

ASIA WATER TECHNOLOGY LTD.
(Company Registration No. 200210042R)
(Incorporated in the Republic of Singapore)
(“Company”)

PROPOSED ACQUISITION OF 5,000 ORDINARY SHARES OF US\$1.00 EACH IN THE ISSUED AND PAID-UP CAPITAL OF LAP YIN INTERNATIONAL LIMITED (“TARGET COMPANY”), REPRESENTING THE ENTIRE ISSUED AND PAID-UP CAPITAL OF THE TARGET COMPANY BY THRIVE BLOOM LIMITED (A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY) (THE “PROPOSED ACQUISITION”)

Introduction

The Board of Directors (the “ **Board** ”) of Asia Water Technology Ltd. (the “ **Company** ”) wishes to announce that the Company has acquired the sole share in Thrive Bloom Limited 茂隆有限公司 (“**Thrive Bloom**”), a company incorporated in British Virgin Islands, for a consideration of US\$1.00.

Thrive Bloom is wholly-owned by the Company and its principal activity is that of an investment holding company. It was purchased to act as the special purpose vehicle of the Company holding businesses and assets in the waste treatment industry.

The purchase of Thrive Bloom Limited was funded through internal sources and is not expected to have any material impact on the consolidated net tangible assets and earnings per share of the Company for the financial year ending 31 December 2011.

Further, the **Board** wishes to announce that Thrive Bloom (as “**Purchaser**”) has entered into a share and purchase agreement (the “**Agreement**”) with Glory Knight Assets Limited (as “**Vendor**”), Zhang ChengHua, Liu Bin, Wu Bin, He XianBo (Zhang, Liu, Wu and He collectively, as “**Warrantors**”), on 3 July 2011 for the acquisition of 5,000 ordinary shares of US\$1.00 each in the issued and paid up capital of Lap Yin International Limited (“**Target Company**”), representing the entire issued and paid-up capital of the Target Company (the “**Sale Shares**”) (the “**Proposed Acquisition**”) for an aggregate consideration of RMB120,445,998 or approximately S\$23,087,214.

Rule 1006 of the SGX-ST Listing Manual

The relative figures in relation to the Proposed Acquisition pursuant to Rule 1006 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual, Section B: Rules of Catalist (“**Listing Manual**”), using the latest audited accounts of the Company and its subsidiaries (the “**Group**”) as at 31 December 2010, are:-

(a)	net asset value of the assets to be disposed of, compared with the group’s net asset value. This basis is not applicable to an acquisition of assets	Not applicable
(b)	net profits ⁽¹⁾ attributable to the assets acquired or disposed of, compared with the group’s net profits ⁽¹⁾	52.6% ⁽²⁾
(c)	aggregate value of the consideration given or received, compared with the issuer’s market capitalisation based on the total number of issued shares excluding treasury shares	8.17% ⁽³⁾
(d)	number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	2.7%

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|-----|---|----------------|
| (e) | aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets | Not applicable |
|-----|---|----------------|

As the relative figures under Rule 1006 (b) and (c) exceed 5% but do not exceed 75%, the Proposed Acquisition only constitutes a **"Discloseable Transaction"** as defined in Chapter 10 of the Listing Manual. Accordingly, Shareholders' approval for the Proposed Acquisition as a major transaction is not required

Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Determined by dividing the unaudited net profit of RMB17,161,000 by the Group's latest audited consolidated net profit of RMB32,636,000 for the financial year ended 31 December 2010.
- (3) Based on the aggregate value of the Consideration of approximately S\$23,087,214 (being the aggregate of the Cash Consideration (as defined below) and the value of the Consideration Shares (as defined below)) and the market capitalisation of the Company of S\$282,685,000 as at 1 July 2011 (being the market day preceding the date of the Agreement). Under Rule 1002(5) of the Listing Manual, the market capitalisation of Company is determined by multiplying the number of shares in issue being 3,663,238,063 shares by the weighted average price of S\$0.077168 of such shares transacted on 1 July 2011 (being the market day preceding the date of the Agreement).

Information to be announced under Rule 1010 of the Listing Manual

- (1) *Particulars of the assets acquired, including the name of any company or business, where applicable*

Pursuant to the Proposed Acquisition, the Purchaser shall acquire, free from all encumbrances and together with all rights and benefits attaching thereto, all the Sale Shares. Such rights and benefits shall include all rights and interests and all legal and beneficial titles to all of the Group Companies (defined below) and all assets and properties (real and movable) owned directly or indirectly by the Target Company as at the date of the Agreement.

