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**First Quarter Results \* Financial Statement And Related Announcement**

\* Asterisks denote mandatory information


Name of Announcer *	ASIA WATER TECHNOLOGY LTD.
Company Registration No.	200210042R
Announcement submitted on behalf of	ASIA WATER TECHNOLOGY LTD.
Announcement is submitted with respect to *	ASIA WATER TECHNOLOGY LTD.
Announcement is submitted by *	Liu Yujie
Designation *	Executive Director
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**>> Announcement Details**

The details of the announcement start here ...

For the Financial Period Ended *	31-03-2011
Description	Please refer to the attachment.

**Attachments**

 [AWT\\_1QFY2011\\_Results\\_Announcement.pdf](#)  
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## **ASIA WATER TECHNOLOGY LTD.**

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

### **Unaudited Financial Statements and Dividend Announcement for the First Quarter and Three Months ended 31 March 2011**

13 May 2011

*"This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited, for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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

## **First Quarter Financial Year 2011 (1QFY2011) 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 FIRST QUARTER ("1QFY2011") ENDED 31 MARCH 2011**

	Note	3 Months Ended		Changes
		31.03.11	31.03.10	
		RMB'000	RMB'000	%
<b>Continuing operations</b>				
Revenue	(A)	48,731	57,490	(15.2)
Cost of sales		(32,749)	(51,982)	(37.0)
<b>Gross profit</b>	(B)	<b>15,982</b>	<b>5,508</b>	<b>&gt;100.0</b>
Other operating income	(i)/(C)	527	384	37.2
Selling and distribution expenses	(D)	(2,733)	(2,217)	23.3
Administrative expenses	(E)	(14,420)	(10,441)	38.1
<b>Loss from operations</b>		<b>(644)</b>	<b>(6,766)</b>	<b>(90.5)</b>
Financial income	(ii)/(F)	5,617	9,639	(41.7)
Financial expenses	(iii)/(F)	(9,226)	(9,206)	0.2
Other expenses	(iv)/(G)	(7,768)	(27,379)	(71.6)
Other income	(iv)/(H)	12	30,231	(100.0)
Share of profit of associate	(I)	2,649	3,236	(18.1)
<b>Loss before tax from continuing operations</b>	(v)	<b>(9,360)</b>	<b>(245)</b>	<b>&gt;100.0</b>
Tax expense	(J)	(897)	(1,436)	(37.5)
<b>Loss from continuing operations, net of tax</b>		<b>(10,257)</b>	<b>(1,681)</b>	<b>&gt;100.0</b>
Profit/ (loss) from discontinued operations, net of tax	(vi)/(K)	852	(211)	N.M
<b>Loss for the period, representing total comprehensive loss for the period</b>		<b>(9,405)</b>	<b>(1,892)</b>	<b>&gt;100.0</b>
<b>Loss for the period attributable to:</b>				
Owners of the Company		(9,120)	(1,468)	>100.0
Non-controlling interests		(285)	(424)	(32.8)
		<b>(9,405)</b>	<b>(1,892)</b>	<b>&gt;100.0</b>
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company		(9,120)	(1,468)	>100.0
Non-controlling interests		(285)	(424)	(32.8)
		<b>(9,405)</b>	<b>(1,892)</b>	<b>&gt;100.0</b>

**N.M. – Not Meaningful**

**Notes:**

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

	<b>3 Months Ended</b>	
	<b>31.03.11</b>	<b>31.03.10</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Installation of water meters and repair and maintenance work	433	258
Others	94	126
	<b>527</b>	<b>384</b>

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

	<b>3 Months Ended</b>	
	<b>31.03.11</b>	<b>31.03.10</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest income from bank deposits	208	157
Interest income from loan to associate	-	514
Financial income from service concession arrangements	5,355	8,799
Financial income from amortisation of retention monies	54	149
Others	-	20
	<b>5,617</b>	<b>9,639</b>

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

	<b>3 Months Ended</b>	
	<b>31.03.11</b>	<b>31.03.10</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest expense		
- interest-bearing loans and borrowings	(8,949)	(8,352)
- amortisation of other receivables / retention monies	-	(331)
- amortisation of bonds and coupon payment	(277)	(523)
	<b>(9,226)</b>	<b>(9,206)</b>

**Notes:**

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

	3 Months Ended	
	31.03.11	31.03.10
	RMB'000	RMB'000
Waiver of Redemption Premium of Series 1 Senior Bonds and Series 1 Junior Bonds	-	30,924
Other income	12	(693)
	12	30,231
Fair value loss – derivative instrument	(7,735)	(27,384)
Other expense	(33)	5
	(7,768)	(27,379)

