



ASIA WATER TECHNOLOGY LTD.

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

Unaudited Financial Statements and Dividend Announcement for the Third Quarter and Nine Months ended 30 September 2010

12 November 2010

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Third Quarter FY2010 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 THIRD QUARTER ("3QFY2010") ENDED 30 SEPTEMBER 2010

	Note	3 Months Ended		Changes	9 Months Ended		Changes
		30.09.10	30.09.09		30.09.10	30.09.09	
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue		81,772	104,763	(21.9)%	206,738	240,232	(13.9)%
Cost of sales		(68,272)	(85,525)	(20.2)%	(165,616)	(192,155)	(13.8)%
Gross profit		13,500	19,238	(29.8)%	41,122	48,077	(14.5)%
Other operating income	(i)	2,411	1,611	49.7%	6,389	4,053	57.6%
Selling and distribution expenses		(3,631)	(2,573)	41.1%	(8,790)	(7,581)	15.9%
Administrative expenses		(13,089)	(13,668)	(4.2)%	(33,760)	(48,059)	(29.8)%
Profit/(loss) from operations		(809)	4,608	N.M.	4,961	(3,510)	N.M.
Financial income	(ii)	10,956	6,058	80.9%	29,808	16,072	85.5%
Financial expenses	(iii)	(10,731)	(97,736)	(89.0)%	(30,692)	(136,095)	(77.4)%
Other expenses	(iv)	(2,168)	-	N.M.	(35,563)	-	N.M.
Other income	(iv)	4	4,961	(99.9)%	30,934	7,295	>100%
Share of profits of associate		3,459	1,755	97.1%	9,890	7,142	38.5%
Profit/(loss) before tax	(v)	711	(80,354)	N.M.	9,338	(109,096)	N.M.
Tax expense		(2,268)	(1,660)	36.6%	(6,381)	(7,100)	(10.1)%
Profit/(loss) for the period		(1,557)	(82,014)	(98.1)%	2,957	(116,196)	N.M.
Other comprehensive income:							
Exchange currency translation represents other comprehensive income for the period, net of tax		-	779	N.M.	-	741	N.M.
Total comprehensive income for the period		(1,557)	(81,235)	(98.1)%	2,957	(115,455)	N.M.
Profit/(loss) for the period attributable to:							
Owners of the company		(778)	(81,826)	(99.0)%	4,239	(115,714)	N.M.
Non-controlling interests		(779)	(188)	>100%	(1,282)	(482)	>100%
		(1,557)	(82,014)	(98.1)%	2,957	(116,196)	N.M.
Total comprehensive income attributable to:							
Owners of the company		(778)	(81,047)	(99.0)%	4,239	(114,973)	N.M.
Non-controlling interests		(779)	(188)	>100%	(1,282)	(482)	>100%
		(1,557)	(81,235)	(98.1)%	2,957	(115,455)	N.M.

N.M. – Not Meaningful

Notes:

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

	3 Months Ended		9 Months Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
	RMB'000	RMB'000	RMB'000	RMB'000
Installation of water meters and repair and maintenance work	2,013	1,507	5,701	3,325
Others	398	104	688	728
	2,411	1,611	6,389	4,053

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

	3 Months Ended		9 Months Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income				
- bank balance	211	1,125	499	1,425
- loan to associate	525	408	1,559	1,005
- finance income from service concession arrangements	9,814	4,525	27,321	13,642
- others	406	-	429	-
	10,956	6,058	29,808	16,072

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

	3 Months Ended		9 Months Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense				
- interest-bearing loans and borrowings	8,726	7,417	26,653	21,127
- bond coupon interest	-	-	-	6,842
- bonds amortisation	1,637	89,634	3,669	105,285
- Others	368	685	370	2,841
	10,731	97,736	30,692	136,095

Notes:

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

	3 Months Ended		9 Months Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
	RMB'000	RMB'000	RMB'000	RMB'000
Fair value gain/(loss) – derivative instrument	(2,168)	4,961	(35,563)	7,295
Waiver of Redemption Preimum of Series 1 Senior Bonds and Series 1 Junior Bonds	-	-	30,924	-
Others	4	-	10	

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

	3 Months Ended		9 Months Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of intangible assets	4,386	4,285	11,268	11,687
Depreciation of property, plant and equipment	1,161	980	3,310	3,190
Loss on disposal of property, plant and equipment	87	1,453	87	1,353
Foreign exchange (loss)/gain, net (Allowance)/writeback of doubtful receivables (trade)	(1,365)	645	(1,438)	(142)
Allowance/(writeback) of doubtful receivables (non trade)	(1,603)	(26)	(5,950)	17,626
	20	(182)	20	(180)

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 30.09.10	As At 31.12.09	As At 30.09.10	As At 31.12.09
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets:				
Property, plant and equipment	44,978	45,492	99	88
Intangible assets/land use rights	479,076	476,636	-	-
Financial receivables	340,543	287,613	-	-
Investment in subsidiaries	-	-	445,705	446,233
Investment in associate	42,384	41,923	40,408	40,456
Deferred tax assets	293	255	-	-
Goodwill on consolidation	14,695	13,592	-	-
Retention monies	2,156	6,118	-	-
	924,125	871,629	486,212	486,777
Current assets:				
Inventories, at cost	9,132	8,353	-	-
Work-in-progress, in excess of progress billings	32,707	94,944	-	-
Financial receivables	5,317	4,785	-	-
Trade receivables	87,064	64,831	-	-
Bills receivables	70	600	-	-
Other receivables, prepayments and other current assets	145,203	142,369	1,031	427
Due from subsidiaries (non-trade)	-	-	1,167	1,150
Due from associate (trade)	74,125	44,035	-	-
Due from associate (non-trade)	70,683	76,238	-	-
Bank deposits pledged	24,649	33,185	-	-
Cash and cash equivalents	138,640	81,554	18,791	1,776
	587,590	550,894	20,989	3,353
Current liabilities:				
Trade payables	131,316	180,521	-	-
Other payables, accruals and provisions	192,273	203,073	8,148	6,092
Progress billings in excess of work-in-progress	48,321	19,197	-	-
Due to subsidiaries (non-trade)	-	-	40,600	49,587
Bills payable to banks (secured)	42,513	33,218	-	-
Interest-bearing loans and borrowings	215,500	422,493	-	232,593
Derivative financial instruments	61,654	-	61,654	-
Provision for income tax	6,200	8,473	-	-
	697,777	866,975	110,402	288,272
Net current liabilities	(110,187)	(316,081)	(89,413)	(284,919)
Non-current liabilities:				
Interest-bearing loans and borrowings	393,404	323,674	32,751	-
Deferred tax liabilities	9,028	5,738	1,354	1,356
	402,432	329,412	34,105	1,356
Net Assets	411,506	226,136	362,694	200,502
Equity attributable to owners of the Company				
Share capital	395,326	204,503	395,326	204,503
Warrant reserve	1,073	1,178	1,073	1,178
Equity component of convertible bonds	-	17,461	-	17,461
Share option reserve	12,728	12,774	12,728	12,774
General reserve	37,089	33,183	-	-
Translation reserve	-	(4,397)	-	(20,405)
Accumulated losses	(65,003)	(70,331)	(46,433)	(15,009)
	381,213	194,371	362,694	200,502
Non-controlling interests	30,293	31,765	-	-
Total equity	411,506	226,136	362,694	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 30.09.10 RMB'000		As at 31.12.09 RMB'000	
Secured	Unsecured	Secured	Unsecured
221,013	37,000	368,711	87,000

