

UNITED ENVIROTECH LTD
(Incorporated in the Republic of Singapore)
Company Registration No.: 200306466G
(the "**Company**")

**PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
A WHOLLY-OWNED SUBSIDIARY OF TONGJI ENVIRONMENTAL (ASIA) PTE. LTD.
IN THE PEOPLE'S REPUBLIC OF CHINA**

1. INTRODUCTION

The board of directors ("**Board**") of the Company is pleased to announce that the Company, has on 11 June 2009 entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Tongji Environment (Asia) Pte. Ltd. (the "**Vendor**") in relation to the proposed acquisition (the "**Proposed Acquisition**") of the entire equity interest ("**Equity Interest**") in its wholly-owned subsidiary (the "**Target Company**") in the People's Republic of China ("**PRC**"). Upon the completion of the Proposed Acquisition, the Target Company would become a wholly-owned subsidiary of the Company.

2. CONSIDERATION

2.1 The consideration (the "**Consideration**") for the Proposed Acquisition is S\$4.7 million and is to be satisfied by way of the issuance by the Company of S\$4.7 million in aggregate principal amount of 3.0% convertible bonds convertible into ordinary shares in the capital of the Company ("**Shares**") as described in paragraph 2.2 below.

2.2 The Consideration is to be satisfied in the following manner:

- (a) by the issue and delivery to the Vendor of the S\$4.23 million in principal amount of 3.0% convertible bonds to be issued by the Company on completion of the Proposed Acquisition ("**Completion**"); and
- (b) by the issue and delivery to the Vendor of the S\$0.47 million in principal amount of 3.0% convertible bonds to be issued by the Company within 15 days of the completion of a post-Completion audit on the Target Company provided that if the post-Completion audit reveals that the total construction costs and its related expenses relating to the construction of the wastewater treatment plant, being the aggregate of the value of the engineering, procurement and construction contract, the commission paid and other miscellaneous costs in respect thereof (the "**Liabilities**") exceeds RMB38 million as at 28 May 2009, the principal amount of the second tranche of the convertible bonds to be issued would be reduced accordingly by the difference between the actual Liabilities of the Target Company and RMB38 million,

(collectively, the "**Convertible Bonds**").

2.3 The Convertible Bonds are convertible into new Shares. The number of new Shares to be issued by the Company, pursuant to the full conversion of the Convertible Bonds, is 29,375,000 new Shares (based on the conversion price of S\$0.16). The

29,375,000 new Shares represent approximately 7.4% of the existing Shares in issue as at the close of business on 10 June 2009 (being the market day immediately preceding the date of the Sale and Purchase Agreement). In connection with the proposed issuance of the Convertible Bonds, the Company and the Vendor have on 11 June 2009 entered into a subscription agreement with respect to the issue of the Convertible Bonds. The principal terms and conditions of the Convertible Bonds are as set out in Appendix I.

- 2.4 The Consideration was agreed upon following arms' length negotiations between the Company and the Vendor on a willing-buyer and willing-seller basis.

3. CONDITIONS OF THE PROPOSED ACQUISITION

- 3.1 Completion of the Proposed Acquisition is conditional upon:

- (a) the results of a special review by the Company and other advisers (if the Company so chooses to conduct) and a due diligence exercise over the business, affairs, operations, assets, financial condition, prospects and records of the Target Company being reasonably satisfactory to the Company;
- (b) the results of a review by the Vendor over the business, affairs, operations, assets, financial condition, prospects and records of the Company based on publicly available information being reasonably satisfactory to the Vendor;
- (c) the receipt by the Company of such waivers or consents as may be necessary to enable the Company and/or its nominee(s) to be registered as holder of any and all of the Equity Interest;
- (d) neither the Company nor the Vendor having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the Sale and Purchase Agreement and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- (e) the Sale and Purchase Agreement and the new articles of association of the Target Company having been approved by the Ministry of Commerce of the PRC or its local counterpart and the relevant certificate of approval having been obtained, approving the Company and/or its nominee(s) as the sole holder(s) of the Equity Interest in the Target Company;
- (f) the new business license of the Target Company having been obtained, reflecting the Company and/or its nominee(s) as the sole holder(s) of the Equity Interest in the Target Company;
- (g) in-principle approval for the listing of the Shares on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to be issued pursuant to the conversion of the Convertible Bonds being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions (which are not normally imposed by the SGX-ST for a transaction of a similar nature), such conditions being acceptable to the Company and, to the extent that any conditions for the listing and quotation of the Shares to be issued pursuant to the conversion of the Convertible Bonds on SGX-ST are required to be fulfilled on or before the date of Completion, they are so

fulfilled;