1(a)(v) Loss before tax from continuing operations is arrived at after charging/(crediting) the following:

	3 Months Ended	
	31.03.11	31.03.10
	RMB'000	RMB'000
Amortisation of intangible assets	3,929	3,627
Depreciation of property, plant and equipment	1,127	953
Gain on disposal of property, plant and equipment	(8)	-
Foreign exchange (gain)/ loss, net	(556)	283
Write-back of doubtful receivables (trade)	(415)	(1,047)
Allowance of doubtful receivables (non-trade)	4	-

1(a)(vi) Profit/(loss) from discontinued operations

	3 Months Ended	
	31.03.11	31.03.10
	RMB'000	RMB'000
Revenue	600	563
Cost of sales	(669)	(559)
<b>Gross (loss)/profit</b>	(69)	4
Other operating income	203	-
Selling and distribution expense	(45)	(136)
Administrative expense	(67)	(75)
<b>Profit/(loss) from operations</b>	22	(207)
Financial income	1	1
Gain on disposal of a subsidiary	830	-
Other expense	-	(5)
<b>Profit/(loss) before tax</b>	853	(211)
Tax expense	(1)	-
<b>Profit/(loss) after tax</b>	852	(211)

**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.**

	Note	Group		Company	
		As At 31.03.11	As At 31.12.10	As At 31.03.11	As At 31.12.10
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets:</b>					
Property, plant and equipment		34,444	35,391	949	992
Land use rights		9,280	9,370		
Intangible assets		472,524	474,510		
Financial receivables	(L)	354,704	357,764	-	-
Investment in subsidiaries		-	-	445,705	445,705
Prepayment for investment in associates		51,363	51,363	-	-
Investment in associate		39,216	39,163	40,408	40,408
Deferred tax assets		806	829	-	-
Goodwill on consolidation		13,592	13,592	-	-
Retention monies	(O)	1,425	1,405	-	-
		<b>977,354</b>	<b>983,387</b>	<b>487,062</b>	<b>487,105</b>
<b>Current assets:</b>					
Inventories, at cost	(M)	7,757	7,215	-	-
Work-in-progress, in excess of progress billings	(N)	22,362	22,483	-	-
Financial receivables	(L)	12,322	4,666	-	-
Trade receivables	(O)	70,316	59,781	11,756	-
Bills receivables	(O)	3,820	5,540	-	-
Other receivables, prepayments and other current assets		76,671	79,099	1,070	1,116
Due from associate (trade)	(P)	76,015	69,335	-	-
Bank deposits pledged	(Q)	22,305	17,910	-	-
Cash and cash equivalents	(Q)	556,459	157,323	404,594	22,118
		848,027	423,352	417,420	23,234
Assets of disposal group classified as held for sale	(R)	11,373	31,630	-	-
		<b>859,400</b>	<b>454,982</b>	<b>417,420</b>	<b>23,234</b>
<b>Current liabilities:</b>					
Trade payables	(S)	88,543	108,954	-	-
Other payables, accruals and provisions	(T)	198,442	185,492	21,832	8,938
Progress billings in excess of work-in-progress	(N)	34,279	32,008	-	-
Due to subsidiaries (non-trade)		-	-	39,255	39,234
Bills payable to banks (secured)	(U)	12,960	24,951	-	-
Interest-bearing loans and borrowings	(U)	262,563	222,564	-	-
Derivative financial instruments	(V)	23,298	51,019	23,298	51,019
Provision for income tax	(W)	5,296	5,907	-	-
		625,381	630,895	84,385	99,191
Liabilities directly associated with disposal group classified as held for sale	(R)	2,660	2,666	-	-
		<b>628,041</b>	<b>633,561</b>	<b>84,385</b>	<b>99,191</b>
<b>Net current assets/(liabilities)</b>	(X)	<b>231,359</b>	<b>(178,579)</b>	<b>333,035</b>	<b>(75,957)</b>
<b>Non-current liabilities:</b>					
Interest-bearing loans and borrowings	(U)	325,830	355,493	8,473	31,017
Deferred tax liabilities		14,962	14,992	1,354	1,354
		<b>340,792</b>	<b>370,485</b>	<b>9,827</b>	<b>32,371</b>
<b>Net Assets</b>		<b>867,921</b>	<b>434,323</b>	<b>810,270</b>	<b>378,777</b>
<b>Equity attributable to owners of the Company</b>					
Share capital		858,458	415,455	858,458	415,455
Share option reserve		12,727	12,727	12,727	12,727
General reserve		40,026	39,368	-	-
Accumulated losses		(72,363)	(62,585)	(60,915)	(49,405)
		<b>838,848</b>	<b>404,965</b>	<b>810,270</b>	<b>378,777</b>
Non-controlling interests		29,073	29,358	-	-
<b>Total equity</b>	(Y)	<b>867,921</b>	<b>434,323</b>	<b>810,270</b>	<b>378,777</b>

**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 31.03.11 RMB'000		As at 31.12.10 RMB'000	
Secured	Unsecured	Secured	Unsecured
82,523	193,000	94,515	153,000

**Amount repayable after one year**

As at 31.03.11 RMB'000		As at 31.12.10 RMB'000	
Secured	Unsecured	Secured	Unsecured
237,357	88,473	275,493	80,000

On 5 January 2011, Triumph Power Limited converted its Bonds 2012 into 138,150,000 ordinary shares of the Company.