Amount repayable after one year

As at 30.09.10 RMB'000		As at 31.12.09 RMB'000	
Secured	Unsecured	Secured	Unsecured
265,653	127,751	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 9 Months Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities:				
Profit/(loss) before tax	711	(80,354)	9,338	(109,096)
Adjustments for:				
Allowance/(write back) for receivables (trade)	(1,603)	(26)	(5,950)	17,626
Allowance/(write back) for receivables (non-trade)	20	(182)	20	(180)
Amortisation of intangible assets	4,386	4,285	11,268	11,687
Depreciation of property, plant and equipment	1,161	980	3,310	3,190
Fair value (gain)/loss on derivative financial Instrument	2,168	(4,961)	35,563	(7,295)
Financial expenses	10,731	97,736	30,692	136,095
Financial income	(10,956)	(6,058)	(29,808)	(16,072)
Foreign exchange gain, net	-	646	-	(142)
Loss on disposal of property, plant and equipment	87	1,453	87	1,353
Share of profit of associate	(3,459)	(1,755)	(9,890)	(7,142)
Waiver of redemption premium for Series 1 Senior Bonds/Junior Bonds	-	-	(30,924)	-
Unrealised profit arising from sale to/interest income from an associate	3,552	2,891	9,381	7,619
Translation difference	(955)	486	(693)	2,048
Operating cash flow before working capital changes	5,843	15,141	22,394	39,691
(Increase)/decrease in:				
Inventories	(1,562)	3,103	(779)	(1,484)
Work-in-progress, net	92,601	595	91,361	(36,361)
Trade receivables	(20,454)	(30,065)	(12,321)	(17,811)
Bills receivables	760	-	530	-
Other receivables, prepayments and other current assets	6,407	(20,064)	17,409	(12,737)
Financial receivables	(45,236)	(2,407)	(53,463)	(10,343)
Due from associate (trade)	(8,288)	-	(30,090)	(9,310)
Due from associate (non-trade)	(824)	1,233	5,555	(12,055)
Increase/(decrease) in:				
Trade payables	(25,562)	29,216	(49,205)	(4,856)
Other payables and accruals	(20,126)	(8,256)	(11,639)	47,105
Due to associate (non-trade)	-	(5,366)	-	(3,365)
Bills payable to banks	7,544	(109,243)	9,295	2,724
Cash used in operating activities	(8,897)	(126,113)	(10,953)	(18,802)
Interest income received	8,960	4,523	27,277	(3,322)
Interest expense paid	(8,455)	(3,524)	(26,606)	(38,970)
Income tax paid - net	(836)	(945)	(5,931)	11,401
Net cash used in operating activities	(9,228)	(126,059)	(16,213)	(49,693)
Cash flows from investing activities:				
Purchase of property, plant and equipment	(1,383)	(1,008)	(2,500)	(1,578)
Purchase of intangible assets/land use rights	(5,298)	(15,981)	(13,708)	(31,057)
Proceeds from disposal of property, plant and equipment	271	33	271	295
Net cash outflow on acquisition of a subsidiary (Note A)	-	-	(18,108)	-
Return of capital to non-controlling interests upon deregistration of subsidiary	-	-	(190)	-
Net cash used in investing activities	(6,410)	(16,956)	(34,235)	(32,340)

	Group		Group	
	For 3 Months Ended		For 9 Months Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities:				
Proceeds from loans and borrowings	-	188,000	280,795	288,000
Repayment of loans and borrowings	(128,230)	(152,425)	(375,619)	(252,391)
Proceeds from issuance of shares for cash	-	-	179,459	-
Proceeds from rights issue	-	-	9,622	-
Proceeds from warrants exercised	923	-	4,741	-
Decrease in deposits pledged to banks	(1,839)	85,348	8,536	2,229
Capital contribution from non-controlling interests	-	-	-	200
Net cash generated from/(used in) financing activities	(129,146)	120,923	107,534	38,038
Net increase/(decrease) in cash and cash equivalents	(144,784)	(22,092)	57,086	(43,995)
Cash and cash equivalents at beginning of period	283,424	99,088	81,554	120,991
Cash and cash equivalents at end of period	138,640	76,996	138,640	76,996

