



## **ASIA WATER TECHNOLOGY LTD.**

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

### **Unaudited Financial Statements and Dividend Announcement for the Second Quarter and Half Year ended 30 June 2011**

12 August 2011

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## **Second Quarter and First Half Financial Year 2011 Financial Statements And Dividend Announcement**

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

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

#### **UNAUDITED RESULTS FOR THE SECOND QUARTER ("2QFY2011") AND FIRST HALF FINANCIAL YEAR ENDED 30 JUNE 2011 ("1HFY2011")**

	Note	Group					
		3 Months Ended		Changes	6 Months Ended		Changes
		30.06.11	30.06.10		30.06.11	30.06.10	
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
<b>Continuing operations</b>							
Revenue	(A)	61,203	66,170	(7.5)	109,934	123,660	(11.1)
Cost of sales		(35,715)	(44,013)	(18.9)	(68,464)	(95,995)	(28.7)
<b>Gross profit</b>	(B)	<b>25,488</b>	<b>22,157</b>	<b>15.0</b>	<b>41,470</b>	<b>27,665</b>	<b>49.9</b>
Other operating income	(i)/(C)	8,849	3,594	> 100.0	9,376	3,978	> 100.0
Selling and distribution expenses		(2,878)	(2,890)	(0.4)	(5,611)	(5,107)	9.9
Administrative expenses	(D)	(1,415)	(8,860)	(84.0)	(15,835)	(19,301)	(18.0)
<b>Profit from operations</b>		<b>30,044</b>	<b>14,001</b>	<b>&gt; 100.0</b>	<b>29,400</b>	<b>7,235</b>	<b>&gt; 100.0</b>
Financial income	(ii)/(E)	5,917	9,209	(35.7)	11,534	18,848	(38.8)
Financial expenses	(iii)/(E)	(9,739)	(10,755)	(9.4)	(18,965)	(19,961)	(5.0)
Other expenses	(iv)/(F)	(1,317)	(6,011)	(78.1)	(9,085)	(33,390)	(72.8)
Other income	(iv)/(G)	109	699	(84.4)	121	30,930	(99.6)
Share of (loss)/ profit of associate	(H)	(3,529)	3,195	N.M	(880)	6,431	N.M.
<b>Profit before tax from continuing operations</b>	(v)	<b>21,485</b>	<b>10,338</b>	<b>&gt; 100.0</b>	<b>12,125</b>	<b>10,093</b>	<b>20.1</b>
Income tax expense	(I)	(5,856)	(2,677)	>100.0	(6,753)	(4,113)	64.2
<b>Profit from continuing operations, net of tax</b>		<b>15,629</b>	<b>7,661</b>	<b>&gt; 100.0</b>	<b>5,372</b>	<b>5,980</b>	<b>(10.2)</b>
Profit/(loss) from discontinued operations, net of tax	(vi)/(J)	517	(1,255)	N.M.	1,369	(1,466)	N.M.
<b>Profit for the period, representing total comprehensive income for the period</b>		<b>16,146</b>	<b>6,406</b>	<b>&gt; 100.0</b>	<b>6,741</b>	<b>4,514</b>	<b>49.3</b>
<b>Profit for the period attributable to:</b>							
Owners of the Company		16,525	6,485	> 100.0	7,405	5,017	47.6
Non-controlling interests		(379)	(79)	> 100.0	(664)	(503)	32.0
		<b>16,146</b>	<b>6,406</b>	<b>&gt; 100.0</b>	<b>6,741</b>	<b>4,514</b>	<b>49.3</b>
<b>Total comprehensive income attributable to:</b>							
Owners of the Company		16,525	6,485	> 100.0	7,405	5,017	47.6
Non-controlling interests		(379)	(79)	> 100.0	(664)	(503)	32.0
		<b>16,146</b>	<b>6,406</b>	<b>&gt; 100.0</b>	<b>6,741</b>	<b>4,514</b>	<b>49.3</b>

**N.M. – Not Meaningful**

**Notes:**

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

	3 Months Ended		6 Months Ended	
	30.06.11	30.06.10	30.06.11	30.06.10
	RMB'000	RMB'000	RMB'000	RMB'000
Installation of water meters and repair and maintenance work	8,755	3,430	9,188	3,688
Others	94	164	188	290
	8,849	3,594	9,376	3,978

