

UNITED ENVIROTECH LTD.
(Incorporated in the Republic of Singapore)
(Unique Entity Number: 200306466G)

ANNOUNCEMENT

**PROPOSED SUBSCRIPTION BY
KKR CHINA WATER INVESTMENT HOLDINGS LIMITED
OF US\$113.8 MILLION CONVERTIBLE BONDS WITH A CONVERSION PRICE OF S\$0.450**

1. INTRODUCTION

United Envirotech Ltd. (the "**Company**") wishes to announce that it has on July 30, 2011 entered into a purchase agreement (the "**Purchase Agreement**") with KKR China Water Investment Holdings Limited (the "**Investor**") for a proposed issue (the "**Issue**") of US\$113.8 million in aggregate principal amount of convertible bonds due 2016 (the "**Convertible Bonds**").

The Convertible Bonds are convertible, in accordance with their terms and conditions (the "**Conditions**"), into fully paid-up new ordinary shares in the capital of the Company (the "**Conversion Shares**") at a conversion price of S\$0.450 per Conversion Share (the "**Conversion Price**"). The Conversion Price represents a premium of approximately 37.3 per cent. to S\$0.328, being the average closing price for trades done on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the 30 trading days immediately prior to July 30, 2011.

Stirling Coleman Capital Limited is the Arranger to the above transaction.

2. PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms and conditions of the Convertible Bonds are summarised as follows:

Issue Size	:	US\$113.8 million in aggregate principal amount of Convertible Bonds
Issue Price	:	100 per cent. in aggregate principal amount of the Convertible Bonds
Conversion Price	:	S\$0.450
Interest	:	The Convertible Bonds will bear interest at the rate of 2.5 per cent. per annum, payable annually in arrear.
Maturity Date	:	Five (5) years from the date of issue of the Convertible Bonds (the " Issue Date ").
Conversion Period	:	Convertible at the option of the Bondholder at any time on and after the Issue Date up to the close of business on that date that is five business days (as defined in the Conditions) prior to the Maturity Date of the Convertible Bonds, unless

		previously redeemed and cancelled.
Final Redemption	:	Unless previously redeemed or converted and cancelled, the Convertible Bonds will be redeemed on the Maturity Date at 100 per cent. of their principal amount plus unpaid accrued interest.
Transferability	:	Freely transferable.
Form and Denomination	:	The Convertible Bonds will be issued in registered form in the denomination of US\$100,000 or higher integral multiples thereof, without coupons attached.
Conversion Price Adjustments	:	The Conversion Price shall be subject to adjustments in certain circumstances, including but not limited to stock splits, rights issues, cash or shares dividend distributions, bonus issues or the occurrence of certain other dilutive events.
Status of the Convertible Bonds	:	The Convertible Bonds constitute direct, unsubordinated, unsecured and unconditional obligations of the Company and shall at all times rank <i>pari passu</i> and without preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable laws and subject to Condition 4 (<i>Negative Pledge</i>), at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.
Status of Conversion Shares	:	The Conversion Shares when issued upon conversion of the Convertible Bonds will be fully paid and in all respects rank <i>pari passu</i> with the shares of the Company (the " Shares ") in issue on the relevant Registration Date (as defined in the Conditions). Save as set out in the Conditions, a holder of the Conversion Shares shall not be entitled to any rights, the record date for which precedes the relevant Registration Date.
Redemption for Delisting or Change of Control or Merger	:	<p>Following the occurrence of a Relevant Event (as defined below), each Bondholder has the right to require the Company to redeem all or some only of its Convertible Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at a redemption price equal to 100 per cent. of their principal amount, together with unpaid interest accrued to but excluding the redemption date.</p> <p>A "Relevant Event" occurs:</p> <p>(a) when the Shares cease to be listed or admitted to trading on the SGX-ST or (as relevant) any Alternative Stock Exchange (as defined in the</p>