Cash and cash equivalents at the end of period:				
Cash and bank balances	163,289	107,715	163,289	107,715
Less: Bank deposits pledged	(24,649)	(30,719)	(24,649)	(30,719)
Cash and cash equivalents	138,640	76,996	138,640	76,996

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 RMB 21.1 million. Purchase Price allocation ("PPA") exercise has not been carried out as at 30 September 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								Non-controlling 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	-
Issuance of free warrants	(20,335)	(20,335)	-	(20,335)	-	-	-	-	-	-	-
Total comprehensive loss for the period	(693)	(190)	-	(190)	-	-	-	-	-	-	(503)
Settlement of Series 1 Senior Bonds	-	-	-	16,328	(16,328)	(16,328)	-	-	-	-	-
De-registration of subsidiary	(190)	-	-	-	-	-	-	-	-	-	(190)
Transfer to general reserve	-	-	-	(2,500)	2,500	-	2,500	-	-	-	-
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)	3,838	3,838	3,838	-	-	-	-	-	-	-	-
Conversion of 2005 Warrants	7	7	12	-	(5)	-	-	(5)	-	-	-
Conversion of 2010 Warrants Tranche 1	6,610	6,610	6,610	-	-	-	-	-	-	-	-
Conversion of 2010 Warrants Tranche 2	964	964	964	-	-	-	-	-	-	-	-
Balance at 30.06.10	410,926	379,854	393,014	(62,819)	49,659	-	35,683	1,248	12,728	-	31,072
Total comprehensive income for the period	(1,557)	(778)	-	(778)	-	-	-	-	-	-	(779)
Transfer to general reserve	-	-	-	(1,406)	1,406	-	1,406	-	-	-	-
Conversion of 2005 Warrants	217	217	392	-	(175)	-	-	(175)	-	-	-
Conversion of 2010 Warrants Tranche 1	1,635	1,635	1,635	-	-	-	-	-	-	-	-
Conversion of 2010 Warrants Tranche 2	285	285	285	-	-	-	-	-	-	-	-
Balance at 30.09.10	411,506	381,213	395,326	(65,003)	50,890	-	37,089	1,073	12,728	-	30,293

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
Issuance of free warrants	(20,335)	-	(20,335)	-	-	-	-	-
Total comprehensive loss for the period	(11,651)	-	(11,651)	-	-	-	-	-
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)	3,838	3,838	-	-	-	-	-	-
Conversion of 2005 Warrants	7	12	-	(5)	-	(5)	-	-
Conversion of 2010 Warrants Tranche 1	6,610	6,610	-	-	-	-	-	-
Conversion of 2010 Warrants Tranche 2	964	964	-	-	-	-	-	-
Balance at 30.06.10	368,779	393,014	(38,211)	13,976	-	1,248	12,728	-
Total comprehensive loss for the period	(8,222)	-	(8,222)	-	-	-	-	-
Conversion of 2005 Warrants	217	392	-	(175)	-	(175)	-	-
Conversion of 2010 Warrants Tranche 1	1,635	1,635	-	-	-	-	-	-
Conversion of 2010 Warrants Tranche 2	285	285	-	-	-	-	-	-
Balance at 30.09.10	362,694	395,326	(46,433)	13,801	-	1,073	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	(22,293)	-	(21,840)	(453)	-	-	-	(453)
Balance at 30.06.09	321,178	204,503	105,361	11,314	17,461	1,178	12,774	(20,099)
Total comprehensive expense for the period	(89,689)	-	(89,418)	(271)	-	-	-	(271)
Balance at 30.09.09	231,489	204,503	15,943	11,043	17,461	1,178	12,774	(20,370)

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 1,754,962 2005 Warrants at S\$0.025 each	1,755	404
Exercise of 35,306,937 2010 Warrants Tranche 1 at S\$0.02 each	35,307	8,245
Exercise of 4,717,129 2010 Warrants Tranche 2 at S\$0.045 each	4,717	1,249
As at 30 September 2010: 2,210,352,487 ordinary shares	2,210,353	395,326