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

	3 Months Ended		6 Months Ended	
	30.06.11	30.06.10	30.06.11	30.06.10
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income from bank deposits	254	127	462	284
Interest income from loan to associate	-	520	-	1,034
Financial income from service concession arrangements	5,350	8,708	10,705	17,507
Financial income from amortisation of retention monies	313	(138)	367	11
Others	-	(8)	-	12
	5,917	9,209	11,534	18,848

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

	3 Months Ended		6 Months Ended	
	30.06.11	30.06.10	30.06.11	30.06.10
	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense				
- interest-bearing loans and borrowings	(8,897)	(9,575)	(17,846)	(17,927)
- amortisation of other receivables/ retention monies	-	331	-	-
- amortisation of bonds and coupon payment	(842)	(1,509)	(1,119)	(2,032)
- Others	-	(2)	-	(2)
	(9,739)	(10,755)	(18,965)	(19,961)

**Notes:**

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

	3 Months Ended		6 Months Ended	
	30.06.11	30.06.10	30.06.11	30.06.10
	RMB'000	RMB'000	RMB'000	RMB'000
Waiver of Redemption Premium of Series 1 Senior Bonds and Series 1 Junior Bonds	-	-	-	30,924
Other income	109	699	121	6
	109	699	121	30,930
Fair value loss – derivative instrument	(1,245)	(6,006)	(8,980)	(33,390)
Other expense	(72)	(5)	(105)	-
	(1,317)	(6,011)	(9,085)	(33,390)

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

	3 Months Ended		6 Months Ended	
	30.06.11	30.06.10	30.06.11	30.06.10
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of intangible assets (Note K)	3,884	3,235	7,813	6,862
Depreciation of property, plant and equipment	850	881	1,977	1,834
Gain on disposal of property, plant and equipment	-	-	(8)	-
Foreign exchange gain, net	(4,392)	(356)	(4,948)	(73)
Write-back of doubtful receivables (trade)	(11,030)	(3,300)	(11,445)	(4,347)
Write-back of doubtful receivables (non trade)	(211)	-	(207)	-

1(a)(vi) Profit/(loss) from discontinued operations, net of tax

	3 Months Ended		6 Months Ended	
	30.06.11	30.06.10	30.06.11	30.06.10
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	837	743	1,437	1,306
Cost of sales	(483)	(790)	(1,152)	(1,349)
<b>Gross profit/(loss)</b>	<b>354</b>	<b>(47)</b>	<b>285</b>	<b>(43)</b>
Other operating income	310	-	513	-
Selling and distribution expenses	(40)	84	(85)	(52)
General and administrative expenses	(78)	(1,295)	(145)	(1,370)
<b>Profit/(loss) from operations</b>	<b>546</b>	<b>(1,258)</b>	<b>568</b>	<b>(1,465)</b>
Financial income	2	3	3	4
Gain on disposal of a subsidiary	-	-	830	-
Other expenses	-	-	-	(5)
<b>Profit/(loss) before tax</b>	<b>548</b>	<b>(1,255)</b>	<b>1,401</b>	<b>(1,466)</b>
Income tax expense	(31)	-	(32)	-
<b>Profit/(loss) after tax</b>	<b>517</b>	<b>(1,255)</b>	<b>1,369</b>	<b>(1,466)</b>

