

CIRCULAR DATED 25 SEPTEMBER 2018

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, financial, tax or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular, the Notice of EGM and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements made, opinions expressed, or reports contained in this Circular.



中信环境技术
CITIC ENVIROTECH

(Company Registration Number: 200306466G)
(Incorporated in Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

**LOAN FACILITIES PROPOSED TO BE GRANTED BY AND
THE FUND PLACEMENT AGREEMENT
PROPOSED TO BE ENTERED INTO WITH CITIC FINANCE COMPANY LIMITED
AS INTERESTED PERSON TRANSACTIONS
("PROPOSED IPTS" AND EACH A "PROPOSED IPT")**

**Independent Financial Adviser to the Non-Interested Directors
in relation to the Proposed IPTs**



3 P E A K S
3 Peaks Capital Private Limited

(Company Registration Number: 201712269D)
(Incorporated in Singapore)

Last date and time for lodgment of Proxy Form	:	10 October 2018 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	12 October 2018 at 10.00 a.m.
Place of Extraordinary General Meeting	:	Amara Hotel Ballroom 1, Level 3 165 Tanjong Pagar Road Singapore 088539

CONTENTS

LETTER TO SHAREHOLDERS	6
1. INTRODUCTION	6
2. PROPOSED IPTS	6
3. RATIONALE AND BENEFITS	17
4. REVIEW PROCEDURES	19
5. DISCLOSURE	22
6. ABSTENTION FROM VOTING	22
7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	22
8. OPINION OF THE IFA	25
9. CONSENT	25
10. STATEMENT FROM THE AUDIT COMMITTEE	26
11. NON-INTERESTED DIRECTORS' RECOMMENDATION	26
12. EXTRAORDINARY GENERAL MEETING	26
13. ACTIONS TO BE TAKEN BY SHAREHOLDERS	26
14. DIRECTORS' RESPONSIBILITY STATEMENT	27
15. DOCUMENTS AVAILABLE FOR INSPECTION	27
APPENDIX A – IFA LETTER	28
NOTICE OF EXTRAORDINARY GENERAL MEETING	60
PROXY FORM	

DEFINITIONS

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

“AGM”	:	Annual general meeting of the Company
“associate”	:	Has the meaning ascribed to it in the Listing Manual and as reproduced in Section 2.4 of this Circular
“Audit Committee”	:	The audit committee of the Company for the time being
“CBRC”	:	China Banking Regulatory Commission
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 25 September 2018
“CITIC Finance”	:	CITIC Finance Company Limited (中信财务有限公司)
“CITIC Group Corporation”	:	CITIC Group Corporation Ltd
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company”	:	CITIC Envirotech Ltd.
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company
“Deposit Quotations”	:	Has the meaning ascribed to it in Section 4(a) of this Circular
“Directors”	:	The directors of the Company for the time being
“EGM”	:	The extraordinary general meeting of the Company, notice of which is given on page 60 of this Circular
“entity at risk”	:	Has the meaning ascribed to it in the Listing Manual and as reproduced in Section 2.4 of this Circular
“Existing RMB Loans”	:	Has the meaning ascribed to it in Section 2.2 of this Circular

DEFINITIONS

“Fund Placement Agreement”	:	The proposed fund placement agreement to be entered into between the Group with CITIC Finance which details are further set out in Section 2.3 of this Circular
“FY”	:	Financial year ended or ending 31 December
“Group”	:	The Company and its subsidiaries from time to time
“IFA”	:	3 Peaks Capital Private Limited, the independent financial adviser to the Non-Interested Directors in relation to the Proposed IPTs
“IFA Letter”	:	The letter dated 25 September 2018 from the IFA to the Non-Interested Directors in relation to the Proposed IPTs, as set out in Appendix A of this Circular
“interested person”	:	Has the meaning ascribed to it in the Listing Manual and as reproduced in Section 2.4 of this Circular
“interested person transaction”	:	Has the meaning ascribed to it in the Listing Manual and as reproduced in Section 2.4 of this Circular
“Latest Practicable Date”	:	17 September 2018, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST, including any amendments made thereto up to the Latest Practicable Date
“Loan Facilities”	:	Collectively, the RMB Loan Facility and USD Loan Facility, proposed to be entered into between the Group with CITIC Finance which details are further set out in Section 2.2 of this Circular
“Loan Quotations”	:	Has the meaning ascribed to it in Section 4(a) of this Circular
“Non-Interested Directors”	:	Directors who are deemed independent for the purposes of making a recommendation to Shareholders in relation to the Proposed IPTs, namely, all the Directors except Mr. Hao Weibao, Mr. Zhang Yong, Mr. Wang Song and Dr Lin Yucheng
“NTA”	:	Net tangible assets
“PRC”	:	The People’s Republic of China
“Register of Members”	:	The Register of Members of the Company

DEFINITIONS

“Review Procedures”	:	Has the meaning ascribed to it in Section 4 of this Circular
“RMB”	:	Renminbi
“RMB Loan Facility”	:	The revolving loan facility in RMB for up to a principal amount of RMB10 billion, which details are further set out in Section 2.2 of this Circular
“Securities Accounts”	:	Securities accounts maintained by Depositors with CDP, but not including securities sub-accounts maintained with a Depository Agent
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	Registered holders of Shares in the Register of Members, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, and where the context admits, mean the persons named as Depositors in the Depository Register maintained by the CDP and whose Securities Accounts maintained by the CDP are credited with those Shares
“Shares”	:	Ordinary shares in the capital of the Company
“Substantial Shareholder”	:	A person who has an interest directly or indirectly in 5% or more of the total number of voting Shares of the Company
“S\$” or “\$” and “cents”	:	Singapore dollars and cents, respectively
“USD”	:	United States dollars
“USD Loan Facility”	:	The loan facility in USD, up to a principal amount of USD240 million, which details are further set out in Section 2.2 of this Circular
“%” or “per cent.”	:	Percentage or per centum

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them in Section 81SF of the SFA.

The term “**subsidiary**” shall have the meaning ascribed to it in Section 5 of the Companies Act.

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

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

DEFINITIONS

References to persons, where applicable, shall include corporations.

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

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

Any reference to a time of day and date in this Circular is a reference to Singapore time and date, respectively, unless otherwise stated.

LETTER TO SHAREHOLDERS

CITIC ENVIROTECH LTD.

(Company Registration Number: 200306466G)
(Incorporated in Singapore)

Board of Directors:

Mr. Hao Weibao (Executive Chairman and Group Chief Executive Officer)
Mr. Zhang Yong (Executive Director)
Mr. Wang Song (Executive Director)
Dr. Lin Yucheng (Non-Executive Director)
Mr. Bi Jingshuang (Non-Executive Director)
Mr. Yeung Koon Sang alias David Yeung (Lead Independent Director)
Mr. Tay Beng Chuan (Independent Director)
Mr. Lee Suan Hiang (Independent Director)

Registered Office:

80 Robinson Road
#11-02
Singapore 068898

25 September 2018

To: Shareholders

Dear Sir/Madam,

LOAN FACILITIES PROPOSED TO BE GRANTED BY AND THE FUND PLACEMENT AGREEMENT PROPOSED TO BE ENTERED INTO WITH CITIC FINANCE COMPANY LIMITED AS INTERESTED PERSON TRANSACTIONS (“PROPOSED IPTS” AND EACH A “PROPOSED IPT”)

1. INTRODUCTION

The Directors are convening the EGM to be held on 12 October 2018 to seek the approval of the Shareholders for the Proposed IPTs. Further details on the use of funds from the Proposed IPTs are set out in Section 2.2 of this Circular below.

The purpose of this Circular is to provide Shareholders with information relating to the Proposed IPTs and to seek Shareholders’ approval for the same at the EGM. The Notice of the EGM is set out on page 60 of this Circular.

The SGX-ST assumes no responsibility for the correctness of any statements made or reports contained or opinions expressed in this Circular.

2. PROPOSED IPTS

2.1 Background

In the PRC, the State retains substantial influence over traditional banks’ allocation and pricing of credit, for instance through loan quotas, directed lending, single borrower credit limits, and the effective setting of interest rates. Non-bank financial institutions approved by the CBRC can be categorised into few types, one of which is the “Finance Company within a Conglomerate” (企业集团财务公司) (“**finance company**”). A finance company serves only entities within the same conglomerate, with a view to strengthening the strategic direction set by group level management so as to create and promote synergy when working with other subsidiary entities within the group.

LETTER TO SHAREHOLDERS

CITIC Finance is a finance company and was established in 2012 and is a subsidiary of CITIC Limited, which is in turn controlled by CITIC Group Corporation. CITIC Group Corporation is also the Controlling Shareholder and has an indirect interest in 1,437,493,128 Shares representing approximately 59.41% of the entire issued share capital of the Company (excluding treasury Shares) as at the Latest Practicable Date. As a finance company, CITIC Finance is able to offer more flexible terms to the Group in respect of the Loan Facilities, including more favourable and less stringent terms in terms of, for example, customers' security and recourse.

CITIC Group Corporation is also the parent company of CITIC Limited, which is the parent company of CITIC Corporation Limited. CITIC Corporation Limited is in turn the parent company of CITIC Environment Investment Group Co., Ltd., which is the parent company of CITIC Environment (International) Company Limited. CITIC Environment (International) Company Limited then controls CKM (Cayman) Company Limited, which controls CENVIT (Cayman) Company Limited, which holds shares directly in the Company.

CITIC Group Corporation and its related corporations (collectively, the "CITIC Group") comprise one of the largest state-owned conglomerate in the PRC with diverse interests in businesses in the PRC and internationally ranging from financial, securities and brokerage services, resources and energy, manufacturing, real estate and infrastructure to engineering contracting. The CITIC Group is also one of the largest conglomerates internationally.

The Company is the designated flagship platform for the CITIC Group to develop and strengthen its water and environmental businesses.

The Group proposes to enter into the Loan Facilities and Fund Placement Agreement with CITIC Finance which details are further set out in Sections 2.2 and 2.3 below, respectively. CITIC Finance is an "interested person" for the purposes of Chapter 9 of the Listing Manual and the Proposed IPTs constitute interested person transactions.

The Company currently does not have any general Shareholders' mandate for recurrent interested person transactions.

2.2 Principal Terms of the Loan Facilities

The proposed Loan Facilities comprise the RMB Loan Facility and the USD Loan Facility, which principal terms are set out below.

RMB Loan Facility

In respect of the RMB Loan Facility, the principal terms will be as follows:

Principal Amount : Up to RMB10 billion in aggregate

To drawdown any amount under the RMB Loan Facility, the Borrower would put in a written request to CITIC Finance indicating its intention to drawdown a specified amount of the RMB Loan Facility and stating the intended use of such drawdown amount for CITIC Finance's deliberation on whether it is agreeable to such drawdown amount

LETTER TO SHAREHOLDERS

Draw down denomination	:	The Borrowers will have the ability to elect for disbursements of the RMB Loan Facility in RMB or USD
Validity Period	:	Up to 8 calendar years, subject to the repayment period as set out below
Lender(s)	:	CITIC Finance and/or its related corporations as may be directed by CITIC Finance
Borrower(s)	:	The Company and/or its subsidiaries as may be approved by CITIC Finance
Interest Rate	:	Up to a maximum of 110% of the benchmark lending rate announced by the People's Bank of China or 1.8% to 2.5% above the the 3 or 6 month USD London Interbank Offered Rate (LIBOR) (as the case may be), where the applicable LIBOR will be decided at the discretion of the Borrower having taken into consideration (i) the financial position of the Group at the relevant date; (ii) the availability of working capital for existing and potential projects; and (iii) the projected general interest rate environment as at the relevant dates of disbursement. The actual loan interest rate chargeable upon each drawdown may be lower than the maximum interest rate, and will be decided in accordance with the review procedures set out in Section 4(a) and (b) of this Circular
Repayment Period	:	<p>Each loan which is granted for the purposes of project financing shall be for a tenure for a maximum of 8 calendar years from the relevant dates of disbursement</p> <p>Each loan which is granted for general working capital purposes shall be for a tenure for a maximum of 3 calendar years from the relevant dates of disbursement</p>
Prepayment	:	Any outstanding sums and/or interest accrued on any part of the RMB Loan Facility which has been drawn down at any given point in time may be prepaid at any time prior to the relevant maturity dates. No penalties shall be payable on any amounts prepaid

LETTER TO SHAREHOLDERS

- Residual Cash : For so long as any amount under the RMB Loan Facility is outstanding, any cash residing in the Group's account(s) with CITIC Finance, comprising amounts drawn down and pending utilisation under the RMB Loan Facility and amounts credited into such account(s) arising from and in connection with projects financed by the RMB Loan Facility, shall accrue interest at such rates set out in the Fund Placement Agreement, thereby effectively reducing the actual interest payable on loans, and may further, at the request of the Group, be applied for prepayment and set off against any outstanding amounts owing under the RMB Loan Facility
- Security : The RMB Loan Facility will be guaranteed by the Group in the form of a corporate guarantee in favour of CITIC Finance. No security, charge or mortgage over assets is required to be provided by the Group
- Use of RMB Loan Facility : For the Group's specific project financing and/or general working capital purposes in relation to on-shore PRC projects and related expenditures, including business activities relating to, amongst others, the design, fabrication, construction, installation, commissioning, upgrading and expansion of its membrane-based water and wastewater treatment systems, investment in wastewater treatment projects via transfer-operate-transfer and build-own-transfer scheme of arrangements, manufacturing and application of polyvinylidene fluoride (PVDF) hollow fibre membrane and membrane products and conducting R&D on its production and product designs. A deviation by the Group from the intended use of proceeds would constitute a breach of the terms of the RMB Loan Facility, which may result in claims being made by CITIC Finance against the Group

It is the intention of the Company to draw down the RMB Loan Facility in USD, if necessary, only upon the draw down of the USD Loan Facility in full (details of which are set out below). For completeness, CITIC Finance had also committed to extend a further RMB30 million to CITIC Envirotech Water Management (Changyi) Co., Ltd.

For disclosure purposes only, the Company had also on 10 May 2018 announced the grant of loan facilities, which do not form part of the RMB Loan Facility, by CITIC Finance (as lender) to several wholly-owned subsidiaries (with the exception of CE Xinji (as defined below) and CITIC Envirotech Urban Water Management (Hubei) Co., Ltd., shareholding details of which are set out in the table below) of the Group (as borrowers), including (a) Weifang Bofa Water Treatment Co. Ltd ("**Weifang Bofa**"); (b) CITIC Envirotech (Guangzhou) Co., Ltd ("**CE Guangzhou**"); (c) Weifang United Envirotech Environmental Sci-Tech Co., Ltd ("**Weifang United**"); (d) CITIC Environmental Water (Xinji) Co., Ltd.

LETTER TO SHAREHOLDERS

(“CE Xinji”); (e) Sichuan Zhongyu Environment Management Co., Ltd (“Sichuan Zhongyu”); and (f) CITIC Envirotech (Tianjin) Co., Ltd (“CE Tianjin”). These facilities are guaranteed by the Company and another Group company, CITIC Envirotech Investment (China) Co., Ltd. As at the Latest Practicable Date, the loans relating to Weifang Bofa, CE Guangzhou, Weifang United, CE Xinji, CE Guangzhou, Sichuan Zhongyu and CE Tianjin had been fully disbursed. As at the Latest Practicable Date, CITIC Finance had disbursed an aggregate RMB1,963 million which is still outstanding (“Existing RMB Loans”). For the avoidance of doubt, the Existing RMB Loans will not form part of the RMB Loan Facility, going forward. The table below sets out the amounts under the Existing RMB Loans which have been drawn down and are outstanding as at the Latest Practicable Date:

Loan	Borrower	Tenure (years) ⁽¹⁾	Principal Amount Drawn Down and outstanding (RMB)	Interest Rates ⁽³⁾	Brief Description of the Project ⁽¹⁾
1	Weifang Bofa	8	76 million	4.753%	To finance the upgrading of the existing water treatment plant
2	CE Guangzhou	2	70 million	4.5125%	N/A
3	Weifang United	8	145 million	4.9000%	To finance the construction of the sludge treatment plant
4	CE Xinji ⁽²⁾	8	175 million	4.9000%	To finance the acquisition of the phase 1 of the water treatment plant and also the construction of the phase 2 of treatment plant
5	CE Guangzhou	3	500 million	4.9875%	N/A
6	Sichuan Zhongyu	3	400 million	4.9875%	N/A
7	CE Tianjin	3	200 million	4.9875%	N/A
8	CITIC Envirotech Urban Water Management (Hubei) Co., Ltd. ⁽²⁾	3	97 million	4.9875%	N/A
9	CITIC Envirotech Water (Changyi) Co., Ltd	3	30 million	4.9875%	N/A
10	United Envirotech Water Resource (Gaoyang) Co., Ltd	3	270 million	4.9875%	N/A
Aggregate Principal Amounts Drawn down under the Existing RMB Loans			1,963 million		

LETTER TO SHAREHOLDERS

Notes:

- (1) Loans with a tenure of 2 or 3 years are intended for general corporate and working capital purposes. Loans with a tenure of 8 years are specific project loans relating to the acquisition and construction of projects.
- (2) Save for (i) CE Xinji which is 90% owned by the Company and 10% owned by the local government, and (ii) CITIC Envirotech Urban Water Management (Hubei) Co., Ltd. which is 80% owned by the Company and 20% owned by the local government, the abovementioned Borrowers as set out in the table are wholly-owned subsidiaries of the Company.
- (3) The interest rates payable by the Group under the Existing RMB Loans which have been drawn down have been based on the then-prevailing market and interest rate environment as assessed by the Lender, taking into account the Lender's capital structure, size, and scale of operations, geographical spread, lending strategy, cost of funds, supply of funds, risk management parameters and the composition and quality of the relevant Borrower's security and guarantee (if any), amongst others. The abovementioned factors for consideration are the same which the Group had taken into account in entering into other RMB-denominated loan facilities with various lenders between 2014 to 2018. Please refer to paragraph 4.2.1 of the IFA Letter for further details of the analysis of the interest rates of the Group's Existing RMB Loans against the interest rates under the RMB Loan Facility.