As at the date of the Agreement, the Target Company owns the entire issued and paid-up capital of Hanyang Investment Holding Company Limited (a company incorporated in Hong Kong) ("**Hanyang Investment**"), which in turn owns 50.0% of the total shareholding in Wenling Hanyang Resources Power Co., Ltd. (a company incorporated in the People's Republic of China) ("**Wenling Hanyang**"). The Target Company, Hanyang Investment and Wenling Hanyang shall be referred collectively as the "**Group Companies**".

- (2) *A description of the trade carried on, if any*

Both the Target Company and Hanyang Investment are investment holding companies.

Wenling Hanyang is engaged in the business of waste incineration power generation, and it has entered into a contract relating to a Build-Operate-Transfer project ("**BOT Project**") with Wenling City Government on 22 March 2006 (which is supplemented by a further agreement dated 30 May 2011 with Wenling City Government in relation to phase 2 of the BOT Project).

The design capacity of Phase 1 is based on 700 tons/day of waste processing and can generate up to 15MW of electricity per year.

Phase 2 of the Project is expected to commence operation in 2012 according to plan. The design capacity of Phase 2 is based on 400 tons/day of waste processing and can generate up to 9MW of electricity per year.

- (3) *The aggregate value of the consideration, including factors taken into consideration in arriving at it and how it will be satisfied, including the terms of payment*

The aggregate consideration for the Sale Shares ("**Consideration**") shall comprise:

- (i) an aggregate cash consideration of RMB84,445,998, equivalent to S\$16,186,697 based on the exchange rate between S\$ and RMB of 5.217 ("**Cash Consideration**"); and
- (ii) 98,578,821 ordinary shares in the capital of the Company ("**Consideration Shares**") at an issue price of S\$0.07 ("**Issue Price**") to be allotted and issued by the Company to the Vendor and/or its designated nominees, credited as fully paid-up and free from all encumbrances and together with all rights attaching or accruing thereto and such Consideration Shares shall rank *pari passu* with the existing issued shares of the Company as at the Tranche 2 Completion Date (as defined below).

The Issue Price represents a discount of 9.29% to the volume weighted average price of the ordinary shares in the capital of the Company traded on the SGX-ST on the proceeding market day of the date of the Agreement.

The Consideration was arrived at arm's length on a 'willing-buyer willing-seller' basis, taking into consideration:

- (i) the earnings and growth potential of Wenling Hanyang; and
- (ii) the value of net assets acquired through the Proposed Acquisition.

Subject to the conditions as set out in the Agreement, the Consideration for the Sale Shares shall be satisfied in three (3) tranches, in the following manner:

- (a) tranche 1 of the Consideration ("**Tranche 1 Consideration**"), comprising a cash sum of RMB82,445,998, equivalent to S\$15,803,335 based on the exchange rate between S\$ and RMB of 5.217, shall be paid in Singapore Dollars cash to the Warrantors, as directed by the Vendor, upon the completion of the sale and purchase of the Sale Shares in accordance with the Agreement ("**Tranche 1 Completion**"), which shall take place on the seventh (7th) business day after the fulfillment of all the Tranche 1 Conditions (as defined below) ("**Tranche 1 Completion Date**");
- (b) tranche 2 of the Consideration ("**Tranche 2 Consideration**"), comprising 98,578,821 Consideration Shares at the Issue Price, shall be allotted and issued to the Warrantors, as directed by the Vendor, upon the payment of the Tranche 2 Consideration in accordance with the Agreement ("**Tranche 2 Completion**"), which shall take place on the seventh (7th) business day after the fulfillment of all the Tranche 2 Conditions (as defined below) ("**Tranche 2 Completion Date**"); and
- (c) tranche 3 of the Consideration ("**Tranche 3 Consideration**"), comprising a cash sum of RMB2,000,000, equivalent to S\$383,362 based on the exchange rate between S\$ and RMB of 5.217, shall be paid in Singapore

Dollars cash to the Warrantors, as directed by the Vendor, upon the payment of the Tranche 3 Consideration in accordance with the Agreement (“**Tranche 3 Completion**”), which shall take place on the seventh (7th) business day after the fulfillment of all the Tranche 3 Conditions (as defined below) (“**Tranche 3 Completion Date**”).

