



ASIA WATER TECHNOLOGY LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 200210042R)

Unaudited Financial Statements and Dividend Announcement for the Second Quarter and Half Year Ended 30 June 2010

13 August 2010

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Second Quarter and Half Year Financial Statements And Dividend Announcement

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED RESULTS FOR THE SECOND QUARTER ("2QFY2010") AND HALF YEAR ENDED 30 JUNE 2010 ("1HFY2010")

	Note	3 Months Ended		Changes %	6 Months Ended		Changes %
		30.06.10	30.06.09		30.06.10	30.06.09	
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue		66,913	72,547	(7.8)%	124,966	135,469	(7.8)%
Cost of sales		(44,803)	(61,883)	(27.6)%	(97,344)	(106,630)	(8.7)%
Gross profit		22,110	10,664	107.3%	27,622	28,839	(4.2)%
Other operating income	(i)	3,565	1,895	88.1%	3,978	2,442	62.9%
Selling and distribution expenses		(2,806)	(2,666)	5.3%	(5,159)	(5,008)	3.0%
Administrative expenses		(9,427)	(14,291)	(34.0)%	(20,671)	(34,391)	(39.9)%
Profit/(loss) from operations		13,442	(4,398)	n.m	5,770	(8,118)	n.m
Financial income	(ii)	9,212	4,821	91.1%	18,852	10,014	88.3%
Financial expenses	(iii)	(10,755)	(19,613)	(45.2)%	(19,961)	(38,359)	(47.9)%
Other expenses	(iv)	(6,011)	-	n.m	(33,395)	-	n.m
Other income	(iv)	-	(83)	n.m	30,930	2,334	More than 100%
Share of profits of associate		3,195	1,746	83.0%	6,431	5,387	19.4%
Profit/(loss) before tax	(v)	9,083	(17,527)	n.m	8,627	(28,742)	n.m
Tax expense		(2,677)	(3,159)	(15.3)%	(4,113)	(5,440)	(24.4)%
Profit/(loss) for the period		6,406	(20,686)	n.m	4,514	(34,182)	n.m
Other comprehensive income:							
Exchange currency translation represents other comprehensive income for the period, net of tax		-	1,057	n.m	-	(38)	n.m
Total comprehensive income for the period		6,406	(19,629)	n.m	4,514	(34,220)	n.m
Profit/(loss) for the period attributable to:							
Owners of the company		6,485	(20,596)	n.m	5,017	(33,888)	n.m
Minority interests		(79)	(90)	(12.2)%	(503)	(294)	71.1%
		6,406	(20,686)	n.m	4,514	(34,182)	n.m
Total comprehensive income attributable to:							
Owners of the company		6,485	(19,539)	n.m	5,017	(33,926)	n.m
Minority interests		(79)	(90)	(12.2)%	(503)	(294)	71.1%
		6,406	(19,629)	n.m	4,514	(34,220)	n.m

Notes:

1(a)(i) Other operating income includes the following:

	3 Months Ended		6 Months Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RMB'000	RMB'000	RMB'000	RMB'000
Installation of water meters and repair and maintenance work	3,461	1,412	3,688	1,818
Others	104	483	290	624
	3,565	1,895	3,978	2,442

1(a)(ii) Financial income includes the following:

	3 Months Ended		6 Months Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income				
- bank balance	130	177	288	300
- loan to associate	520	97	1,034	597
- finance income from service concession agreements	8,559	4,547	17,507	9,117
- others	3	-	23	-
	9,212	4,821	18,852	10,014

1(a)(iii) Financial expenses include the following:

	3 Months Ended		6 Months Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense				
- interest-bearing loans and borrowings	9,244	5,091	17,927	13,710
- bond coupon interest	-	4,000	-	6,842
- bonds amortisation	1,509	8,079	2,032	15,651
- Others	2	2,443	2	2,156
	10,755	19,613	19,961	38,359

Notes:

1(a)(iv) Other (expenses) / income include the following:

	3 Months Ended		6 Months Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain/(loss) – derivative instrument	(6,011)	(83)	(33,395)	2,334
Waiver of Redemption Premium of Senior 1 Senior Bonds and Series 1 Junior Bonds	-	-	30,924	-

1(a)(v) Profit/(loss) before tax is arrived at after charging/(crediting) the following:

	3 Months Ended		6 Months Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of intangible assets	3,251	3,538	6,882	7,402
Depreciation of property, plant and equipment	1,077	1,098	2,149	2,210
Gain on disposal of property, plant and equipment	-	(1,540)	-	(101)
Foreign exchange loss/(gain), net	(356)	(856)	(73)	(787)
Allowance/(writeback) for doubtful receivables (trade)	(3,300)	2,327	(4,347)	17,651
Allowance/(writeback) for doubtful receivables (non trade)	-	(3)	-	3