**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 30.06.11	As At 31.12.10	As At 30.06.11	As At 31.12.10
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets:</b>					
Property, plant and equipment		34,077	35,391	911	992
Land use rights		9,197	9,370	-	-
Intangible assets		471,098	474,510	-	-
Financial receivables	(L)	356,308	357,764	-	-
Investment in subsidiaries		-	-	445,705	445,705
Investment in associate	(M)	33,122	39,163	40,408	40,408
Prepayment for investment in associate		51,363	51,363	-	-
Deferred tax assets	(N)	1,043	829	-	-
Goodwill on consolidation		13,592	13,592	-	-
Retention monies	(O)	1,445	1,405	-	-
		<b>971,245</b>	<b>983,387</b>	<b>487,024</b>	<b>487,105</b>
<b>Current assets:</b>					
Inventories, at cost		7,636	7,215	-	-
Work-in-progress, in excess of progress billings	(P)	28,319	22,483	-	-
Financial receivables	(L)	20,869	4,666	-	-
Trade receivables	(O)	68,197	59,781	3,655	-
Bills receivables	(O)	16,662	5,540	-	-
Other receivables, prepayments and other current assets	(Q)	60,556	79,099	799	1,116
Due from associate (trade)	(R)	82,525	69,335	-	-
Bank deposits pledged	(S)	15,751	17,910	-	-
Cash and cash equivalents	(S)	543,552	157,323	416,121	22,118
		844,067	423,352	420,575	23,234
Assets of disposal group classified as held for sale	(T)	11,888	31,630	-	-
		<b>855,955</b>	<b>454,982</b>	<b>420,575</b>	<b>23,234</b>
<b>Current liabilities:</b>					
Trade payables	(U)	93,936	108,954	-	-
Other payables, accruals and provisions	(V)	195,184	185,492	23,060	8,938
Progress billings in excess of work-in-progress	(P)	30,286	32,008	-	-
Due to subsidiaries (non-trade)		-	-	39,143	39,234
Bills payable to banks (secured)	(W)	6,213	24,951	-	-
Interest-bearing loans and borrowings	(W)	331,912	222,564	9,314	-
Derivative financial instruments	(X)	23,733	51,019	23,733	51,019
Provision for income tax	(Y)	7,972	5,907	-	-
		689,236	630,895	95,250	99,191
Liabilities directly associated with disposal group classified as held for sale	(T)	2,657	2,666	-	-
		<b>691,893</b>	<b>633,561</b>	<b>95,250</b>	<b>99,191</b>
<b>Net current assets/(liabilities)</b>	(Z)	<b>164,062</b>	<b>(178,579)</b>	<b>325,325</b>	<b>(75,957)</b>
<b>Non-current liabilities:</b>					
Interest-bearing loans and borrowings	(W)	230,195	355,493	-	31,017
Deferred tax liabilities	(N)	17,920	14,992	1,354	1,354
		<b>248,115</b>	<b>370,485</b>	<b>1,354</b>	<b>32,371</b>
<b>Net Assets</b>		<b>887,192</b>	<b>434,323</b>	<b>810,995</b>	<b>378,777</b>
<b>Equity attributable to owners of the Company</b>					
Share capital		861,583	415,455	861,583	415,455
Share option reserve		12,727	12,727	12,727	12,727
General reserve		43,618	39,368	-	-
Accumulated losses		(59,430)	(62,585)	(63,315)	(49,405)
		<b>858,498</b>	<b>404,965</b>	<b>810,995</b>	<b>378,777</b>
Non-controlling interests		28,694	29,358	-	-
<b>Total equity</b>	(AA)	<b>887,192</b>	<b>434,323</b>	<b>810,995</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 30.06.11 RMB'000		As at 31.12.10 RMB'000	
Secured	Unsecured	Secured	Unsecured
75,811	262,314	94,515	153,000

**Amount repayable after one year**

As at 30.06.11 RMB'000		As at 31.12.10 RMB'000	
Secured	Unsecured	Secured	Unsecured
230,195	-	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;
- (iii) mortgage on an office building; and
- (iv) debentures on assets of subsidiary companies.