**Details of any collaterals**

The Group's secured borrowings comprise bills payable to banks, 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;
- (iv) debentures on assets of subsidiary companies; and
- (v) joint corporate guarantee by a non-related company and subsidiary company.

**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.**

	<b>Group</b>	
	<b>For 3 Months Ended</b>	
	<b>31.03.11</b>	<b>31.03.10</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities:</b>		
Loss before tax from continuing operations	(9,360)	(245)
Profit/(loss) before tax from discontinued operations	853	(211)
Loss before tax, total	(8,507)	(456)
Adjustments for:		
Write back of allowance for receivables (trade)	(458)	(1,047)
Allowance for receivables (non-trade)	4	-
Amortisation of intangible assets	3,929	3,631
Depreciation of property, plant and equipment	1,127	1,072
Fair value loss on derivative financial instrument	7,735	27,384
Financial expenses	9,226	9,206
Financial income	(5,618)	(9,640)
Gain on disposal of property, plant and equipment	(8)	-
Gain on disposal of a subsidiary	(830)	-
Share of profit of associate	(2,649)	(3,236)
Waiver of redemption premium for Series 1 Senior Bonds/Junior Bonds	-	(30,924)
Unrealised profit arising from sale to/interest income from an associate	2,596	2,961
Translation difference	652	535
<b>Operating cash flow before working capital changes</b>	<b>7,199</b>	<b>(514)</b>
(Increase)/decrease in:		
Inventories	(559)	276
Work-in-progress, net	2,648	642
Trade receivables	(10,267)	(3,174)
Bills receivables	1,720	600
Other receivables, prepayments and other current assets	2,446	10,291
Financial receivables	(4,596)	(366)
Due from associate (trade)	(7,520)	(6,820)
Due from associate (non-trade)	840	(902)
Increase/(decrease) in:		
Trade payables	(20,401)	(31,147)
Other payables and accruals	12,956	(11,461)
Bills payable to banks	(11,991)	(8,206)
<b>Cash used in operating activities</b>	<b>(27,525)</b>	<b>(50,781)</b>
Interest income received	5,563	12,294
Interest expense paid	(8,778)	(7,421)
Income tax paid – net	(1,631)	(2,517)
<b>Net cash used in operating activities</b>	<b>(32,371)</b>	<b>(48,425)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(43)	(297)
Purchase of intangible assets/land use rights	(1,854)	(3,448)
Proceeds from disposal of property, plant and equipment	8	-
Net cash inflow on disposal of a subsidiary (Note A)	1,448	-
Return of capital to non-controlling interests upon deregistration of subsidiary	-	(190)
<b>Net cash used in investing activities</b>	<b>(441)</b>	<b>(3,935)</b>

	<b>Group</b>	
	<b>For 3 Months Ended</b>	
	<b>31.03.11</b>	<b>31.03.10</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from financing activities:</b>		
Proceeds from loans and borrowings	55,000	80,795
Repayment of loans and borrowings	(22,120)	(195,290)
Proceeds from issuance of shares for cash	-	179,459
Proceeds from rights issue	378,077	9,622
Proceeds from warrants exercised	5,998	1,174
(Increase)/decrease in deposits pledged to banks	(4,395)	13,326
<b>Net cash generated from financing activities</b>	<b>412,560</b>	<b>89,086</b>
Net increase cash and cash equivalents	379,748	36,726
Cash and cash equivalents at beginning of period	178,243	81,554
<b>Cash and cash equivalents at end of period</b>	<b>557,991</b>	<b>118,280</b>

<b>Cash and cash equivalents at the end of period:</b>		
Cash and bank balances		
- Continuing operations	578,764	137,234
- Discontinued operations	1,532	905
Less: Bank deposits pledged	(22,305)	(19,859)
<b>Cash and cash equivalents</b>	<b>557,991</b>	<b>118,280</b>

#### **Note A: Disposal of a subsidiary**

During 1QFY2011, the Group has disposed of its 100% interest in Wuhan Caidian Huancheng Waste Water Treatment Co. Ltd. for a total consideration of RMB 21.1 million.

