Convertible Bonds Offer.

¹⁰ Any discrepancies in this table between the listed percentages and the totals thereof are due to rounding.

¹¹ The total number of issued shares in the capital of UEL following the Convertible Bonds Conversion is 963,361,368 (taking into account the 50,118,630 new UEL Shares to be issued pursuant to the Convertible Bonds Conversion).

- (b) The Irrevocable Undertaking by the UEL CEO includes an undertaking by the UEL CEO not to convert 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).

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

6.1 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 Pre-Conditional 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.

As at the Pre-Conditional Announcement Date, the board of directors of the Offeror (the **"Offeror Board"**) comprise (a) two nominees of CITIC (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 (i) five nominees of CITIC (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 UEL CEO and the UEL CIO (collectively, the **"Key Management Shareholders"**).

6.2 Information on KKRCW

KKRCW, a controlling shareholder¹² 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 Pre-Conditional 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

¹² The term **"controlling shareholder"** is as defined in the Listing Manual of the SGX-ST.

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 93.2% held by KKR Asian Fund L.P.. 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 Pre-Conditional Announcement 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.

6.3 Information on CITIC

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 Pre-Conditional 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 Pre-Conditional Announcement Date, the directors of CITIC are Mr Hao Weibao, Mr Zhang Yong and Mr Wang Song.

CITIC EP is an indirect subsidiary of CITIC Corporation Limited, which in turn, is a wholly-owned subsidiary of CITIC Limited. CITIC Limited, 78% owned by CITIC Group Corporation in Beijing and listed in Hong Kong (SEHK: 267), is one of the largest companies on the Hang Seng Index. As PRC's largest conglomerate, its businesses include financial services, resources and energy, manufacturing, real estate and infrastructure, engineering contracting, and other businesses in PRC and overseas. For more information about CITIC Limited, please visit its company website at www.citic.com.

As at the Pre-Conditional Announcement 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 Pre-Conditional Announcement 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 Pre-Conditional Announcement 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 Alexander Reid Hamilton (Independent Non-Executive Director), (10) Mr Francis Siu Wai Keung (Independent Non-Executive Director) and (11) Dr Xu Jinwu (Independent Non-Executive Director).

6.4 Joint Offerors and Key Management Shareholders Retaining an Interest

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

- (a) CITIC 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 above) will not constitute a special deal by CITIC 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 Shareholder Subscription Agreements (as defined in Section 6.5(d) below), the Consortium Agreement, the Key Management Shareholders' Irrevocable Undertakings and the Service Contracts (as defined in Section 6.10(a) below) (collectively, the "**Key Management Shareholders' Agreements**") will not constitute a special deal by CITIC 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.

6.5 Capitalisation of the Offeror

On the Signing Date, KKRCW, CITIC, the Key Management Shareholders and CITIC EP, have entered into a consortium agreement with the Offeror to govern the relationship of KKRCW, CITIC and the Key Management Shareholders (collectively, the "**Offeror Shareholders**") and each, an "**Offeror Shareholder**") as shareholders of the Offeror (the "**Consortium Agreement**"). Pursuant to the Consortium Agreement, the Offeror Shareholders have agreed that the Offeror will be capitalised as follows:

- (a) pursuant to a loan agreement (the "**CITIC Loan Agreement**") entered into between CITIC and the Offeror on the Signing Date, CITIC will extend to the Offeror a loan of an aggregate amount of up to S\$1,266,000,000 (the "**CITIC Loan**") to fund the payment obligations of the Offeror in connection with the Proposed Transaction.

Following the completion of the Offer and the Placement Completion, CITIC will capitalise (the "**CITIC Loan Capitalisation**") that portion of the CITIC Loan actually drawn down by the Offeror (and utilised by the Offeror in connection with the Proposed Transaction) into new Offeror Shares at an issue price equal to the Offer Price for each Offeror Share (the "**Offeror Share Issue Price**") pursuant to the subscription agreement entered into between the Offeror and CITIC on the Signing Date.

Further:

- (i) CITIC Corporation Limited has, on the Signing Date, given a guarantee to KKRCW to guarantee the obligations of CITIC (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 (as defined in Section 6.7(i) below); and
 - (ii) CITIC has agreed under the Consortium Agreement to perform all necessary actions and execute all necessary documents to enable Rothschild, or failing which, another appropriate third party to provide an unconditional cash confirmation in the Formal Offer Announcement and the Offer Document that sufficient cash resources are available to the Offeror to satisfy full acceptance of the Voluntary Offer and the CB Offer in compliance with Rules 3.5 and 23.8 of the Code (save for the relevant amounts (I) that are subject to the share swaps by KKR and the Key Management Shareholders as described in Sections 6.5(b) to (d) below, (II) in respect of the new UEL Shares which may be issued upon the exercise of the UEL CEO's UEL Options and (III) in respect of the Unreleased Post-Amendment UEL Options);
- (b) pursuant to KKRCW's Irrevocable Undertaking and the subscription agreement entered into between KKRCW and the Offeror on the Signing Date (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 Relevant Convertible Bonds in acceptance of the Convertible Bonds Offer;
 - (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 tendering (a) all its 285,609,818 UEL Shares in acceptance of the Offer and (b) all the Relevant Convertible Bonds in acceptance of the Convertible Bonds Offer (collectively, the "**KKRCW Acceptances**"), in the form of new Offeror Shares at the Offeror Share Issue Price; 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 subscription agreement entered into between the Offeror and the UEL CEO on the Signing Date (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%¹³ of the aggregate consideration that the UEL CEO would receive as a result of tendering all his 71,761,000 UEL Shares in acceptance of the Offer (the "**UEL CEO Acceptance**"), in the form of new Offeror Shares at the Offeror Share Issue Price; and
 - (iii) subject to the Inter-Consortium Members Transfers, accept payment by the Offeror of the remaining approximately 40.30%¹⁴ 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 subscription agreement entered into among the Offeror, the UEL CIO and Joyfield (an affiliate of the UEL CIO) on the Signing Date (the "**Pan Subscription Agreement**" and together with the "**Lin Subscription Agreement**", shall collectively be known as the "**Key Management Shareholder Subscription Agreements**"), 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

¹³ 59.70% of the aggregate consideration that the UEL CEO would receive is equivalent to the sum of 66.77% of the UEL CEO's 71,761,000 UEL Shares and the UEL CEO's UEL Options of 15,000,000.