As at 30 September 2010, there were 11,307,402; 63,050,335 and 93,640,143 (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 September 2010		As at 31 December 2009	
	Note	Number of outstanding convertible securities	Percentage of the Company's existing issued share capital of 2,210,352,487 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	11,307,402	1%	9,146,249	5%
2010 Warrants Tranche 1	B	63,050,335	3%	-	-
2010 Warrants Tranche 2	B	93,640,143	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	19,600,373	1%	18,410,000	9%
Total		374,868,253	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 September 2010, there were 63,050,335 and 93,640,143 **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 September 2010. 6,700,132 share options have been forfeited during the period ended 30 September 2010. As at 30 September 2010, there were 19,600,373 (31 December 2009: 18,410,000) share options unexercised.

As at 30 September 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 September 2010 was 2,210,352,487 (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		9 Months Ended	
	30.09.10	30.09.09	30.09.10	30.09.09
	RMB cents	RMB cents	RMB cents	RMB cents
(i) Based on weighted average number of ordinary shares in issue	(0.035)	(41.55)	0.232	(58.76)
(ii) On a fully diluted basis	(0.035)	(41.55)	0.232	(58.76)

Basic earnings per share ("EPS") for the nine months ended 30 September 2010 and 30 September 2009 respectively are computed based on the weighted average number of ordinary shares of 1,827,711,889 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 30.09.10	17.25	16.41
As at 31.12.09	98.71	101.82

Net asset per share is calculated based on the number of shares in issue (excluding treasury shares) of 2,210,352,487 as at 30 September 2010 (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 for the third quarter ended 30 September 2010 ("3QFY2010") decreased by RMB 23.0 million or 21.9%, from RMB 104.8 million in the corresponding period in the last financial year ("3QFY2009"), to RMB 81.8 million in 3QFY2010.

The lower revenue was largely due to decrease in revenue from our EPC projects, as some of the on-going projects were substantially completed in FY 2009. However, the impact of this was mitigated by higher revenue reported for the Group's BOT projects.

In 3QFY2010, the Group's BOT projects reported revenue of RMB 19.1 million, as compared to RMB 17.4 million for 3QFY2009. Increase in service coverage by one of the Group's subsidiaries has helped in lifting revenue for 3QFY2010.

Lower gross profit of RMB 13.5 million were reported in 3QFY2010, as compared to RMB 19.2 million for 3QFY2009. Correspondingly, gross margin earned in 3QFY2010 was 16.5%, as compared to 18.4% for 3QFY2009. Lower revenue has largely accounted for the decrease in gross profit. The lower gross profit in 3QFY2010 was also due to lower gross margin for one of the wastewater treatment plants.

Other operating income

The Group's other operating income comprised mainly income from installation of water meters as well as from repair and maintenance works. The higher revenue of RMB 2.4 million in 3QFY2010, as compared to RMB 1.6 million for 3QFY2009, resulted from more installation works being carried out in 3QFY2010.

Selling and distribution expenses

The Group incurred higher selling and distribution expenses of RMB 3.6 million in 3QFY2010, as compared to RMB 2.6 million for 3QFY2009. Due to the restructuring exercise that took place in FY2009, cost-cutting measures were taken to manage expenses. Lesser bidding activities were carried in 3QFY2009 which has resulted in lower consultancy fees and bidding-related costs incurred for 3QFY2009.

Administrative expenses

The Group's administrative expenses in 3QFY2010 decreased to RMB 13.1 million, from RMB 13.7 million for 3QFY2009. Higher professional fees during the restructuring exercise were incurred in 3QFY2009.

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

Financial Income

The Group's financial income takes the form of interest income from banks, interest income from loan to associate as well as finance income recognised on the service concession arrangements.