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As At 30.06.10	As At 31.12.09	As At 30.06.10	As At 31.12.09
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets:				
Property, plant and equipment	45,099	45,492	74	88
Intangible assets/land use rights	478,164	476,636	-	-
Financial receivables	295,574	287,613	-	-
Investment in subsidiaries	-	-	445,705	446,233
Investment in associate	42,478	41,923	40,408	40,456
Deferred tax assets	293	255	-	-
Goodwill on consolidation	14,695	13,592	-	-
Retention monies	2,205	6,118	-	-
	878,508	871,629	486,187	486,777
Current assets:				
Inventories, at cost	7,570	8,353	-	-
Work-in-progress, in excess of progress billings	113,080	94,944	-	-
Financial receivables	5,051	4,785	-	-
Trade receivables	64,958	64,831	-	-
Bills receivables	830	600	-	-
Other receivables, prepayments and other current assets	149,621	142,369	832	427
Due from subsidiaries (non-trade)	-	-	1,166	1,150
Due from associate (trade)	65,837	44,035	-	-
Due from associate (non-trade)	69,859	76,238	-	-
Bank deposits pledged	22,810	33,185	-	-
Cash and cash equivalents	283,424	81,554	19,736	1,776
	783,040	550,894	21,734	3,353
Current liabilities:				
Trade payables	156,878	180,521	-	-
Other payables, accruals and provisions	212,814	203,073	4,414	6,092
Progress billings in excess of work-in-progress	36,093	19,197	-	-
Due to subsidiaries (non-trade)	-	-	41,035	49,587
Bills payable to banks (secured)	34,969	33,218	-	-
Interest-bearing loans and borrowings	314,934	422,493	-	232,593
Derivative financial instruments	60,697	-	60,697	-
Provision for income tax	5,284	8,473	-	-
	821,669	866,975	106,146	288,272
Net current liabilities	(38,629)	(316,081)	(84,412)	(284,919)
Non-current liabilities:				
Interest-bearing loans and borrowings	421,092	323,674	31,642	-
Deferred tax liabilities	7,861	5,738	1,354	1,356
	428,953	329,412	32,996	1,356
Net Assets	410,926	226,136	368,779	200,502
Equity attributable to owners of the Company				
Share capital	393,014	204,503	393,014	204,503
Warrant reserve	1,248	1,178	1,248	1,178
Equity component of convertible bonds	-	17,461	-	17,461
Share option reserve	12,728	12,774	12,728	12,774
General reserve	35,683	33,183	-	-
Translation reserve	-	(4,397)	-	(20,405)
Accumulated losses	(62,819)	(70,331)	(38,211)	(15,009)
	379,854	194,371	368,779	200,502
Minority interests	31,072	31,765	-	-
Total equity	410,926	226,136	368,779	200,502

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, please specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

Amount repayable in one year or less, or on demand

As at 30.06.10 RMB'000		As at 31.12.09 RMB'000	
Secured	Unsecured	Secured	Unsecured
212,428	137,475	368,711	87,000

Amount repayable after one year

As at 30.06.10 RMB'000		As at 31.12.09 RMB'000	
Secured	Unsecured	Secured	Unsecured
294,450	126,642	323,674	-

On 18 February 2010, the Company has completed the following:

- (i) Triumph subscription and issuance of Bonds 2012 to Triumph Power Limited ("Triumph") of S\$39.7 million;
- (ii) Litebay Pte Ltd ("Litebay") subscription of S\$3.9 million;
- (iii) Issuance of Repayment Bonds (Bonds 2012A) of US\$2.0 million to Lucky Six Limited ("Lucky Six"); and
- (iv) Repayment of an aggregate sum of US\$27.5 million to the bondholders in accordance to the Settlement Agreement.

The net proceeds after repayment to the bondholders have been used for working capital purposes.

Details of any collaterals

The Group's secured borrowings comprise bills payables, interest-bearing loans and borrowings.

Bills payable to banks are secured by certain bank deposits placed with the respective issuing banks.

The interest-bearing loans and borrowings are secured on:

- (i) concessionary agreements;
- (ii) guarantees by subsidiary companies as well as by an associate;
- (iii) mortgage on an office building; and
- (iv) debentures on assets of subsidiary companies.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	For 3 Months Ended		For 6 Months Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit/(loss) before tax	9,083	(17,527)	8,627	(28,742)
Adjustments for:				
Allowance/(write back) for receivables (trade)	(3,300)	2,327	(4,347)	17,651
Allowance/(write back) for receivables (non-trade)	-	(3)	-	3
Amortisation of government grant	-	-	-	(90)
Amortisation of intangible assets	3,251	3,538	6,882	7,402
Depreciation of property, plant and equipment	1,077	1,098	2,149	2,210
Fair value loss/(gain) on derivative financial instrument	6,011	83	33,395	(2,334)
Financial expenses	10,755	19,613	19,961	38,359
Financial income	(9,212)	(4,821)	(18,852)	(10,014)
Gain on disposal of property, plant and equipment	-	(1,540)	-	(101)
Share of profit of associate	(3,195)	(1,746)	(6,431)	(5,387)
Waiver of redemption premium for Series 1 Senior Bonds/Junior Bonds	-	-	(30,924)	-
Unrealised profit arising from sale to/interest income from an associate	2,868	2,969	5,829	4,728
Translation difference	(269)	1,450	266	775
Operating cash flow before working capital changes	17,069	5,441	16,555	24,460
(Increase)/decrease in:				
Inventories	507	(5,299)	783	(4,587)
Work-in-progress, net	(1,882)	(10,816)	(1,240)	(36,956)
Trade receivables	11,307	(7,464)	8,133	12,254
Bills receivables	(830)	-	(230)	-
Other receivables, prepayments and other current assets	711	19,241	11,002	7,327
Financial receivables	(7,861)	(3,931)	(8,227)	(7,934)
Due from associate (trade)	(14,982)	(10,310)	(21,802)	(9,310)
Due from associate (non-trade)	7,281	(7,911)	6,379	(13,288)
Increase/(decrease) in:				
Trade payables	7,504	(988)	(23,643)	(34,072)
Other payables and accruals	19,944	29,136	8,483	55,358
Due to associate (trade)	-	(7,000)	-	-
Due to associate (non-trade)	-	7,001	-	2,001
Bills payable to banks	9,957	45,737	1,751	111,967
Cash generated from/(used in) operating activities	48,725	52,837	(2,056)	107,220
Government grant received	-	-	-	90
Interest income received	6,023	3,727	18,317	6,878
Interest expense paid	(10,730)	(28,514)	(18,151)	(35,446)
Income tax paid - net	(2,578)	(2,377)	(5,095)	(2,377)
Net cash generated from/(used in) operating activities	41,440	25,673	(6,985)	76,365
Cash flows from investing activities:				
Purchase of property, plant and equipment	(820)	(148)	(1,117)	(572)
Purchase of intangible assets/land use rights	(4,962)	(11,265)	(8,410)	(15,073)
Proceeds from disposal of property, plant and equipment	-	262	-	262
Net cash outflow on acquisition of a subsidiary (Note A)	(18,108)	-	(18,108)	-
Return of capital to minority interests upon deregistration of subsidiary	-	-	(190)	-
Net cash used in investing activities	(23,890)	(11,151)	(27,825)	(15,383)

	Group		Group	
	For 3 Months Ended		For 6 Months Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities:				
Proceeds from loans and borrowings	200,000	70,000	280,795	100,000
Repayment of loans and borrowings	(52,099)	(63,639)	(247,389)	(99,966)
Proceeds from issuance of shares for cash	-	-	179,459	-
Proceeds from rights issue	-	-	9,622	-
Proceeds from warrants exercised	2,644	-	3,818	-
Increase in deposits pledged to banks	(2,951)	(61,981)	10,375	(83,119)
Capital contribution from minority interests	-	-	-	200
Net cash generated from/(used in) financing activities	147,594	(55,620)	236,680	(82,885)
Net increase/(decrease) in cash and cash equivalents	165,144	(41,098)	201,870	(21,903)
Cash and cash equivalents at beginning of period	118,280	140,186	81,554	120,991
Cash and cash equivalents at end of period	283,424	99,088	283,424	99,088
Cash and cash equivalents at the end of period:				
Cash and bank balances	306,234	215,155	306,234	215,155
Less: Bank deposits pledged	(22,810)	(116,067)	(22,810)	(116,067)
Cash and cash equivalents	283,424	99,088	283,424	99,088

Note A: Acquisition of a subsidiary

On 11 May 2010, the Group acquired 100% interest in Wuhan Caidian Huancheng Waste Water Treatment Co. Ltd. for a total consideration of RMB21.1 million. Purchase Price allocation ("PPA") exercise has not been carried out as at 30 June 2010. The goodwill of RMB 1.1 million was recognised based on provisional fair value of assets and liabilities of Wuhan Caidian at the date of acquisition.