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

	Group		Group	
	For 3 Months Ended		For 6 Months Ended	
	30.06.11	30.06.10	30.06.11	30.06.10
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash flows from operating activities:</b>				
Profit before tax from continuing operations	21,485	10,338	12,125	10,093
Profit/(loss) before tax from discontinued operations	548	(1,255)	1,401	(1,466)
Profit before tax, total	22,033	9,083	13,526	8,627
Adjustments for:				
Write-back of allowance for receivables (trade)	(11,030)	(3,300)	(11,488)	(4,347)
Write-back of allowance for receivables (non-trade)	(211)	-	(207)	-
Amortisation of intangible assets	3,884	3,251	7,813	6,882
Depreciation of property, plant and equipment	850	1,077	1,977	2,149
Fair value loss on derivative financial instrument	1,245	6,006	8,980	33,390
Financial expenses	9,739	10,755	18,965	19,961
Financial income	(5,919)	(9,212)	(11,537)	(18,852)
Gain on disposal of property, plant and equipment	-	-	(8)	-
Gain on disposal of a subsidiary	-	-	(830)	-
Share of loss/(profit) of associate	3,529	(3,195)	880	(6,431)
Waiver of redemption premium for Series 1 Senior Bonds/ Junior Bonds	-	-	-	(30,924)
Unrealised profit arising from sale to/ interest income from an associate	2,565	2,868	5,161	5,829
Translation difference	3	(264)	655	271
<b>Operating cash flow before working capital changes</b>	<b>26,688</b>	<b>17,069</b>	<b>33,887</b>	<b>16,555</b>
(Increase)/decrease in:				
Inventories	144	507	(415)	783
Work-in-progress, net	(10,120)	(1,882)	(7,472)	(1,240)
Trade receivables	13,102	11,307	2,835	8,133
Bills receivables	(12,842)	(830)	(11,122)	(230)
Other receivables, prepayments and other current assets	16,677	711	19,123	11,002
Financial receivables	(10,151)	(7,861)	(14,747)	(8,227)
Due from associate (trade)	(6,510)	(14,982)	(14,030)	(21,802)
Due from associate (non-trade)	-	7,281	840	6,379
Increase/(decrease) in:				
Trade payables	5,389	7,504	(15,012)	(23,643)
Other payables and accruals	(1,414)	19,944	11,542	8,483
Bills payable to banks	(6,747)	9,957	(18,738)	1,751
<b>Cash generated from/(used in) operating activities</b>	<b>14,216</b>	<b>48,725</b>	<b>(13,309)</b>	<b>(2,056)</b>
Interest income received	5,605	6,023	11,168	18,317
Interest expense paid	(8,899)	(10,730)	(17,677)	(18,151)
Income tax paid – net	(483)	(2,578)	(2,114)	(5,095)
<b>Net cash generated from/(used in) operating activities</b>	<b>10,439</b>	<b>41,440</b>	<b>(21,932)</b>	<b>(6,985)</b>
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment	(624)	(820)	(667)	(1,117)
Purchase of intangible assets/ land use rights	(2,375)	(4,962)	(4,229)	(8,410)
Proceeds from disposal of property, plant and equipment	1	-	9	-
Net cash outflow on acquisition of a subsidiary	-	(18,108)	-	(18,108)
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>(2,998)</b>	<b>(23,890)</b>	<b>(3,439)</b>	<b>(27,825)</b>

	<b>Group</b>		<b>Group</b>	
	<b>For 3 Months Ended</b>		<b>For 6 Months Ended</b>	
	<b>31.06.11</b>	<b>30.06.10</b>	<b>30.06.11</b>	<b>30.06.10</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from financing activities:</b>				
Proceeds from loans and borrowings	100,000	200,000	155,000	280,795
Repayment of loans and borrowings	(127,127)	(52,099)	(149,247)	(247,389)
Proceeds from issuance of shares for cash	-	-	-	179,459
(Payments for)/proceeds from rights issue	(404)	-	377,673	9,622
Proceeds from warrants exercised	1,039	2,644	7,037	3,818
Decrease/(increase) in deposits pledged to banks	6,554	(2,951)	2,159	10,375
<b>Net cash (used in)/generated from financing activities</b>	<b>(19,938)</b>	<b>147,594</b>	<b>392,622</b>	<b>236,680</b>
Net (decrease)/increase in cash and cash equivalents	(12,497)	165,144	367,251	201,870
Cash and cash equivalents at beginning of period	557,991	118,280	178,243	81,554
<b>Cash and cash equivalents at end of period</b>	<b>545,494</b>	<b>283,424</b>	<b>545,494</b>	<b>283,424</b>

<b>Cash and cash equivalents at the end of period:</b>				
Cash and bank balances				
- Continuing operations	559,303	301,792	559,303	301,792
- Discontinued operations	1,942	4,442	1,942	4,442
Less: Bank deposits pledged	(15,751)	(22,810)	(15,751)	(22,810)
<b>Cash and cash equivalents</b>	<b>545,494</b>	<b>283,424</b>	<b>545,494</b>	<b>283,424</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. ("Wuhan Caidian") for a total consideration of RMB 21.1 million.