- (h) the completion of the transfer to the Company of the land use rights to the land on which the wastewater treatment plant currently being constructed on Liaobin Street, Wafang Village, Xinmin City, Shenyang, Liaoning Province, PRC, is situated, for no consideration; and
- (i) all other consents and approvals required under any and all applicable laws for the sale of the Equity Interest and to give effect to the transactions contemplated under the Sale and Purchase Agreement (including without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Vendor or the Target Company is a party or by which the Vendor or the Target Company or its or their respective assets are bound) being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Company in its sole and absolute discretion.

3.2 Completion of the Proposed Acquisition is expected to take place on the date falling seven (7) business days after the date on which the conditions as set out above have been fulfilled or waived by the relevant party.

4. RATIONALE FOR THE ACQUISITION

- 4.1 The Target Company is in the business of treating wastewater and has a wastewater treatment plant located in Xinmin, a developing city in the centre of Liaoning Province, PRC. The Target Company has a net tangible asset value of RMB21 million based on the unaudited management accounts as at 30 April 2009 provided by the Vendor.
- 4.2 As the Company is also in the business of treating wastewater, the Proposed Acquisition will provide a steady and recurring income to the Company as well as the potential for the Company to increase its capacity to treat wastewater.
- 4.3 In addition, the proximity of the Company's existing treatment plant and management team in Liaoyang city, PRC, to the Target Company's treatment plant will also facilitate the Company's ability to oversee the Target Company's operations.

5. FINANCIAL EFFECTS

For illustrative purposes only, based on the unaudited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 March 2009 ("**FY2009**") as announced on 26 May 2009, the pro-forma financial effects of (1) the Proposed Acquisition on the net tangible assets ("**NTA**") per Share and the earnings per Share ("**EPS**"), and (2) the issue of the Convertible Bonds on the share capital, NTA per Share, the EPS and the net gearing of the Group, are as follows:

(1) Pro Forma Financial Effects of the Proposed Acquisition:

(a) NTA

	The Group S\$'000	The Company S\$'000
NTA as reported before the	83,814	52,467

	Proposed Acquisition		
	NTA per Share (S\$)		
	Before the Proposed Acquisition	0.21	0.13
	After the Proposed Acquisition	0.21	0.13
(b)	<u>EPS</u>		
		The Group	The Company
		S\$'000	S\$'000
	Earnings as reported before the Proposed Acquisition	3,663	1,202
	EPS (S\$)		
	Before the Proposed Acquisition	0.0092	0.0030
	After the Proposed Acquisition	0.0092	0.0030
(2)	Pro Forma Financial Effects of the Issuance of the Convertible Bonds:		
(a)	<u>Share Capital</u>		
		The Group	The Company
	Number of Shares	'000	'000
	Before the issue of the Convertible Bonds	397,596	397,596
	After the issue of the Convertible Bonds but before any conversion	397,596	397,596
	Assuming full conversion of the Convertible Bonds	426,971	426,971
(b)	<u>NTA</u>		
		The Group	The Company
		S\$'000	S\$'000
	NTA as reported	83,814	52,467
	Capital reserve arising from issue of the Convertible Bonds	4,700	4,700
	Estimated issue expenses	50	50
	Adjusted NTA after the issue of the Convertible Bonds but before any conversion	88,464	57,117
	NTA per Share (S\$)		
	Before the issue of the Convertible Bonds	0.21	0.13
	After the issue of the Convertible Bonds but before any conversion	0.22	0.14
	Assuming full conversion of the Convertible Bonds, the effects on the NTA and NTA per Share would be as follows:		
		The Group	The Company
		S\$'000	S\$'000
	Adjusted NTA	88,464	57,117
	Adjusted NTA per Share (S\$)	0.21	0.13

(c) Earnings

The interest expense in respect of the Convertible Bonds prior to any conversion will be at the aggregate of 3% interest payable each year and the amortisation of the fair value of the conversion rights recorded on the date of issue. However, it is not possible to quantify the effects of the issue of the Convertible Bonds on the earnings of the Group until the proceeds from the issue of the Convertible Bonds have been deployed.