Shareholders' approval for the Existing RMB Loans (being historical transactions) is not being sought under this Circular as the maximum amount at risk to the Group in connection with these facilities is the aggregate interest payable (ranging from 4.5125% to 4.9875% per annum), which assuming the Existing RMB Loans are entirely drawn down for the entire tenure would be RMB304 million (approximately S\$64.1 million, based on the exchange rate of S\$1.00: RMB4.74 as at the date of the Company's announcement dated 10 May 2018). This represents approximately 4.0% of the Group's latest audited consolidated NTA as at 31 December 2017 of S\$1,585.75 million, and whilst discloseable, is not subject to Shareholders' approval.

USD Loan Facility

In respect of the USD Loan Facility, the principal terms will be as follows:

Principal Amount	:	Up to USD240 million
Drawdown	:	To be drawn down in one lumpsum
Lender(s)	:	CITIC Finance and/or its related corporations as may be directed by CITIC Finance
Borrower(s)	:	The Company and/or its subsidiaries as may be approved by CITIC Finance
Interest Rate	:	1.8% per annum above the 3 or 6 month USD LIBOR accruing on a 3 or 6 month basis (corresponding to the applicable USD LIBOR), where the applicable LIBOR will be decided at the discretion of the Borrower having taken into consideration (i) the financial position of the Group at the relevant date; (ii) the availability of working capital for existing and potential projects; and (iii) the projected general interest rate environment
Tenure	:	3 calendar years from the date of disbursement

LETTER TO SHAREHOLDERS

Repayment	:	Principal amount to be repaid in one lump sum upon maturity date
Prepayment	:	Any outstanding sums and/or interest accrued on the USD Loan Facility may be prepaid at any time 1 year after the date of disbursement but prior to the maturity date. No penalties shall be payable on any amounts prepaid
Residual Cash	:	For so long as any amount under the USD Loan Facility is outstanding, any cash residing in the Group's account(s) with CITIC Finance, comprising amounts drawn down and pending utilisation under the USD Loan Facility and amounts credited into such account(s) arising from and in connection with projects financed by the USD Loan facility, shall accrue interest at such rates set out in the Fund Placement Agreement, thereby effectively reducing the actual interest payable on loans, and may further, at the request of the Group, be applied for prepayment and set off against any outstanding amounts owing under the USD Loan Facility
Security	:	The USD Loan Facility will be guaranteed by the Group in the form of a corporate guarantee in favour of CITIC Finance. No security, charge or mortgage over assets is required to be provided by the Group
Use of USD Loan Facility	:	To fund the Group's investment in joint ventures and for the Group's general working capital purposes in relation to the Group's transactions which are likely to be conducted with external parties and outside the PRC, including business activities relating to, amongst others, the design, fabrication, construction, installation, commissioning, upgrading and expansion of its membrane-based water and wastewater treatment systems, investment in wastewater treatment projects via transfer-operate-transfer and build-own-transfer scheme of arrangements, manufacturing and application of polyvinylidene fluoride (PVDF) hollow fibre membrane and membrane products and conducting R&D on its production and product designs, and to fund the repayment of bank borrowings of the Group. A deviation by the Group from the intended use of proceeds would constitute a breach of the terms of the USD Loan Facility, which may result in claims being made by CITIC Finance against the Group

LETTER TO SHAREHOLDERS

The abovementioned terms of the Loan Facilities were negotiated between the Company and CITIC Finance, taking into account, amongst others, the then prevailing external lending rates quoted by third party banks and Financial Institutions (as defined below) and terms as well as the Group's ongoing financing needs in the operating of its current projects as well as the implementation of its expansion plans. Please refer to paragraph 4.2.1 of the IFA Letter for further details of the comparison of the interest rates under the USD Loan Facility with the interest rates of the Group's existing USD loans.

2.3 Principal Terms of the Fund Placement Agreement

The principal terms of the Fund Placement Agreement are as follows:

Bank : CITIC Finance and/or its related corporations as may be directed by CITIC Finance

Depositor : The Company and/or its subsidiaries as may be approved by CITIC Finance

Interest Rate(s) :

Deposit Currency	Interest Rate
RMB	Between 1.265% and 3.75% per annum
USD	Between 0.2% per annum and the relevant USD LIBOR + 0.15%
SGD	Between 0.5% and 1.8% per annum

The applicable interest rates under the Fund Placement Agreement have taken into consideration the interest rates under the Loan Facilities

Availability Period : The above interest rates are applicable to all deposits of funds placed with CITIC Finance by the above depositor for the maturity periods set out below, within a period of 8 calendar years from the date of the Fund Placement Agreement

LETTER TO SHAREHOLDERS

Deposit periods		Deposit interest rate		
		(RMB)	(USD)	(SGD)
Demand deposits		1.265%	0.20%	0.5%
7 day		2.525%	N/A	N/A
Fixed deposits	1 month	N/A	0.15% per annum above the 1 month USD LIBOR	1.5%
	3 months	3.15%	0.15% per annum above the 3 months USD LIBOR	1.7
	6 months	3.45%	0.15% per annum above the 6 months USD LIBOR	1.8
	1 year	3.75%	0.10% per annum above the 1 year USD LIBOR	N/A

For the avoidance of doubt and with reference to the arrangements pertaining to residual cash as more particularly described in Section 2.2 of this Circular above, the deposits of the Group into the Group's cash account would not constitute an amount at risk under the Fund Placement Agreement as they would have already been taken into consideration under the relevant Loan Facilities. In addition to any residual cash amounts deposited in connection with the Loan Facilities, the Group may also place funds with CITIC Finance under the Fund Placement Agreement.

There is no requirement on the minimum tenure for each deposit under the Fund Placement Agreement.

2.4 Chapter 9 of the Listing Manual

Chapter 9 of the SGX-ST Listing Manual applies to transactions between a party that is an entity at risk and a counter party that is an interested person.

The objective of Chapter 9 (as stated in Rule 901 of the Listing Manual) is to guard against the risk that interested persons could influence a listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders.

LETTER TO SHAREHOLDERS

Under the Listing Manual:

- (a) An “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (collectively “**listed group**”), or the listed group and its interested person(s), has or have control over the associated company.
- (b) An “**associated company**” of a listed company means a company in which at least 20 per cent. but not more than 50 per cent. of its shares are held by the listed company or the listed group.
- (c) An “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (d) An “**interested person**”, in the case of a company, means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.
- (e) An “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder of the listed company (being an individual) means an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder; the trustees of any trust of which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and any company in which the director and/or his immediate family, or the chief executive officer and/or his immediate family or the controlling shareholder and/or his immediate family has or have an aggregate interest (directly or indirectly) of 30 per cent. or more; and, where a controlling shareholder of the listed company is a corporation, its “associate” means its subsidiary or holding company or fellow subsidiary or a company in which it and/or such other companies taken together have (directly or indirectly) an interest of 30 per cent. or more.
- (f) A “**chief executive officer**” of a listed company means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.
- (g) A “**controlling shareholder**” of a listed company means a person who holds directly or indirectly 15 per cent. or more of the nominal amount of all voting shares in the listed company; or a person who in fact exercises control over a company.
- (h) An “**interested person transaction**” means a transaction between an entity at risk and an interested person.

LETTER TO SHAREHOLDERS

- (i) A “**transaction**” includes:
- (i) the provision or receipt of financial assistance;
 - (ii) the acquisition, disposal or leasing of assets;
 - (iii) the provision or receipt of services;
 - (iv) the issuance or subscription of securities;
 - (v) the granting of or being granted options; and
 - (vi) the establishment of joint ventures or joint investments,
- whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

2.5 Materiality Thresholds, Announcement Requirements and Shareholders’ Approval

Under Chapter 9 of the Listing Manual, where an entity at risk proposes to enter into transactions with interested persons, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval if the value of the transaction is equal to or exceeds certain financial thresholds. In particular:

- (a) where the value of any such transaction is equal to or exceeds 3.0% of the latest audited consolidated NTA of the listed company and its subsidiaries and is less than 5.0% of the latest audited consolidated NTA of the listed company and its subsidiaries, an immediate announcement is required;
- (b) where the value of any such transaction is equal to or exceeds 5.0% of the latest audited consolidated NTA of the listed company and its subsidiaries, an immediate announcement and shareholders’ approval is required;
- (c) if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3.0% or more of the latest audited consolidated NTA of the listed company and its subsidiaries, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year; and
- (d) if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 5.0% or more of the latest audited consolidated NTA of the listed company and its subsidiaries, an immediate announcement must be made and shareholders’ approval must be obtained in respect of the latest and all future transactions entered into with that interested person during that financial year.

The rules referred to above do not apply to any transaction below S\$100,000.

LETTER TO SHAREHOLDERS

2.6 Amount at Risk of Proposed IPTs

Based on the Group's audited consolidated financial statements for FY2017, the Group's latest audited consolidated NTA as at 31 December 2017 is S\$1,585.75 million. Hence, 3.0% and 5.0% of the Group's latest audited consolidated NTA as at 31 December 2017 are S\$47.57 million and S\$79.29 million, respectively.

By way of illustration, the amount at risk of each of the Proposed IPTs to the Group are as follows:

- (a) RMB4,359,911,111 (approximately S\$872,708,316, based on the exchange rate of S\$1:RMB4.996), being the interest amounts to be paid by the Group to CITIC Finance, representing approximately 55.0% of the Group's latest audited consolidated NTA as at 31 December 2017, assuming the RMB Loan Facility is fully drawn down for 8 years at 5.4% per annum (being 110% of the loan tenor over 5 years benchmark lending rate of 4.9% per annum announced by the People's Bank of China as at the Latest Practicable Date);
- (b) USD31,804,500 (approximately S\$43,719,930, based on the exchange rate of S\$1:USD0.727), being the interest amounts to be paid by the Group to CITIC Finance, representing approximately 2.8% of the Group's latest audited consolidated NTA as at 31 December 2017, assuming the USD Loan Facility is fully drawn down for 3 years at 4.4% per annum (being 1.8% per annum above the 6 month USD LIBOR of 2.6% as at the Latest Practicable Date); and
- (c) RMB4,257,245,687 (approximately S\$852,158,133, based on the exchange rate of S\$1:RMB4.996), representing approximately 53.7% of the Group's latest audited consolidated NTA as at 31 December 2017. This is the assumed maximum exposure assuming the total cash at bank balance principal amount of deposits of approximately S\$631,304,000 as at 31 December 2017 is placed with CITIC Finance in one lumpsum from the date of the Fund Placement Agreement for the entire 8 years period, assuming the applicable interest rate is 3.75% per annum as at the Latest Practicable Date, and includes both the interest income and principal amounts,

which in aggregate amounts to 111.5% of the Group's latest audited consolidated NTA as at 31 December 2017, and accordingly exceeds the 5.0% threshold mentioned above. Consequently, the Proposed IPTs will be subject to the approval of Shareholders.

Save as disclosed in Section 2.2 of this Circular, there are no other interested person transactions (excluding transactions less than S\$100,000) which were entered into with CITIC Finance and/or any other interested persons by the Group which would require aggregation under Chapter 9 of the Listing Manual during the current financial year (i.e. FY2018) from 1 January 2018 up to the Latest Practicable Date.

3. RATIONALE AND BENEFITS

CITIC Finance is a non-bank financial institution approved by the CBRC and is established to provide financial services to, *inter alia*, the CITIC Group, including the Company. CITIC Finance will set up cash pooling in a bank to provide a channel for financing and lower the costs of financing for entities in the Group. This will optimise the use of surplus funds of the entities of the CITIC Group.

LETTER TO SHAREHOLDERS

The Loan Facilities are extended for repayment of existing bank borrowings and to fund the investment in joint ventures (in respect of the USD Loan Facility), specific project financing (in respect of the RMB Loan Facility), as well as for the Group's general working capital requirements (in respect of the RMB Loan Facility and USD Loan Facility), including business activities relating to, amongst others, the design, fabrication, construction, installation, commissioning, upgrading and expansion of its membrane-based water and wastewater treatment systems, investment in wastewater treatment projects via transfer-operate-transfer and build-own-transfer scheme of arrangements, manufacturing and application of polyvinylidene fluoride (PVDF) hollow fibre membrane and membrane products and conducting R&D on its production and product designs. The Loan Facilities will allow the Company and/or its subsidiaries to expand their financing panels and more flexibility in obtaining financing support at competitive rates which will thus potentially reduce their overall financing costs.

The Company had previously raised funds through (i) a placement of new shares for an aggregate amount of S\$70,733,668 and (ii) a multicurrency perpetual securities issuance programme for an aggregate principal amount of US\$1,500,000,000. The net proceeds from the placement were intended to be utilised by the Company for the funding of its investment projects and general working capital purposes and the net proceeds from the multicurrency perpetual securities issuance programmes were intended to be utilised by the Company for (i) the refinancing of its then outstanding S\$99,000,000 7.25 per cent fixed rate notes due 2016 and general corporate purposes such as the refinancing of existing borrowings, making investments and/or acquisitions and general working capital and corporate purposes, and (ii) general corporate purposes such as the refinancing of existing borrowings and general working capital and corporate purposes. For further details of the abovementioned fundraising activities of the Company in the last two years, please refer to (i) the announcement dated 28 December 2017 in relation to the placement, (ii) the information memorandum dated 15 November 2015 to the senior perpetual securities issuance programme established in November 2015, the supplemental information memorandum issued thereto dated 29 June 2016, and the information memorandum dated 3 October 2017 in relation to the increase in the maximum aggregate principal amount of perpetual securities from US\$750,000,000 to US\$1,500,000,000.

The Company and/or its subsidiaries may also from time to time place short-term deposits of unutilised cash resources of the relevant Group entity with CITIC Finance. The placement of funds with CITIC Finance will benefit such Group entity as its funds deposited with CITIC Finance under the Fund Placement Agreement will enjoy competitive interest rates. As with the Loan Facilities, the Fund Placement Agreement will also allow the Company more flexibility in obtaining financial support through friendlier terms offered by CITIC Finance than other financial institutions in relation to similar depositing arrangements. A large percentage of the cash drawn down from the relevant Loan Facilities would typically be utilised immediately in accordance with the stipulated use of the relevant Loan Facility, with only residual cash under such Loan Facilities which is pending utilisation to be held with CITIC Finance under the terms of the Fund Placement Agreement. Such residual cash will be distinguished from internally generated cash from the Group's operations deposited with CITIC Finance which are held under the bank accounts of the respective Group entities with CITIC Finance and deposits of which will be assessed independently from the Loan Facilities.

The Company is seeking Shareholders' approval for the Proposed IPTs to allow the Group to obtain financing support, as and when required, at commercially competitive interest rates to supplement its cash resources without having to furnish security over its assets to third-party financial institutions, enabling the Group to retain maximum flexibility to conduct

LETTER TO SHAREHOLDERS

its business and operations as well as potentially enjoying higher interest rates from the depositing of its unutilised cash resources from time to time.