	<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.**

← Attributable to owners of the Company →

GROUP						Equity component of Series 1					Non-controlling interests
	Equity, Total	Equity attributable to owners of the Company	Share capital	Accumulated losses	Other reserves, total	Senior Bonds	General reserve	Warrant reserve	Share option reserve	Translation reserve	
<b>Balance at 01.01.11</b>	<b>RMB'000</b> 434,323	<b>RMB'000</b> 404,965	<b>RMB'000</b> 415,455	<b>RMB'000</b> (62,585)	<b>RMB'000</b> 52,095	<b>RMB'000</b> -	<b>RMB'000</b> 39,368	<b>RMB'000</b> -	<b>RMB'000</b> 12,727	<b>RMB'000</b> -	<b>RMB'000</b> 29,358
Total comprehensive loss for the period	(9,405)	(9,120)	-	(9,120)	-	-	-	-	-	-	(285)
Transfer to general reserve	-	-	-	(658)	658	-	658	-	-	-	-
Conversion of bonds	53,322	53,322	53,322	-	-	-	-	-	-	-	-
Rights Issue	379,585	379,585	379,585	-	-	-	-	-	-	-	-
Rights Issue expenses	(785)	(785)	(785)	-	-	-	-	-	-	-	-
Warrants conversion	10,881	10,881	10,881	-	-	-	-	-	-	-	-
<b>Balance at 31.03.11</b>	<b>867,921</b>	<b>838,848</b>	<b>858,458</b>	<b>(72,363)</b>	<b>52,753</b>	<b>-</b>	<b>40,026</b>	<b>-</b>	<b>12,727</b>	<b>-</b>	<b>29,073</b>
Total comprehensive income for the period	16,146	16,525	-	16,525	-	-	-	-	-	-	(379)
Transfer to general reserve	-	-	-	(3,592)	3,592	-	3,592	-	-	-	-
Issuance of shares for settlement of debts	1,679	1,679	1,679	-	-	-	-	-	-	-	-
Rights Issue expenses	(404)	(404)	(404)	-	-	-	-	-	-	-	-
Warrants conversion	1,850	1,850	1,850	-	-	-	-	-	-	-	-
<b>Balance at 30.06.11</b>	<b>887,192</b>	<b>858,498</b>	<b>861,583</b>	<b>(59,430)</b>	<b>56,345</b>	<b>-</b>	<b>43,618</b>	<b>-</b>	<b>12,727</b>	<b>-</b>	<b>28,694</b>
<b>Balance at 01.01.10</b>	<b>226,136</b>	<b>194,371</b>	<b>204,503</b>	<b>(70,331)</b>	<b>60,199</b>	<b>17,461</b>	<b>33,183</b>	<b>1,178</b>	<b>12,774</b>	<b>(4,397)</b>	<b>31,765</b>
Effect of change in functional currency	301	301	(11,994)	9,003	3,292	(1,133)	-	75	(47)	4,397	-
Total comprehensive loss for the period	(1,892)	(1,468)	-	(1,468)	-	-	-	-	-	-	(424)
Redemption of convertible bonds	-	-	-	16,328	(16,328)	(16,328)	-	-	-	-	-
De-registration of subsidiary	(190)	-	-	-	-	-	-	-	-	-	(190)
Transfer to general reserve	-	-	-	(814)	814	-	814	-	-	-	-
Issuance of shares for settlement of convertible bonds	179,459	179,459	179,459	-	-	-	-	-	-	-	-
Rights Issue	9,622	9,622	9,622	-	-	-	-	-	-	-	-
Conversion of bonds	1,367	1,367	1,367	-	-	-	-	-	-	-	-
Warrants conversion	1,174	1,174	1,175	-	(1)	-	-	(1)	-	-	-
<b>Balance at 31.03.10</b>	<b>415,977</b>	<b>384,826</b>	<b>384,132</b>	<b>(47,282)</b>	<b>47,976</b>	<b>-</b>	<b>33,997</b>	<b>1,252</b>	<b>12,727</b>	<b>-</b>	<b>31,151</b>
Total comprehensive income for the period	6,406	6,485	-	6,485	-	-	-	-	-	-	(79)
Transfer to general reserve	-	-	-	(1,686)	1,686	-	1,686	-	-	-	-
Issuance of free warrants	(20,335)	(20,335)	-	(20,335)	-	-	-	-	-	-	-
Conversion of bonds	2,471	2,471	2,471	-	-	-	-	-	-	-	-
Warrants conversion	6,407	6,407	6,411	-	(4)	-	-	(4)	-	-	-
<b>Balance at 30.06.10</b>	<b>410,926</b>	<b>379,854</b>	<b>393,014</b>	<b>(62,818)</b>	<b>49,658</b>	<b>-</b>	<b>35,683</b>	<b>1,248</b>	<b>12,727</b>	<b>-</b>	<b>31,072</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**