	Amount
	RMB '000
Cash and cash equivalents	3,022
Other receivables	17,732
Fixed assets	645
Other payables	(1,372)
	20,027
Goodwill on consolidation	1,103
Less: Cash and cash equivalents	(3,022)
Net cash outflow on acquisition of a subsidiary	18,108

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP	Equity, Total	Attributable to owners of the Company								Minority interests	
		Equity attributable to owners of the Company	Share capital	Retained earnings/ Accumulated losses	Other reserves, total	Equity component of Series 1 Senior Bonds	General reserve	Warrant reserve	Share option reserve		Translation reserve
Balance at 1.1.10	226,136	194,371	204,503	(70,331)	60,199	17,461	33,183	1,178	12,774	(4,397)	31,765
Effect of change in functional currency of the Company and a subsidiary	5,508	5,508	(11,994)	14,209	3,293	(1,133)	-	75	(46)	4,397	-
Total comprehensive loss for the period	(7,099)	(6,675)	-	(6,675)	-	-	-	-	-	-	(424)
Settlement of Series 1 Senior Bonds	-	-	-	16,328	(16,328)	(16,328)	-	-	-	-	-
De-registration of subsidiary	(190)	-	-	-	-	-	-	-	-	-	(190)
Transfer to general reserve	-	-	-	(814)	814	-	814	-	-	-	-
Issue of shares for settlement of bonds	179,459	179,459	179,459	-	-	-	-	-	-	-	-
Rights Issue	9,622	9,622	9,622	-	-	-	-	-	-	-	-
Conversion of Repayment Bonds (Bonds 2012A)	1,367	1,367	1,367	-	-	-	-	-	-	-	-
Conversion of 2005 Warrants	2	2	3	-	(1)	-	-	(1)	-	-	-
Conversion of 2010 Warrants Tranche 1	673	673	673	-	-	-	-	-	-	-	-
Conversion of 2010 Warrants Tranche 2	499	499	499	-	-	-	-	-	-	-	-
Balance at 31.03.10	415,977	384,826	384,132	(47,283)	47,977	-	33,997	1,252	12,728	-	31,151
Issues of free warrants	(20,335)	(20,335)	-	(20,335)	-	-	-	-	-	-	-
Total comprehensive income for the period	6,406	6,485	-	6,485	-	-	-	-	-	-	(79)
Transfer to general reserve	-	-	-	(1,686)	1,686	-	1,686	-	-	-	-
Conversion of Repayment Bonds (Bonds 2012A)	2,471	2,471	2,471	-	-	-	-	-	-	-	-
Conversion of 2005 Warrants	5	5	9	-	(4)	-	-	(4)	-	-	-
Conversion of 2010 Warrants Tranche 1	5,937	5,937	5,937	-	-	-	-	-	-	-	-
Conversion of 2010 Warrants Tranche 2	465	465	465	-	-	-	-	-	-	-	-
Balance at 30.06.10	410,926	379,854	393,014	(62,819)	49,659	-	35,683	1,248	12,728	-	31,072

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. – cont'd

GROUP	Equity, Total	Attributable to owners of the Company								Minority interests	
		Equity attributable to owners of the Company	Share capital	Retained earnings/ Accumulated losses	Other reserves, total	Equity component of Series 1 Senior Bonds	General reserve	Warrant reserve	Share option reserve		Translation reserve
Balance at 1.1.09	405,495	372,890	204,503	111,106	57,281	17,461	31,216	1,178	12,774	(5,348)	32,605
Total comprehensive loss for the period	(14,591)	(14,387)	-	(13,292)	(1,095)	-	-	-	-	(1,095)	(204)
Transfer to general reserve	-	-	-	(1,240)	1,240	-	1,240	-	-	-	-
Capital contributions from a non-controlling interest in a subsidiary	200	-	-	-	-	-	-	-	-	-	200
Balance at 31.03.09	391,104	358,503	204,503	96,574	57,426	17,461	32,456	1,178	12,774	(6,443)	32,601
Total comprehensive loss for the period	(19,629)	(19,539)	-	(20,596)	1,057	-	-	-	-	1,057	(90)
Transfer to general reserve	-	-	-	601	(601)	-	(601)	-	-	-	-
Balance at 30.06.09	371,475	338,964	204,503	76,579	57,882	17,461	31,855	1,178	12,774	(5,386)	32,511