4. REVIEW PROCEDURES

The Company has established procedures (“**Review Procedures**”) to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that such interested person transactions are undertaken on an arm’s length basis, on normal commercial terms consistent with the Group’s usual business practices and policies, are not prejudicial to the interests of the Company and its minority Shareholders, and on terms which are generally no more favourable to the interested persons than those extended to or received from unrelated third parties.

The Review Procedures with regard to the Proposed IPTs are as follows:

(a) Obtaining of comparable quotations for comparison

Loan Facilities

Prior to drawing down any of the Loan Facilities from CITIC Finance, the Group will obtain quotations from at least two other unrelated banks and/or financial institutions which are licensed under their respective laws to carry out similar financing activities (which may include commercial banks) (“**Financial Institutions**”) for the loan interest rates and terms of a substantially equivalent amount and for an equivalent period of the Loan Facilities (the “**Loan Quotations**”).

Fund Placement Agreement

At the beginning of every month, the Group will obtain quotations from at least two other unrelated Financial Institutions (which may include commercial banks) for the deposit interest rates for the relevant currencies, namely, RMB, USD and SGD at various placement amounts and relevant maturity periods of the deposits (the “**Deposit Quotations**”).

(b) Review and approval by the head of the finance department (PRC operations) and/or the Chief Financial Officer prior to loan drawdown and/or fund placement

Prior to any draw down of the loans under the Loan Facilities and/or depositing any funds with CITIC Finance (as the case may be), the head of the finance department (PRC operations) of the Group and/or the Chief Financial Officer (whose assessment of performance and remuneration is determined solely by the Remuneration Committee of the Company) (or an equivalent person) who has no interest, direct or indirect, in the transaction will:

- (i) review the terms of the loans under the Loan Facilities and/or the fund deposits against the Loan Quotations and/or the Deposit Quotations (as the case may be); and
- (ii) approve the transaction provided that the terms offered by CITIC Finance are not less favourable than those charged and/or offered by the unrelated Financial Institutions (as the case may be), taking into consideration other relevant factors

LETTER TO SHAREHOLDERS

including, but not limited to, administration fees payable, speed of loan or deposit approval, restrictions on fund usage and requisite security or collateral.

In the event that the quotations from at least two other unrelated Financial Institutions are not available for comparison, the head of the finance department (PRC operations) of the Group and/or the Chief Financial Officer (or an equivalent person) who has no interest, direct or indirect, in the transaction will evaluate the benefits of and rationale for drawing down the loans under the Loan Facilities and/or placing the deposits with CITIC Finance (as the case may be) to determine whether the terms of the loans under the Loan Facilities and/or the deposits with CITIC Finance (as the case may be) are fair and reasonable, taking into consideration relevant factors including, but not limited to, speed of loan or deposit approval, the terms of recent loans obtained from and/or recent deposits with unrelated Financial Institutions, size of funds under the Loan Facilities and/or deposits placed under the Fund Placement Agreement, restriction on fund usage and requisite security or collateral (as the case may be).

Where either of the two quotations obtained from unrelated Financial Institutions have been obtained and the interest rates provided in such quotations are more competitive than those quoted by CITIC Finance under the Fund Placement Agreement, any residual cash from the Loan Facilities may not be placed as deposits under the Fund Placement Agreement and the Group has the option to place such residual cash with the unrelated Financial Institution(s) offering the more competitive rate. Such deposit of the residual cash with the unrelated Financial Institution(s) would not constitute a breach of the terms of the Loan Facilities.

(c) Periodic monitoring by finance department

Loan Facilities

In respect of the outstanding loans drawn down under the Loan Facilities, the finance department of the Group will review the relevant loan interest rates with reference to the relevant interest rates published by at least two other unrelated Financial Institutions at least on a quarterly basis (the “**Quarterly Published Rates**”) to ensure that the corresponding interest rates charged by CITIC Finance remain competitive.

In addition, immediately prior to the dates on which such loans could be repaid in full, the finance department of the Group will review the relevant loan interest rates with reference to the latest-available Quarterly Published Rates to determine whether it would be in the interest of the Company to refinance or re-negotiate the interest rates on such outstanding loans.

In the event that the interest rates charged by CITIC Finance are determined to be uncompetitive and/or the Group is able to obtain comparable loan facilities at more competitive terms from other unrelated Financial Institutions, the Company will seek to re-negotiate the interest rates on such outstanding loans with CITIC Finance, failing which the Group may re-finance the relevant loans. Factors to be taken into consideration would include but not be limited to the applicable interest rates for the remaining loan tenures, administration fees payable, speed of loan approval, restrictions on fund usage, and requisite security or collateral.

LETTER TO SHAREHOLDERS

Fund Placement Agreement

In respect of the existing deposits placed under the Fund Placement Agreement, the finance department of the Group will review the relevant deposit interest rates with reference to the latest available Deposit Quotations at least on a quarterly basis to ensure that the corresponding interest rates offered by CITIC Finance remain competitive.

In addition,

- (i) for existing deposits placed under the Fund Placement Agreement with deposit periods of up to and including one month, the finance department of the Group will, at the beginning of every month, review the relevant deposit interest rates with reference to the latest-available Deposit Quotations to determine whether it would be in the interest of the Company to re-negotiate the interest rates on such deposits under the Fund Placement Agreement; and
- (ii) for existing deposits placed under the Fund Placement Agreement with deposit periods of more than one month, immediately prior to the maturity of such deposits, the finance department of the Group will review the relevant deposit interest rates with reference to the latest-available Deposit Quotations to determine whether it would be in the interest of the Company to re-negotiate the interest rates on such maturing deposits under the Fund Placement Agreement.

Factors to be taken into consideration by the finance department of the Group will include, but not be limited to, the applicable interest rates for the funds available for deposit, administration fees payable, speed of deposit approval, and accrued interest earned.

- (d) Maintenance of register of interested person transactions and periodic reviews by Audit Committee

The finance department of the Company will maintain an interested person transaction register (the “**IPT Register**”) to record all interested person transactions. The IPT Register will include details on the identity of the interested person(s), the basis for entry into the Proposed IPTs (including the interest rates and terms offered for the Loan Facilities and/or the fund deposits under the Fund Placement Agreement (as the case may be)), other supporting evidence obtained to support the transaction and the approving authority.

The Audit Committee will, at least on a quarterly basis, review the IPT Register to ensure that the Proposed IPTs have been carried out in accordance with the established review procedures. If, during the periodic reviews by the Audit Committee, the Audit Committee is of the opinion that the review procedures as stated above are not adequate to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders, the Audit Committee will adopt such new review procedures as may be appropriate. The Audit Committee has the right, when it deems fit, to require the appointment of independent sources or advisers to provide additional information pertaining to the interested person transactions. In the event that a member of the Audit Committee has an interest in any of the interested person transactions, he shall abstain from participating in the review of that particular transaction.

LETTER TO SHAREHOLDERS

(e) Periodic reviews by internal auditor

The internal auditor of the Group will conduct a review of the interested person transactions, including the review procedures for the monitoring of the Proposed IPTs, at least on an annual basis. The findings will be submitted to the Audit Committee to ensure, *inter alia*, that the Proposed IPTs have been carried out on normal commercial terms and were not prejudicial to the interests of the Company and the minority Shareholders, and that the relevant approvals have been obtained.

(f) Periodic disclosures

The Company will disclose the aggregate value of the interested person transactions undertaken pursuant to the Loan Facilities and/or the Fund Placement Agreement in its financial statements and annual reports as required under Rule 907 of the Listing Manual.

(g) Additional announcements and/or shareholder approvals

The Company will make the requisite announcements and/or seek approval from the Shareholders if there are changes made to the terms stipulated under the Loan Facilities and/or the Fund Placement Agreement (as the case may be), in accordance with the requirements of Chapter 9 of the Listing Manual.

5. DISCLOSURE

The Company will announce the aggregate value of transactions conducted with interested persons (including the Proposed IPTs) for the financial periods that it is required to report on pursuant to Rule 705 of the Listing Manual (which relates to quarterly reporting by listed companies) within the time required for the announcement of such report.

Disclosure will be made in the Company's annual report of the aggregate value of the transactions conducted with interested persons (including the Proposed IPTs) during the relevant financial year, and in the Company's annual reports for the subsequent financial years, in accordance with the requirements and form set out in Chapter 9 of the Listing Manual.

6. ABSTENTION FROM VOTING

CENVIT (Cayman) Company Limited, P&L Capital Limited and Green Resources Limited will abstain and shall procure their respective associates (including CKM (Cayman) Company Limited) to abstain from voting on the Ordinary Resolution to approve the Proposed IPTs. They will also not act as proxies in relation to the Ordinary Resolution unless specific voting instructions have been given by a Shareholder.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7.1 Interests of the Directors

Mr. Hao Weibao, the Executive Chairman and Group Chief Executive Officer of the Company, is the President and Vice Chairman of CITIC Environment Investment Group Co., Ltd. Mr. Zhang Yong, an Executive Director of the Company, is the Chief Financial Officer of CITIC Environment Investment Group Co., Ltd. Mr. Wang Song, an Executive Director of the Company, is the Assistant President of CITIC Environment Investment Group Co., Ltd. Dr. Lin Yucheng, a Non-Executive Director of the Company, is the sole shareholder of Green Resources Limited.

LETTER TO SHAREHOLDERS

Save as disclosed herein and in Section 7.2 below, none of the Directors or Substantial Shareholders of the Company and their associates has any interest, direct or indirect, in the Proposed IPTs, other than through their respective shareholdings in the Company.

7.2 Shareholding Interests

The interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date are:

	Direct		Deemed	
	Number of Shares	% of total issued Shares ⁽¹⁾	Number of Shares	% of total issued Shares ⁽¹⁾
<u>Directors</u>				
Hao Weibao	–	–	–	–
Lin Yucheng ⁽²⁾	32,305,600	1.34%	85,681,334	3.54%
Zhang Yong	–	–	–	–
Wang Song	–	–	–	–
Bi Jingshuang ⁽³⁾	–	–	538,048,010	22.24%
Yeung Koon Sang alias David Yeung	1,200,000	0.05%	–	–
Tay Beng Chuan	2,250,000	0.09%	–	–
Lee Suan Hiang ⁽⁴⁾	721,000	0.03%	800,000	0.03%
<u>Substantial Shareholders (other than Directors)</u>				
CRF Envirotech Co., Ltd.	538,048,010	22.24%	–	–
CRF Envirotech Fund L.P. ⁽⁵⁾	–	–	538,048,010	22.24%
China Reform Conson Soochow Overseas Fund I L.P. ⁽⁶⁾	–	–	538,048,010	22.24%
CRF Envirotech GP Ltd. ⁽⁷⁾	–	–	538,048,010	22.24%
China Reform Puissance Overseas GP L.P. ⁽⁸⁾	–	–	538,048,010	22.24%
China Reform Puissance Overseas Holdings Limited ⁽⁹⁾	–	–	538,048,010	22.24%
China Reform Overseas Feeder GP Ltd. ⁽¹⁰⁾	–	–	538,048,010	22.24%
China Reform Overseas Cayman Company Limited ⁽¹¹⁾	–	–	538,048,010	22.24%
China Reform Fund Managements Co., Ltd. ⁽¹²⁾	–	–	538,048,010	22.24%
Golden Bridge Capital Holdings Limited ⁽¹³⁾	–	–	538,048,010	22.24%

LETTER TO SHAREHOLDERS

	Direct		Deemed	
	Number of Shares	% of total issued Shares ⁽¹⁾	Number of Shares	% of total issued Shares ⁽¹⁾
Soochow International Capital Limited ⁽¹⁴⁾	–	–	538,048,010	22.24%
Soochow Securities (Hong Kong) Financial Holdings Limited ⁽¹⁵⁾	–	–	538,048,010	22.24%
Soochow Securities Co., Ltd ⁽¹⁶⁾	–	–	538,048,010	22.24%
Bi Jingshuang ⁽¹⁷⁾	–	–	538,048,010	22.24%
Haitian (HK) Financial Development Limited ⁽¹⁸⁾	–	–	538,048,010	22.24%
Qingdao Conson Financial Holdings Co., Ltd. ⁽¹⁹⁾	–	–	538,048,010	22.24%
Qingdao Conson Development (Group) Co., Ltd ⁽²⁰⁾	–	–	538,048,010	22.24%
SASAC of the Qingdao Municipal Government ⁽²¹⁾	–	–	538,048,010	22.24%
CKM (Cayman) Company Limited ⁽²²⁾	–	–	1,437,493,128	59.41%
CITIC Environment (International) Company Limited ⁽²³⁾	–	–	1,437,493,128	59.41%
CITIC Environment Investment Group Co., Ltd. ⁽²⁴⁾	–	–	1,437,493,128	59.41%
CITIC Corporation Limited ⁽²⁴⁾	–	–	1,437,493,128	59.41%
CITIC Limited ⁽²⁴⁾	–	–	1,437,493,128	59.41%
CITIC Group Corporation ⁽²⁴⁾	–	–	1,437,493,128	59.41%
CENVIT (Cayman) Company Limited	1,237,687,284	51.16%	–	–

Notes:

- (1) There are 2,419,412,356 issued Shares as at the Latest Practicable Date.
- (2) Dr. Lin Yucheng is deemed interested in the Shares held by Green Resources Limited.
- (3) Bi Jingshuang is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through his shareholding interest in Golden Bridge Capital Holdings Limited.
- (4) Lee Suan Hiang is deemed interested in the Shares held by his wife.
- (5) CRF Envirotech Fund L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of two-thirds of the voting power in CRF Envirotech Co., Ltd..
- (6) China Reform Conson Soochow Overseas Fund I L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of one-third of the voting power in CRF Envirotech Co., Ltd..
- (7) CRF Envirotech GP Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of CRF Envirotech Fund L.P..

LETTER TO SHAREHOLDERS

- (8) China Reform Puissance Overseas GP L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of China Reform Conson Soochow Overseas Fund I L.P. and the parent company of CRF Envirotech GP Ltd..
- (9) China Reform Puissance Overseas Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of China Reform Puissance Overseas GP L.P..
- (10) China Reform Overseas Feeder GP Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of 25.5% of the voting power in China Reform Puissance Overseas Holdings Limited.
- (11) China Reform Overseas Cayman Company Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in China Reform Overseas Feeder GP Ltd..
- (12) China Reform Fund Management Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in China Reform Overseas Cayman Company Limited.
- (13) Golden Bridge Capital Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of 24.5% of the voting power in China Reform Puissance Overseas Holdings Limited.
- (14) Soochow International Capital Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of 22% of the voting power in China Reform Puissance Overseas Holdings Limited.
- (15) Soochow Securities (Hong Kong) Financial Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Soochow International Capital Limited.
- (16) Soochow Securities Co., Ltd is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Soochow Securities (Hong Kong) Financial Holdings Limited.
- (17) Bi Jingshuang is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through his shareholding interest in Golden Bridge Capital Holdings Limited.
- (18) Haitian (HK) Financial Development Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of 22% of the voting power in China Reform Puissance Overseas Holdings Limited.
- (19) Qingdao Conson Financial Holdings Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Haitian (HK) Financial Development Limited.
- (20) Qingdao Conson Development (Group) Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Qingdao Conson Financial Holdings Co., Ltd..
- (21) SASAC of the Qingdao Municipal Government is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Qingdao Conson Development (Group) Co., Ltd..
- (22) CKM (Cayman) Company Limited is deemed interested in the Shares held by its subsidiaries, CENVIT (Cayman) Company Limited, P&L Capital Limited and Green Resources Limited.
- (23) CITIC Environment (International) Company Limited is deemed interested in the Shares held by CKM (Cayman) Company Limited through its controlling interest in CKM (Cayman) Company Limited.
- (24) These companies are deemed interested in the Shares held by CITIC Environment (International) Company Limited through their direct and indirect shareholding interest in CITIC Environment (International) Company Limited.

8. OPINION OF THE IFA

3 Peaks Capital Private Limited (“IFA”) has been appointed as the independent financial adviser to the Non-Interested Directors in relation to the Proposed IPTs. A copy of the IFA Letter is set out in Appendix A to this Circular.

Based on the analysis undertaken and subject to the qualifications and assumptions made in the IFA letter, the IFA is of the opinion that the Proposed IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

9. CONSENT

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter, and all references thereto in the form and context in which they respectively appear in this Circular and to act in such capacity in relation to this Circular.