¹⁴ 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.

CIO and Joyfield would receive as a result of tendering all the 85,593,383 UEL Shares that the UEL CIO and Joyfield collectively hold in acceptance of the Offer (the “**UEL CIO Acceptance**”), in the form of new Offeror Shares to be issued to the UEL CIO at the Offeror Share Issue Price; 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
- (e) in the event, however, following the completion of the Proposed Transaction and the CITIC Loan Capitalisation, CITIC 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 at the Offeror Share Issue Price, to enable CITIC to hold at least 51% of the Offeror, immediately following such transfers (the “**Inter-Consortium Members Transfers**”). If following the completion of the Proposed Transaction, the CITIC Loan Capitalisation and the Inter-Consortium Members Transfers, CITIC still does not hold at least a majority of the Offeror, CITIC will undertake further acquisitions or subscriptions of Offeror Shares so as to increase its shareholding stake in the Offeror to at least 51%, as further described in Section 6.8 below.

6.6 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 6.1 above; 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)
2.	Mr Zhang Yong	Non-Executive Director (and nominee of CITIC)
3.	Mr Wang Song	Non-Executive Director (and nominee of CITIC)

No.	Name	Position
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

- (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 on 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.

6.7 Transfer Restrictions

After completion of the Offer, pro rata proportions of the UEL Shares corresponding to the shareholding percentages of CITIC, 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, the "**Relevant Offeror Sub**"). 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 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 Final Offer Closing Date and for a period of 20 months thereafter; and

- (ii) of each of the Key Management Shareholders to require CITIC 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.

6.8 Resultant Shareholding in the Offeror

- (a) Resultant Shareholding in the Offeror assuming that the Placement Completion occurs (“Scenario 1”)

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 ¹⁵ of Enlarged Issued Share Capital in the Offeror (%) ¹⁶
1.	CITIC	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 the number of Placement Shares to be issued to the Offeror, and whether the Inter-Consortium Members Transfers occur. A diagrammatic illustration of the

¹⁵ Any discrepancies in this table between the listed percentages and the totals thereof are due to rounding.

¹⁶ 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.

shareholding positions set out above is shown in page (v) of **Appendix C** to this Announcement.

If after the close of the Offer (but prior to the Placement Completion and the Inter-Consortium Members Transfers), CITIC holds 50% or less of all the Offeror Shares in issue and subsequently increases its stake in the Offeror through (i) the Placement Completion and the CITIC Loan Capitalisation and (ii) the Inter-Consortium Members Transfers, so as to acquire statutory control (i.e. more than 50%) of the Offeror, SIC has on the SIC Ruling Date ruled that such increase in shareholding in the Offeror by CITIC will not result in CITIC triggering a mandatory takeover obligation under Rule 14 of the Code, provided that:

- (i) (I) the Placement Completion and the CITIC Loan Capitalisation and (II) the Inter-Consortium Members Transfers are effected not later than ten business days¹⁷ after the close of the Offer, and that the Offeror releases a public announcement on the resulting shareholding of the Offeror and UEL thereafter; and
- (ii) details of Scenario 1 will be set out in the Offer Document.

(b) Resultant Shareholding in the Offeror assuming that Placement Completion does not occur (“Scenario 2”)

Following the close of the Offer, if the Relevant Placement Conditions are not satisfied or fulfilled and the Proposed Placement does not occur, the percentage of shareholding to be held by each Offeror Shareholder in the Offeror will be as follows:

No.	Name of Shareholder	Percentage ¹⁸ of Enlarged Issued Share Capital in the Offeror (%) ¹⁹
1.	CITIC	Between 45.7 to 66.5
2.	KKRCW	Between 24.5 to 39.7
3.	Dr Lin Yucheng	Between 3.9 to 6.1
4.	Ms Pan Shuhong	Between 5.2 to 8.4

The final percentage of shareholding to be held by each Offeror Shareholder would depend on whether the Inter-Consortium Members Transfers occur. A diagrammatic illustration of the shareholding positions set out above is shown in page (iv) of **Appendix C** to this Announcement.

¹⁷ For this purpose, “business day” means any day other than a Saturday, Sunday or other day on which commercial banks in the People’s Republic of China, Singapore, Hong Kong or New York are required or authorised by law or executive order to be closed.

¹⁸ Any discrepancies in this table between the listed percentages and the totals thereof are due to rounding.

¹⁹ 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 has undertaken 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.