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. – cont'd

COMPANY	Equity, total	Share capital	Retained earnings/ Accumul- ated losses	Other reserves, total	Equity component of Series 1 Senior Bonds	Warrant reserve	Share option reserve	Translation reserve
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.1.10	200,502	204,503	(15,009)	11,008	17,461	1,178	12,774	(20,405)
Effect of change in functional currency of the Company and a subsidiary	(237)	(11,994)	(7,544)	19,301	(1,133)	75	(46)	20,405
Total comprehensive loss for the period	(2,032)	-	(2,032)	-	-	-	-	-
Settlement of Series 1 Senior Bonds	-	-	16,328	(16,328)	(16,328)	-	-	-
Issue of shares for settlement of bonds	179,459	179,459	-	-	-	-	-	-
Rights Issue	9,622	9,622	-	-	-	-	-	-
Conversion of Repayment Bonds (Bonds 2012A)	1,367	1,367	-	-	-	-	-	-
Conversion of 2005 Warrants	2	3	-	(1)	-	(1)	-	-
Conversion of 2010 Warrants Tranche 1	673	673	-	-	-	-	-	-
Conversion of 2010 Warrants Tranche 2	499	499	-	-	-	-	-	-
Balance at 31.03.10	389,855	384,132	(8,257)	13,980	-	1,252	12,728	-
Issues of free warrants	(20,335)	-	(20,335)	-	-	-	-	-
Total comprehensive loss for the period	(9,619)	-	(9,619)	-	-	-	-	-
Settlement of Series 1 Senior Bonds	2,471	2,471	-	-	-	-	-	-
Conversion of 2005 Warrants	5	9	-	(4)	-	(4)	-	-
Conversion of 2010 Warrants Tranche 1	5,937	5,937	-	-	-	-	-	-
Conversion of 2010 Warrants Tranche 2	465	465	-	-	-	-	-	-
Balance at 30.06.10	368,779	393,014	(38,211)	13,976	-	1,248	12,728	-
Balance at 1.1.09	343,471	204,503	127,201	11,767	17,461	1,178	12,774	(19,646)
Total comprehensive expense for the period	(8,398)	-	(7,992)	(406)	-	-	-	(406)
Balance at 31.03.09	335,073	204,503	119,209	11,361	17,461	1,178	12,774	(20,052)
Total comprehensive expense for the period	(13,895)	-	(13,848)	(47)	-	-	-	(47)
Balance at 30.06.09	321,178	204,503	105,361	11,314	17,461	1,178	12,774	(20,099)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital	Number of ordinary shares	Paid Up Share Capital
	'000	RMB'000
As at 1 January 2010: 196,918,959 ordinary shares	196,919	204,503
Effect of change in functional currency of the Company	-	(11,994)
Shares issued for settlement of bonds: 1,860,910,521 ordinary shares	1,860,911	179,459
Rights Issue: 98,463,979 ordinary shares at S\$0.02 each	98,464	9,622
Repayment bonds (Bonds 2012A) conversion: 12,280,000 ordinary shares at S\$0.045 each	12,280	3,838
Exercise of 51,858 2005 Warrants at S\$0.025 each	52	12
Exercise of 30,205,750 Warrants Tranche 1 at S\$0.02 each	30,205	6,610
Exercise of 3,858,158 Warrants Tranche 2 at S\$0.045 each	3,858	964
As at 30 June 2010: 2,202,689,225 ordinary shares	2,202,689	393,014

As at 30 June 2010, there were 13,010,506; 68,151,522 and 94,499,114 (31 December 2009: 9,146,249; nil and nil) unissued ordinary shares under 2005 Warrants, 2010 Warrants Tranche 1 and Tranche 2 respectively.

Summary of outstanding Convertible Securities		As at 30 June 2010		As at 31 December 2009	
	Note	Number of outstanding convertible securities	Percentage of the Company's existing issued share capital of 2,202,689,225 ordinary shares	Number of outstanding convertible securities	Percentage of the Company's existing issued share capital of 196,918,959 ordinary shares
2005 Warrants	A	13,010,506	1%	9,146,249	5%
2010 Warrants Tranche 1	B	68,151,522	3%	-	-
2010 Warrants Tranche 2	B	94,499,114	4%	-	-
Senior Bond warrants ("SB Warrants")	C	-	-	11,400,480	6%
Series 1 Junior Bonds	C	-	-	40,090,909	20%
Bonds 2012	D	138,150,000	6%	-	-
Repayment Bonds (Bonds 2012A)	D	49,120,000	2%	-	-
ESOS Options	E	19,640,373	1%	18,410,000	9%
Total		382,571,515	17%	79,047,638	40%

1(d)(ii) – cont'd**Note A**

These refer to the 33,247,175 **2005 Warrants** issued in FY2005 at an issue price of S\$0.04 per warrant, expiring on 20 December 2010. Pursuant to the new Share Issue to Triumph and Litebay, as well as the Rights Issue, the exercise price and number of warrants are adjusted to S\$0.025 (31 December 2009: S\$0.18) and 13,053,364 respectively (31 December 2009: 9,146,249).

Note B

These refer to the two tranches of 98,357,272 **2010 Warrants** issued for each tranche on 19 February 2010 at an exercise price of S\$0.020 and S\$0.045 respectively. As at 30 June 2010, there were 68,151,522 and 94,499,114 **2010 Warrants** remained unexercised for the respective tranches.

Note C

These refer to (i) the issue of 11,400,480 detachable and freely transferable warrants (“SB Warrants”) in connection with the issue of Series 1 Senior Bonds of US\$15,000,000 and (ii) the issue of Series 1 Junior Bonds of US\$15,000,000. Please refer to announcement released over SGXNet on 13 December 2007 for more details on the material terms and conditions. On 18 February 2010, upon completion of the restructuring exercise, the Company repaid an aggregate of US\$27.5 million in cash to bondholders. The Company has also, in full settlement of the aggregate outstanding amount due to Lucky Six, repaid US\$2.0 million to Lucky Six, in the form of new convertible bonds.