LETTER TO SHAREHOLDERS

10. STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee, comprising Mr. Yeung Koon Sang (alias David Yeung), Mr. Lee Suan Hiang, Mr. Tay Beng Chuan and Mr. Bi Jingshuang, all of whom are considered independent for the purposes of considering the Proposed IPTs, having reviewed, amongst others, the rationale for and the terms and benefits of the Proposed IPTs as well as the opinion of the IFA as set out in Appendix A to this Circular, is of the view that the Proposed IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

11. NON-INTERESTED DIRECTORS' RECOMMENDATION

Having considered, amongst others, the rationale for and the terms and benefit of the Proposed IPTs, the opinion of the IFA as set out in Appendix A to this Circular, and the statement of the Audit Committee as set out in Section 10 above, the Non-Interested Directors are of the opinion that the Proposed IPTs are in the best interests of the Company and its Shareholders. Accordingly, the Non-Interested Directors recommend that Shareholders vote in favour of the Ordinary Resolution to approve the Proposed IPTs.

The Non-Interested Directors, in rendering their recommendation above, have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Non-Interested Directors recommend that any individual Shareholder who may require specific advice in relation to the Proposed IPTs should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

12. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 60 of this Circular, will be held on 12 October 2018 at 10.00 a.m., at Amara Hotel, Ballroom 1, Level 3, 165 Tanjong Pagar Road, Singapore 088539 for the purpose of considering and, if thought fit, passing with or without modifications, the ordinary resolution set out in the Notice of the EGM.

13. ACTIONS TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote in his place or on his behalf, he should complete, sign and return the proxy form appended in this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, to reach the registered office of the Company's share registrar at 80 Robinson Road #11-02 Singapore 068898 not less than 48 hours before the time appointed for holding the EGM.

The completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he subsequently wishes to do so. In such an event, the Proxy Form shall be deemed to be revoked.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP at least 72 hours before the EGM.

LETTER TO SHAREHOLDERS

14. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed IPTs and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

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

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 80 Robinson Road #11-02 Singapore 068898 during normal business hours from the date of this Circular up to the date of the EGM:

- (a) the RMB Loan Facility and the USD Loan Facility;
- (b) the Fund Placement Agreement;
- (c) the Constitution of the Company;
- (d) the Company's annual report in respect of FY2017;
- (e) the Company's financial statements in respect of the financial quarter ended 30 June 2018 as announced on 25 July 2018;
- (f) the IFA Letter set out in Appendix A of this Circular; and
- (g) the written consent of the IFA referred to in Section 9 of this Circular.

Yours faithfully

For and on behalf of
the Board of Directors of
CITIC ENVIROTECH LTD.

Mr. Hao Weibao
Executive Chairman and Group Chief Executive Officer

APPENDIX A – IFA LETTER

3 PEAKS CAPITAL PRIVATE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number 201712269D)

25 September 2018

To: The Non-Interested Directors of CITIC Envirotech Ltd.

Mr Bi Jingshuang (Non-Executive Director)
Mr Yeung Koon Sang alias David Yeung (Lead Independent Director)
Mr Tay Beng Chuan (Independent Director)
Mr Lee Suan Hiang (Independent Director)

Dear Sirs

THE PROPOSED LOAN FACILITIES AND THE FUND PLACEMENT AGREEMENT AS INTERESTED PERSON TRANSACTIONS

Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 25 September 2018 (the “Circular”) shall have the same meanings herein.

1. INTRODUCTION

CITIC Envirotech Ltd. (the “**Company**”) intends to enter into (a) a revolving loan facility of a principal amount of up to RMB10 billion for a period of up to 8 calendar years (the “**RMB Loan Facility**”), (b) a loan facility of a principal amount of up to USD240 million for a period of up to 3 calendar years (the “**USD Loan Facility**”), and together with the RMB Loan Facility, the “**Loan Facilities**”), and (c) a fund placement agreement for the Group to place short-term deposits of unutilised cash resources for a period of up to 8 calendar years (the “**Fund Placement Agreement**”), with CITIC Finance Company Limited (“**CITIC Finance**”) (collectively, the “**Proposed IPTs**”).

CITIC Finance is a subsidiary of CITIC Limited, which parent company is CITIC Group Corporation Ltd (“**CITIC Group Corporation**”). As at the Latest Practicable Date, CITIC Group Corporation is a controlling shareholder of the Company (the “**Controlling Shareholder**”) and has an indirect interest in 1,437,493,128 ordinary shares in the capital of the Company (the “**Shares**”), representing approximately 59.41% of the entire issued share capital of the Company (excluding treasury Shares). As CITIC Finance is an “associate” of CITIC Group Corporation, CITIC Finance is deemed as an “interested person” for the purposes of Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), and the Proposed IPTs will constitute “interested person transactions” under Chapter 9 of the Listing Manual.

Pursuant to Rule 906 of the Listing Manual, the Company is required to obtain approval from its shareholders (the “**Shareholders**”) on any interested person transaction of a value equal to or more than 5% of the latest audited consolidated net tangible assets (“**NTA**”) of the Company and its subsidiaries (collectively, the “**Group**”). On the assumption that (a) the RMB Loan Facility is fully drawn down during the period of 8 years at 5.4% per annum (“**p.a.**”) (being 110% of the loan tenure over the 5 years benchmark lending rate of 4.9% p.a. announced by the People’s Bank of China (the “**PBOC**”) as at the Latest Practicable Date), (b) the USD Loan Facility is fully drawn down during the period of 3 years at 4.4% p.a. (being 1.80% p.a. above the 6 months USD London Interbank Offered Rate (the “**LIBOR**”) of 2.6% as at the Latest Practicable Date), and (c) the Group places the total cash and bank balances as at 31 December 2017 as the principal amount of deposit with CITIC Finance in one lump sum from the date of the Fund Placement Agreement for the entire period of 8 years at 3.75%

APPENDIX A – IFA LETTER

p.a., the total amount at risk of the RMB Loan Facility, the USD Loan Facility and the Fund Placement Agreement would be approximately RMB4,359.9 million (approximately SGD872.7 million based on the exchange rate of S\$1:RMB4.996), approximately USD31.8 million (approximately SGD43.7 million based on the exchange rate of S\$1:USD0.727) and approximately RMB4,257.2 million (approximately SGD852.2 million based on the exchange rate of S\$1:RMB4.996) respectively. The aggregate amount at risk of the Proposed IPTs amounting to approximately SGD1,768.6 million would therefore represent more than 5.0% of the Group's latest audited consolidated NTA of approximately SGD1,585.8 million as at 31 December 2017. Accordingly, the Company will be seeking approval for the Proposed IPTs from the Shareholders who are independent for the purposes of the Proposed IPTs (the "**Independent Shareholders**") at an extraordinary general meeting to be convened (the "**EGM**").

Pursuant to Rule 921(4)(a) of the Listing Manual, we have been appointed as the independent financial adviser (the "**IFA**") to render an opinion as to whether the Proposed IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

This letter, containing our opinion in relation to the Proposed IPTs, has been prepared pursuant to Rule 921(4)(a) of the Listing Manual as well as for the use by the directors of the Company (the "**Directors**") who are independent for the purposes of making a recommendation to the Shareholders in respect of the Proposed IPTs (the "**Non-Interested Directors**") as to whether the Proposed IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

2. TERMS OF REFERENCE

3 Peaks Capital Private Limited has been appointed as the IFA as required under Rule 921(4)(a) of the Listing Manual to render an opinion as to whether the Proposed IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

We have not evaluated the strategic, legal or commercial merits or risks of the Proposed IPTs or the future growth prospects of the Group after the completion of the Proposed IPTs, and we have also not relied on any financial projections of the future performance of the Group. As we were not and are not involved in any of the negotiations and/or deliberations by the Group in connection with the Proposed IPTs, we are not in a position to warrant the commercial merits of the Proposed IPTs.

In the course of our evaluation of the Proposed IPTs, we have held discussions with the Directors and/or the management of the Group (the "**Management**") and have examined publicly available information collated by us as well as the information and representations, both written and verbal, provided to us by the Directors and the Management, including the information provided in the Circular. We have not independently verified such information or representations and accordingly cannot and do not warrant or accept responsibility for the accuracy, completeness or adequacy of these information or representations. We have nonetheless made reasonable enquiries and exercised our judgement (as deemed necessary) in assessing the information and representations provided to us and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on.

The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, (a) all material information available to them in connection with the Proposed IPTs has been disclosed in the Circular and such information is true and accurate in all material respects; (b) the facts, opinions and intentions stated by the Directors and/or the Company in the Circular are fair and accurate in all material respects; and (c) there is no other information

APPENDIX A – IFA LETTER

or fact, the omission of which would cause any information disclosed to us or the statements made in the Circular to be inaccurate, incomplete or misleading in any material respect.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group and have not been furnished with any such evaluation or appraisals. Our opinion, as set out in this letter, is based on the market, economic, industry and other applicable conditions prevailing on, and the information made available to us as of, 17 September 2018 (the “**Latest Practicable Date**”). Such conditions may change significantly over a short period of time and we assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

In rendering our opinion, we have not had regard to the specific investment objectives, financial situation, tax position, risk profile or particular needs and constraints of any individual Shareholder. Any individual Shareholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his legal, financial, tax or other professional adviser.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this letter). As we are not involved in and have not provided any advice in the preparation, review and verification of the Circular (other than this letter), we do not take any responsibility for the contents of the Circular (other than this letter).

3. THE PROPOSED IPTS

3.1 Background

In the People’s Republic of China (the “**PRC**”), the state retains substantial influence over traditional banks’ allocation and pricing of credit, for instance through loan quotas, directed lending, single borrower credit limits, and the effective setting of interest rates. Non-bank financial institutions approved by the China Banking Regulatory Commission can be categorised into a few types, one of which is the “Finance Company within a Conglomerate” (企业集团财务公司) (“**finance company**”). A finance company serves only entities within the same conglomerate, with a view to strengthening the strategic direction set by group level management so as to create and promote synergy when working with other subsidiary entities within the group.

CITIC Finance is a finance company and was established in 2012 and is a subsidiary of CITIC Limited, which is in turn controlled by CITIC Group Corporation. CITIC Group Corporation is also the Controlling Shareholder and has an indirect interest in 1,437,493,128 Shares, representing approximately 59.41% of the entire issued share capital of the Company (excluding treasury Shares) as at the Latest Practicable Date. As a finance company, CITIC Finance is able to offer more flexible terms to the Group in respect of the Loan Facilities, including more favourable and less stringent terms in terms of, for example, customers’ security and recourse.

CITIC Group Corporation is also the parent company of CITIC Limited, which is the parent company of CITIC Corporation Limited. CITIC Corporation Limited is in turn the parent company of CITIC Environment Investment Group Co., Ltd., which is the parent company of CITIC Environment (International) Company Limited. CITIC Environment (International) Company Limited then controls CKM (Cayman) Company Limited, which controls CENVIT (Cayman) Company Limited, which holds shares directly in the Company.

CITIC Group Corporation and its related corporations (collectively, the “**CITIC Group**”) comprise one of the largest state-owned conglomerate in the PRC with diverse interests in businesses in the PRC and internationally ranging from financial, securities and brokerage services, resources and energy, manufacturing, real estate and infrastructure to engineering contracting. The CITIC Group is also one of the largest conglomerates internationally. The

APPENDIX A – IFA LETTER

Company is the designated flagship platform for the CITIC Group to develop and strengthen its water and environmental businesses.

The Group proposes to enter into the Loan Facilities and the Fund Placement Agreement with CITIC Finance, details of which are set out in sections 2.2 and 2.3 of the Circular. Shareholders are advised to read the information carefully.

3.2 Principal Terms of the Loan Facilities

The Loan Facilities comprise the RMB Loan Facility and the USD Loan Facility. The principal terms of the Loan Facilities are set out below:

RMB Loan Facility

In respect of the RMB Loan Facility, the principal terms will be as follows:

Principal amount	:	Up to RMB10 billion in aggregate
		To draw down any amount under the RMB Loan Facility, the Company and/or its subsidiaries as may be approved by CITIC Finance (the “ Borrowers ”) would put in a written request to CITIC Finance indicating its intention to draw down a specified amount of the RMB Loan Facility and stating the intended use of such drawdown amount for CITIC Finance’s deliberation on whether it is agreeable to such drawdown amount
Draw down denomination	:	The Borrowers will have the ability to elect for disbursements of the RMB Loan Facility in RMB or USD
Validity period	:	Up to 8 calendar years, subject to the repayment period as set out below
Lender(s)	:	CITIC Finance and/or its related corporations as may be directed by CITIC Finance
Borrower(s)	:	The Company and/or its subsidiaries as may be approved by CITIC Finance
Interest rate	:	Up to a maximum of 110% of the benchmark lending rate announced by the PBOC or 1.80% to 2.50% above the 3 or 6 months USD LIBOR (as the case may be), where the applicable LIBOR will be decided at the discretion of the Borrower having taken into consideration (a) the financial position of the Group at the relevant date, (b) the availability of working capital for existing and potential projects, and (c) the projected general interest rate environment as at the relevant dates of disbursement. The actual loan interest rate chargeable upon each drawdown may be lower than the maximum interest rate, and will be decided in accordance with the review procedures set out in section 4(a) and (b) of the Circular
Repayment period	:	Each loan which is granted for the purposes of project financing shall be for a tenure for a maximum of 8 calendar years from the relevant dates of disbursement
		Each loan which is granted for general working capital purposes shall be for a tenure for a maximum of 3 years from

APPENDIX A – IFA LETTER

		the relevant dates of disbursement, unless otherwise agreed by CITIC Finance
Prepayment	:	Any outstanding sums and/or interest accrued on any part of the RMB Loan Facility which has been drawn down at any given point in time may be prepaid at any time prior to the relevant maturity dates. No penalties shall be payable on any amounts prepaid
Residual cash	:	For so long as any amount under the RMB Loan Facility is outstanding, any cash residing in the Group's account(s) with CITIC Finance, comprising amounts drawn down and pending utilisation under the RMB Loan Facility and amounts credited into such account(s) arising from and in connection with projects financed by the RMB Loan Facility, shall accrue interest at such rates as set out in the Fund Placement Agreement, thereby effectively reducing the actual interest payable on loans, and may further, at the request of the Group, be applied for prepayment and set off against any outstanding amounts owing under the RMB Loan Facility
Security	:	The RMB Loan Facility will be guaranteed by the Group in the form of a corporate guarantee in favour of CITIC Finance. No security, charge or mortgage over assets is required to be provided by the Group
Use of RMB Loan Facility	:	For the Group's specific project financing and/or general working capital purposes in relation to on-shore PRC projects and related expenditures, including business activities relating to, amongst others, the design, fabrication, construction, installation, commissioning, upgrading and expansion of its membrane-based water and wastewater treatment systems, investment in wastewater treatment projects via transfer-operate-transfer and build-own-transfer scheme of arrangements, manufacturing and application of polyvinylidene fluoride (PVDF) hollow fibre membrane and membrane products and conducting research and development ("R&D") on its production and product designs. A deviation by the Group from the intended use of proceeds would constitute a breach of the terms of the RMB Loan Facility, which may result in claims being made by CITIC Finance against the Group

It is the intention of the Company to draw down the RMB Loan Facility in USD if necessary, only upon the draw down of the USD Loan Facility in full (details of which are set out below). For completeness, CITIC Finance had also committed to extend a further RMB30 million to CITIC Envirotech Water Management (Changyi) Co., Ltd..

For disclosure purposes only, the Company had also on 10 May 2018 announced the grant of loan facilities, which do not form part of the RMB Loan Facility, by CITIC Finance (as lender) to several wholly-owned subsidiaries (with the exception of CE Xinji (as defined below) and CITIC Envirotech Urban Water Management (Hubei) Co., Ltd., shareholding details of which are set out in the table below) of the Group (as borrowers) including (a) Weifang Bofa Water Treatment Co. Ltd ("**Weifang Bofa**"), (b) CITIC Envirotech (Guangzhou) Co., Ltd ("**CE Guangzhou**"), (c) Weifang United Envirotech Environmental Sci-Tech Co., Ltd ("**Weifang United**"), (d) CITIC Environmental Water (Xinji) Co., Ltd. ("**CE Xinji**"), (e) Sichuan Zhongyu Environment Management Co., Ltd ("**Sichuan Zhongyu**"), and (f) CITIC Envirotech (Tianjin)

APPENDIX A – IFA LETTER

Co., Ltd (“**CE Tianjin**”). These facilities are guaranteed by the Company and another Group company, CITIC Envirotech Investment (China) Co., Ltd.