If after the close of the Offer, CITIC holds 50% or less in the Offeror and subsequently increases its stake in the Offeror through (i) the Inter-Consortium Members Transfers and (ii) further acquisitions or subscriptions by CITIC of Offeror Shares, so as to acquire statutory control (i.e. more than 50%) of the Offeror, SIC has on the SIC Ruling Date ruled that such increase in shareholding in the Offeror by CITIC will not result in CITIC triggering a mandatory takeover obligation under Rule 14 of the Code, provided that:

- (i) completion of (A) the Inter-Consortium Members Transfers and (B) the said acquisitions or subscriptions take place not later than one month after the close of the Offer, and that the Offeror releases a public announcement on the resulting shareholding of the Offeror and UEL thereafter; and
- (ii) details of Scenario 2 will be set out in the Offer Document.

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 holds more than 50% of all the Offeror Shares in issue, any acquisition (whether directly or indirectly) by CITIC of (I) Offeror Shares, (II) shares in the Relevant Offeror Subs or (III) UEL Shares, whether pursuant to CITIC'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 triggering a mandatory takeover obligation under Rule 14 of the Code.

6.9 Conversion of the Relevant 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 Relevant 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 Relevant Convertible Bonds within 10 business days²⁰ 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 Relevant 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.

6.10 Service Contracts

- (a) Post-completion of the Proposed Transaction, UEL will enter into an amended and restated service contract ("**Service Contract**") with each of the Key UEL Senior Managers (as defined in Section 7 below) on terms substantially similar to his or her existing employment terms, save for the following:

²⁰ For this purpose, "**business day**" means any day other than a Saturday, Sunday or other day on which commercial banks in the People's Republic of China, Singapore, Hong Kong or New York are required or authorised by law or executive order to be closed.

- (i) 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); and
 - (ii) 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.
- (b) In relation to the UEL CEO, his Service Contract includes 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).
- (c) The SIC has confirmed on the SIC Ruling Date that the Service Contracts with the Key UEL Senior Managers will not:
- (i) constitute a special deal by the Offeror to the Key UEL Senior Managers under Rule 10 of the Code; or
 - (ii) amount to an agreement or understanding (whether formal or informal) with the Offeror to cooperate to obtain or consolidate effective control of UEL.

7. INFORMATION ON THE COMPANY

UEL 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 ("MBR") technology. UEL has designed and built several of the largest industrial wastewater treatment plants in Asia using the MBR technology.

As at the Latest Practicable Date, the Company has:

- (a) an issued and paid-up ordinary share capital of approximately S\$407,713,839.80 comprising 913,242,738 issued shares²¹ before the Convertible Bonds Conversion;
- (b) an aggregate principal amount of outstanding Convertible Bonds of US\$62.7 million, which are convertible into 168,044,819 new UEL Shares (before the Convertible Bonds Conversion); and
- (c) Options which are exercisable into 70,950,000 new UEL Shares.

²¹ Based on a search conducted at the Accounting and Corporate Regulatory Authority of Singapore on 11 November 2014.

Accordingly, assuming that all the Convertible Bonds and Options are exercised into UEL Shares as at the Latest Practicable Date, the total number of UEL Shares on an enlarged basis is 1,152,237,557.

As at the Pre-Conditional Announcement Date, the UEL Board comprises the following members:

No.	Name	Position
1.	Dr Lin Yucheng	Chairman, Chief Executive Officer
2.	Mr Wang Ning	Executive Director, Deputy Chief Executive Officer
3.	Dr Chong Weng Chiew	Executive Director
4.	Mr Yeung Koon Sang alias David Yeung	Lead Independent Director
5.	Mr Tay Beng Chuan	Independent Director
6.	Mr Lee Suan Hiang	Independent Director
7.	Mr David Haifeng Liu	Non-Executive Director
8.	Mr Zhao Fu	Non-Executive Director
9.	Dr Li Yan	Non-Executive Director

As at the Pre-Conditional Announcement Date, the six key management employees of UEL (the “**Key UEL Senior Managers**”) are (i) Dr Lin Yucheng (the UEL CEO), (ii) Ms Pan Shuhong (the UEL CIO), (iii) Dr Ge Hailin (the Chief Technology Officer of UEL), (iv) Mr Wang Ning (Deputy Chief Executive Officer), (v) Mr Tan Huchuan (Deputy Chief Executive Officer) and (vi) Mr Li Li (Deputy Chief Executive Officer).

8. RATIONALE FOR THE PROPOSED TRANSACTION AND THE OFFEROR’S INTENTIONS

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 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 People’s Republic of China 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 China’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 Bank²², per capita water resources in China 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 PRC’s chemical, petrochemical and industrial park sectors.

Pursuant to the Proposed Transaction, CITIC 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

²² Source: World Bank (<http://data.worldbank.org/indicator/ER.H2O.INTR.PC>).

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 (EPC) 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 years²³, 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 Pre-Conditional 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 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 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, it is expected that the service contracts for the Key UEL Senior Managers shall be renewed for a 3-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.

8.2 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 volume weighted average price of UEL prior to the Unaffected Date (as defined in Section 11 below), 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.

²³ 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.

8.3 Offeror's Intentions for the Company

Save as disclosed in this Announcement, 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.

9. LISTING STATUS OF THE COMPANY

Under Rule 1105 of the Listing Manual, in the event that the Offeror and parties acting in concert with it, 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.

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.

10. COMPULSORY ACQUISITION

Under Section 215(1) of the Companies Act, if the Offeror receives acceptances pursuant to the Offer for not less than 90% of all the UEL Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer), the Offeror will be entitled to exercise its right under Section 215(1) of the Companies Act to compulsorily acquire, at the Offer Price, all the UEL Shares of Shareholders who have not accepted the Offer.

