

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

PROPOSED ISSUANCE OF 98,536,000 NEW SHARES IN THE CAPITAL OF THE COMPANY (THE “PROPOSED SUBSCRIPTION”)

1. THE PROPOSED SUBSCRIPTION

1.1 Introduction

The Board of Directors (the “**Board**”) of United Envirotech Ltd. (the “**Company**”) wishes to announce that the Company had on 8 January 2013 entered into a conditional subscription agreement (the “**Subscription Agreement**”) with KKR China Water Investment Holdings Limited (the “**Investor**”), pursuant to which the Company proposed to allot and issue an aggregate number of 98,536,000 new ordinary shares in the Company (the “**Subscription Shares**”), representing 11.04% of the enlarged issued share capital of the Company, for an aggregate consideration of US\$40 million. The details of the allotment to the Investor are as follows:

Investor	Number Subscription Shares	of	% of the enlarged issued share capital of the Company¹	Consideration amount
KKR China Water Investment Holdings Limited	98,536,000		11.04	S\$49,268,000 ²

The Subscription Shares shall be issued free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to the existing issued ordinary shares in the capital of the Company (the “**Shares**”). For the avoidance of doubt, notwithstanding the foregoing, the Subscription Shares shall not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the completion of the Proposed Subscription.

In anticipation of the signing of the Subscription Agreement, the Company requested for a trading halt from the commencement of trading on 8 January 2013. Each Subscription Share will be issued at an issue price of S\$0.50 per Subscription Share (the “**Issue Price**”), which represents a discount of approximately 2.72% to the weighted average trading price of the Shares of S\$0.514 on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 7 January 2013. The Issue Price of S\$0.50 for each Subscription Share (i) is not priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market preceding the day on which the Subscription Agreement is signed, being 7 January 2013, (ii) represents a premium of 8.46% to S\$0.461, being the average closing price for trade done on the SGX-ST for the 30 trading days prior to 8 January 2013, and (iii) was arrived at after negotiations between the Investor and the Company on a willing buyer and willing seller basis.

¹ Assuming (i) full conversion of the US\$113.8 million in aggregate principal amount of the Convertible Bonds as at the date of this announcement, (ii) the outstanding options under the ESOS (as defined in the paragraph 1.2) as at the date of this announcement are exercised in full, and (iii) the share capital of the Company does not increase from the date of this announcement to immediately before the completion of the Proposed Subscription.

² Equivalent to US\$40 million based on an agreed exchange rate of US\$1 : S\$1.2317, being the exchange rate published by Bloomberg on the close of the market day on 7 January 2013.

1.2 Information on the Investor

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading global investment firm with US\$66.3 billion in assets under management as of 30 September 2012. With offices around the world, including seven in Asia, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platform. KKR & Co. L.P. is publicly traded on the New York Stock Exchange (NYSE: KKR), and “**KKR**” as used in this release, includes its subsidiaries, their managed investment funds and accounts, and/or their affiliated investment vehicles, as appropriate.

On 30 July 2011, the Company entered into a purchase agreement (the “**Bond Purchase Agreement**”) with the Investor for an issue of US\$113.8 million in aggregate principal amount of convertible bond due 2016 (the “**Convertible Bonds**”), which was successfully closed on 4 October 2011. 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**”) Upon full conversion of the US\$113.8 million in aggregate principal amount of the Convertible Bonds, a maximum number of 305,000,007 Conversion Shares will be allotted and issued (based on a fixed exchange rate of US\$1.00 = S\$1.2060633, the initial conversion price of S\$0.45 and assuming no further adjustments to the initial conversion price), representing approximately 38.40% of all the Shares on a fully-diluted basis (assuming the outstanding options under the Company’s employee share option scheme (“**ESOS**”) as at the date of this announcement are exercised in full³).

Accordingly, while the Investor is not currently a substantial shareholder of the Company (such that Rule 812(1) of the SGX-ST Listing Manual (the “**Listing Manual**”), which requires specific shareholder approval for the placement of shares to a substantial shareholder, does not strictly apply to the Proposed Subscription), the Company is seeking specific shareholder approval as if the Investor were in fact a substantial shareholder, on the basis that the Investor may, upon exercise of all or part of the Convertible Bonds, become a substantial shareholder of the Company before completion of the Proposed Subscription.