	<p>Conditions);</p> <p>(b) when there is a Change of Control; or</p> <p>(c) when there is a Merger (as defined in the Conditions)</p> <p>"Change of Control" occurs when:</p> <p>(a) any Person (as defined in the Conditions) or Persons acting together acquires Control of the Company if such Person or Persons does not or do not have, and would not be deemed to have Control of the Company on the Issue Date;</p> <p>(b) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control of the Company or the successor entity; or</p> <p>(c) one or more Persons (other than any Person referred to in sub-paragraph (a) above) acquires the legal or beneficial ownership of all or substantially all of the Company's issued share capital.</p> <p>"Control" means (a) beneficial ownership of, or possession of, voting power in respect of more than 35 per cent. of the voting shares of the Company or (b) possession of the right, or voting power sufficient, to appoint, elect and/or remove all or the majority of the members of the Company's board of directors (the "Board") or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.</p>
Redemption for Change of Chairman and Chief Executive Officer	: Each Bondholder has the right to require the Company to redeem its Convertible Bonds at a redemption price equal to the outstanding principal amount of the Convertible Bonds plus unpaid interest accrued to but excluding the date of the redemption if the Chairman or Chief Executive Officer of the Company as of the Issue Date ceases to hold that position at any time thereafter, other than as a result of him not being re-elected as a director of the Company by the shareholders.
Default Redemption	: Upon the occurrence of any event of default specified in the Conditions, each Bondholder may declare that any of its Convertible Bonds be immediately due and payable at a price that may generate for such Bondholders a Total Internal Rate of Return (as defined in the Conditions) of 20 per cent.
Cash Dividend	: To the extent that holders of Shares receive dividends in any

		financial year in excess of the interest accruing on the Convertible Bonds during such financial year on a per Share, as if converted basis, the Bondholders will receive a payment equivalent to such excess.
Restrictive Covenants	:	<p>So long as the Convertible Bonds are outstanding that are convertible into at least five per cent. of Shares in issue on a fully diluted basis, the Company shall not, and shall procure that none of its subsidiaries will, without the prior written consent of the holders of at least a majority in principal amount of the outstanding Convertible Bonds (the "Majority Bondholders"), do various things, including but not limited to the following:</p> <p>(a) approve its annual budget or business plan (including its plan with respect to any material credit facility) or capital expenditure plan, or any modification thereof; and</p> <p>(b) to the extent not covered in the restrictive covenants, take any action with respect to which the listing rules of the SGX-ST (the "Listing Rules") would require to obtain shareholder approval.</p>
Other Covenants to Bondholders	:	<p><u>Board Composition</u></p> <p>The Company shall procure that (a) up to three nominees designated by the Majority Bondholders shall be appointed as non-executive directors of the Company (the "Investor Directors"), (b) an observer appointed by the Majority Bondholders shall be allowed to attend all meetings of the Board and (c) each of the Board's remuneration committee and nomination committee includes at least two of the Investor Directors, provided always that the nominees designated by the Majority Bondholders satisfy the requirements under applicable law, regulations, the Listing Rules and the Code of Corporate Governance in Singapore.</p> <p><u>Pre-emptive Right</u></p> <p>Bondholders are entitled to pro-rata pre-emption rights in respect of new issues and any equity securities of any type of class, provided however that such pre-emption rights shall not apply to (a) any issue of equity securities upon the conversion, exercise or exchange of any equity securities issued to any Bondholder, (b) any issue of Shares pursuant to the terms of any management incentive plans or employee share option schemes, and (c) any issue of equity securities contemplated by any other agreement entered into by the Bondholders and the Company.</p>
Negative Pledge	:	So long as any of the Convertible Bonds remains outstanding

	<p>or any amount is due in respect of any Convertible Bond, the Company will not and will procure that none of its subsidiaries will (directly or indirectly), without the prior written consent of the Majority Bondholders, incur, create, assume or permit to subsist or arise any Lien (as defined in the Conditions) upon or in respect of the whole or any part of its or their respective present or future assets or revenues, unless the outstanding Convertible Bonds are secured by the same Lien or by such other security as the Majority Bondholders may approve, other than a security interest permitted thereunder.</p>
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The Investor has the right to terminate the Purchase Agreement if settlement and payment for the Convertible Bonds fails to take place by November 30, 2011.