Note D

On 18 February 2010, the Company issued Bonds 2012 of US\$4.5 million to Triumph and the issuance of Repayment Bonds (Bonds 2012A) of US\$2.0 million to Lucky Six with maturity date of 26 months and 24 months after the date of issue respectively. The bondholders have the option to convert the convertible bonds into shares at a conversion price of S\$0.045 for each new share of the Company at any time on and after the date of issue up to the close of business on the date falling 7 days prior to maturity date.

Note E

These refer to options granted to the Group’s directors and staff, in accordance with the terms and conditions of the Asia Water Share Option Scheme (“ESOS”). First Grant of Options were granted on 14 August 2007 with exercise price of S\$0.665. These options are exercisable between the period from 14 August 2008 to 13 August 2012, provided that the employee remains in service for 1 year from the date of grant. Pursuant to the proposed Share Issue to Triumph and Litebay, as well as the Rights Issue, the exercise price and the number of options have been adjusted to S\$0.09 and 26,300,505 (31 December 2009: S\$0.665 and 18,410,000) respectively. No options have been exercised as at 30 June 2010. 6,660,132 share options have been forfeited during the period ended 30 June 2010. As at 30 June 2010, there were 19,640,373 (31 December 2009: 18,410,000) share options unexercised.

As at 30 June 2010 and 31 December 2009 respectively, there were no treasury shares held.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Total number of issued shares excluding treasury shares, as at 30 June 2010 was 2,202,689,225 (as at 31 December 2009: 196,918,959).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period, consistent with those of the audited financial statements as at 31 December 2009.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Change in functional currencies:

On 18 February 2010, the Company and its Singapore incorporated subsidiary changed their functional currencies from USD and SGD respectively to RMB. The change in functional currencies were as a result of increasing influence of RMB over the Company's and its Singapore incorporated subsidiary's economic environment. Pursuant to FRS 21 "The Effects of Changes in Foreign Exchange Rates", the Company and its Singapore incorporated subsidiary changed their measurement currencies from USD and SGD respectively to RMB and the financial information was measured prospectively in RMB with effect from 18 February 2010. The change in functional currencies did not result in any material impact on the financial performance or position of the Group.

Early adoption of Amendment to FRS 32, "Financial Instruments: Presentation"

The Company has elected to early adopt the Amendment to FRS 32, "Financial Instruments: Presentation". With the adoption of this Amendment, the new shares issued pursuant to the rights issue is classified as equity. The early adoption did not result in any material impact on the financial performance or position of the Group.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 Months Ended		6 Months Ended	
	30.06.10	30.06.09	30.06.10	30.06.09
	RMB cents	RMB cents	RMB cents	RMB cents
(i) Based on weighted average number of ordinary shares in issue	0.295	(10.46)	0.307	(17.21)
(ii) On a fully diluted basis	0.295	(10.46)	0.307	(17.21)

Basic earnings per share (“EPS”) for 1HFY2010 and 1HFY2009 are computed based on the weighted average number of ordinary shares of 1,784,827,330 and 196,918,959 shares respectively. The weighted average number of ordinary shares represents the number of ordinary shares at the beginning of the financial period, adjusted for new ordinary shares issued during the financial period, multiplied by a time-weighted factor.

Convertible bonds, warrants and share options as disclosed in Section 1(d)(ii) were not included in the calculation of diluted EPS because they are anti-dilutive for the current financial period and the corresponding period of the immediate preceding financial year.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	Group	Company
	RMB cents	RMB cents
As at 30.06.10	17.25	16.74
As at 31.12.09	98.71	101.82

Net asset per share is calculated based on the existing number of shares in issue (excluding treasury shares) of 2,202,689,225 (31.12.09: 196,918,959).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affect the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Statement of Comprehensive Income

Revenue and Gross Profit

The Group's revenue was RMB125 million for 1HFY2010, as compared to RMB135 million in the corresponding period last year ("1HFY2009"), a decrease of RMB 10 million. This was mainly due to decrease in contribution from Wuhan Dongxihu power plant purification EPC project in 1HFY2010 as compared to 1HFY2009.

For 1HFY2010, the Group reported a gross profit of RMB 27.6 million, as compared to RMB 28.8 million for 1HFY2009. Despite a lower revenue, the Group's gross margin improved from 21.3% in 1HFY2009 to 22.1% in 1HFY2010.

The Group's gross profit in 2QFY2010 increased by 107% to RMB 22 million, as compared to RMB 11 million in 2QFY2009. The increase was due to higher gross profit margin contributed by Huang-Pi Municipal EPC pipeline project.