As at the Latest Practicable Date, the loans relating to Weifang Bofa, CE Guangzhou, Weifang United, CE Xinji, CE Guangzhou, Sichuan Zhongyu and CE Tianjin had been fully disbursed. As at the Latest Practicable Date, CITIC Finance had disbursed an aggregate RMB1,963 million which is still outstanding (the “**Existing CITIC Finance RMB Loans**”). For the avoidance of doubt, these Existing CITIC Finance RMB Loans will not form part of the RMB Loan Facility, going forward. The table below sets out the amounts under the Existing CITIC Finance RMB Loans which have been drawn down and are outstanding as at the Latest Practicable Date:

Loan	Borrower	Tenure (years) ⁽¹⁾	Principal amount drawn down and outstanding (RMB)	Interest rates (%)	Brief description of project ⁽¹⁾
1	Weifang Bofa	8	76 million	4.753	To finance the upgrading of the existing water treatment plant
2	CE Guangzhou	2	70 million	4.5125	n/a
3	Weifang United	8	145 million	4.9000	To finance the construction of the sludge treatment plant
4	CE Xinji ⁽²⁾	8	175 million	4.9000	To finance the acquisition of the phase 1 of the water treatment plant and also the construction of the phase 2 of treatment plant
5	CE Guangzhou	3	500 million	4.9875	n/a
6	Sichuan Zhongyu	3	400 million	4.9875	n/a
7	CE Tianjin	3	200 million	4.9875	n/a
8	CITIC Envirotech Urban Water Management (Hubei) Co., Ltd. ⁽²⁾	3	97 million	4.9875	n/a
9	CITIC Envirotech Water (Changyi) Co. Ltd.	3	30 million	4.9875	n/a
10	United Envirotech Water Resource (Gaoyang) Co., Ltd	3	270 million	4.9875	n/a

APPENDIX A – IFA LETTER

Loan	Borrower	Tenure (years) ⁽¹⁾	Principal amount drawn down and outstanding (RMB)	Interest rates (%)	Brief description of project ⁽¹⁾
Aggregate principal amounts drawn down under the Existing CITIC Finance RMB Loans			1,963 million		

Notes:

- (1) Loans with a tenure of 2 or 3 years are intended for general corporate and working capital purposes. Loans with a tenure of 8 years are specific project loans relating to the acquisition and construction of projects.
- (2) Save for (a) CE Xinji which is 90% owned by the Company and 10% owned by the local government, and (b) CITIC Envirotech Urban Water Management (Hubei) Co., Ltd. which is 80% owned by the Company and 20% owned by the local government, the abovementioned Borrowers as set out in the table are wholly-owned subsidiaries of the Company.
- (3) The interest rates payable by the Group under the Existing CITIC Finance RMB Loans which have been drawn down have been based on the then-prevailing market and interest rate environment as assessed by the Lender, taking into account the Lender's capital structure, size, and scale of operations, geographical spread, lending strategy, cost of funds, supply of funds, risk management parameters and the composition and quality of the relevant Borrower's security and guarantee (if any), amongst others. The abovementioned factors for consideration are the same which the Group had taken into account in entering into other RMB-denominated loan facilities with various lenders between 2014 to 2018.

Shareholders' approval for the Existing CITIC Finance RMB Loans (being historical transactions) is not being sought under the Circular as the maximum amount at risk to the Group in connection with these facilities is the aggregate interest payable (ranging from 4.5125% to 4.9875% per annum), which assuming the Existing CITIC Finance RMB Loans are entirely drawn down for the entire tenure would be RMB304 million (approximately S\$64.1 million, based on the exchange rate of S\$1.00:RMB4.74 as at the date of the Company's announcement dated 10 May 2018). This represents approximately 4.0% of the Group's latest audited consolidated NTA as at 31 December 2017 of S\$1,585.75 million, and whilst discloseable, is not subject to Shareholders' approval.

USD Loan Facility

In respect of the USD Loan Facility, the principal terms will be as follows:

Principal amount	:	Up to USD240 million
Drawdown	:	To be drawn down in one lump sum
Lender(s)	:	CITIC Finance and/or its related corporations as may be directed by CITIC Finance
Borrower(s)	:	The Company and/or its subsidiaries as may be approved by CITIC Finance
Interest rate	:	1.8% p.a. above the 3 or 6 months USD LIBOR accruing on a 3 or 6 months basis (corresponding to the applicable USD LIBOR), where the applicable LIBOR will be decided at the discretion of the Borrower having taken into consideration (a) the financial position of the Group at the relevant date, (b) the availability of working capital for existing and potential projects, and (c) the projected general interest rate environment
Tenure	:	3 calendar years from the date of disbursement

APPENDIX A – IFA LETTER

Repayment	:	Principal amount to be repaid in one lump sum upon maturity date
Prepayment	:	Any outstanding sums and/or interest accrued on the USD Loan Facility may be prepaid at any time 1 year after the date of disbursement but prior to the maturity date. No penalties shall be payable on any amounts prepaid
Residual cash	:	For so long as any amount under the USD Loan Facility is outstanding, any cash residing in the Group's account(s) with CITIC Finance, comprising amounts drawn down and pending utilisation under the USD Loan Facility and amounts credited into such account(s) arising from and in connection with projects financed by the USD Loan Facility, shall accrue interest at such rates set out in the Fund Placement Agreement, thereby effectively reducing the actual interest payable on loans, and may further, at the request of the Group, be applied for prepayment and set off against any outstanding amounts owing under the USD Loan Facility
Security	:	The USD Loan Facility will be guaranteed by the Group in the form of a corporate guarantee in favour of CITIC Finance. No security, charge or mortgage over assets is required to be provided by the Group
Use of USD Loan Facility	:	To fund the Group's investment in joint ventures and for the Group's general working capital purposes in relation to the Group's transactions which are likely to be conducted with external parties and outside the PRC, including business activities relating to, amongst others, the design, fabrication, construction, installation, commissioning, upgrading and expansion of its membrane-based water and wastewater treatment systems, investment in wastewater treatment projects via transfer-operate-transfer and build-own-transfer scheme of arrangements, manufacturing and application of polyvinylidene fluoride (PVDF) hollow fibre membrane and membrane products and conducting R&D on its production and product designs, and to fund the repayment of bank borrowings of the Group. A deviation by the Group from the intended use of proceeds would constitute a breach of the terms of the USD Loan Facility, which may result in claims being made by CITIC Finance against the Group

The abovementioned terms of the Loan Facilities were negotiated between the Company and CITIC Finance, taking into account, amongst others, the then-prevailing external lending rates quoted by third party banks and financial institutions and terms as well as the Group's ongoing financing needs in the operating of its current projects as well as the implementation of its expansion plans.

3.3 Principal Terms of the Fund Placement Agreement

The principal terms of the Fund Placement Agreement are as follows:

Bank	:	CITIC Finance and/or its related corporations as may be directed by CITIC Finance
------	---	---

APPENDIX A – IFA LETTER

Depositor : The Company and/or its subsidiaries as may be approved by CITIC Finance

Interest rate	Deposit currency	Interest rates
	RMB	Between 1.265% and 3.75% p.a.
	USD	Between 0.2% p.a. and the relevant USD LIBOR plus 0.15%
	SGD	Between 0.5% p.a. and 1.8% p.a.

Availability period : The above interest rates are applicable to all deposits of funds placed with CITIC Finance by the above depositor for the maturity periods set out below, within a period of 8 calendar years from the date of the Fund Placement Agreement

Deposit periods		Deposit interest rate (p.a.)		
		(RMB)	(USD)	(SGD)
Demand deposits		1.265%	0.20%	0.5%
7 days		2.525%	n/a	n/a
Fixed deposits	One month	n/a	0.15% p.a. above the one month USD LIBOR	1.5%
	3 months	3.15%	0.15% p.a. above the 3 months USD LIBOR	1.7%
	6 months	3.45%	0.15% p.a. above the 6 months USD LIBOR	1.8%
	One year	3.75%	0.10% p.a. above the one year USD LIBOR	n/a

For the avoidance of doubt and with reference to the arrangements pertaining to residual cash as more particularly described in section 2.2 of the Circular, the deposits of the Group into the Group's cash account would not constitute an amount at risk under the Fund Placement Agreement as they would have already been taken into consideration under the relevant Loan Facilities. In addition to any residual cash amounts deposited in connection with the Loan Facilities, the Group may also place funds with CITIC Finance under the Fund Placement Agreement.

There is no requirement on the minimum tenure for each deposit under the Fund Placement Agreement.

APPENDIX A – IFA LETTER

3.4 Rationale for and Benefits of the Proposed IPTs

The rationale for and benefits of the Proposed IPTs are set out in section 3 of the Circular. Shareholders are advised to read the information carefully.

3.5 Review Procedures

The review procedures for the Proposed IPTs are set out in section 4 of the Circular. Shareholders are advised to read the information carefully.

4. EVALUATION OF THE PROPOSED IPTS

In our evaluation of the Proposed IPTs, we have reviewed and examined the following factors which have a significant bearing on our assessment:

- (a) the rationale for and benefits of the Proposed IPTs;
- (b) a comparison of the key terms of the Loan Facilities *vis-à-vis* the key terms of the existing indebtedness of the Group;
- (c) a comparison of the interest margins under the Loan Facilities *vis-à-vis* the interest margins of recent quotations from unrelated financial institutions;
- (d) the review procedures in relation to the Loan Facilities;
- (e) a comparison of the deposit interest rates under the Fund Placement Agreement *vis-à-vis* the deposit interest rates of the Group's existing deposits;
- (f) the review procedures in relation to the Fund Placement Agreement;
- (g) the historical financial performance and condition of the Group; and
- (h) other relevant considerations.

4.1 Rationale for and Benefits of the Proposed IPTs

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed IPTs or the future prospects of the Group after the completion of the Proposed IPTs. Nevertheless, we have reviewed the rationale and benefits of the Proposed IPTs as set out in section 3 of the Circular, which is reproduced in italics below:

“CITIC Finance is a non-bank financial institution approved by the CBRC and is established to provide financial services to, inter alia, the CITIC Group, including the Company. CITIC Finance will set up cash pooling in a bank to provide a channel for financing and lower the costs of financing for entities in the Group. This will optimise the use of surplus funds of the entities of the CITIC Group.

The Loan Facilities are extended for repayment of existing bank borrowings and to fund the investment in joint ventures (in respect of the USD Loan Facility), specific project financing (in respect of the RMB Facility), as well as for the Group's general working capital requirements (in respect of the RMB Loan Facility and USD Loan Facility), including business activities relating to, amongst others, the design, fabrication, construction, installation, commissioning, upgrading and expansion of its membrane-based water and wastewater treatment systems, investment in wastewater treatment projects via transfer-operate-transfer and build-own-transfer scheme of arrangements, manufacturing and application of polyvinylidene fluoride (PVDF) hollow fibre membrane and membrane products and conducting R&D on its production and product designs. The Loan Facilities will allow the Company and/or its subsidiaries to expand their financing panels and more flexibility in obtaining financing support

APPENDIX A – IFA LETTER

at competitive rates which will thus potentially reduce their overall financing costs.

The Company had previously raised funds through (i) a placement of new shares for an aggregate amount of S\$70,733,668 and (ii) a multicurrency perpetual securities issuance programme for an aggregate principal amount of US\$1,500,000,000. The net proceeds from the placement were intended to be utilised by the Company for the funding of its investment projects and general working capital purposes and the net proceeds from the multicurrency perpetual securities issuance programmes were intended to be utilised by the Company for (i) the refinancing of its then outstanding S\$99,000,000 7.25 per cent fixed rate notes due 2016 and general corporate purposes such as the refinancing of existing borrowings, making investments and/or acquisitions and general working capital and corporate purposes, and (ii) general corporate purposes such as the refinancing of existing borrowings and general working capital and corporate purposes. For further details of the abovementioned fundraising activities of the Company in the last two years, please refer to (i) the announcement dated 28 December 2017 in relation to the placement, (ii) the information memorandum dated 15 November 2015 to the senior perpetual securities issuance programme established in November 2015, the supplemental information memorandum issued thereto dated 29 June 2016, and the information memorandum dated 3 October 2017 in relation to the increase in the maximum aggregate principal amount of perpetual securities from US\$750,000,000 to US\$1,500,000,000.

The Company and/or its subsidiaries may also from time to time place short-term deposits of unutilised cash resources of the relevant Group entity with CITIC Finance. The placement of funds with CITIC Finance will benefit such Group entity as its funds deposited with CITIC Finance under the Fund Placement Agreement will enjoy competitive interest rates. As with the Loan Facilities, the Fund Placement Agreement will also allow the Company more flexibility in obtaining financial support through friendlier terms offered by CITIC Finance than other financial institutions in relation to similar depositing arrangements. A large percentage of the cash drawn down from the relevant Loan Facilities would typically be utilised immediately in accordance with the stipulated use of the relevant Loan Facility, with only residual cash under such Loan Facilities which is pending utilisation to be held with CITIC Finance under the terms of the Fund Placement Agreement. Such residual cash will be distinguished from internally generated cash from the Group's operations deposited with CITIC Finance which are held under the bank accounts of the respective Group entities with CITIC Finance and deposits of which will be assessed independently from the Loan Facilities.

The Company is seeking Shareholders' approval for the Proposed IPTs to allow the Group to obtain financing support, as and when required, at commercially competitive interest rates to supplement its cash resources without having to furnish security over its assets to third-party financial institutions, enabling the Group to retain maximum flexibility to conduct its business and operations as well as potentially enjoying higher interest rates from the depositing of its unutilised cash resources from time to time."

4.2 Comparison of the Key Terms of the Loan Facilities *vis-à-vis* the Key Terms of the Existing Indebtedness of the Group

The terms of the Loan Facilities had been negotiated between the Company and CITIC Finance, taking into account, amongst others, the then-prevailing external lending rates quoted by third party banks and financial institutions and terms as well as the Group's ongoing financing needs in the operating of its current projects as well as the implementation of its expansion plans. The Loan Facilities would comprise (a) the RMB Loan Facility of a principal amount of up to RMB10 billion with the Group having the option to draw down the RMB Loan facility in USD (the "**USD-Equivalent Loan Facility**") with a tenure of up to 8 years, and (b) the USD Loan Facility of a principal amount of up to USD240 million with a tenure of up to 3 years.

APPENDIX A – IFA LETTER

In evaluating whether the Loan Facilities are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders, we have:

- (a) compared the key terms of the RMB Loan Facility with the key terms of the Group's existing loans in RMB (including the Existing CITIC Finance RMB Loans) of (i) up to one year, (ii) more than one year and up to 5 years, and (iii) more than 5 years and up to 8 years (collectively, the **"Existing RMB Loans"**). Although the Existing CITIC Finance RMB Loans had been obtained from CITIC Finance as at the Latest Practicable Date, we have included these RMB loans from CITIC Finance in the analysis set out below as such RMB loans would constitute existing borrowings of the Group. For further clarity, we have, where relevant, segregated the Existing CITIC Finance RMB Loans and existing RMB loans undertaken from the unrelated banks and/or financial institutions for a better comparison of the key terms offered by CITIC Finance and the unrelated banks and/or financial institutions respectively; and
- (b) compared the key terms of the USD Loan Facility and the USD-Equivalent Loan Facility with the relevant key terms of (i) the Group's existing loans in USD (the **"Existing USD Loans"**, and together with the Existing RMB Loans, the **"Existing Loans"**), and (ii) the USD senior perpetual securities issued by the Group (the **"USD Senior Perpetual Securities"**) pursuant to the USD1.5 billion multicurrency perpetual securities issuance programme.

A summary of the key terms of the Existing Loans, based on the year which the Group had undertaken the loans with the respective unrelated banks and/or financial institutions (the **"Unrelated Loans"**) and/or CITIC Finance (the **"CITIC Finance Loans"**), has been set out in the tables below. Shareholders should note that the following analysis is solely for illustrative purposes as the general market conditions at the time of grant of each of the Existing Loans would have been different from the prevailing market conditions, and the terms offered for each Existing Loan would have been dependent on various considerations by the relevant lender at the time of granting the loans. Such considerations would include, but not be limited to, the lender's capital structure, size and scale of operations, geographical spread, lending strategy, cost of funds, supply of funds, risk management parameters, assessment of the general market conditions and interest rate environment and the composition and quality of the borrower's security and guarantee (if any).