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, **the Offeror does not intend to avail itself of the powers of compulsory acquisition pursuant to Section 215 of the Companies Act.**

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of UEL Shares which, together with the UEL Shares held by it, its related corporations and their respective nominees, comprise 90% or more of all the UEL Shares, Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their UEL Shares at the Offer Price. **Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.**

11. FINANCIAL ASPECTS OF THE OFFER

The Offer Price of S\$1.65 for each Offer Share represents:

- (a) a premium of approximately 12.6% over S\$1.465, being the last transacted price of the UEL Shares on the SGX-ST on 6 November 2014, being the last full market day preceding the Pre-Conditional Announcement Date on which the UEL Shares were traded on the SGX-ST;
- (b) a premium of approximately 12.6% over S\$1.465, being the last transacted price of the UEL Shares on the SGX-ST on 2 July 2014, being the date of announcement of the possible transaction on which the UEL Shares were traded on the SGX-ST (the "**Unaffected Date**");
- (c) a premium of approximately 16.1% over S\$1.421, being the volume weighted average price ("**VWAP**") of the UEL Shares on the SGX-ST over the one-month period prior to and including the Unaffected Date;
- (d) a premium of approximately 19.5% over S\$1.380, being the VWAP of the UEL Shares on the SGX-ST over the three-month period prior to and including the Unaffected Date;
- (e) a premium of approximately 27.9% over S\$1.290, being the VWAP of the UEL Shares on the SGX-ST over the six-month period prior to and including the Unaffected Date; and

- (f) a premium of approximately 38.7% over S\$1.190, being the VWAP of the UEL Shares on the SGX-ST over the 12-month period prior to and including the Unaffected Date.

Note:

The figures set out above in relation to the last transacted price of the UEL Shares and the VWAP of the UEL Shares are based on data extracted from Bloomberg L.P..

12. DISCLOSURES OF HOLDINGS AND DEALINGS

12.1 Holdings and Dealings

Appendix A to this Announcement sets out, based on the information available to the Offeror as at the Latest Practicable Date:

- (a) the number of Relevant Securities (as defined in Section 12.2(a) below) owned, controlled or agreed to be acquired by:
 - (i) the Offeror and its directors;
 - (ii) KKRCW and its directors;
 - (iii) CITIC and its directors;
 - (iv) CITIC EP and its directors;
 - (v) the Rothschild Entities (as defined in paragraph 1.3 of **Appendix A** to this Announcement),(collectively, the "**Relevant Persons**"); and
- (b) the dealings in the Relevant Securities by the Relevant Persons from 12 August 2014 (being three months immediately preceding the Pre-Conditional Announcement Date) to the Pre-Conditional Announcement Date (the "**Reference Period**").

12.2 No Other Holdings and Dealings

As at the Latest Practicable Date, save as disclosed in this Announcement (including **Appendix A** to this Announcement), none of the Relevant Persons:

- (a) owns, controls or has agreed to acquire any (i) UEL Shares, (ii) Convertible Bonds, (iii) Options, (iv) securities which carry voting rights in the Company, or (v) convertible securities, warrants, options or derivatives in respect of the UEL Shares or securities which carry voting rights in the Company (collectively, the "**Relevant Securities**"); and
- (b) has dealt for value in any Relevant Securities during the Reference Period.

12.3 Other Arrangements

As at the Latest Practicable Date, save as disclosed in this Announcement (including **Appendix A** to this Announcement), none of the Relevant Persons has:

- (a) (i) granted any security interest relating to any Relevant Securities to another person, whether through a charge, pledge or otherwise, (ii) borrowed any Relevant Securities from another person (excluding borrowed securities which have been on-lent or sold), or (iii) lent any Relevant Securities to another person; and
- (b) received any irrevocable undertaking from any party to accept or reject the Offer.

12.4 Further Enquiries

In the interests of confidentiality, the Offeror has not made enquiries in respect of certain other parties who are acting in concert with the Offeror in connection with the Offer (if and when made). Similarly, Rothschild has not made enquiries in respect of certain parties who are acting in concert with Rothschild in connection with the Offer (if and when made). Further enquiries will be made of such persons and the relevant disclosures will be made in due course and in the Offer Document.

The SIC has ruled on the SIC Ruling Date that if the aggregate number of UEL Shares, owned, controlled or agreed to be acquired by such other parties who are acting or presumed to be acting in concert with the Offeror represents 0.5% or more of the total issued share capital of UEL, the Offeror must immediately announce such holdings to the public.

13. OFFER DOCUMENT

If and when the Offer is made, the Offer Document enclosing the relevant form(s) of acceptance will be despatched to Shareholders not earlier than 14 days and not later than 21 days from the date of the Formal Offer Announcement, if any. **Shareholders are advised to exercise caution when dealing in the UEL Shares.** The Letter to CB Holder will be despatched to the CB Holder at the same time as, and together with a copy of, the Offer Document.

14. OVERSEAS SHAREHOLDERS

14.1 Overseas Jurisdictions

This Announcement 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 Announcement in any jurisdiction in contravention of applicable law. The Offer, if and when made, will be made solely by the Offer Document and the relevant form(s) of acceptance accompanying the Offer Document, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted.

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

Copies of this Announcement and any formal documentation relating to the Offer 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 would violate the law 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.

14.2 Overseas Shareholders

The availability of the Offer, if and when made, to Shareholders whose addresses are outside Singapore as shown in the register of members of the Company or in the records of the CDP (as the case may be) ("**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.

For the avoidance of doubt, the Offer, if and when made, will be open to all Shareholders holding Offer Shares, including those to whom the Offer Document and the relevant form(s) of acceptance may not be sent. Further details in relation to Overseas Shareholders will be contained in the Offer Document.