Other operating income

The Group's other operating income comprised mainly income earned from installation of water meters and repair and maintenance work. More work done in the installation of water meters and repair and maintenance work has resulted in higher income being reported in 2QFY2010 and 1HFY2010.

Administrative expenses

The Group's administrative expenses for 1HFY2010 was RMB 20.7 million, a decrease of RMB 13.7 million from 1HFY2009. The decrease was mainly due to allowance for doubtful debts of RMB 17.5 million made in 1HY2009 and write-back of such allowance of RMB 4.3 million in 1HFY2010. Efforts made in the debt collection process has resulted in certain allowances made being no longer necessary.

The decrease is partially offset by the increase resulting from (i) approximately RMB 2.5 million incurred in relation to professional fees for restructuring expenses; (ii) realised exchange loss of RMB 0.5 million arising upon settlement of the USD denominated Series 1 Bond in February 2010; and (iii) sponsor fees incurred amounting to RMB 0.8 million since the sponsor was only appointed from July 2009 onwards.

Financial Income

Financial income arises from the financial receivable on construction services of the Group's wastewater treatment plants, Wuhan Xincheng, Taizhou Kaidi and Huangshi Kaidi, in connection with the adoption of INT FRS 112. The amount increased from RMB 10.0 million in 1HFY2009 to RMB 18.9 million in 1HFY2010, due mainly to the recognition of financial income by Huangshi Kaidi, which commenced operations in December 2009.

8. A review of the performance of the group – cont'd.

Financial expenses

Financial expenses decreased from RMB 38.4 million in 1HFY2009 to RMB 20.0 million in 1HFY2010 as there were no more interest expenses incurred/amortised for the Series 1 Bonds for 1HFY2010 which was settled on 18 February 2010.

Other income

Other income in 1HFY2010 mainly arose from the waiver of redemption premium of US\$4.5 million on completion of the proposed restructuring exercise and payment made to the bondholders. Other income in 1HFY2009 mainly comprised of income earned from installation of water meters, repair and maintenance work

Other expenses

The other expenses relates mainly to the fair value loss of 33.4 million (1HY2009: gain of RMB 2.3 million) was recognised in connection to the mark-to-market treatment of the conversion option and warrants arising from the issuance of Bonds 2012, Repayment Bonds (2012A), and Warrants Tranche 1 and 2 on 28 February 2010 (2009: Series 1 Junior Bonds on December 2007).

Tax expense

The Group's tax expense for 1HFY2010 was RMB 4.1 million, as compared to RMB 5.4 million. Lower profits earned by the Group's profitable subsidiaries have resulted in the lower tax expense recorded.

Statement of Financial Position

Intangible Assets/Land Use Rights/Financial Receivables

In a public-to private service concession arrangement whereby:

- i) a party grants the service arrangement ("the grantor") controls or regulates the nature of services and an entity ("the operator") provides the infrastructure asset, the users and the pricing of the services; and
- ii) the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure asset at the end of the concession period,

INT FRS 112 requires the recognition of construction revenue with a corresponding recognition of financial receivable in the books of the operator.

Under INT FRS 112, an intangible asset is recognised whereby under the concession arrangement, the operator does not have any contractual right to receive a fixed and determinable amount of payments during the concession period. This is so provided that the operator has a right to charge users of the public for usage of the service or of the concession infrastructure.

The Group, through its subsidiaries, has concession arrangements with the various governing bodies or agencies of the Chinese government ("the grantors"), to supply treated water from water treatment plants, and to operate wastewater treatment plants. Under the concession arrangements, the Group will construct and/or operate these plants for the concession periods ranging from 20 to 30 years and at the end of the concession periods, to transfer these plants to the grantors. Such concession arrangements fall within the scope of INT FRS 112.

8. **A review of the performance of the group – cont'd.**

Intangible Assets/Land Use Rights/Financial Receivables – cont'd

The Group recognises an intangible asset when, under the concession arrangement, it does not have any contractual right to receive fixed and determinable amount of payments during the concession period. The intangible asset is measured at fair value upon initial recognition. Subsequent to initial recognition, it is measured at amortised cost, over the concession period from the commencement of the operations of the plants.

The Group recognises a financial receivable when, under the concession arrangement, it has a contractual right to receive a fixed and determinable amount of payment during the concession period, irrespective of the usage of the plant. The financial receivable is measured, on initial recognition, at its fair value. Subsequent to initial recognition, it is measured at amortised cost, using the effective interest method.

When the Group receives a payment during the concession period, it apportions such payment between (i) a repayment of the financial receivable (if any), which will be used to reduce the carrying amount of the financial receivable on its statement of financial position, (ii) interest income which will be recognised as financial income in its statement of comprehensive income and (iii) revenue from operating and maintaining the plants in its statement of comprehensive income.