	<b>Amount</b>
	<b>RMB '000</b>
Cash and cash equivalents	19,654
Other receivables	940
Fixed assets	12
Other payables	(334)
	20,272
Gain on disposal of a subsidiary	830
Less: Cash and cash equivalents	(19,654)
<b>Net cash inflow on disposal of a subsidiary</b>	<b>1,448</b>



**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	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
<b>Balance at 01.01.11</b>	<b>378,777</b>	<b>415,455</b>	<b>(49,405)</b>	<b>12,727</b>	-	-	<b>12,727</b>	-
Total comprehensive loss for the period	(11,510)	-	(11,510)	-	-	-	-	-
Conversion of Bonds 2012	53,322	53,322	-	-	-	-	-	-
Rights Issue	379,585	379,585	-	-	-	-	-	-
Rights Issue expenses	(785)	(785)	-	-	-	-	-	-
Warrant conversion	10,881	10,881	-	-	-	-	-	-
<b>Balance at 31.03.11</b>	<b>810,270</b>	<b>858,458</b>	<b>(60,915)</b>	<b>12,727</b>	-	-	<b>12,727</b>	-
<b>Balance at 01.01.10</b>	<b>200,502</b>	<b>204,503</b>	<b>(15,009)</b>	<b>11,008</b>	<b>17,461</b>	<b>1,178</b>	<b>12,774</b>	<b>(20,405)</b>
Effect of change in functional currency of the Company and a subsidiary	(238)	(11,994)	(7,544)	19,300	(1,133)	75	(47)	20,405
Total comprehensive loss for the period	(2,031)	-	(2,031)	-	-	-	-	-
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	-	-	-	-	-	-
Warrant conversion	1,174	1,175	-	(1)	-	(1)	-	-
<b>Balance at 31.03.10</b>	<b>389,855</b>	<b>384,132</b>	<b>(8,256)</b>	<b>13,979</b>	-	<b>1,252</b>	<b>12,727</b>	-

**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.**

<b>Share Capital</b>	Number of ordinary shares	Share Capital
	<b>'000</b>	<b>RMB'000</b>
<b>As at 1 January 2011: 2,273,526,689 ordinary shares</b>	2,273,527	415,455
Bonds 2012 conversion : 138,150,000 ordinary shares at S\$0.045 each	138,150	53,322
Rights Issue: 1,217,789,975 ordinary shares at S\$0.06 each	1,217,790	378,800
Exercise of 25,829,211 <b>2010 Warrants Tranche 2</b> at S\$0.045 each	25,829	10,881
<b>As at 31 March 2011: 3,655,295,875 ordinary shares</b>	<b>3,655,296</b>	<b>858,458</b>

As at 31 March 2011, there were 59,727,316 (31 December 2010: 85,556,527) unissued ordinary shares under 2010 Warrants Tranche 2.

<b>Summary of outstanding Convertible Securities</b>		As at 31 March 2011		As at 31 December 2010	
	Note	Number of outstanding convertible securities	Percentage of the Company's existing issued share capital of 3,655,295,875 ordinary shares	Number of outstanding convertible securities	Percentage of the Company's existing issued share capital of 2,273,526,689 ordinary shares
2010 Warrants Tranche 2	A	59,727,316	2%	85,556,527	4%
Bonds 2012	B	-	-	138,150,000	6%
Repayment Bonds (Bonds 2012A)	B	49,120,000	1%	49,120,000	2%
ESOS Options	C	19,356,083	1%	19,356,083	1%
<b>Total</b>		<b>128,203,399</b>	<b>4%</b>	<b>292,182,610</b>	<b>13%</b>

**1(d)(ii) – cont'd****Note A**

The Company issued two tranches of free warrants ("2010 Warrants") to all existing shareholders on 19 February 2010 at an exercise price of S\$0.020 and S\$0.045 for Tranche 1 and 2 respectively. This refers to Tranche 2 of the 2010 Warrants.

**Note B**

On 18 February 2010, the Company issued Bonds 2012 of US\$4.5 million to Triumph and 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 C**

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 respectively. No options have been exercised for the financial period ended 31 March 2011. No share options have been forfeited during the financial period ended 31 March 2011. As at 31 March 2011, there were 19,356,083 (31 December 2010: 19,356,083) share options unexercised.

**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.**

As at 31 March 2011 and 31 December 2010, there were no treasury shares held. Total number of issued shares excluding treasury shares, as at 31 March 2011 was 3,655,295,875 (as at 31 December 2010: 2,273,526,689).

**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 or 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 2010.

**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.**

Revised FRS 24 Related Party Disclosure

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity.