14.3 Copies of Offer Document

Where there are potential restrictions on sending the Offer Document and the relevant form(s) of acceptance accompanying the Offer Document to any overseas jurisdictions, 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 the Offer Document and the relevant form(s) of acceptance from the office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #02-00, Singapore 068898. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write to the Company's share registrar at the above-stated address to request for the Offer Document and the relevant form(s) of acceptance to be sent to an address in Singapore by ordinary post at his own risk.

15. RESPONSIBILITY STATEMENT

The directors of the Offeror (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, information relating to the UEL Group), the sole responsibility of the directors of the Offeror has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

Issued by
ROTHSCHILD (SINGAPORE) LIMITED

For and on behalf of
CKM (CAYMAN) COMPANY LIMITED

12 November 2014

Any inquiries relating to this Announcement or the Proposed Transaction should be directed to:

Rothschild (Singapore) Limited
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Fax: +65 6535 9109

Address: One Raffles Quay, North Tower #10-02, Singapore 048583

IMPORTANT NOTICE

All statements other than statements of historical facts included in this Announcement are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "expect", "anticipate", "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 Offeror's and/or UEL's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and none of the Offeror, UEL or Rothschild undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

APPENDIX A

DISCLOSURE OF HOLDINGS AND DEALINGS IN THE RELEVANT SECURITIES

1. HOLDINGS IN THE RELEVANT SECURITIES HELD BY THE RELEVANT PERSONS AS AT THE LATEST PRACTICABLE DATE

1.1 The Offeror, KKRCW, CITIC and CITIC EP

Save as disclosed below, as at the Latest Practicable Date (and prior to the Convertible Bonds Conversion being effected), the Offeror, KKRCW, CITIC and CITIC EP do not own or control any Relevant Securities:

UEL Shares

Name	No. of UEL Shares	% ²⁴
KKRCW	235,491,188	25.79
Total	235,491,188	25.79

Convertible Bonds

Name	Principal amount of Convertible Bonds (US\$)
KKRCW	62,700,000
Total	62,700,000

Save as disclosed below, as at the Latest Practicable Date (and upon the Convertible Bonds Conversion being effected), the Offeror, KKRCW, CITIC and CITIC EP do not own or control any Relevant Securities:

UEL Shares

Name	No. of UEL Shares	% ²⁵
KKRCW	285,609,818	29.65
Total	285,609,818	29.65

²⁴ Based on 913,242,738 UEL Shares in issue as at the Latest Practicable Date before the Convertible Bonds Conversion.

²⁵ Unless otherwise stated, references in this Announcement to the total number of issued UEL Shares following the Convertible Bonds Conversion are based on 963,361,368 UEL Shares (taking into account the 50,118,630 new UEL Shares to be issued pursuant to the Convertible Bonds Conversion).

Convertible Bonds

Name	Principal amount of Convertible Bonds (US\$)
KKRCW	44,000,000
Total	44,000,000

1.2 Directors of the Offeror, KKRCW, CITIC and CITIC EP

None of the directors of the Offeror, KKRCW, CITIC and CITIC EP owns or controls any Relevant Securities as at the Latest Practicable Date.

1.3 Rothschild

As at the Latest Practicable Date, the following entities of the Rothschild group (collectively, the "**Rothschild Entities**") do not own or control any Relevant Securities:

- (i) the Rothschild group entities located in Singapore (excluding dormant entities and entities in liquidation), namely:
 - (a) Rothschild (Singapore) Limited;
 - (b) Rothschild Wealth Management (Singapore) Limited;
 - (c) Rothschild Trust (Singapore) Limited;
 - (d) Farrer Pte Limited;
 - (e) Grange Pte Limited;
 - (f) Seletar Pte Limited;
 - (g) RTSing Presidents Pte Ltd;
 - (h) RT Sing Administrators Pte Ltd; and
 - (i) Rothschild Bank AG Singapore Representative Office; and

- (ii) the Rothschild group entities located in the PRC and the Hong Kong Special Administrative Region of the PRC (excluding dormant entities and entities in liquidation), namely:
 - (a) Rothschild & Sons Financial Advisory Services (Beijing) Co., Ltd;
 - (b) Rothschild & Sons Financial Advisory Services (Beijing) Co., Ltd, Shanghai Branch;
 - (c) Rothschild Financial Advisory Services (Tianjin) Co., Ltd;
 - (d) Rothschild (Hong Kong) Limited;
 - (e) Rothschild Wealth Management (Hong Kong) Limited;
 - (f) Rothschild China Holding AG, Beijing Representative Office;
 - (g) Rothschild China Holding AG, Shanghai Representative Office; and
 - (h) Rothschild Bank AG, Hong Kong Representative Office.

2. DEALINGS IN THE RELEVANT SECURITIES DURING THE REFERENCE PERIOD BY THE RELEVANT PERSONS

2.1 The Offeror, KKRCW, CITIC and CITIC EP

Save for the Convertible Bonds Conversion by KKRCW as set out below, the Offeror, KKRCW, CITIC and CITIC EP have not dealt for value in the Relevant Securities during the Reference Period.

Name	Date of conversion notice	Principal amount of Convertible Bonds (US\$)	Conversion price (S\$)	Number of UEL Shares acquired
KKRCW	11 November 2014	18,700,000	0.45	50,118,630

2.2 Directors of the Offeror, KKRCW, CITIC and CITIC EP

None of the directors of the Offeror, KKRCW, CITIC or CITIC EP has dealt for value in the Relevant Securities during the Reference Period.

2.3 Rothschild

The Rothschild Entities have not dealt for value in the Relevant Securities during the Reference Period.