<b>COMPANY</b>	<b>Equity, total</b>	<b>Share capital</b>	<b>Accumul- ated losses</b>	<b>Other reserves, total</b>	<b>Equity component of Series 1 Senior Bonds</b>	<b>Warrant reserve</b>	<b>Share option reserve</b>	<b>Translation reserve</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<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	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>	-
Total comprehensive loss for the period	(2,400)	-	(2,400)	-	-	-	-	-
Issuance of shares for settlement of debts	1,679	1,679	-	-	-	-	-	-
Rights Issue expenses	(404)	(404)	-	-	-	-	-	-
Warrant conversion	1,850	1,850	-	-	-	-	-	-
<b>Balance at 30.06.11</b>	<b>810,995</b>	<b>861,583</b>	<b>(63,315)</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	(238)	(11,994)	(7,544)	19,300	(1,133)	75	(47)	20,405
Total comprehensive loss for the period	(2,031)	-	(2,031)	-	-	-	-	-
Redemption of convertible bonds	-	-	16,328	(16,328)	(16,328)	-	-	-
Issuance of shares for settlement of convertible bonds	179,459	179,459	-	-	-	-	-	-
Rights Issue	9,622	9,622	-	-	-	-	-	-
Conversion of bonds	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>	-
Total comprehensive loss for the period	(9,619)	-	(9,619)	-	-	-	-	-
Issuance of free warrants	(20,335)	-	(20,335)	-	-	-	-	-
Conversion of bonds	2,471	2,471	-	-	-	-	-	-
Warrant conversion	6,407	6,411	-	(4)	-	(4)	-	-
<b>Balance at 30.06.10</b>	<b>368,779</b>	<b>393,014</b>	<b>(38,210)</b>	<b>13,975</b>	-	<b>1,248</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.**

Share Capital	Number of ordinary shares	Share Capital
	'000	RMB'000
<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	378,396
Issuance of 3,545,963 ordinary shares for settlement of debts at S\$0.051 each	3,546	1,679
Exercise of 30,225,436 <b>2010 Warrants Tranche 2</b> at S\$0.045 each	30,225	12,731
<b>As at 30 June 2011: 3,663,238,063 ordinary shares</b>	<b>3,663,238</b>	<b>861,583</b>

As at 30 June 2011, there were 55,331,091 (31 December 2010: 85,556,527) unissued ordinary shares under 2010 Warrants Tranche 2.

Summary of outstanding Convertible Securities		As at 30 June 2011		As at 31 December 2010	
	Note	Number of outstanding convertible securities	Percentage of the Company's existing issued share capital of 3,663,238,063 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	55,331,091	2%	85,556,527	4%
Bonds 2012	B	-	-	138,150,000	6%
Repayment Bonds (Bonds 2012A)	B	55,260,000	2%	49,120,000	2%
ESOS Options	C	18,320,349	1%	19,356,083	1%
<b>Total</b>		<b>128,911,440</b>	<b>5%</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**

Repayment Bonds (Bonds 2012A) of US\$2.0 million were issued to Lucky Six with maturity date of 24 months after the date of issue. The bondholders have the option to convert the convertible bonds into shares at a conversion price of S\$0.045, subsequently adjusted to S\$0.04, 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. Please see the Company's announcements on 5th and 26th April 2011 on the adjusted conversion price.

**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 30 June 2011. 1,035,734 share options have been forfeited during the financial period ended 30 June 2011. As at 30 June 2011, there were 18,320,349 (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 30 June 2011 and 31 December 2010, there were no treasury shares held. Total number of issued shares excluding treasury shares, as at 30 June 2011 was 3,663,238,063 (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.