The Company has adopted Revised FRS 24. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company when implemented in FY2011.

**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.**

	<b>3 Months Ended</b>	
	<b>31.03.11</b>	<b>31.03.10</b>
	RMB cents	RMB cents
(i) Based on weighted average number of ordinary shares in issue	(0.37)	(0.23)
(ii) On a fully diluted basis	(0.37)	(0.23)

Basic earnings per share (“EPS”) for 1QFY2011 and 1QFY2010 respectively are computed based on the weighted average number of ordinary shares of 2,496,555,440 and 635,261,015 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.**

	<b>Group</b>	<b>Company</b>
	RMB cents	RMB cents
As at 31.03.11	22.95	22.17
As at 31.12.10	17.81	16.66

Net asset value per share is calculated based on the number of shares in issue (excluding treasury shares) of 3,655,295,875 as at 31 March 2011 (31 December 2010: 2,273,526,689).

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**

### **Overall Review**

The Group has recorded higher gross profit ("GP") of RMB 16.0 million in 1QFY2011, as compared to RMB 5.5 million in 1QFY2010, representing an increase of 190.2%. In addition, the Group's gross profit margin ("GPM") increased from 9.6% in 1QFY2010 to 32.8% in 1QFY2011.

Attributed mainly to the higher GP recorded in 1QFY2011, the Group's loss from operations was reduced significantly from RMB 6.8 million in 1QFY2010 to RMB 0.6 million in 1QFY2011, representing a decrease of 90.5%, despite an increase in administrative expenses in 1QFY2011.

However, notwithstanding the improvement from the reduction in loss from operations, the Group reported a higher net loss of RMB 9.4 million in 1QFY2011, as compared to a net loss of RMB 1.9 million in 1QFY2010, largely as a result of the non-cash fair value loss of RMB 7.7 million recognised in 1QFY2011. The non-cash fair value loss relates to mark-to-market treatment of conversion option of warrants ("W110818") and convertible bonds ("Bonds 2012A") as well as the derecognition of embedded derivative of convertible bonds ("Bonds 2012") (which was converted into shares) during 1QFY2011.

A once-off other income of RMB 30.9 million that arose from the waiver of redemption premium on 2007 Bonds was recorded in 1QFY2010. There was no such amount recorded in 1QFY2011.

In all, the Group recorded a total comprehensive loss of RMB 9.4 million in 1QFY2011, after taken into consideration the profit from discontinued operations (net of tax) of RMB 0.9 million.

For more details on the analysis of the Group's performance, please refer to sections below.

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

### (A) Revenue

	1QFY2011 RMB '000	1QFY2010 RMB '000	Change RMB '000	Change %
Power Plant Engineering, Procurement and Commissioning ("EPC")	6,417	28,701	(22,284)	(77.6)
Municipal EPC	16,796	11,834	4,962	41.9
Water Purification Treatment	12,806	10,363	2,443	23.6
Wastewater Treatment	8,904	2,689	6,215	>100.0
Consultancy Work	3,808	3,903	(95)	(2.4)
<b>Total</b>	<b>48,731</b>	<b>57,490</b>	<b>(8,759)</b>	<b>(15.2)</b>

### Overall

The Group's revenue decreased by RMB 8.8 million or 15.2%, from RMB 57.5 million in 1QFY2010 to RMB 48.7 million in 1QFY2011. The lower revenue was mainly attributed to lower revenue from the Power Plant EPC segment partially offset by increased revenue from the Municipal EPC, Water Purification Treatment and Wastewater Treatment segments.

### Power Plant EPC

Revenue from Power Plant EPC segment decreased from RMB 28.7 million in 1QFY2010 to RMB 6.4 million in 1QFY2011. Majority of the existing EPC projects were substantially completed in FY2010, resulting in lower revenue recognised in 1QFY2011. In addition, certain of the Group's new EPC contracts were scheduled for delivery and completion in the second half of FY2011, and hence, resulted in lower revenue contributions in the first quarter of FY2011.

### Municipal EPC

Revenue from Municipal EPC segment increased from RMB 11.8 million in 1QFY2010 to RMB 16.8 million in 1QFY2011. The increase was mainly due to (i) revenue generated from the construction of the water treatment plant of Wuhan Kaidi Xinchuan Wastewater Treatment Co., Ltd ("Kaidi Xinchuan"), whose construction only commenced in the second half of FY2010 and as such, no corresponding revenue was recognised in 1QFY2010; and (ii) revenue generated from existing uncompleted projects.

### Water Purification Treatment

Revenue from Water Purification Treatment segment increased from RMB 10.4 million in 1QFY2010 to RMB 12.8 million in 1QFY2011. The increase was mainly due to increase in quantity of tap and potable water supplied in 1QFY2011 as a result of the expansion in the water supply network and coverage.

