

DAYEN ENVIRONMENTAL LIMITED

(Company Registration Number: 198602051G)
6 Woodlands Industrial Park E1
Singapore 757729

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE OF UP TO 205,342,670 WARRANTS AT AN ISSUE PRICE OF S\$0.01 FOR EACH WARRANT, EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE ("NEW SHARE") IN THE CAPITAL OF DAYEN ENVIRONMENTAL LIMITED (THE "COMPANY") AT AN EXERCISE PRICE OF S\$0.12 FOR EACH NEW SHARE, ON THE BASIS OF ONE (1) WARRANT FOR EVERY ONE (1) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE (AS DEFINED BELOW) TO BE DETERMINED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. Introduction

The board of directors (the "**Directors**") of the Company wishes to announce that the Company is proposing a renounceable non-underwritten rights issue (the "**Warrants Issue**") of up to 205,342,670 warrants ("**Warrants**") at an issue price of S\$0.01 ("Issue Price") for each Warrant, each Warrant will carry the right to subscribe for one (1) new ordinary share in the capital of the Company ("**New Share**") at an exercise price of S\$0.12 ("Exercise Price") for each New Share, on the basis of one (1) Warrant for every one (1) existing ordinary shares in the capital of the Company ("**Shares**") held by Entitled Shareholders (as defined below) as at a books closure date to be determined by the Directors (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The Company has appointed Genesis Capital Pte. Ltd. as the manager of the Warrants Issue (the "**Manager**").

2. Principal Terms of the Proposed Warrants Issue

The Company is proposing to offer the Warrants Issue at an issue price of S\$0.01 for each Warrant to shareholders of the Company ("**Shareholders**") whose registered addresses with The Central Depository (Pte) Limited ("**CDP**") are in Singapore as at the Books Closure Date, or who have, at least five (5) market days prior to the Books Closure Date, provided to CDP addresses in Singapore for the service of notices and documents (the "**Entitled Shareholders**"). The Warrants Issue will be made on the basis of one (1) Warrant for every one (1) Share held by the Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Warrants will not be offered to Foreign Shareholders (as defined below). The Offer Information Statement to be issued by the Company in connection with the Warrants Issue and its accompanying documents have not been and will not be despatched to Shareholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least five (5) market days prior to the Books Closure Date, provided to CDP, addresses in Singapore for the service of notices and documents ("**Foreign Shareholders**"). If it is practicable to do so, arrangements may, at the discretion of the Company, be made for the provisional allotment of the Warrants which would otherwise have been provisionally allotted to Foreign Shareholders to be sold "nil-paid" on Catalist as soon as practicable and the net proceeds arising therefrom will be pooled and distributed to Foreign Shareholders provided that the net proceeds to be distributed to any single Foreign Shareholder is at least S\$10.00. Fractional entitlements to the Warrants (if any) will be disregarded in arriving at Shareholders' allotments and will, together with the provisional allotments which are not taken up or allotted for any reason, be aggregated and used to satisfy excess applications for Warrants (if any) or otherwise disposed of or dealt with in such manner as the Directors may in their absolute discretion deem fit for the benefit of the Company.

The Warrants will be issued in registered form and will be listed and traded separately on a book-entry (scripless) settlement basis on Catalist upon the listing and quotation of the Warrants on Catalist, subject to, *inter alia*, there being an adequate spread of holdings of the Warrants to provide for an orderly market in the Warrants. Each Warrant will, subject to the terms and conditions to be set out in an instrument constituting the Warrants (the "Deed Poll"), carry the right to subscribe for one (1) New Share at the exercise price of S\$0.12 (the "**Exercise Price**"), at any time during the period commencing on and including the date of the issue of the Warrants and expiring at 5.00 p.m. on the date falling five (5) years from the date of issue of the Warrants (the "**Expiration Date**"), unless such date is a date on which the Register of Shareholders of the Company is closed or is not a day on which Catalist is open for securities trading ("**Market Day**"), in which event the exercise period shall end on the date prior to the closure of the Register of Shareholders of the Company or the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Register of Warrantholders may be closed pursuant to the terms and conditions of the Warrants as set out in the Deed Poll. The Warrants which have not been exercised after the Expiration Date shall lapse and cease to be valid for any purpose.