APPENDIX B

INDICATIVE TIMELINE FOR THE PROPOSED TRANSACTION⁽¹⁾

Event	Date
KKRCW delivers the CB Conversion Notice to UEL in relation to the Convertible Bonds Conversion ⁽²⁾	11 November 2014, the Signing Date
Release of this Pre-Conditional Announcement by or on behalf of the Offeror Release by UEL of announcement(s) relating to (i) the Proposed Placement and (ii) the Offer and the Convertible Bonds Offer	: 12 November 2014, the Pre-Conditional Announcement Date
UEL receives Placement AIP, Placement Shareholders Approval and Placement IFA Opinion, in relation to the Proposed Placement	: Around February 2015
Deadline for satisfaction of the Offer Pre-Conditions (namely, the PRC Regulatory Pre-Condition and the MAE Offer Pre-Condition)	: By 11 May 2015 (being the Long Stop Date)
Expected date of release of the Formal Offer Announcement (assuming all Offer Pre-Conditions are satisfied or fulfilled (or, if applicable, waived)) ("D")	: By 18 May 2015 (i.e., not later than 5 business days of satisfaction of the Offer Pre-Conditions)
Date of despatch of the Offer Document ("E") The Offer and the Convertible Bonds Offer open for acceptance⁽³⁾	: Not earlier than 14 days after D, but not later than 21 days after D E
KKRCW, the UEL CEO, the UEL CIO and the Independent Shareholders to tender all their UEL Shares (representing approximately 50.99% in aggregate of all the UEL Shares) in acceptance of the Offer, pursuant to their Irrevocable Undertakings KKRCW to tender all its US\$44.0 million Relevant Convertible Bonds in acceptance of the Convertible Bonds Offer, pursuant to its Irrevocable Undertaking	: During the Offer Period
Date of despatch by UEL of its circular to Shareholders in relation to the Offer and the Convertible Bonds Offer	: Not later than E + 14 days
First closing date of the Offer and the Convertible Bonds Offer ⁽³⁾	: E + 28 days
Completion of Proposed Placement (assuming all Placement Conditions are satisfied or fulfilled (or, if applicable, waived))	: Not later than 5 business days after the Final Offer Closing Date
The Offeror to deliver to UEL a conversion notice to convert all the remaining US\$44.0 million Relevant Convertible Bonds into 117,926,189 new UEL Shares	: Not later than 10 business days after the Final Offer Closing Date

Notes:

- (1) This timeline is indicative only and may be subject to change. Please refer to future announcement(s) by or on behalf of the Offeror for the exact dates and times of these events.
- (2) The Convertible Bonds Conversion relates to the conversion by KKRCW of US\$18.7 million of its US\$62.7 million in the aggregate principal amount of Convertible Bonds into 50,118,630 new UEL Shares.
- (3) Offer Period to be a minimum of 28 days pursuant to Rule 22.3 of the Code.

APPENDIX C

TRANSACTION SUMMARY

- For the ease of understanding, this Appendix C sets out a summary of the salient points of the Proposed Transaction
- This Appendix C comprises:
 - Salient Terms of the Offer and the Proposed Placement
 - Process, Diagrammatic Timeline, Offer Pre-Conditions and Placement Conditions
 - Change in shareholdings of UEL before and after the Offer and the Proposed Placement
- This Appendix C must be read in conjunction with the full text of the Announcement.

Salient Terms

- The Offeror intends to acquire at least a majority stake in UEL by way of :
 - (a) a pre-conditional voluntary offer to acquire all UEL Shares at S\$1.65 per UEL Share (the “Offer”) and a comparable offer for all the Convertible Bonds (“CBs”)
 - (b) subscription for new UEL shares of approximately 30.3 million, 60.6 million or 90.9 million UEL Shares at S\$1.65 per UEL Share (the “Proposed Placement”)