The (i) payment of the Cash Consideration shall be made in Singapore Dollars cash into the following accounts of the Warrantors as directed by the Vendor, and (ii) Consideration Shares shall be allotted and issued to The Central Depository (Pte) Limited for the accounts of the Warrantors as directed by the Vendor, in the following manner:

Name	Tranche 1 Consideration	Tranche 2 Consideration	Tranche 3 Consideration
ZHANG CHENGHUA	S\$6,479,367	40,417,317 Consideration Shares	S\$157,178
LIU BIN	S\$4,582,967	28,587,857 Consideration Shares	S\$111,175
WU BIN	S\$3,476,734	21,687,341 Consideration Shares	S\$84,340
HE XIANBO	S\$1,264,267	7,886,306 Consideration Shares	S\$30,669

- (4) *Whether there are any material conditions attaching to the transaction including a put, call or other option and details thereof*

Tranche 1

The obligation of the parties to the Agreement in respect of Tranche 1 Completion is subject to the fulfillment on or prior to the Tranche 1 Completion Date of, *inter alia*, the following conditions (“**Tranche 1 Conditions**”):

- (a) all required consents shall have been obtained without restrictions or limitations whatsoever unacceptable to the Purchaser and the Vendor, and be in full force and effect, in particular, and without limitation, the approval of the Purchaser’s parent company’s shareholders at a general meeting (if necessary) and its board of directors (as appropriate) and the regulatory authorities (including the sponsor of the Company and the SGX-ST, where applicable) in respect of the Proposed Acquisition;
- (b) the results of such legal and financial due diligence investigations including the due diligence to be undertaken by the Purchaser on the **Group Companies** conducted by the Purchaser and its advisors being satisfactory to the Purchaser in its sole discretion;
- (c) the confirmation letter from Wenling City Urban Environment and Hygiene Administrative Office (“**Office**”) having been received that the Office shall be the legal owner of the allocated land occupied by the BOT Project and Wenling Hanyang shall be granted a rental-free lease to use the land for the term equivalent to that of the BOT Project (including phases 1 and 2); and
- (d) the shareholder’s loan for the sum of approximately HK\$52.3 million owing from Hanyang Investment to Liu Bin 刘斌 having been novated from Liu Bin

刘斌 to the Company such that the sum will be owing from Hanyang Investment to the Company, such novation in form and substance being satisfactory to the Purchaser in its sole discretion.

The parties to the Agreement shall use their respective best endeavours to procure the fulfillment of the Tranche 1 Conditions, on or before **15 July 2011** or such later date as the Vendor and the Purchaser may agree ("**Tranche 1 Longstop Date**"). If any of the Tranche 1 Conditions are not satisfied or waived in accordance with the Agreement, on or before the Tranche 1 Longstop Date:

- (a) all the provisions of the Agreement shall lapse and cease to have effect; but
- (b) neither the lapsing of those provisions nor their ceasing to have effect shall affect any accrued rights or liabilities of any party in respect of damages for non-performance of any obligation under the Agreement falling due for performance prior to such lapse and cessation.

Tranche 2

The obligation of the parties to the Agreement in respect of Tranche 2 Completion is subject to the fulfillment on or prior to the Tranche 2 Completion Date of, *inter alia*, the following conditions ("**Tranche 2 Conditions**"):

- (a) all required consents shall have been obtained without restrictions or limitations whatsoever unacceptable to the Purchaser and the Vendor, and be in full force and effect, in particular, and without limitation:
 - (i) the receipt and non-withdrawal of the listing and quotation notice (the "**Listing Approval**") from the SGX-ST for, among other things, the listing and quotation of the Consideration Shares on the Catalist, on conditions (if any) acceptable to the Vendor; and
 - (ii) any conditions attached to the Listing Approval which is required to be fulfilled on or before the Tranche 2 Completion Date having been fulfilled on or before that date to the satisfaction of the SGX-ST or waived by the SGX-ST; and
- (b) the Tranche 1 Completion having taken place in accordance with the Agreement.

The parties to the Agreement shall use their respective best endeavours to procure the fulfillment of the Tranche 2 Conditions, on or before **31 August 2011** or such later date as the Vendor and the Purchaser may agree ("**Tranche 2 Longstop Date**").

