

**POSSIBLE ACQUISITION OF 50% OF THE EQUITY INTEREST IN  
ATON ENVIRONMENTAL (SHENYANG) CO., LTD**

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**1. THE POSSIBLE ACQUISITION AND THE LOAN**

The board of directors ("**Board**") of United Envirotech Ltd. (the "**Company**") refers to (a) the announcement made by the Company on 11 June 2009 in relation to the sale and purchase agreement entered into between the Company and Tongji Environment (Asia) Pte. Ltd. ("**Tongji**" or the "**Borrower**") for the entire equity interest in its wholly-owned subsidiary in the People's Republic of China ("**PRC**"), and (b) the subsequent announcement made by the Company on 27 January 2010 in relation to the same.

Subsequent to the lapsing of the sale and purchase agreement dated 11 June 2009 entered into between the Company and Tongji, the Company had continued to pursue the possibility of acquiring equity interest in Tongji's wholly-owned subsidiary in the PRC, Aton Environmental (Shenyang) Co., Ltd (the "**Target Company**"). At the request of Tongji, the Company had up to 16 April 2010 advanced an aggregate of the Singapore Dollars equivalent to RMB30 million (at an agreed exchange rate of S\$1 to RMB4.829) to Tongji as refundable earnest money for the acquisition of the Target Company.

The Board wishes to announce that following subsequent discussions between the Company and Tongji, the Company and Tongji had agreed to (a) grant the Company a call option (the "**Call Option**") over 50% of the equity interest in the Target Company (the "**Call Option Interest**"), and (b) to convert the refundable earnest money advanced by the Company to a loan to the Borrower for the principal amount of RMB30 million or its Singapore Dollars equivalent (based on an agreed exchange rate of S\$1 to RMB4.829)(the "**Loan**").

Accordingly, the Company and the Borrower had on 16 August 2010 entered into a loan agreement (the "**Agreement**") to document the terms and conditions relating to the above.

**2. PRINCIPAL TERMS OF THE AGREEMENT**

**A. Call Option**

2.1 The Call Option is exercisable within three (3) months after the Loan is repayable under the Agreement or upon the occurrence of any event of default as prescribed in the Agreement. Upon the exercise of the Call Option, the Company may acquire the Call Option Interest at the consideration of RMB34.5 million.

2.2 In the event it exercises the Call Option, the Company may set-off the outstanding amount of the Loan as partial payment of the consideration payable. The Company

expects to fund the remaining consideration payable through internal funds and/or external borrowings.

B. Term of Loan

2.3 The Loan will be made available by the Company to the Borrower for a term of 12 months from 16 April 2010 (being the date on which the full amount of the Loan (then, as a refundable earnest money) was advanced to the Borrower) or for such period(s) as may be mutually agreed. The Loan shall be repayable on:

- (a) the later of the date falling three (3) months after the expiration of the term of 12 months from 16 April 2010 or on such other extended date as may be mutually agreed between the Company and the Borrower; or
- (b) in the event of a sale of equity interest in, or all or part of the assets of, the Target Company, the date of completion of such sale.

2.4 The Loan would also be repayable in the event that certain events of default occur.

C. Interest Payable by the Borrower

2.5 The interest payable (the "**Agreed Rate**") on the principal amount of the Loan shall be the aggregate of:

- (a) (RMB3 million/365) X the actual number of days elapsed since 16 April 2010 up to the actual date of payment (after, as well as before, judgment); and
- (b) such amount calculated at the rate of three per cent. (3%) per annum on the basis of a 365-day year and on the basis of the actual number of days elapsed since 16 April 2010 and accrued from day to day, up to the actual date of payment (after, as well as before, judgment).

D. Prepayment

2.6 The Borrower may at any time prepay the Loan (in full or any part thereof). The Borrower shall, in addition to the prepayment amount which shall go towards reducing the principal amount of the Loan, pay in full the amount of interest accrued on the amount prepaid at the Agreed Rate on such prepayment date.

E. Security

2.7 As security for the Loan, the Borrower has contemporaneously entered into an equity charge agreement with the Company pursuant to which the Borrower has agreed to grant to the Company an equitable charge over the entire equity interest in the Target Company.

F. Other Terms

2.8 Pursuant to the terms of the Agreement, the Borrower will also waive and/or forego any and all claims which it has and/or may have against the Company up to the date of the Agreement, under and/or arising out of the sale and purchase agreement and/or the

subscription agreement entered into between the Company and the Borrower on 11 June 2009 and/or under common law, including all claims under the arbitration proceedings commenced by the Borrower. In addition, the Borrower will discontinue the existing arbitration proceedings. Further details on the sale and purchase agreement and the subscription agreement can be found in the announcement by the Company released on 11 June 2009.

- 2.9 The terms of the Agreement were agreed upon between the Company and the Borrower on a willing-buyer and willing-seller basis.

### 3. FINANCIAL INFORMATION REGARDING THE TARGET COMPANY

Based on the unaudited management accounts as at 31 December 2009 provided by the Borrower, the Target Company had a net tangible asset value of RMB22.3 million and net profits of RMB1.3 million for the period from 1 January 2009 to 31 December 2009.

### 4. RATIONALE FOR THE AGREEMENT

- 4.1 The structure of the Agreement through the conversion of the refundable earnest money to a loan enables the Company to earn relatively high returns on the Loan to the Borrower. The grant of the Call Option in favour of the Company will allow the Company more time to assess the Target Company and the general commercial and economic climate in the interim period before deciding whether it wishes to proceed with the possible acquisition of the Target Company (the "**Possible Acquisition**"). In the interim period and if the Company decides not proceed with the Possible Acquisition by exercising the Call Option, the Company is entitled to receive interest payments on the principal amount of the Loan from the Borrower at the Agreed Rate.

- 4.2 On the other hand, if the Board is of the view that the exercise of the Call Option would be in the best interests of the Company, the subsequent completion of the sale and purchase of the Call Option Interest 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. 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.

### 5. RELATIVE FIGURES IN RULE 1006 OF THE LISTING MANUAL

- 5.1 The relative figures for the Possible 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 asset to be disposed of, 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	1.83%

Company compared to the net profits of the Group.

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| (c) | 1006(c) : | The aggregate value of the consideration to be given by the Company in respect of the Possible Acquisition compared with the market capitalisation <sup>(2)</sup> of the Company. | 3.75%  |
| (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.                       | Not applicable as no equity securities to be issued as consideration for the Possible Acquisition. |

Notes:

- (1) The net profits attributable to the Target Company is RMB1.3 million (approximately S\$269,000) for the period from 1 January 2009 to 31 December 2009 based on the unaudited management accounts as at 31 December 2009 provided by the Borrower.
- (2) The market capitalisation of the Company is approximately S\$165,673,846 based on the volume weighted average price of the Company's shares transacted on 18 August 2010, being the last market day preceding the date of the Agreement of S\$0.3786.

5.2 The relative figures under Rules 1006(b) and 1006(c) of the Listing Manual do not exceed 5%. Accordingly, the Proposed Acquisition does not constitute a discloseable transaction under Rule 1006 of the Listing Manual.

## 6. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save in respect of their shareholdings (if any) in the Company, as at the date of this announcement, none of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the Possible Acquisition or the Loan.

## 7. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the 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, 18 August 2010