Upon completion of the Proposed Subscription, the Investor has a direct interest in approximately 45.19% of all the Shares on a fully-diluted basis (assuming (i) full conversion of the US\$113.8 million in aggregate principal amount of the Convertible Bonds as at the Closing Date (as defined under paragraph 1.6 (c), and (ii) the outstanding options under the ESOS as at the Closing Date are exercised in full).

1.3 Rationale for the Proposed Subscription

The Company is making good progress in the water treatment business, which is capital intensive and requires additional capital to fund the capital expenditures. In addition, there are opportunities to upgrade existing water treatment plants which could potentially lead to higher tariff and return profile for these plants.

In view of the above, the Company is undertaking the Proposed Subscription for acquisition or construction of water and waste water treatment plants, upgrading existing water and waste water treatment plants, and general working capital.

The Company proposes to proceed with the Proposed Subscription given KKR is an existing investor and a value-added partner of the Company.

1.4 Net Proceeds and Use of Proceeds of the Proposed Subscription

³ As at the date of this announcement, the total number of Shares that may be issued on conversion of all the outstanding options under the ESOS is 11,750,000.

Based on the Issue Price, the net proceeds to the Company in respect of the Subscription Shares is approximately S\$49,248,000 (the “**Net Proceeds**”) after deducting all costs and expenses payable in relation to the Proposed Subscription amounting to approximately S\$20,000.

The Net Proceeds intended to be utilised as follows:

- (i) approximately 90% of the Net Proceeds for acquisition or construction of, or upgrading the existing, water and waste water treatment plants; and
- (ii) approximately 10% of the Net Proceeds for general working capital purpose.

The actual apportionment of the Net Proceeds for the aforementioned purposes will be subject to the relative timing of various requirements for funds, and the Company’s overall objective of achieving an optimal cost of capital to fund its growth initiatives. Prior to deployment, the net proceeds from the Proposed Subscription may be deposited with financial institutions, invested in short-term money market instruments or used for any other purposes on a short-term basis, as the Directors may deem fit.

The Company will make periodic announcements on the utilisation of proceeds from the Proposed Subscription as and when such proceeds are materially disbursed, and provide a status report on the use of the proceeds raised from the Proposed Subscription in the Company’s annual report.

1.5 Required Approvals

The issue is conditional upon, *inter alia*, the approval in-principal of the SGX-ST for the listing of the Subscription Shares and the specific approval from the shareholders of the Company (the “**Shareholders**”) for the allotment and issue of the Subscription 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 Subscription Shares. An appropriate announcement on the outcome of the application will be made and a circular containing information on the Proposed Subscription (including the financial effects of the Proposed Subscription) will be dispatched to shareholders in due course.

1.6 Other Material Conditions for the Proposed Subscription

The agreement to subscription of the Subscription Shares by the Investor is conditional upon, *inter alia*, the following, any one of which may be waived in writing by the Investor:

- (a) approval in-principle being obtained from the SGX-ST for the listing and quotation of the Subscription Shares on the Official List of the SGX-ST in accordance with the terms of the Subscription Agreement and not having been revoked or amended and, and if such approval is subject to conditions, (i) such conditions being reasonably acceptable to Investor and, if any such condition shall be required to be fulfilled on or before the completion of the Proposed Subscription (the “**Completion**”), the fulfilment of such condition on or before Completion and (ii) such conditions being satisfied or waived by the SGX-ST on or before the Completion, and the SGX-ST not having made any ruling the effect of which is to restrict or impede the listing of and quotation for the Subscription Shares;
- (b) legal opinions satisfactory to the Investor being obtained and delivered to the Investor;
- (c) the representations, warranties and undertakings of the Company under the Subscription Agreement being true, accurate and correct in all respects as if made at 5:00 p.m. on the third (3rd) business days after all conditions precedent in the Subscription Agreement (other than those conditions precedent that by their terms cannot be fulfilled until completion of the subscription and purchase of the Subscription Shares) are satisfied or waived in writing or such other date as shall be agreed between the Company and the Investor (the “**Closing Date**”);