Group's finance income from service concession arrangements increased from RMB 4.5 million in 3QFY2009 to RMB 9.8 million in 3QFY2010, was due mainly to the recognition of finance income by Huangshi Kaidi, which commenced operations in December 2009 and Wuhan Kaidi Xinchuan, which started operations in 3QFY2010.

Financial expenses

The Group's financial expenses decreased from RMB 97.7 million in 3QFY2009 to RMB 10.7 million in 3QFY2010. The decrease was due to settlement of Series 1 Bonds in February 2010.

Other Expenses and Other Income

The Group's other expenses in 3QFY2010 was due mainly to fair value changes of its derivative instruments. For 3QFY2009, the fair value changes in its derivative instruments resulted in an income recognised.

Tax expense

The Group's tax expense in 3QFY2010 amounted to RMB 2.3 million, as compared to RMB 1.7 million for 3QFY2009. This was largely due to some of the Group's subsidiaries having higher taxable profits in 3QFY2010. This is partially offset by the reversal of prior year tax expenses recorded by one of the Group's subsidiaries, Wuhan Xincheng, as it obtained full exemption from taxation for the first three years and a 50% relief from the tax rate of 25% for the next three years thereafter.

STATEMENT OF FINANCIAL POSITION

Intangible Assets/Land Use Rights/Financial Receivables

As at 30 September 2010, the Group's intangible assets/land use rights amounted to RMB 479.1 million, as compared to RMB 476.6 million as at 31 December 2009.

The Group's non-current and current financial receivables, as at 30 September 2010, were RMB 345.9 million (31 December 2009: RMB 292.4 million). The higher balance as at 30 September 2010 was largely due to the recognition of the financial receivables of new water treatment plants.

Goodwill on consolidation

As at 30 September 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

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

Goodwill on consolidation – cont'd

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 September 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

RMB'000	Retention Monies (Non- current assets)	Trade Receivables (Current assets)	Total
As at 30.09.2010	2,156	87,064	89,220
As at 31.12.2009	6,118	64,831	70,949

The higher balance reported for September 2010 closing, as compared to that reported for December 2009 closing, was due mainly to recent invoices which have been recorded but not yet due for payment.

Cash and cash equivalents

The Group's cash and cash equivalents, as at 30 September 2010, amounted to RMB 138.6 million (31 December 2009: RMB 81.6 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 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 at 31 December 2009 was immaterial and has accordingly recorded nil balance for the derivative financial instrument that 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 September 2010, amounted to RMB 6.2 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.

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

Interest-bearing loans and borrowings

The Group's interest-bearing loans and borrowings were:

RMB'000	As at 30.09.2010	As at 31.12.2009
Non-current	393,404	323,674
Current	215,500	422,493
Total	608,904	746,167

During the 9 months ended 30 September 2010, the Group repaid RMB 375.6 million while new drawdowns amounted to RMB 280.8 million. Repayment included the settlement of Series 1 Bonds.

Total equity

The Group's total equity, as at 30 September 2010, amounted to RMB 411.5 million (31 December 2009: RMB 226.1 million). During the period under review, approximately RMB 189.1 million were raised through issuance of 1,959,375,500 new shares.

Net current liabilities

Cash and cash equivalents, as at 30 September 2010, of RMB 138.6 million, helped to reduce the Group's net current liabilities to RMB 110.2 million (31 December 2009: RMB 316.1 million).

STATEMENT OF CASH FLOW

During the 9 months ended 30 September 2010, the Group generated a cash flow from its operations before changes in working capital of RMB 22.4 million. RMB 33.3 million has been used in funding its working capital requirement. During the same period, the Group's investing activities amounted to RMB 34.2 million while its financing activities raised RMB 107.5 million. RMB 189.1 million was raised through issue of new shares. Drawdown of loans amounted to RMB 280.8 million while repayment of loans and borrowings amounted to RMB 375.6 million.

As at 30 September 2010, the Group's cash and cash equivalents stood at RMB 138.6 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.

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 third quarter and for the nine months ended 30 September 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

12 November 2010