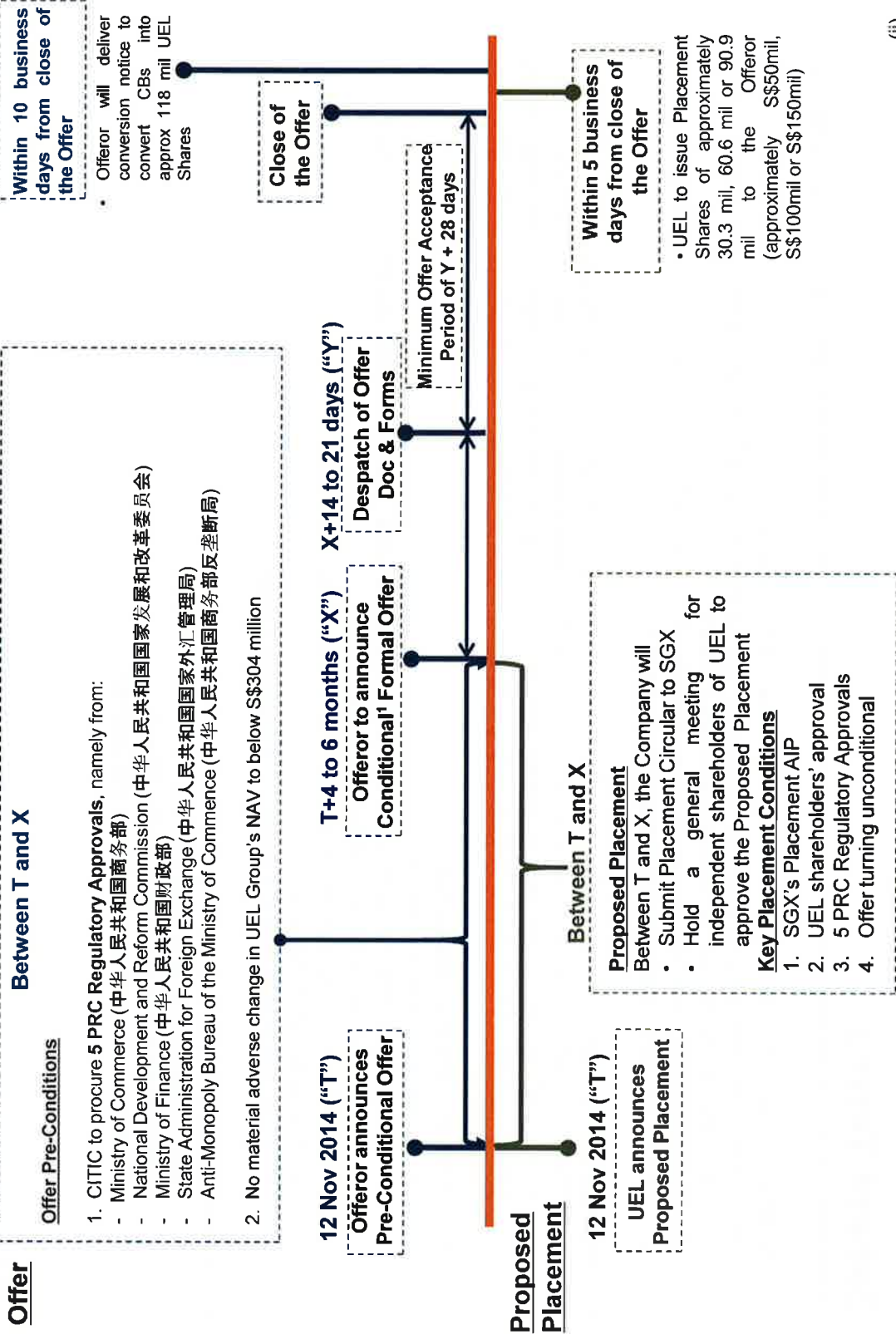
- Rationale for the Proposed Transaction (see Section 8 of this Announcement for further details)
 - The Proposed Transaction provides an opportunity for Shareholders to participate in the growth of UEL, with CITIC as the single largest shareholder and KKRCW as the second largest shareholder of the Offeror (which will, in turn, hold at least a majority stake in UEL), post-completion of the Proposed Transaction.
 - From the Offeror’s perspective:
 - Attractive industry dynamics
 - UEL will become the flagship for CITIC Limited in the water and wastewater treatment business
 - Unique technologies and proven track record
 - KKRCW is supporting the Proposed Transaction as a joint offeror
 - Management continuity
 - Proposed Placement at a premium to historical prices

- Intentions of the Offeror
 - **retain existing management of UEL.**
 - **retain the existing business of UEL Group.**
 - **retain the listing status of UEL on the SGX-ST.**

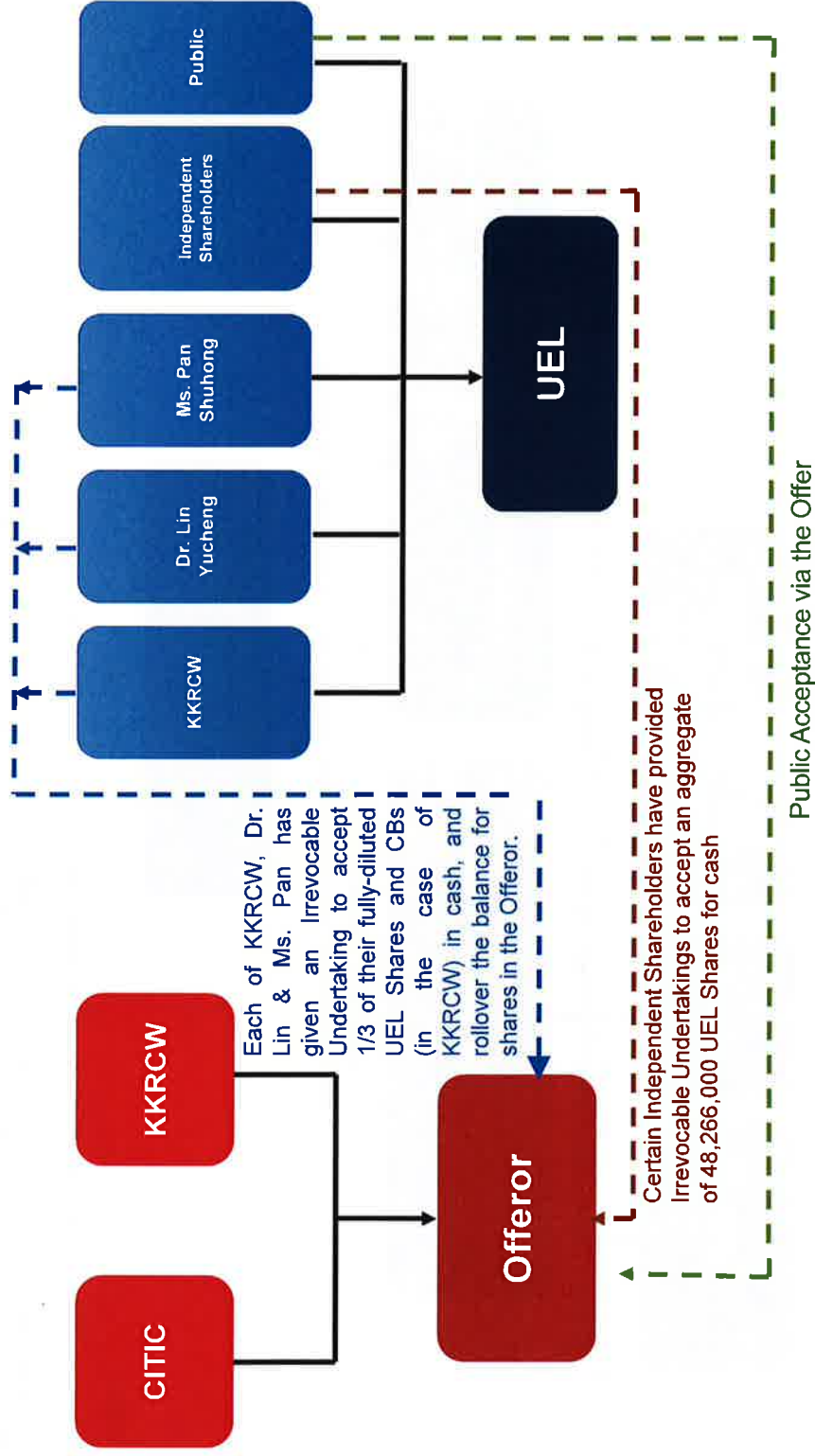
Note:

(1)The Offeror is jointly owned by CITIC and KKRCW as at the Pre-Conditional Announcement Date.

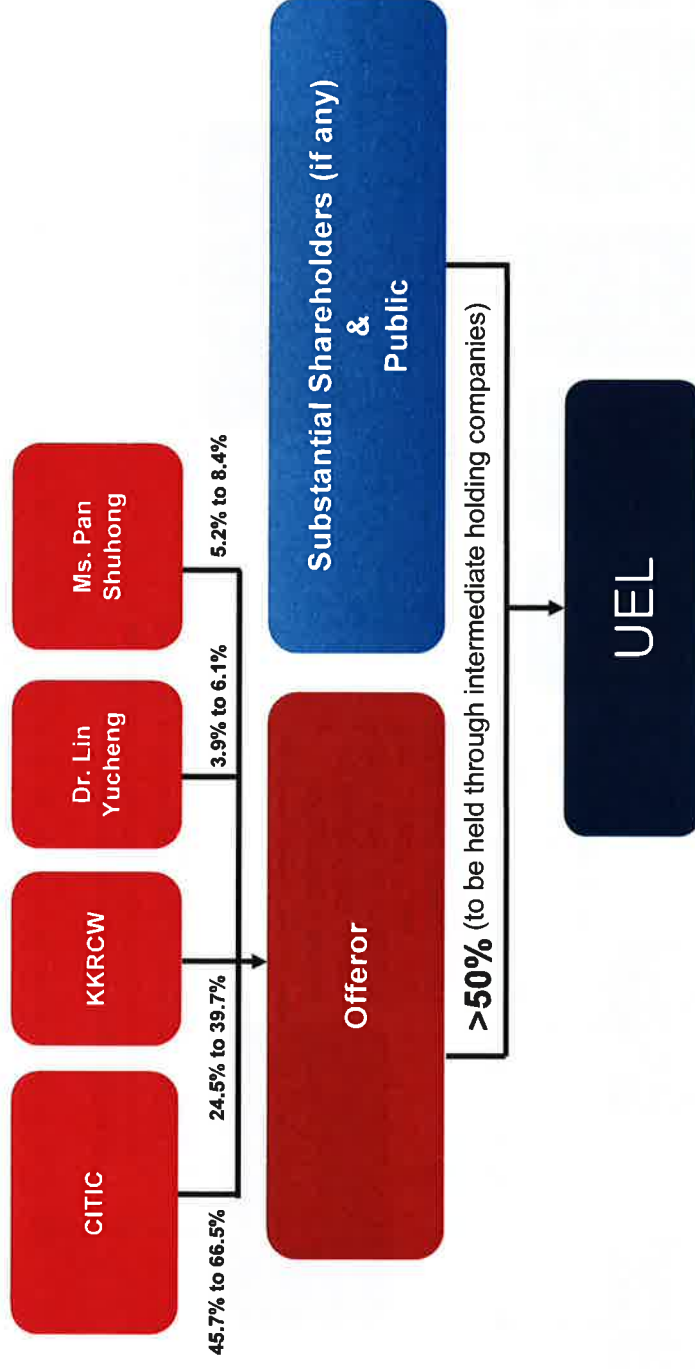
Process, Timeline & Pre-Conditions



Offeror Launches Pre-Conditional Offer



Shareholdings after completion of Offer (BEFORE taking into account Proposed Placement)



Notes:

The above Offeror's shareholdings in UEL, and the shareholdings of the Offeror assumes:

- (a) During the Offer Period, each of KKRCW, Dr. Lin Yucheng, Ms. Pan Shuhong and the Independent Shareholders has given Irrevocable Undertakings in respect of 491,230,201 UEL Shares (representing 50.99% of UEL Shares in total), and will tender their UEL Shares and CBs (in the case of KKRCW) in acceptance of the Offer;
- (b) During the Offer Period, (i) NONE of the other Shareholders will tender their UEL Shares, or (ii) ALL other Shareholders will tender their UEL Shares;
- (c) Within 10 business days after the Offer closes, the Offeror has delivered the CB Conversion Notice to convert the CBs into new UEL Shares; and
- (d) Within 5 business days after the Offer closes, the Inter-Consortium Members Transfers have occurred.

(iv)

Shareholdings after completion of Offer (AFTER taking into account Proposed Placement)