- (d) the Company having duly performed and complied with all of its agreements and obligations thereunder expressly to be performed and complied with on or before the Closing Date and having delivered to the Investor a certificate (substantially in the form set out in the Subscription Agreement), dated the Closing Date, signed by a duly authorised officer of the Company;
- (e) The Company having duly attended to and carried out all corporate procedures that are required under the laws of Singapore for the execution of the Subscription Agreement, issuance of the Subscription Shares pursuant to the Subscription Agreement and all transactions contemplated under the Subscription Agreement;
- (f) the Company having duly convened a general meeting to seek shareholders' approval for the issuance of the relevant Subscription Shares to the Investor, and such approval being obtained;
- (g) all consents and approvals of, notices to and filings or registrations with any governmental authority or any other person required pursuant to any applicable law of any governmental authority (including but not limited to, the SGX-ST, the Monetary Authority of Singapore, the Securities Industry Counsel and the Accounting and Corporate Regulatory Authority of Singapore, if required), or pursuant to any contract binding on the Company, or whereby their respective assets are subject or bound, to consummate the transactions contemplated under the Subscription Agreement, having been obtained or made and copies thereof having been provided to the Investor;
- (h) there being no governmental authority or other person that has:
 - (i) instituted or threatened any legal, arbitral or administrative proceedings or inquiry against the Company or any of the Company or its subsidiaries (collectively the "**Group**", and each of "**Group Company**") to restrain, prohibit or otherwise challenge the transaction contemplated hereby or under any Transaction Document or any other matter or requested any information in connection with the possible institution of any such proceedings or inquiry; or
 - (ii) proposed or enacted any statute or regulation which would prohibit, materially restrict, impact or delay implementation of the transactions contemplated under any Transaction Document or the operation of any Group Company or the operation of any Group Company after the Closing Date as contemplated in the Subscription Agreement.
- (i) the Subscription Agreement shall have been duly executed by each party thereto other than the Investor and delivered to the Investor;
- (j) there being no circumstance or event occurring that may have a material adverse effect on the future, businesses, operations, prospects or condition (financial or otherwise) of the Company;
- (k) the Company having delivered to the Investor satisfactory evidence that the Company is validly existing and in good standing;
- (l) no stop order or suspension of trading shall have been imposed by any governmental authority with respect to the public trading in the Shares;
- (m) the Company having complied with all of its obligations under the transaction documents as defined under the Bond Purchase Agreement to be performed on or before the Closing Date;

- (n) on or prior to the Closing Date, each of Dr. Lin Yucheng and Mr. Wang Ning shall have executed an irrevocable undertaking in the form attached to the Subscription Agreement and shall have complied with each of their obligations thereunder; and
- (o) each of the senior management (as defined under the Bond Purchase Agreement) having complied with all of his or her obligations under the irrevocable undertaking given pursuant to the Bond Purchase Agreement, to be performed on or before the Closing Date.

1.7 Irrevocable Undertakings by Management Shareholders

Each of Dr. Lin Yucheng and Mr. Wang Ning (collectively, the “**Key Management Executives**”), who comprise the top two senior management members of the Company, has given irrevocable undertakings to the Investor (the “**Undertakings**”). The Undertakings require the Key Management Executive to, *inter alia*, 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.

As at the date of this announcement, Dr. Lin Yucheng and Mr. Wang Ning collectively hold 75,068,200 Shares, representing approximately 15.72% of all the Shares.

2. Circular to Shareholders

A circular containing, *inter alia*, information pertaining to the issuance of the relevant Subscription Shares to the Investor and the notice of the extraordinary general meeting to be convened for the purpose of approving the same will be dispatched to the shareholders of the Company in due course. The Company will make further announcements in relation to the above matters as and when appropriate.

3. Interests of Directors and Substantial Shareholders

Mr. David Haifeng Liu, Mr. Zhao Fu and Dr. Li Yan, being the non-executive directors of the Company as at the date of this announcement, are employees of, and have been nominated to the Board by, KKR. Accordingly, each of Mr. David Haifeng Liu, Mr. Zhao Fu and Dr. Li Yan have abstained from voting on the board resolutions, and will abstain from making a recommendation to the Shareholders, in respect of the Proposed Subscription.

Save as disclosed in this announcement, as at the date hereof, none of the Directors or substantial shareholders of the Company, and their respective associates, has any interest, direct or indirect, in the Proposed Subscription.

BY ORDER OF THE BOARD

Dr. Lin Yucheng
Chairman and Chief Executive Officer
8 January 2013