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

### **(A) Revenue - cont'd**

#### **Wastewater Treatment**

Revenue from Wastewater Treatment segment increased from RMB 2.7 million in 1QFY2010 to RMB 8.9 million in 1QFY2011. The increase was mainly due to the following:

- (i) Effects of adjustments arising from the application of INT FRS 112 in 4QFY2010 (further details of which are set out in the "Financial Income" section below);
- (ii) Contribution from one of the wholly owned subsidiary, Wuhan Kaidi Xinchuan Wastewater Treatment Co.,Ltd. ("Kaidi Xinchuan"), which was operational since July 2010; and
- (iii) Increase in the level of minimum off-take volume in one of our wholly owned subsidiaries.

### **(B) Gross Profit ("GP")/ Gross Profit Margin ("GPM")**

The improvement in the GP was mainly due to (i) increased contribution from our Municipal EPC and Water Purification Treatment segments; (ii) steady progress in expanding the Group's customer bases in China; (iii) higher operating income arising from the application of INT FRS 112 in 4QFY2010 (further details of which are set out in the "Financial Income" section below); and (iv) contribution from Kaidi Xinchuan which was operational since July 2010, offset by the lower contribution from our Power Plant EPC segment.

The improvement in the GPM was mainly due to (i) execution of higher profit margin projects; (ii) our continuing efforts in costs control; and (iii) higher operating income arising from the application of INT FRS 112 in 4QFY2010 (further details of which are set out in the "Financial Income" section below).

### **(C) 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 0.5 million in 1QFY2011, as compared to RMB 0.4 million in 1QFY2010, was due to more installation works being carried out in 1QFY2011.

### **(D) Selling and Distribution Expenses**

The Group incurred higher selling and distribution expenses of RMB 2.7 million in 1QFY2011, as compared to RMB 2.2 million for 1QFY2010 as we increased our efforts to secure more contracts as compared to 1QFY2010, following the completion of our restructuring in March 2010.

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

### **(E) Administrative Expenses**

The Group's administrative expenses in 1QFY2011 increased to RMB 14.4 million, from RMB 10.4 million in 1QFY2010. The increase was mainly due to (i) higher directors' fees and remuneration as a result of the reconstitution of the Board to enhance its overall effectiveness; (ii) higher amount of allowance for doubtful debts written back in 1QFY2010 of RMB 1.0 million, as compared to 1QFY2011 of RMB 0.4 million; and (iii) higher research and development expenses incurred in 1QFY2011 as compared to 1QFY2010.

The increase was partially offset by the lower legal and professional fees incurred in 1QFY2011 as compared to 1QFY2010 with the completion of the Group's restructuring process.

### **(F) Financial Income/ Financial Expenses**

The Group's financial income relates to interest income from banks and financial income recognised on the service concession arrangements.

The financial income decreased from RMB 9.6 million in 1QFY2010 to RMB 5.6 million in 1QFY2011. The decrease was mainly due to lower financial income recognised on the service concession arrangements, as well as lower interest income derived from the loan to an associate company following its full repayment in FY2010.

The Group's financial income from service concession arrangements amounted to RMB 5.4 million in 1QFY2011, as compared to RMB 8.8 million in 1QFY2010, due mainly to lower financial income arising from the application of INT FRS 112 in 4QFY2010. In 4QFY2010, the Group reassessed its accounting estimates on recognition of operating income, financial income and repayment of financial receivables.

Financial expenses remained relatively unchanged.

### **(G) Other Expenses**

Other expenses in 1QFY2011 comprised mainly of non-cash fair value loss on (i) mark-to-market treatment of warrants ("W110818") and convertible bonds ("Bonds 2012A") and (ii) conversion of convertible bonds ("Bonds 2012") of US\$4.5 million into 138,150,000 ordinary shares during 1QFY2011. The value of the derivative instrument is highly sensitive to the changes in the Company's share price between each reporting period.

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

### **(H) Other Income**

Other income in 1QFY2010 mainly arose from the waiver of redemption premium of Series 1 Senior and Junior Bonds of US\$4.5 million on the completion of the proposed restructuring exercise with payment being made to the bondholders. Accordingly, other income of RMB 30.9 million was recognised on the waiver of redemption premium. There was no such amount recorded in 1QFY2011.

### **(I) Share of Profit of Associate**

The share of profit of associate is derived after taking into account (i) elimination of inter-company transactions and (ii) the Group's share of profits and losses of the associated company in the current financial period.