APPENDIX A – IFA LETTER

Comparison of the RMB Loan Facility vis-à-vis the Existing RMB Loans

Table A: Existing RMB Loan of up to one year

As at the Latest Practicable Date, the Group has the following Existing RMB Loan of up to one year from an unrelated financial institution:

Year of loan undertaken	Principal amount (RMB'000)	Outstanding amount as at Latest Practicable Date (RMB'000)		Interest rate term	Interest rate p.a. (%) ⁽¹⁾	Security / guarantee
		Principal amount (RMB'000)	Outstanding amount as at Latest Practicable Date (RMB'000)			
2018 Loan	50,000	50,000	105% of one-year lending rate	4.5675	Guarantee	
RMB Loan Facility			Up to 110% of one-year lending rate	Up to 4.7850	Guarantee	

Table B: Existing RMB Loans of more than one year and up to 5 years

As at the Latest Practicable Date, the Group has the following Existing RMB Loans of more than one year and up to 5 years from CITIC Finance and unrelated financial institutions:

CITIC Finance Loans						Unrelated Loans				
Year of loan undertaken	Principal amount (RMB'000)	Outstanding amount as at Latest Practicable Date (RMB'000)	Interest rate term	Interest rate p.a. (%) ⁽¹⁾	Security / guarantee	Principal amount (RMB'000)	Outstanding amount as at Latest Practicable Date (RMB'000)	Interest rate term	Interest rate p.a. (%) ⁽¹⁾	Security / guarantee

APPENDIX A – IFA LETTER

		CITIC Finance Loans					Unrelated Loans				
Year of loan undertaken	Principal amount (RMB'000)	Outstanding amount as at Latest Date (RMB'000)	Interest rate term	Interest rate p.a. (%) ⁽¹⁾	Security / guarantee	Principal amount (RMB'000)	Outstanding amount as at Latest Practicable Date (RMB'000)	Interest rate term	Interest rate p.a. (%) ⁽¹⁾	Security / guarantee	
2018 Loans	1,527,000 ⁽²⁾	1,497,000	105% of <5LR	4.9875	Guarantee	100,000	100,000	105% of <5LR	4.9875	Guarantee	
						280,000	280,000	<5LR	4.7500	Guarantee	
						High			5.7000		
						Weighted average			4.8598⁽³⁾		
						Low			4.7500		
										Up to 5.2250	
										Up to 110% of <5LR	
										Guarantee	

Table C: Existing RMB Loans of more than 5 years and up to 8 years

As at the Latest Practicable Date, the Group has the following Existing RMB Loans of more than 5 years and up to 8 years from CITIC Finance and unrelated financial institutions:

APPENDIX A – IFA LETTER

CITIC Finance Loans		Unrelated Loans				
Year of loan undertaken	Principal amount (RMB'000)	Outstanding amount as at Latest Practicable Date (RMB'000)	Interest rate term	Interest rate p.a. (%) ⁽¹⁾	Interest rate (%) ⁽¹⁾	Security / guarantee
2014 Loan		50,000	120% of >5LR	5.8800	5.8800	Security and guarantee
2016 Loans	100,000	76,442	97% of more than 5 years lending rate (" >5LR ")	4.7530		Security and guarantee
2017 Loans	325,000 ⁽²⁾	320,000	>5LR	4.9000	95% of >5LR	Security and guarantee
		106,000	98,000	4.6550	4.6550	Guarantee
		45,000	34,800	>5LR	4.9000	Guarantee

High	4.9000	5.8800
Weighted average	4.8717 ⁽³⁾	4.8711 ⁽³⁾
Low	4.7530	4.6550

RMB Loan Facility	Up to 110% of >5LR	Up to 5,3900	Guarantee
-------------------	--------------------	--------------	-----------

APPENDIX A – IFA LETTER

Comparison of the USD Loan Facility and the USD-Equivalent Loan Facility vis-à-vis the Existing USD Loans

Table D: Existing USD Loans

As at the Latest Practicable Date, the Group has the following Existing USD Loans from unrelated financial institutions:

Year of loan undertaken	Principal amount (USD'000)	Outstanding balance as at Latest Practicable Date (USD'000)	Loan tenure	Interest rate term	Interest rate p.a (%)	Security / guarantee
2017 Loan	150,000 ⁽²⁾	90,000	Approximately 3 years	3 months USD LIBOR + 2.25%	4.5888 ⁽⁴⁾	Guarantee
2018 Loan	3,830	3,830	5 years	4.250% fixed rate	4.2500	Security and guarantee

High	4.5888
Weighted mean	4.5749 ⁽³⁾
Low	4.2500

USD Loan Facility	3 or 6 months USD LIBOR + 1.80% ⁽⁵⁾	4.1388 or 4.3708 ⁽⁴⁾
USD-Equivalent Loan Facility	3 or 6 months USD LIBOR + 1.80% to 2.50% ⁽⁵⁾	4.1388 to 5.0708 ⁽⁴⁾

Table E: USD Senior Perpetual Securities

As at the Latest Practicable Date, the Group has issued the following USD Senior Perpetual Securities:

APPENDIX A – IFA LETTER

USD Senior Perpetual Securities	Date of issue	Issue size ('000)	First call date	Distribution rate (%)	Maturity period
Series 001 Tranche 001 Securities	27 November 2015	USD175,000	27 November 2018	5.45 ⁽⁶⁾	No fixed redemption date
Series 001 Tranche 002 Securities	7 July 2016	USD180,000	27 November 2018	5.45 ⁽⁶⁾	No fixed redemption date

USD Loan Facility	3 or 6 months USD LIBOR + 1.80%⁽⁵⁾	4.1388 or 4.3708⁽⁴⁾	Up to 3 years
USD-Equivalent Loan Facility	3 or 6 months USD LIBOR + 1.80% to 2.50%⁽⁵⁾	4.1388 to 5.0708⁽⁴⁾	Up to 8 years

Notes:

- (1) As at the Latest Practicable Date, the base interest rates for RMB loans of (a) up to one year, (b) more than one year and up to 5 years, and (c) more than 5 years, as published by the PBOC were 4.350%, 4.750% and 4.900% p.a respectively.
- (2) Refers to the aggregate amount drawn down under the same loan and/or various loans with the same interest rates.
- (3) Based on the outstanding balances of the respective Existing Loans as at the Latest Practicable Date.
- (4) LIBOR refers to London Interbank Offered Rate. Based on the 3 months USD LIBOR and the 6 months USD LIBOR of 2.3388% p.a. and 2.5708% p.a respectively on the Latest Practicable Date.
- (5) The Group has the option to pay the loan interests based on either the 3 months USD LIBOR or the 6 months USD LIBOR. We understand that the applicable USD LIBOR will be at the discretion of the Group having taken into consideration (a) the financial position of the Group at the relevant date, (b) the availability of working capital for existing and potential projects, and (c) the projected general interest rate environment as at the relevant dates of disbursement.
- (6) The distribution rate of the USD Senior Perpetual Securities would be adjusted upwards after their first call date (being 27 November 2018) at a rate equivalent to the prevailing 3-year US treasury rate plus the initial credit spread of 4.243% plus the step-up margin of 5.0%. Accordingly, the revised distribution rate after the first call date would be higher than the existing distribution rate offered by the USD Senior Perpetual Securities. For illustration purposes, based on the ask-yield of the 3-year US treasury rate as on the Latest Practicable Date of 2.8432% p.a., the distribution rate of the USD Senior Perpetual Securities after the first call date would be 12.0862%.

APPENDIX A – IFA LETTER

4.2.1 Interest Rates

4.2.1.1 Comparison of the interest rates of the RMB Loan Facility vis-à-vis the Existing RMB Loans

RMB loans of up to one year

Based on the base interest rate of 4.3500% p.a. for loans of up to one year as published by the PBOC on the Latest Practicable Date, the highest applicable interest rate payable by the Group under the RMB Loan Facility of up to one year would be 4.7850%.

We note that the highest applicable interest rate of 4.7850% is above the interest rate of the relevant Unrelated Loan of 4.5675%.

RMB loans of more than one year and up to 5 years

Based on the base interest rate of 4.7500% p.a. for loans of more than one year and up to 5 years as published by the PBOC on the Latest Practicable Date, the highest applicable interest rate payable by the Group under the RMB Loan Facility of more than one year and up to 5 years would be 5.2250%.

We note that the highest applicable interest rate of 5.2250% is:

- (a) above the range of interest rates of 4.5125% and 4.9875% of the relevant CITIC Finance Loans, and above the weighted-average interest rate of 4.9663% of the relevant CITIC Finance Loans; and
- (b) within the range of interest rates of 4.7500% and 5.7000% of the relevant Unrelated Loans, and above the weighted-average interest rate of 4.8598% of the relevant Unrelated Loans.

RMB loans of more than 5 years and up to 8 years

Based on the base interest rate of 4.9000% p.a. for loans of more than 5 years as published by the PBOC on the Latest Practicable Date, the highest applicable interest rate payable by the Group under the RMB Loan Facility of more than 5 years and up to 8 years would be 5.3900%.

We note that the highest applicable interest rate of 5.3900% is:

- (a) above the range of interest rates of 4.7530% and 4.9000% of the relevant CITIC Finance Loans, and above the weighted-average interest rate of 4.8717% of the relevant CITIC Finance Loans; and
- (b) within the range of interest rates of 4.6550% and 5.8800% of the relevant Unrelated Loans, and above the weighted-average interest rate of 4.8711% of the relevant Unrelated Loans.

We note that if the RMB Loan Facility is solely compared against the relevant Unrelated Loans, the highest applicable interest rates payable by the Group under the RMB Loan Facility are generally within the range of interest rates of the relevant Unrelated Loans.

Shareholders should note that the interest rates relating to the RMB Loan Facility set out in the above analysis are based on the maximum 110% of the relevant benchmark lending rate announced by the PBOC, and represent the highest possible interest rates to be charged by CITIC Finance under the RMB Loan Facility. The actual loan interest rates chargeable upon each loan drawdown may be lower than such maximum interest rates, and will only be determined prior to drawing down the loans from the RMB Loan Facility. We wish to highlight that pursuant to the review procedures of the Group, the Group will not utilise the RMB Loan

APPENDIX A – IFA LETTER

Facility in the event that the Company is able to obtain comparable loan facilities at more competitive terms from other unrelated financial institutions *vis-a-vis* the RMB Loan Facility. Please also refer to paragraph 4.4 of this letter for more details on the review procedures in relation to the Loan Facilities.

4.2.1.2 Comparison of the interest rates of the USD Loan Facility and the USD-Equivalent Loan Facility vis-a-vis the Existing USD Loans and the USD Senior Perpetual Securities

Comparison of the interest rates of the USD Loan Facility vis-a-vis the Existing USD Loans

Based on the 3 months and 6 months USD LIBOR of 2.3388% and 2.5708% p.a. on the Latest Practicable Date, the applicable interest rates payable by the Group under the USD Loan Facility would be 4.1388% or 4.3708% respectively.

We note that:

- (a) the lower applicable interest rate of 4.1388% is below the range of interest rates of 4.2500% and 4.5888% of the relevant Unrelated Loans, and below the weighted-average interest rate of 4.5749% of the relevant Unrelated Loans; and
- (b) the higher applicable interest rate of 4.3708% is within the range of interest rates of 4.2500% and 4.5888% of the relevant Unrelated Loans, and below the weighted-average interest rate of 4.5749% of the relevant Unrelated Loans.

We would highlight that the existing USD loan bearing the interest rate of 4.2500% p.a. is secured against a property of the Group, which may justify the lower interest rate offered.

Comparison of the interest rates of the USD-Equivalent Loan Facility vis-a-vis the Existing USD Loans

As the Group has the option to draw down the RMB Loan Facility in USD pursuant to the terms of the RMB Loan Facility, we have also made a comparison with the Existing USD Loans assuming that the Group draws down the USD-Equivalent Loan Facility based on the interest rate terms ranging from 3 months USD LIBOR plus 1.80% to 6 months USD LIBOR plus 2.50%.

Based on the 3 months and 6 months USD LIBOR of 2.3388% and 2.5708% p.a. on the Latest Practicable Date, the applicable interest rates payable by the Group under the USD-Equivalent Loan Facility would range from 4.1388% to 5.0708% as follows:

	At 1.80% interest margin	At 2.50% interest margin
3 months USD LIBOR	4.1388%	4.8388%
6 months USD LIBOR	4.3708%	5.0708%

We note that:

- (a) the lowest applicable interest rate of 4.1388% is below the range of interest rates of 4.2500% and 4.5888% of the relevant Unrelated Loans, and below the weighted-average interest rate of 4.5749% of the relevant Unrelated Loans; and
- (b) the highest applicable interest rate of 5.0708% is above the range of interest rates of 4.2500% and 4.5888% of the relevant Unrelated Loans, and above the weighted-average interest rate of 4.5749% of the relevant Unrelated Loans.

APPENDIX A – IFA LETTER

Shareholders should note that the relevant interest margins (being 1.80% to 2.50% above the USD LIBOR under the USD-Equivalent Loan Facility) will only be determined prior to drawing down the loans from the USD-Equivalent Loan Facility. We wish to highlight that pursuant to the review procedures in relation to the Loan Facilities, the Group will not utilise the USD-Equivalent Loan Facility in the event that the Company is able to obtain comparable loan facilities at more competitive terms from other unrelated financial institutions *vis-a-vis* the USD-Equivalent Loan Facility.

Comparison of the interest rates of the USD Loan Facility and the USD-Equivalent Loan Facility vis-à-vis the USD Senior Perpetual Securities

Based on the 3 months and 6 months USD LIBOR of 2.3388% and 2.5708% p.a. on the Latest Practicable Date, the applicable interest rates payable by the Group under the USD Loan Facility would be 4.1388% or 4.3708%, and the applicable interest rates payable by the Group under the USD-Equivalent Loan Facility would range from 4.1388% to 5.0708%.

We note that (a) the applicable interest rates of 4.1388% or 4.3708% under the USD Loan Facility and (b) the lowest and highest applicable interest rates of 4.1388% and 5.0708% under the USD-Equivalent Loan Facility are below the distribution rate of 5.4500% of the USD Senior Perpetual Securities.

4.2.2 Security / Guarantee

Pursuant to the terms of the Loan Facilities, the Group is required to provide only corporate guarantees in favour of CITIC Finance, without the need to provide any security, charge or mortgage over assets.

We note that certain Existing Loans, in particular for those loans of more than 5 years, require some form of security in addition to guarantees from the Group, as compared to the Loan Facilities requiring only corporate guarantees from the Group. Accordingly, the Group is able to, as elaborated in the rationale and benefits of entering into the Proposed IPTs, retain maximum flexibility to conduct its business and operations without having to furnish security over its assets to third-party financial institutions.

In addition, we have considered the size of the principal amount granted under the Loan Facilities, in particular the RMB Loan Facility of RMB10 billion, and understand from the Company that it would be difficult to obtain a loan facility of similar amount from other financial institutions without providing some form of security to the financial institutions.

4.2.3 Sequence of Drawdown of USD Loan Facility and USD-Equivalent Loan Facility

We understand from the Company that in the event that the Group requires funding in USD, it will draw down on the USD-Equivalent Loan Facility only after fully utilising the USD Loan Facility in view of the latter's more favourable interest margin of 1.80% p.a. *vis-à-vis* the interest margins of 1.80% to 2.50% p.a. under the USD-Equivalent Loan Facility.

4.2.4 Additional Fees or Charges

We further understand from the Company that the Loan Facilities will not incur any material additional fees or charges, such as arrangement fee, commitment fee and finance service fee, which were incurred in some of the Existing Loans. Accordingly, the terms of the Loan Facilities are more favourable in respect of such additional fees or charges in comparison with the Existing Loans.

APPENDIX A – IFA LETTER

4.3 Comparison of the Interest Margins under the Loan Facilities *vis-à-vis* the Interest Margins of Recent Quotations from Unrelated Financial Institutions

As at the Latest Practicable Date, we understand that the Company had in the course of 2018 obtained quotations from other unrelated financial institutions for RMB loans with a tenure of (a) up to one year and (b) more than 5 years and up to 8 years. The interest margins of the quotations, which we had reviewed, ranged from (a) 5% to 30% above the PBOC one-year base interest rate, and (b) 0% to 10% above the PBOC base interest rate for loans of more than 5 years. Accordingly, the interest margin of the RMB Loan Facility of up to 10% is within the range of interest margins of such RMB loan quotations.

In addition, the Company had in the course of 2018 obtained quotations from other unrelated financial institutions for USD loans with a tenure of up to 5 years. The effective interest margins of the USD loan quotations, which we had reviewed, were (a) 2.40% and 2.50% above the USD LIBOR for USD loans with a tenure of 3 years, and (b) 2.75% above the USD LIBOR for a USD loan with a tenure of 5 years. Accordingly, the interest margins of (a) the USD Loan Facility of 1.80% above the USD LIBOR, and (b) the USD-Equivalent Loan Facility ranging from 1.80% to 2.50% above the USD LIBOR are generally not less favourable as compared to the relevant effective interest margins of such USD loan quotations.