The Exercise Price and the number of Warrants to be held by each holder of Warrants will be subject to adjustments under certain circumstances to be provided for in the Deed Poll. The New Shares, to be allotted and issued upon the exercise of the Warrants, shall be fully paid and shall rank for any dividends, rights, allotments or other distributions, the record date for which is on or after the relevant date of exercise of the Warrant and shall rank *pari passu* in all respects with the then existing Shares, save as may be otherwise provided for in the Deed Poll.

Size of the Warrants Issue

Based on the existing issued share capital of the Company of 204,672,460 Shares as at the date of this announcement, a minimum of 204,672,460 Warrants will be issued pursuant to the Warrants Issue, assuming that the Warrants Issue is fully subscribed.

The Company also has, as at the date of this announcement, 670,210 outstanding warrants issued pursuant to a rights issue undertaken on 5 July 2006 ("**Warrants 2006**"), each Warrant 2006 entitling the warrant holder thereof to subscribe for one (1) Share in the Company at an exercise price of S\$0.18 per Share (before adjustment for the Warrants Issue, if any), exercisable on or before 3 July 2009.

Assuming that all the Warrants 2006 are exercised before the Books Closure Date, the issued share capital of the Company as at the Books Closure Date would comprise 205,342,670 Shares. On this basis, a maximum of 205,342,670 Warrants will be issued pursuant to the Warrants Issue, assuming that the Warrants Issue is fully subscribed.

Appropriate adjustments, if any, will be made to the terms of the Warrants 2006 in connection with the Warrants Issue.

The Exercise Price of S\$0.12 for each Warrant represents a discount of approximately 7.69% to the last transacted price of S\$0.13 per Share on the SGX-ST on 12 September 2008 (being the market day immediately preceding this announcement). The terms and conditions of the Warrants Issue are subject to such changes as the Directors, after consultation with the Manager, may deem fit. The final terms and conditions of the Warrants Issue will be contained in the Offer Information Statement.

3. Purpose of the Warrants Issue and Use of Proceeds

Based on the issue price of S\$0.01 for the Warrants and on the assumption that the Warrants Issue is fully subscribed, the estimated amount of the proceeds from the Warrants Issue after deducting the estimated amount of expenses incurred in connection with the Warrants Issue, is expected to be approximately S\$1.84 million ("the "Net Proceeds").

The Company intends to utilise the Net Proceeds from the Warrants Issue for the following purposes of the Company and its subsidiaries (the “Group”):

- (a) for the Group’s general working capital purposes; and/or
- (b) such other purpose(s) as the Directors deem fit.

As and when any significant amount of the Net Proceeds is deployed, the Company will make the necessary announcements and provide a status report on the use of such Net Proceeds in its annual report. Pending the deployment of the Net Proceeds for the use identified above, the Net Proceeds may be placed as deposits with financial institutions as the Directors may deem fit.

4. Irrevocable Undertaking and Underwriting

The Company intends to procure Mr Lee Thian Guan John, who directly holds 23,100,000 Shares representing 11.29% of the existing issued share capital of the Company as at the date of this announcement, to give an irrevocable undertaking that he will, *inter alia*:

- (a) purchase or cause to be purchased all the Warrants representing his Warrant allotment under the Warrants Issue, based on his shareholding as at the Books Closure Date; and
- (b) prior to the Books Closure Date, not without the prior written consent of the Company and the Manager, sell, transfer or otherwise dispose of all or any of his interest in the Shares he currently owns.

The Company intends to proceed with the Warrants Issue on a non-underwritten basis.

5. Approvals

The Warrants Issue is subject to, *inter alia*, receipt of in-principle approval from the SGX-ST for the listing of and quotation for the Warrants and the New Shares on Catalist, approval of the Warrants Issue by Shareholders to be obtained at an extraordinary general meeting to be convened and lodgment of the Offer Information Statement with the Monetary Authority of Singapore. An application will be made to the SGX-ST for the listing of and quotation for the Warrants and the New Shares on Catalist. In addition, in relation to the Warrants Issue, the Company will be seeking a waiver of Rule 825 of the SGX-ST Listing Manual, which states among others that the number of new Shares arising from the exercise of outstanding warrants or other convertible securities must in aggregate not exceed 50% of the issue share capital. Appropriate announcements in relation to the application, among others, will be made in due course.

By Order of the Board
Dayen Environmental Limited

Lee Thian Guan John
Executive Chairman
Singapore, 12 September 2008