### **(J) Tax Expense**

The Group's tax expense for 1QFY2011 amounted to RMB 0.9 million while its tax expense for 1QFY2010 was RMB 1.4 million. This was largely due to taxable profits of some of the Group's subsidiaries, which were not offset against losses of other subsidiaries.

### **(K) Profit/(loss) from Discontinued Operations, Net of Tax**

Profit from discontinued operations includes results from Bengbu Xinya Water Services Co., Ltd (further details of which are set out in the "Discontinued operation and disposal group classified as held for sale" section below) and gain on disposal of Wuhan Caidian Huancheng Waste Water Treatment Co., Ltd. ("Wuhan Caidian").

## **STATEMENT OF FINANCIAL POSITION**

### **(L) Financial Receivables**

The Group has concession arrangements with the various governing bodies or agencies of the government of the People's Republic of China (the "Grantor") to operate waste water treatment plants. Under the concession agreements, the Group will construct and operate the plants for Concession Periods of between 20 to 50 years and transfer the plants to the respective Grantors at the end of the Concession Periods.

Such concession arrangements fall within the scope of INT FRS 112, Service Concession Arrangements. Under INT FRS 112, the revenue for the construction services provided under the arrangements and the corresponding financial receivables and/or intangible assets arising thereon are recognised based on percentage of completion method during the construction phase.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services.

The higher balance as at 31 March 2011 was largely due to Wuhan Kaidi Xinlong Wastewater Treatment Co., Ltd. ("Kaidi Xinlong"), which has yet to commence its operations.

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

### **(M) Inventories, at Cost**

The slight increase in the inventories was mainly due to the stocking up of inventory in preparation for expected utilisation in the coming quarters.

### **(N) Work-in-progress, in Excess of Progress Billings/ Progress Billings in Excess of Work-in-progress**

Work-in-progress is recorded at cost plus attributable profit, net of progress billings and allowance for foreseeable losses.

The net work-in-progress balances as at 31 March 2011 was a credit balance of RMB 11.9 million (31 December 2010: credit balance of RMB 9.5 million). The movement was mainly due to progress billings raised for existing projects during the period.

### **(O) Trade Receivables/ Bills Receivables/ Retention Monies**

	31.03.2011 RMB '000	31.12.2010 RMB '000	Change RMB '000	Change %
Trade receivables (current)	70,316	59,781	10,535	17.6
Bills receivables (current)	3,820	5,540	(1,720)	(31.0)
Retention monies (non-current)	1,425	1,405	20	1.4
<b>Total</b>	<u>75,561</u>	<u>66,726</u>	<u>8,835</u>	<u>13.2</u>

The higher balance of trade receivables reported as at 31 March 2011, as compared to that reported as at 31 December 2010 was due mainly to billings raised for new projects during 1QFY2011, offset by debt collections in 1QY2011.

Bills receivables decreased as a result of maturity of the bills receivables offset by lower amount of new bills receivables obtained during the 1QFY2011.

There was no significant variance for retention monies.

### **(P) Due from Associate (Trade)**

This represents the amount due from an associated company.

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

### **(Q) Cash and Cash Equivalents/ Bank Deposit Pledged**

The cash and bank balances, as at 31 March 2011, amounted to RMB 578.8 million (31 December 2010: RMB 175.2 million). The increase was mainly attributed to the net proceeds of RMB 378.1 million from the Rights Issues and new loans and borrowings obtained of RMB 55.0 million. The increase was partially offset by the repayment of loans and borrowings amounting to RMB 22.1 million.

### **(R) Discontinued Operation and Disposal Group Classified as Held for Sale**

The Group is in the process of disposal of 100% shareholdings in its subsidiary, Bengbu Xinya Water Services Co., Ltd. Accordingly, the assets and liabilities related to Bengbu Xinya have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale" and its results are presented separately on the consolidated income statement as "Profit/(loss) from discontinued operations, net of tax".

### **(S) Trade payables**

Trade payables decreased from RMB 109.0 million as at 31 December 2010 to RMB 88.5 million as at 31 March 2011, due to repayments made in 1QFY2011 and lower business activities in 1QFY2011.

### **(T) Other Payables, Accruals and Provisions**

Other payables and accruals increased from RMB 185.5 million as at 31 December 2010 to RMB 198.4 million as at 31 March 2011, mainly due to increase in customer advances received for new contracts signed during 1QFY2011 but goods were not delivered as at 31 March 2011.

### **(U) Interest-bearing Loans and Borrowings/ Bills Payable to Banks (Secured)**

Total borrowings of the Group decreased from RMB 603.0 million as at 31 December 2010 to RMB 601.4 million as at 31 March 2011.