Tranche 3

The obligation of the parties to the Agreement in respect of Tranche 3 Completion is subject to the fulfillment on or prior to the Tranche 3 Completion Date of, *inter alia*, the following conditions ("**Tranche 3 Conditions**"):

- (a) the Tranche 1 Completion and Tranche 2 Completion having taken place in accordance with the Agreement respectively; and
- (b) the overall project completion acceptance and filing certificate (项目整体完工验收和备案证书) in form and substance satisfactory to the Purchaser having been obtained by Wenling Hanyang.

The parties to the Agreement shall use their respective best endeavours to procure the fulfillment of the Tranche 3 Conditions, on or before **31 December 2011** or such later date as the Vendor and the Purchaser may agree ("**Tranche 3 Longstop Date**").

- (5) *The value (book value, net tangible asset value and the latest available open market value) of the assets being acquired, and in respect of the latest available valuation the value placed on the assets, the party who commissioned the valuation and the basis and date of such valuation*

Both the book value and the net tangible asset value of the Sale Shares as at 31 December 2010 was approximately RMB 48,909,000.

Intangible assets recorded in the books of Wenling Hanyang relate mainly to plant and equipment in relation to the service concession rights. Intangibles arising from the service concession rights have been included in the determination of net tangible assets value of the Sale Shares.

- (6) *The source(s) of funds for the acquisition*

The Proposed Acquisition will be funded from net proceeds from the Rights Issue completed in March 2011 and issuance of new shares.

- (7) *The net profits attributable to the assets being acquired*

The net profits attributable to the Sale Shares for the 12 months period ended 31 December 2010 amounted to RMB 17,161,000.

- (8) *Effect on share capital*

The financial effect of the Proposed Acquisition on the issued share capital of the Company as at the date of this announcement is as follows:

Share Capital	No of Shares	S\$'000
Issued and paid-up share capital as at the date of this announcement (excluding treasury shares) <i>(Based on allotment with Accounting and Corporate Regulatory Authority)</i>	3,663,238,063	163,439
Add: New ordinary shares to be issued <i>(Based on issue price of S\$0.07)</i>	98,578,821	6,901
Enlarged issued and paid-up share capital upon completion of the Proposed Acquisition	3,761,816,884	170,340

- (9) *The effect of the transaction on the net tangible assets per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the end of that financial year*

Assuming that the Proposed Acquisition had been effected on 31 December 2010, the net tangible assets per share of the Group as at 31 December 2010 would be as follows:

As at 31 December 2010

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (RMB' 000)	417,134	457,536
Number of shares ('000)	2,273,527	2,372,106
NTA per share (RMB cents per share)	18.35	19.29

Note: Intangibles arising from the service concession rights have been included in the determination of net tangible assets.

- (10) *The effect of the transaction on the earnings per share of the issuer for the most recently completed financial year, assuming that the transaction had been effected at the beginning of that financial year*

The financial effect of the Proposed Acquisition on the earnings per share of the Group for the financial year ended 31 December 2010 assuming that the Proposed Acquisition had been effected on 1 January 2010 would be as follows:

As at 31 December 2010

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders (RMB'000)	22,111	39,272
Weighted average number of shares used in the computation of basic EPS ('000)	1,931,724	2,030,303
Basic EPS (RMB cents per share) ⁽¹⁾	1.14	1.93

Note:

(1) Basic EPS is computed based on the weighted average number of shares for the full financial year.

- (11) *The rationale for the transaction including the benefits which are expected to accrue to the issuer as a result of the transaction*

The Company is of the view that the Proposed Acquisition will be in the best interests of the Company as it will mark the Group's foray into the waste incineration generation industry. Through the Proposed Acquisition, the Group is able to gain swift access to the waste treatment industry and this will strengthen the Group's position and provide the necessary platform for the Group to explore and potentially secure more waste treatment related projects.

- (12) *Whether any director or controlling shareholder has any interest, direct or indirect, in the transaction and the nature of such interests*

None of the directors of the Company or controlling shareholders has any interest, direct or indirect, in the Proposed Acquisition.

- (13) *Details of any service contracts of the directors proposed to be appointed to the issuer in connection with the transaction*

As at the date of this announcement, no director is proposed to be appointed to the Company in connection with the Proposed Acquisition.

Documents for Inspection

The Agreement is available for inspection during normal business hours at the Company's registered address at One Temasek Avenue, Millenia Tower #37-03, Singapore 039192 for three (3) months from the date hereof.

By Order of the Board

**Liu Yujie
Executive Director**

4 July 2011