4.4 Review Procedures in relation to the Loan Facilities

As set out in section 4 of the Circular, the Company has established, *inter alia*, the following review procedures with regard to the Loan Facilities:

- (a) obtaining quotations from at least 2 other unrelated banks and/or financial institutions which are licensed under their respective laws to carry out similar financing activities (which may include commercial banks) (“**Financial Institutions**”) for the loan interest rates and terms of a substantially equivalent amount and for an equivalent period of the Loan Facilities (the “**Loan Quotations**”);
- (b) prior to drawing down any of the Loan Facilities, the head of the finance department (PRC operations) of the Group and/or the Chief Financial Officer (whose assessment of performance and remuneration is determined solely by the Remuneration Committee of the Company) (or an equivalent person) who has no interest, direct or indirect, in the transaction will review the terms of the loans under the Loan Facilities against the Loan Quotations and approve the transaction provided that the terms offered by CITIC Finance are not less favourable than those charged by the unrelated Financial Institutions, after taking into consideration other relevant factors such as administration fees payable and requisite security or collateral;
- (c) in the event that the Loan Quotations from at least 2 other unrelated Financial Institutions are not available for comparison, the head of the finance department (PRC operations) of the Group and/or the Chief Financial Officer (or an equivalent person) who has no interest, direct or indirect, in the transaction will evaluate the benefits of and rationale for drawing down the loans under the Loan Facilities to determine whether the terms of the loans under the Loan Facilities are fair and reasonable, after taking into consideration relevant factors such as the speed of loan approval, the terms of recent loans obtained from unrelated Financial Institutions and size of funds under the Loan Facilities;
- (d) as part of the periodic monitoring of the interested person transactions, the finance department of the Group will also review (a) the relevant loan interest rates with reference to the relevant interest rates published by at least 2 other unrelated Financial Institutions at least on a quarterly basis (the “**Quarterly Published Rates**”) to ensure that the corresponding interest rates charged by CITIC Finance remain competitive, and (b) the loan interest rates with reference to the latest-available Quarterly Published Rates immediately prior to the dates on which the loans under

APPENDIX A – IFA LETTER

the Loan Facilities could be repaid in full, to determine whether it would be in the interest of the Company to refinance or re-negotiate the interest rates on the outstanding loans;

- (e) in the event that the interest rates charged by CITIC Finance are determined to be uncompetitive and/or the Group is able to obtain comparable loan facilities at more competitive terms from other unrelated Financial Institutions, the Company will seek to re-negotiate the interest rates on such outstanding loans with CITIC Finance, failing which the Group may re-finance the relevant loans after taking into consideration relevant factors such as the applicable interest rates for the remaining loan tenures, administration fees payable, speed of loan approval and requisite security or collateral;
- (f) the Company will make the requisite announcements and/or seek approval from the Shareholders in accordance with the requirements of Chapter 9 of the Listing Manual if there are changes made to the terms of the Loan Facilities;
- (g) the Audit Committee will review the interested person transaction register at least on a quarterly basis to ensure that the loans under the Loan Facilities have been carried out in accordance with the established review procedures; and
- (h) the internal auditor of the Group will conduct a review of the interested person transactions, including the review procedures for the monitoring of the Proposed IPTs, at least on an annual basis. The findings will be submitted to the Audit Committee to ensure, *inter alia*, that the Proposed IPTs have been carried out on normal commercial terms and were not prejudicial to the interests of the Company and the minority Shareholders, and that the relevant approvals have been obtained.

4.5 Comparison of the Deposit Interest Rates under the Fund Placement Agreement *vis-à-vis* the Deposit Interest Rates of the Group's Existing Deposits

Pursuant to the terms of the Fund Placement Agreement, the relevant deposit interest rates for the RMB, USD and SGD demand deposits, 7 days deposits, and one month, 3 months, 6 months and one-year fixed deposits under the Fund Placement Agreement are set out as follows:

Deposit periods		Deposit interest rate (p.a.)		
		(RMB)	(USD)	(SGD)
Demand deposits		1.265%	0.20%	0.5%
7 days		2.525%	n/a	n/a
Fixed deposits	One month	n/a	0.15% p.a. above the one month USD LIBOR	1.5%
	3 months	3.15%	0.15% p.a. above the 3 months USD LIBOR	1.7%
	6 months	3.45%	0.15% p.a. above the 6 months USD LIBOR	1.8%
	One year	3.75%	0.10% p.a. above the one year USD LIBOR	n/a

As at the Latest Practicable Date, other than existing current account deposits (a) in RMB which bear interest, and (b) in USD and SGD which do not bear interest, the Group has also placed certain deposits in USD and SGD with unrelated Financial Institutions.

APPENDIX A – IFA LETTER

As a comparison, the interest rate for the RMB demand deposits under the Fund Placement Agreement of 1.265% p.a. is higher than the interest rates of 0.35% p.a. for the Group's corresponding existing RMB demand deposits placed with the unrelated Financial Institutions.

In addition, based on the one month USD LIBOR of 2.16813% p.a. as at the Latest Practicable Date, the interest rate for one month USD deposits under the Fund Placement Agreement would be 2.31813% p.a., which is higher than the interest rate of 1.8125% p.a. for the Group's corresponding existing USD deposits placed with the unrelated Financial Institution.

Similarly, the interest rate for one month SGD deposits under the Fund Placement Agreement of 1.50% p.a. is higher than the interest rate of 0.175% p.a. for the Group's corresponding existing SGD deposits placed with the unrelated Financial Institution.

We understand from the Company that the deposit interest rates receivable under the Fund Placement Agreement from CITIC Finance may be adjusted from time to time, taking into consideration, *inter alia*, the changes in market interest rates and the operating conditions of CITIC Finance. As mentioned in section 4.6 of this letter, the Group will obtain quotations from at least 2 other unrelated Financial Institutions for deposit interest rates for the relevant currencies, namely, RMB, USD and SGD at various placement amounts and relevant maturity periods of the deposits (the "**Deposit Quotations**") at the beginning of every month. Prior to depositing any funds with CITIC Finance, the head of the finance department (PRC operations) of the Group and/or the Chief Financial Officer (whose assessment of performance and remuneration is determined solely by the Remuneration Committee of the Company (or an equivalent person) who has no interest, direct or indirect, in the transaction will review the terms of the fund deposits against the Deposit Quotations before approving the transaction to ensure that the terms offered by CITIC Finance are not less favourable than those offered by the unrelated Financial Institutions.

4.6 Review Procedures in relation to the Fund Placement Agreement

As set out in section 4 of the Circular, the Company has established, *inter alia*, the following review procedures with regard to the Fund Placement Agreement:

- (a) at the beginning of every month, the Group will obtain the Deposit Quotations from at least 2 other unrelated Financial Institutions (which may include commercial banks);
- (b) prior to depositing any funds with CITIC Finance, the head of the finance department (PRC operations) of the Group and/or the Chief Financial Officer (whose assessment of performance and remuneration is determined solely by the Remuneration Committee of the Company) (or an equivalent person) who has no interest, direct or indirect, in the transaction will review the terms of the fund deposit against the Deposit Quotations and approve the transaction provided that the terms offered by CITIC Finance are not less favourable than those offered by the unrelated Financial Institutions, taking into consideration other relevant factors such as administration fees payable and speed of deposit approval;
- (c) in the event that the Deposit Quotations from at least 2 other unrelated Financial Institutions are not available for comparison, the head of the finance department (PRC operations) of the Group and/or the Chief Financial Officer (or an equivalent person) who has no interest, direct or indirect, in the transaction will evaluate the benefits of and rationale for placing the deposits with CITIC Finance to determine whether the terms of the deposits with CITIC Finance are fair and reasonable, taking into consideration relevant factors such as speed of deposit approval and the terms of recent deposits with unrelated Financial Institutions;

APPENDIX A – IFA LETTER

- (d) where either of the 2 Deposit Quotations from the unrelated Financial Institutions have been obtained and the interest rates provided in such quotations are more competitive than those quoted by CITIC Finance under the Fund Placement Agreement, any residual cash from the Loan Facilities may not be placed as deposits under the Fund Placement Agreement and the Group has the option to place such residual cash with the unrelated Financial Institution(s) offering the more competitive rate. Such deposit of the residual cash with the unrelated Financial Institution(s) would not constitute a breach of the terms of the Loan Facilities;
- (e) as part of the periodic monitoring of fund deposits placed under the Fund Placement Agreement, the finance department of the Group will review the relevant deposit interest rates with reference to the latest-available Deposit Quotations at least on a quarterly basis to ensure that the corresponding interest rates offered by CITIC Finance remain competitive;
- (f) in addition, (i) for existing deposits placed under the Fund Placement Agreement with deposit periods of up to and including one month, the finance department of the Group will, at the beginning of every month, review the relevant deposit interest rates with reference to the latest-available Deposit Quotations to determine whether it would be in the interest of the Company to re-negotiate the interest rates on such deposits under the Fund Placement Agreement, and (ii) for existing deposits placed under the Fund Placement Agreement with deposit periods of more than one month, immediately prior to the maturity of such deposits, the finance department of the Group will review the relevant deposit interest rates with reference to the latest-available Deposit Quotations to determine whether it would be in the interest of the Company to re-negotiate the interest rates on such maturing deposits under the Fund Placement Agreement, taking into consideration relevant factors such as applicable interest rates for the funds available for deposit, speed of deposit approval and accrued interest earned;
- (g) the Company will make the requisite announcements and/or seek approval from the Shareholders in accordance with the requirements of Chapter 9 of the Listing Manual if there are changes made to the terms of the Fund Placement Agreement;
- (h) the Audit Committee will review the interested person transaction register at least on a quarterly basis to ensure that the existing deposits placed under the Fund Placement Agreement have been carried out in accordance with the established review procedures; and
- (i) the internal auditor of the Group will conduct a review of the interested person transactions, including the review procedures for the monitoring of the Proposed IPTs, at least on an annual basis. The findings will be submitted to the Audit Committee to ensure, *inter alia*, that the Proposed IPTs have been carried out on normal commercial terms and were not prejudicial to the interests of the Company and the minority Shareholders, and that the relevant approvals have been obtained.

4.7 Historical Financial Performance and Condition of the Group

The salient historical financial information of the Group for the last 3 financial years ended 31 December 2015, 2016 and 2017 (“FY2015”, “FY2016” and “FY2017” respectively) and the 6 months financial periods ended 30 June 2017 and 2018 (“6M2017” and “6M2018” respectively) is set out as follows:

APPENDIX A – IFA LETTER

Consolidated statement of profit or loss and other comprehensive income	Unaudited	-----Audited-----			-----Unaudited-----	
	(SGD'000)	1 April 2015 to 31 December 2015 ⁽²⁾	FY2016	FY2017	6M2017 (restated)	6M2018
	FY2015 ⁽¹⁾					
Revenue	335,979	274,761	544,555	908,768	211,252	527,042
Profit before income tax	75,633	61,471	131,357	176,882	51,582	118,176
Net profit for the year / period attributable to owners of the Company	48,299	40,762	99,312	115,943	34,756	82,657

Statements of financial position	-----Audited-----		-----Unaudited-----		
	(SGD'000)	31 December 2015	31 December 2016	31 December 2017 (restated) ⁽³⁾	30 June 2018
	Current assets	972,740	951,594	1,192,535	1,000,091
Current liabilities	584,662	528,605	1,259,966	1,260,985	
Working capital ⁽⁴⁾	388,078	422,989	(67,431)	(260,894)	
Non-current assets	1,200,146	1,598,447	2,344,036	2,751,035	
Non-current liabilities	447,468	525,918	440,255	542,170	
Equity attributable to owners of the Company	1,101,748	1,378,991	1,684,094	1,790,081	

Consolidated statements of cash flows	-----Audited-----			-----Unaudited-----		
	(SGD'000)	1 April 2015 to 31 December 2015 ("9M2015") ⁽²⁾	FY2016	FY2017	6M2017 (restated)	6M2018
	Net cash from / (used in) operating activities	2,257	306,490	225,100	38,628	(22,073)
Net cash (used in) investing activities	(213,802)	(398,399)	(526,338)	(190,327)	(172,684)	
Net cash from / (used in) financing activities	635,211	55,867	448,701	213,262	(110,792)	
Net increase / (decrease) in cash and cash	423,666	(36,042)	147,463	61,563	(305,549)	

APPENDIX A – IFA LETTER

Consolidated statements of cash flows	-----Audited-----			-----Unaudited-----	
	1 April 2015 to 31 December 2015 ("9M2015") ⁽²⁾	FY2016	FY2017	6M2017 (restated)	6M2018
(SGD'000)					
equivalents					
Cash and cash equivalents at end of financial year / period	540,466	493,541	631,304	539,617	328,235

Source: *The Group's annual reports for FY2016 and FY2017, and the Group's unaudited financial statements for FY2016, FY2017 and 6M2018 as announced on the SGXNet*

Notes:

- (1) The Company changed its financial year end from 31 March to 31 December. As announced on 1 March 2017, the Group's unaudited financial results for the 12 months period from 1 January 2015 to 31 December 2015 are used only for comparing the financial results of FY2016 below.
- (2) Refers to the 9 months financial period between 1 April 2015 to 31 December 2015 as a result of the change of the financial year-end from 31 March to 31 December.
- (3) Based on the figures reflected in the 6M2018 unaudited financial statements.

Consolidated statement of profit or loss and other comprehensive income

FY2016 vs FY2015

The Group's revenue increased by 62.1% from SGD336.0 million in FY2015 to SGD544.6 million in FY2016 mainly due to an increase in the engineering revenue. Net profit for the year attributable to owners of the Company increased by 105.6% from SGD48.3 million in FY2015 to SGD99.3 million in FY2016 as a result of the increase in revenue, which was offset by an increase in mainly (a) the materials purchased, consumables used and subcontractors' fees due to the increase in engineering revenue, and (b) other operating expenses as a result of a higher operating costs for the operation and maintenance of new treatment plants, impairment loss on non-current assets held for sale and loss on disposal of service concession receivable in FY2016.

FY2017 vs FY2016

The Group's revenue increased by 66.9% from SGD544.6 million in FY2016 to SGD908.8 million in FY2017 mainly due to an increase in its membrane-driven engineering revenue and the recurring water treatment revenue. Net profit for the year attributable to owners of the Company increased by 16.7% from SGD99.3 million in FY2016 to SGD115.9 million in FY2017 as a result of the increase in revenue, which was offset by an increase in mainly (a) the materials purchased, consumables used and subcontractors' fees due to the increase in engineering revenue, and (b) other operating expenses incurred from the operation of increased portfolio of treatment facilities and net foreign currency exchange loss in FY2017.

6M2018 vs 6M2017

The Group's revenue increased by 149.5% from SGD211.3 million in 6M2017 to SGD527.0 million in 6M2018 mainly due to an increase in engineering revenue and membrane system sales. Net profit for the period attributable to owners of the Company increased by 137.8% from SGD34.8 million in 6M2017 to SGD82.7 million in 6M2018 as a result of the increase in revenue, which was offset by mainly (a) a decrease in other income, and (b) an increase in

APPENDIX A – IFA LETTER

the materials purchased, consumables used and subcontractors' fees due to the increase in engineering revenue and membrane systems sales.

Statements of financial position

Current assets: As at 30 June 2018, the current assets amounted to SGD1,000.1 million, representing 26.7% of the total assets of the Group. The current assets comprised (a) cash and bank balances of SGD328.2 million, (b) trade receivables of SGD323.6 million, (c) service concession receivables of SGD6.1 million, (d) other receivables and prepayments of SGD314.5 million, (e) inventories of SGD24.2 million, and (f) prepaid leases of SGD3.4 million.

Non-current assets: As at 30 June 2018, the non-current assets amounted to SGD2,751.0 million, representing 73.3% of the total assets of the Group. The non-current assets comprised (a) contract assets of SGD110.2 million, (b) service concession receivables of SGD719.0 million, (c) other receivables and prepayments of SGD34.3 million, (d) prepaid leases of SGD89.5 million, (e) associates of SGD40.9 million, (f) property, plant and equipment of SGD1,223.3 million, (g) goodwill of SGD255.4 million, (h) intangible assets of SGD274.3 million, (i) available-for-sale financial asset of SGD3.7 million, and (j) deferred tax assets of SGD0.6 million.