As at 30 June 2010, the Group's intangible assets/land use rights amounted to RMB 478.1 million, as compared to RMB 476.6 million as at 31 December 2009. The Group's financial receivables, as at 30 June 2010, were RMB 300.6 million (31 December 2009: RMB 292.3 million).

Goodwill on consolidation

As at 30 June 2010, the Group's goodwill on consolidation amounted to RMB 14.7 million (31 December 2009: RMB 13.6 million). On 11 May 2010, the Group acquired 100% interest in Wuhan Caidian Huancheng Waste Water Treatment Co. Ltd. for a total consideration of RMB 21.1 million. Purchase price allocation (PPA) exercise has not been carried out as at 30 June 2010. The goodwill of RMB 1.1 million was recognised based on provisional fair values of assets and liabilities of Wuhan Caidian as at the date of acquisition.

Trade receivables/Retention monies

As at 30 June 2010, the Group's trade receivables and retention monies amounted to RMB 67.1 million (31 December 2009: RMB: 70.9 million). Efforts made in debt collection have resulted in lower balance in trade receivables and retention monies.

Cash and cash equivalents

The Group's cash and cash equivalents, as at 30 June 2010, amounted to RMB 283.4 million (31 December 2009: RMB 81.5 million). Collections from trade receivables as well as drawdown of bank loan accounted for the higher balance reported.

Derivative financial instruments

This derivative financial instrument arose in connection with the issuance of Bonds 2012 to Triumph and Repayment Bonds (Bonds 2012A) to Lucky Six and Warrants. In accordance with "FRS 39 - Financial Instruments: Recognition and Measurement", under which the derivative component of the convertible bonds/warrants is required to be recorded at fair value at each reporting period with a corresponding fair value gain/loss to be recognised as 'Non-cash fair value gain/loss - Derivative instrument' in

8. A review of the performance of the group – cont'd.

the income statement. The value of the derivative instrument is highly sensitive to the changes in the Company's share price between each reporting period.

For FY2009, the management has estimated that the fair value of the derivative instrument as of 31 December 2009 was immaterial and has accordingly recorded nil balance for the derivative financial instrument arose in connection with the issuance of Series 1 Junior Bonds.

Provision for income tax

The Group's provision for income tax, as at 30 June 2010, amounted to RMB 5.3 million (31 December 2009: RMB 8.5 million). Payment of taxes during the period under review and tax expense for the period under review accounted for the movement in the balance.

Interest-bearing loans and borrowings

As at 30 June 2010, the Group's interest-bearing loans and borrowings (current and non-current), stood at RMB 736 million (31 December 2009: RMB 746 million). During 1HFY2010, the Group repaid RMB 247 million while new drawdowns amounted to RMB 281 million. Repayment comprised mainly settlement of Series 1 Bonds.

Total equity

The Group's total equity, as at 30 June 2010, amounted to RMB 411 million (31 December 2009: RMB 226 million). During the period under review, approximately RMB 189.1 million were raised through issuance of 1,959,375 new shares.

Net current liabilities

Cash and cash equivalents, as at 30 June 2010, of RMB 283 million, helped to reduce the Group's net current liabilities to RMB 39 million (31 December 2009: RMB 316 million).

Statement of Cash Flow

During 1HFY2010, the Group generated a cash flow from its operations before changes in working capital of RMB 16.6 million. RMB 18.6 million has been used in funding its working capital requirement. During the same period, the Group's investing activities used RMB 27.8 million while its financing activities raised RMB 236.7 million. RMB 189.1 million was raised through issue of new shares. Drawdown of loans amounted to RMB 281 million. During 1HFY2010, the Group's repayment of loans and borrowings of RMB 247 million comprised mainly of settlement of the Series 1 Bonds.

As at 30 June 2010, the Group's cash and cash equivalents stood at RMB 283.4 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was given.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

China remains a water-scarce country and against rapid economic and population growth, the demand to maximise precious water resources, in particular, through reuse technologies, is set to further expand. With the newly reconstituted Board and new management team, the Group is confident in charting her future directions. The Group will continue to explore new opportunities, seeking to expand its horizon in the water industry. The Group will continue to take active steps to remain competitive and maintain adequate growth relative to the industry.

- 11. Dividend**

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

- 12. If no dividend has been declared (recommended), a statement to that effect.**

No dividends have been declared or recommended.

**13. Confirmation by Directors pursuant to Rule 705(5) of the SGX-ST Listing Manual –
Section B: Rules of Catalyst**

We, Feng Jun and Liu Yujie, do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the half year ended 30 June 2010, to be false or misleading, in any material aspect.

On Behalf of the Board of Directors,

Feng Jun
Executive Director

Liu Yujie
Executive Director

BY ORDER OF THE BOARD

ONG CHYE HONG
Company Secretary

13 August 2010