3. CONVERSION SHARES

If the Convertible Bonds are converted in full, based on the Conversion Price of S\$0.450 per Conversion Share, the number of Conversion Shares to be allotted and issued by the Company will be 305 million representing approximately 38.4 per cent. of all the Shares on a fully-diluted basis (assuming the outstanding options under the Company's employee share option scheme as at the date of this Announcement are exercised in full and excluding treasury shares).

4. USE OF PROCEEDS

The proceeds from the issue of the Convertible Bonds are intended to be allocated in the following manner:

- (a) at least 90% to fund its Transfer-Operate-Transfer, Build-Operate-Transfer and Build Own and Operate projects; and
- (b) up to 10% for its working capital requirements.

5. REQUIRED APPROVALS

The Issue is conditional upon, inter alia, the approval in-principle of the SGX-ST for the listing of the Conversion Shares and the specific approval from the shareholders of the Company for the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares being obtained at an extraordinary general meeting ("**EGM**") to be convened. The Company will make an application to the SGX-ST for the listing and quotation of the Conversion Shares. An appropriate announcement on the outcome of the application will be made and a circular containing information on the Issue (including the financial effects of the Issue) will be dispatched to shareholders in due course.

6. IRREVOCABLE UNDERTAKINGS BY MANAGEMENT SHAREHOLDERS

Each of Dr Lin Yucheng, Mr Wang Ning, Mr Ngoo Lin Fong, Mr Li Li and Mr Tan Huchuan (collectively, the "**Key Management Executives**"), who comprise the top five senior management

members of the Company, has given various irrevocable undertakings to the Investor (the "**Undertakings**"). The Undertakings include the following:

- (a) to vote all of the Shares held by each of them (if any) in favour of the resolutions to be approved by shareholders at the EGM;
- (b) (where applicable) subject to any fiduciary duties, statutory and/or legal obligations applicable to such Key Management Executives under all applicable laws and regulations, to vote in favour of any Board, Board committee and/or shareholders resolutions to approve the appointment of Investor Directors to the Board and to the remuneration and nomination committees of the Board, in accordance with the Conditions;
- (c) during the period prior to the EGM, not to dispose of any of the Shares held by each of them; and during the period after the date of the EGM up to and including the earlier of (i) the Maturity Date or (ii) the date all the Convertible Bonds held by the Investor are redeemed, converted or sold to a third party (the "**End Date**"), not to dispose of more than 25 per cent. of all the Shares held by the Key Management Executives in the aggregate as at July 30, 2011 and
- (d) to vote all of the Shares held by each of them (if any) against and reject any competing proposal by any third party to acquire any shares, securities or all or a substantial part of the businesses, revenues or undertakings of the Company, its subsidiaries or associated companies, at any time prior to the End Date.

In addition, Dr Lin has further undertaken not to tender his resignation as the Chief Executive Officer of the Company, the Chairman of the Board and/or a Director of the Company at any time prior to the End Date.

As at the date of this Announcement, Dr Lin Yucheng, Mr Wang Ning and Mr Tan Huchuan collectively hold 75,618,200 Shares, representing approximately 15.83 per cent. of all the Shares. As at the date of this Announcement, Mr Ngoo Lin Fong and Mr Li Li do not hold any Shares.

7. THE INVESTOR

Founded in 1976 and led by Henry Kravis and George Roberts, Kohlberg Kravis Roberts & Co., L.P. (together with its affiliates, "**KKR**") is a leading global alternative asset manager with \$61 billion in assets under management as of March 31, 2011. With 14 offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value in its private equity investments by working as a partner with management and bringing global resources and operational expertise to its portfolio companies. KKR Asian Fund L.P. is an investment fund that focuses on industry-leading businesses in Asia. The Investor is an indirect wholly-owned subsidiary of KKR Asian Fund L.P. KKR is publicly traded on the New York Stock Exchange (NYSE: KKR).

As at the date of this Announcement, the Investor does not hold any Shares. The Investor does not have any previous dealings with the Company and neither the Investor nor any of its directors or substantial shareholders is connected with any director of the Company or substantial shareholder of the Company.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the controlling shareholder of the Company has any interest, direct or indirect, in the Issue.

BY ORDER OF THE BOARD

**DR LIN YUCHENG
CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

1 AUGUST 2011