Current liabilities: As at 30 June 2018, the current liabilities of the Group amounted to SGD1,261.0 million, representing 69.9% of the total liabilities of the Group. The current liabilities comprised (a) bank loans of SGD190.8 million, (b) trade payables of SGD916.0 million, (c) other payables of SGD88.5 million, (d) finance leases of SGD0.1 million, and (e) income tax payable of SGD65.6 million.

Non-current liabilities: As at 30 June 2018, the non-current liabilities amounted to SGD542.2 million, representing 30.1% of the total liabilities of the Group. The non-current liabilities comprised (a) bank loans of SGD484.7 million, (b) finance leases of SGD0.2 million, and (c) deferred tax liabilities of SGD57.3 million.

Working capital: The Group had working capital of SGD388.1 million and SGD423.0 million as at 31 December 2015 and 31 December 2016 respectively, and the Group had recorded negative working capital of SGD67.4 million and SGD260.9 million as at 31 December 2017 and 30 June 2018 respectively. The Group recorded negative working capital of SGD260.9 million as at 30 June 2018 mainly due to a lower cash and bank balances and higher trade payables as at 30 June 2018.

Equity attributable to owners of the Company: The equity attributable to owners of the Company amounted to SGD1,790.1 million as at 30 June 2018.

Consolidated statements of cash flows

Net cash from / (used in) operating activities: The Group had recorded net cash from operating activities of SGD2.3 million, SGD306.5 million, SGD225.1 million and SGD38.6 million in 9M2015, FY2016, FY2017 and 6M2017 respectively. In addition, the Group recorded net cash used in operating activities of SGD22.1 million in 6M2018. The Group recorded net cash used in operating activities of SGD22.1 million in 6M2018 mainly due to an increase in trade receivables and a decrease of trade payables in 6M2018.

Cash and cash equivalents: Taking into account (a) the cash and cash equivalents of SGD631.3 million at the beginning of the period of 6M2018, (b) the net decrease in cash and cash equivalents of SGD305.5 million, and (c) the effect of exchange rate changes of SGD2.5 million, the Group's cash and cash equivalents amounted to SGD328.2 million as at 30 June 2018.

APPENDIX A – IFA LETTER

4.8 Other Relevant Considerations

4.8.1 Outlook of the Group

In the announcement of the Group's unaudited financial statements for the 6 months financial period ended 30 June 2018, the following commentary was made:

"In conjunction with the Singapore International Water Week ("SIWW") held in July 2018, CEL reaffirmed its commitment to the development and advancement of environmental technologies with the official launch of its recently incorporated wholly-owned subsidiary, Singapore Envirotech Accelerator Pte. Ltd ("SEA"). SEA, supported by the Singapore Economic Development Board, aims to accelerate the innovation and commercialisation of environmental technologies drawn from intellectual properties and Research and Development performed locally and internationally by institutions, industry and technopreneurs.

In addition, the Group's wholly owned subsidiary Memstar Pte Ltd ("Memstar"), announced the opening of a US\$15 million, 40,500 sq ft membrane manufacturing facility in Conroe, Texas, USA. This is its first plant outside Asia and it will manufacture Memstar's latest product, the Memstar Advance Reverse Osmosis ("RO") and Nano Filtration ("NF") Membrane. The launch of the RO/NF Membrane plant marks a significant milestone for Memstar, which is currently a global leading manufacturer of microfiltration ("MF") and ultrafiltration ("UF") membrane. The RO/NF membrane complements the Group's manufacturing capabilities and enables it to offer a complete range of membrane filtration products.

CEL remains upbeat on the opportunities available in the environment protection industry in China. Besides securing more projects in the water segment, the Group has increased its presence in related environmental services such as ecological restoration, hazardous waste treatment, sludge management and integrated environmental services."

We also note the following recent announcements made by the Company in 2018:

- (a) as announced on 8 March 2018, the Group has been awarded a public-private-partnership project in Xiaogan City, Hubei Province, China, which involves a RMB300 million investment build-operate-transfer wastewater treatment facility. The construction of such project is expected to be completed by 2018;
- (b) as announced on 9 May 2018, the Company has secured a RMB720 million public-private-partnership project in Yunfu City, Guangdong Province, which involves the design, construction and operation of 4 wastewater treatment plants. Backed by the Chinese government, this project is part of Guangdong Province's thirteenth five-year environmental protection plan to develop and beautify the villages and townships in Yunfu City by 2020. The construction will commence in September 2018 and is scheduled to be completed by August 2020;
- (c) as announced on 7 June 2018, the Group has secured a RMB1 billion fully-integrated environmental project in Anyang City, Henan Province which involves the design, construction and operation of a wastewater treatment plant, a water purification plant, a water recycling plant, a cogeneration plant, and a production factory and workers dormitory. The project will commence from the 3rd quarter of 2018 and will take 2 years to complete;
- (d) as announced on 7 June 2018, Novo Environmental River Restoration Co., Ltd was incorporated in Xiaochang County, Hubei Province, China, which is a joint venture between the Company and the local county government to undertake a public-private-partnership project. The project involves the investment of RMB229 million in 11 build-operate-transfer wastewater treatment plants to treat municipal wastewater for

APPENDIX A – IFA LETTER

11 townships in the Xiaochang County. The construction of the build-operate-transfer project is scheduled to be completed by December 2018;

- (e) as announced on 12 June 2018, the Group has secured 2 industrial hazardous waste treatment projects in Xinjiang Province which involve (i) a RMB650 million build-own-operate project of a solid waste plant, a hazardous waste plant and a landfill in the Korla Economic and Technological Development Zone in the capital of Bazhou City under the Xinjiang Uygur Autonomous Region, and such project is expected to be completed by end 2019, and (ii) a RMB30 million upgrading and operation project of an existing hazardous waste treatment facility in Aksu City, Xinjiang Province;
- (f) as announced on 24 June 2018, the Group has been awarded an engineering procurement and construction project on ecological restoration with the contract amount of approximately RMB2.5 billion (or about SGD515 million) in Meigu County, Sichuan Province, China. This project is in line with the China government's environmental protection plan to develop and beautify Meigu County by 2020. The project will commence in the 4th quarter of 2018 and is expected to be completed by 31 December 2020;
- (g) as announced on 10 July 2018, Memstar Pte Ltd, a wholly-owned subsidiary of the Company, had launched the USD15 million, 40,500 sq ft membrane manufacturing facility in Conroe, Texas, USA for the purpose of manufacturing its latest product, the Memstar Advance Reverse Osmosis and Nano Filtration membrane; and
- (h) as announced on 23 July 2018, the Group has secured a RMB134 million public-private-partnership project in Maoming City, Guangdong Province which involves the design, construction and operation of a municipal waste water treatment plant using Membrane Bioreactor technology to treat the wastewater to grade 4 surface water discharge standard. The construction is scheduled to be completed in one year.

The securing of more environmental projects and the investment in the manufacturing plant by the Group would be in line with the purpose of obtaining the Loan Facilities, *inter alia*, for the Group's specific project financing and/or to fund the Group's working capital requirements.

4.8.2 Reduced Effective Interest Amounts Payable under the Loan Facilities

As part of the arrangements pertaining to residual cash as mentioned in paragraph 3.2 of this letter, any cash residing in the Group's account(s) with CITIC Finance comprising amounts drawn down and pending utilisation under the Loan Facilities and amounts credited into such account(s) arising from and in connection with projects financed by such Loan Facilities shall accrue interest at such rates set out in the Fund Placement Agreement, thereby reducing the actual interest payable on loans. Accordingly, the interest amounts payable for the amounts drawn down under the Loan Facilities would effectively be reduced.

For the avoidance of doubt, the Group is not obliged to deposit any unutilised cash resources with CITIC Finance under the Fund Placement Agreement in the event that the Group is able to enjoy more competitive interest rates if it were to deposit such funds with other unrelated Financial Institutions. Please also refer to paragraph 4.6 of this letter for more details on the review procedures in relation to the Fund Placement Agreement.

4.8.3 Past Fund-raising Exercises Undertaken by the Company

Share placement

On 28 December 2017, the Company entered into a placement agreement with New Resources LLC to issue an aggregate of 83,216,080 new Shares at a placement price of SGD0.85 per placement Share, with the net proceeds of approximately SGD70.7 million being used to fund the Group's investment projects and for general working capital purposes. The

APPENDIX A – IFA LETTER

placement exercise was completed on 26 March 2018.

Senior perpetual securities

The Company had also, pursuant to the USD1.5 billion multicurrency perpetual securities issuance programme, issued senior perpetual securities on 27 November 2015, 7 July 2016 and 19 October 2017 to raise gross proceeds of USD175.0 million, USD180.0 million and SGD240.0 million respectively. We note from the relevant announcements by the Company that the purposes of the issuance of the senior perpetual securities were as follows:

Senior perpetual securities	Date of issue	Purpose
Series 001 Tranche 001 Securities	27 November 2015	General corporate purposes including, but not limited to, refinancing of existing borrowings, making investments and/or acquisitions, general working capital and corporate purpose
Series 001 Tranche 002 Securities	7 July 2016	Refinance the SGD99.0 million 7.25% fixed rate notes which were fully redeemed on 2 September 2016 General corporate purposes, including, but not limited to, refinancing of existing borrowings, making investments and/or acquisitions, general working capital and corporate purposes
Series 002 Securities ⁽¹⁾	19 October 2017	General corporate purposes, including, but not limited to, refinancing of existing borrowings, general working capital and corporate purposes

Note:

- (1) Refers to the SGD240.0 million, 3.90% senior perpetual securities which were issued by the Company on 19 October 2018 pursuant to its USD1.5 billion multicurrency perpetual securities issuance programme.

We understand from the Management that notwithstanding the above fund-raising exercises undertaken by the Company, they have assessed the Group's financing needs and are of the view that the Loan Facilities would be necessary to fund (a) the Group's specific projects, (b) the Group's investment in joint ventures, (c) the Group's general working capital, and/or (d) the repayment of the Group's bank borrowings, and the Loan Facilities will only be drawn down as and when required for the Group's business activities.

4.8.4 Support from the Controlling Shareholder

As mentioned in paragraph 4.2.2 of this letter, we understand that the Company may have difficulty in obtaining a loan facility with the same amount provided under the Loan Facilities from other unrelated Financial Institutions without giving some form of security to the unrelated Financial Institutions. Accordingly, we believe that the provision of the Loan Facilities without the need to provide any security, charge or mortgage over assets underscores the commitment to and confidence in the prospects of the Group by CITIC Group Corporation and CITIC Finance.

APPENDIX A – IFA LETTER

4.8.5 Interest Rate Risk and Liquidity Risk Management

Based on the FY2017 annual report of the Company, we note that the Company currently does not have an interest rate hedging policy. Nevertheless, the Management monitors the interest rate exposure and will consider restructuring the Group's credit facilities should the need arise.

In addition, the Company will manage the liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by the Management to finance the Group's operations.

4.8.6 Voting Abstention

As set out in section 6 of the Circular, CENVIT (Cayman) Company Limited, P&L Capital Limited and Green Resources Limited will abstain and shall procure their respective associates (including CKM (Cayman) Company Limited) to abstain from voting on the ordinary resolution to approve the Proposed IPTs, and they will also not act as proxies in relation to the ordinary resolution unless specific voting instructions have been given by a Shareholder.

5. **OUR OPINION**

In arriving at our opinion in respect of the Proposed IPTs, we have reviewed and examined all factors which we consider to be pertinent in our assessment, including the following key considerations:

- (a) the rationale for and benefits of the Proposed IPTs;
- (b) a comparison of the key terms of the Loan Facilities *vis-à-vis* the key terms of the existing indebtedness of the Group;
- (c) a comparison of the interest margins under the Loan Facilities *vis-à-vis* the interest margins of recent quotations from unrelated financial institutions;
- (d) the review procedures in relation to the Loan Facilities;
- (e) a comparison of the deposit interest rates under the Fund Placement Agreement *vis-à-vis* the deposit interest rates of the Group's existing deposits;
- (f) the review procedures in relation to the Fund Placement Agreement;
- (g) the historical financial performance and condition of the Group; and
- (h) other relevant considerations as set out in paragraph 4.8 of this letter.

Based on the foregoing considerations and subject to the qualifications and assumptions set out in this letter, we are of the opinion that the Proposed IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and the Independent Shareholders.

Our opinion has been rendered pursuant to Rule 921(4)(a) of the Listing Manual as well as for the Non-Interested Directors' consideration of the Proposed IPTs. The recommendation to be made by the Non-Interested Directors to the Independent Shareholders shall remain the responsibility of the Non-Interested Directors.

APPENDIX A – IFA LETTER

Our opinion in relation to the Proposed IPTs should be considered in the context of the entirety of this letter and the Circular. Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent in each specific case, except for the forthcoming EGM and for the purposes of the Proposed IPTs.

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

Yours faithfully
For and on behalf of
3 PEAKS CAPITAL PRIVATE LIMITED

Thomas Lam
CEO

Huong Wei Beng
Director

NOTICE OF EXTRAORDINARY GENERAL MEETING

CITIC ENVIROTECH LTD.

(Company Registration Number: 200306466G)
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of the shareholders of CITIC ENVIROTECH LTD. (“**Company**”) will be held at Amara Hotel, Ballroom 1, Level 3, 165 Tanjong Pagar Road, Singapore 088539 on 12 October 2018 at 10.00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the ordinary resolution set out below.

AS ORDINARY RESOLUTION

That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Chapter 9**”), for the Company and its subsidiaries which are considered to be “entities at risk” under Chapter 9, or any of them, to enter into and utilise the Loan Facilities, to enter into the Fund Placement Agreement and place its funds with CITIC Finance under the Fund Placement Agreement and to enter into any documents or transactions in relation to or in connection with the Proposed IPTs as set out in the Circular to this Notice of EGM, which constitutes an interested person transaction under Chapter 9; and
- (b) the Directors of the Company be and are hereby authorised to do all acts and things as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the Proposed IPTs and/or this Ordinary Resolution.

By Order of the Board of Directors

Mr. Hao Weibao
Executive Chairman and Group Chief Executive Officer

25 September 2018

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the EGM (the “**Meeting**”). Where such member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion of shareholding is specified, the first named proxy may be treated as representing 100% of the shareholding and any subsequent named proxy as an alternate to the earlier named.
- (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. If no such number or class of shares is specified, the first named proxy may be treated as representing 100% of the shares and any subsequent named proxy as an alternate to the earlier named.

“**Relevant Intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).

2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy or proxies must be deposited with the Company’s Share Registrar at 80 Robinson Road, #11-02 Singapore 068898, not less than 48 hours before the time appointed for the EGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, Listing Manual, regulations and/or guidelines (collectively, the “**Purposes**”), and (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

CITIC ENVIROTECH LTD.

(Company Registration No. 200306466G)
(Incorporated in Singapore)

EXTRAORDINARY GENERAL MEETING

PROXY FORM

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme (“**CPF Investor**”) and/or the Supplementary Retirement Scheme (“**SRS Investor**”) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We _____ (Name) NRIC/Passport No. _____

of _____ (Address)

being a *member/members of CITIC Envirotech Ltd. (“**Company**”), hereby appoint:

Name	Proportion of Shareholdings	
	No. of Shares	%
Address		

*and/or (delete as appropriate)

Name	Proportion of Shareholdings	
	No. of Shares	%
Address		

as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the EGM to be held on 12 October 2018 at 10.00 a.m., at Amara Hotel, Ballroom 1, Level 3, 165 Tanjong Pagar Road, Singapore 088539 and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the ordinary resolution proposed at the EGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

	No. of Votes “For”*	No. of Votes “Against”*
ORDINARY RESOLUTION:		
Approve Proposed IPTs with CITIC Finance		

* If you wish to exercise all your votes “For” or “Against” the Ordinary Resolution, please indicate with a “√” within the box provided. Alternatively, please indicate the number of votes “For” or “Against” the Ordinary Resolution.

Total Number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

* Delete where inapplicable

Dated this _____ day of _____ 2018



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the proportion of his/her shareholding to be represented by each proxy shall be specified in the form of proxy. If no such proportion of shareholding is specified, the first named proxy may be treated as representing 100% of the shareholding and any subsequent named proxy as an alternate to the earlier named.
4. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such an event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar at 80 Robinson Road #11-02 Singapore 068898, not less than 48 hours before the time appointed for the EGM.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of its attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.
9. ASRS Investor may attend and cast his vote(s) at the EGM in person. SRS Investors who are unable to attend the EGM but would like to vote, may inform their SRS approved nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the SRS Investors shall be precluded from attending the EGM.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 25 September 2018.