	<b>31.03.2011</b>	<b>31.12.2010</b>	<b>Change</b>	<b>Change</b>
	<b>RMB '000</b>	<b>RMB '000</b>	<b>RMB '000</b>	<b>%</b>
Interest-bearing loans (non-current)	325,830	355,493	(29,663)	(8.3)
Interest-bearing loans (current)	262,563	222,564	39,999	18.0
Bills payable to banks (secured)	12,960	24,951	(11,991)	(48.1)
<b>Total</b>	<u>601,353</u>	<u>603,008</u>	<u>(1,655)</u>	<u>(0.3)</u>

During the 3 months ended 31 March 2011, the Group repaid RMB 22.1 million of loans while new loans drawdown amounted to RMB 55.0 million. In addition, the Company fully settled Bonds 2012 of RMB 22.8 million through issuance of new shares.

Bills payable to banks decreased as a result of maturity of the bills payables offset by lower amount of new bills payables obtained during the 1QFY2011.

**8. A review of the performance of the group – cont'd.****(V) Derivative Financial Instruments**

This relates to the derivative portions of Bonds 2012A and the fair value of free warrants issued in conjunction with the bonds. The value of the derivative instrument is highly sensitive to the changes in the Company's share price between each reporting period. Bonds 2012 was fully converted in January 2011. Accordingly, the fair value of the derivative financial instrument had been derecognised, resulting in the lower balance as at 31 March 2011.

**(W) Provision for Income Tax**

The Group's provision for income tax, as at 31 March 2011, amounted to RMB 5.3 million (31 December 2010: RMB 5.9 million). Payment of taxes during the period and tax expenses recognised accounted for the movement in the balances.

**(X) Net Current Assets/(Liabilities)**

As at 31 March 2011, the Group was in a net current assets position of RMB 231.4 million as compared to net current liabilities of RMB 178.6 as at 31 December 2010. The change was mainly due to increase in cash and cash equivalents from RMB 157.3 million to RMB 556.5 million and decrease in loans and borrowings from RMB 603.0 million to RMB 601.4 million due to net repayment made during the period.

**(Y) Total Equity**

The Group's total equity as at 31 March 2011 amounted to RMB 867.9 million (31 December 2010: RMB 434.3 million). The increase was mainly due to approximately RMB 53.3 million raised through issuance of 138,150,000 new ordinary shares to Triumph Power Limited following the conversion of convertible bonds ("Bonds 2012") and RMB 378.8 million raised through issuance of 1,217,789,975 Rights Shares, offset by net loss of RMB 9.4 million in 1QFY2011.

**(Z) STATEMENT OF CASH FLOW**

During the 3 months ended 31 March 2011, net cash used in the Group's operating activities amounted to RMB 32.4 million. During the period under review, cash used in investing activities by the Group amounted to RMB 0.4 million while its financing activities raised RMB 412.6 million. RMB 378.1 million was raised through the issuance of new shares. Drawdown of loans amounted to RMB 55.0 million while repayment of loans and borrowings amounted to RMB 22.1 million. As at 31 March 2011, the Group's cash and cash equivalents stood at RMB 558.0 million.

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

Other than the profit guidance announced on 5 May 2011, no forecast or prospect statement was previously disclosed.

**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 still sees enormous potential in the water supply, water treatment and water purification industry as China continues to face serious water crisis. In reviewing the past developments and the current trend of China's water industry, it was observed that water supply and wastewater treatment volumes have been continually increasing at a swift pace. The long term prospects of China's water industry continue to be very promising. With China currently in a period of rapid industrialisation and urbanisation, the government has proposed various initiatives and stipulated a set of stringent and high level of requirements on environmental protection and energy conservation. With greater awareness of the importance of environmental protection, we strongly believe that the China's water industry would be able to ride on the tide of industrialisation and urbanisation. The macro environment has created significant opportunities for China water treatment industry. While we are optimistic about the future of water industry in China, we remain mindful of the challenges and will adopt a prudent approach in our business dealings.

In addition, the Company has recently completed our Rights Issue in March 2011, raising net proceeds of approximately S\$72.9 million (approximately RMB 378.1 million). The net proceeds will be used to finance the Group's business expansion as well as for general working capital of the Group. Upon the completion of the Rights Issue, the Group is in a stronger financial position to propel its growth.

The recent tightening of extension of working capital loans by banks in China due to tightening of monetary policies with the aim of controlling excess liquidity has affected many small and medium enterprises. At the same time, this has presented many expansion and acquisition opportunities for the Group due to our strengthened and stronger financial position. The Group will carefully evaluate opportunities available. We shall make appropriate and timely announcements relating to disbursements of the net proceeds from our recently completed Rights Issue.

**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 first quarter of the period ended 31 March 2011, 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**

**LIU YUJIE**  
Executive Director

13 May 2011