(d) Net Gearing

	The Group S\$'000	The Company S\$'000
Net borrowings, as reported	3,739	NA. Company level is in net cash position
Decrease in net borrowings resulting from recording the fair value of the conversion rights upon the issue of the Convertible Bonds	-	NA
Estimated issue expenses	-	NA
Adjusted net borrowings after the issue of the Convertible Bonds but before any conversion	3,739	NA
Total Equity, as reported	86,108	52,667
Capital reserve arising from the issue of the Convertible Bonds	4,700	4,700
Estimated issue expenses	50	50
Adjusted Total Equity after the issue of the Convertible Bonds	90,758	57,317
Net gearing (number of times)		
As reported	0.04	NA
After the issue of the Convertible Bonds	0.04	NA

Assuming the full conversion of the Convertible Bonds, the effects on the net gearing of the Group would be as follows:

	The Group S\$'000	The Company S\$'000
Adjusted net borrowings assuming full conversion of the Convertible Bonds	3,739	NA
Adjusted Total Equity assuming full conversion of the Convertible Bonds	90,758	57,317
Net gearing (number of times)	0.04	NA

6. **RELATIVE FIGURES IN RULE 1006 OF THE LISTING MANUAL**

- 6.1 The relative figures for the Proposed Acquisition pursuant to Rule 1006 of the listing manual of the SGX-ST ("Listing Manual") are as follows:

<u>Listing Rule</u>	<u>Bases</u>	<u>Relative Figures (%)</u>
(a) 1006(a) :	The net asset value of the Sale Group compared with the net asset value of the Group.	Not applicable to an acquisition of assets.
(b) 1006(b) :	The net profits of the Target Company attributable to the Proposed Acquisition compared with the net profits of the Group.	Not meaningful. ⁽¹⁾
(c) 1006(c) :	The aggregate value of the consideration to be given by the Company in respect of the Proposed Acquisition compared with the market capitalisation ⁽²⁾ of the Company.	10.21%
(d) 1006(d) :	The number of equity securities issued by the Group as consideration for an acquisition, compared with the number of equity securities previously in issue.	7.39%

Notes:

- (1) There are no net profits attributable to the Target Company as it has not commenced operations as at the date of this announcement.
- (2) The market capitalisation of the Company is approximately S\$46,041,617 based on the volume weighted average price of the Shares transacted on 10 June 2009, being the last market day preceding the date of the Sale and Purchase Agreement of S\$0.1158.

- 6.2 The relative figure under Rules 1006(c) and (d) of the Listing Manual exceeds 5% but does not exceeds 20%. Accordingly, the Proposed Acquisition constitutes a discloseable transaction under Rule 1006 of the Listing Manual.

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, save in respect of their shareholdings (if any) in the Company.

8. SERVICE CONTRACTS OF DIRECTORS

There are no directors who are proposed to be appointed to the Company in connection with the Proposed Acquisition.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Sale and Purchase Agreement and the Subscription Agreement may be inspected at the registered office of the Company at 8 Cross Street #11-00 PWC

Building Singapore 048424 during normal business hours for a period of three (3) months from the date of this announcement.

By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary
Singapore, 11 June 2009

APPENDIX I

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms and conditions of the Convertible Bonds are summarised as follows:		
Issue Size	:	S\$4.7 million in principal amount of Convertible Bonds.
Issue Price	:	100% of the principal amount of the Convertible Bonds.
Interest	:	The Convertible Bonds will bear interest at the rate of 3.0% per annum.
Fixed Conversion Price	:	S\$0.16 for each New Share.
Conversion Premium	:	38.17% over the volume weighted average prices of the Shares traded on the SGX-ST for 10 June 2009.
Conversion Period	:	Convertible at the option of the holder, at any time from the respective dates of each tranche of the Convertible Bonds to the Maturity Date.
Maturity Date	:	The date falling two (2) years from the date of issue of the first tranche of the Convertible Bonds.
Status of the New Shares	:	The new Shares when issued and delivered will rank <i>pari passu</i> and carry the same rights and privileges in all respects as all other Shares then outstanding, and shall be entitled to all dividends, rights, allotments or other distributions declared or made, the books closure date of entitlement of which is on or after the registration date.
Mandatory Conversion	:	Any Convertible Bonds which have not been converted to the Shares of the Company by the Maturity Date shall be mandatorily converted to Shares by the Company in accordance with the Conditions.
Redemption	:	No principal amount of the Convertible Bonds shall be repayable in any manner whatsoever except upon an event of default.
Governing Law	:	Singapore law.