As the adoption of Revised FRS 24 is a disclosure standard, it has no impact on the financial statements of the Group.

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

	3 Months Ended		6 Months Ended	
	30.06.11	30.06.10	30.06.11	30.06.10
	RMB cents	RMB cents	RMB cents	RMB cents
(i) Based on weighted average number of ordinary shares in issue	0.452	0.295	0.219	0.307
(ii) On a fully diluted basis	0.452	0.295	0.219	0.307

Basic earnings per share ("EPS") for 1HFY2011 and 1HFY2010 respectively are computed based on the weighted average number of ordinary shares of 3,378,334,486 and 1,636,078,648 shares respectively.

Basic earnings per share ("EPS") for 3 Months ended 30 June 2011 and 30 June 2010 respectively are computed based on the weighted average number of ordinary shares of 3,659,149,435 and 2,195,987,034 shares respectively.

The weighted average number of ordinary shares represents the number of ordinary shares at the beginning of the financial period, adjusted for new ordinary shares issued during the financial period, multiplied by a time-weighted factor.

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

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

	Group	Company
	RMB cents	RMB cents
As at 30.06.11	23.44	22.14
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 3,663,238,063 as at 30 June 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 recorded a higher gross profit ("GP") of RMB 41.5 million in 1HFY2011, as compared to RMB 27.7 million in 1HFY2010, representing an increase of 49.9%. In addition, the Group's gross profit margin ("GPM") increased by 15.3 percentage points from 22.4% in 1HFY2010 to 37.7% in 1HFY2011.

The Group saw significant improvement in its receivables collection status as its efforts to continually recover overdue trade receivables paid off in 2QFY2011. During and subsequent to 2QFY2011, the Group recovered RMB 11.0 million of overdue trade receivables of which full allowance was being provided previously.

The Group's profit from operations improved significantly from RMB 7.2 million in 1HFY2010 to RMB 29.4 million in 1HFY2011, representing an increase of more than 300.0%. This is attributed mainly to the higher GP recorded in 1HFY2011 and the recovery of doubtful debts, despite a marginal increase in selling and distribution expenses in 1HFY2011.

A once-off other income of RMB 30.9 million that arose from the waiver of redemption premium on 2007 Bonds was recorded in 1HFY2010. There was no such amount recorded in 1HFY2011, and hence, a much lower other income in 1HFY2011.

Despite the non-cash fair value loss on derivative instruments of RMB 9.0 million and absence of any once-off redemption premium waiver income recognised in 1HFY2011, the Group was able to record a total comprehensive profit of RMB 6.7 million in 1HFY2011, after taken into consideration the profit from discontinued operations (net of tax) of RMB 1.4 million.

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

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

### (A) Revenue

	3 Months Ended		Changes	6 Months Ended		Changes
	30.06.11	30.06.10		30.06.11	30.06.10	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Power Plant Engineering, Procurement and Commissioning ("EPC")	13,504	27,162	(50.3)	19,921	55,863	(64.3)
Municipal EPC	18,705	20,013	(6.5)	35,501	31,847	11.5
Water Purification Treatment	14,161	11,876	19.2	26,967	22,239	21.3
Wastewater Treatment	10,088	3,249	>100.0	18,992	5,938	>100.0
Consultancy Work	4,745	3,870	22.6	8,553	7,773	10.0
<b>Total</b>	<b>61,203</b>	<b>66,170</b>	<b>(7.5)</b>	<b>109,934</b>	<b>123,660</b>	<b>(11.1)</b>

### Overall

#### **2QFY2011 vs 2QFY2010**

The Group's revenue decreased by RMB 5.0 million or 7.5%, from RMB 66.2 million in 2QFY2010 to RMB 61.2 million in 2QFY2011. The lower revenue was mainly attributed to lower revenue from the Power Plant EPC and Municipal EPC segments, partially offset by increase in revenue from the Water Purification Treatment, Wastewater Treatment and Consultancy Works segments.

#### **1HFY2011 vs 1HFY2010**

The Group's revenue decreased by RMB 13.8 million or 11.1%, from RMB 123.7 million in 1HFY2010 to RMB 109.9 million in 1HFY2011. The lower revenue was mainly attributed to lower revenue from the Power Plant EPC segment, partially offset by increase in revenue from all other segments.

### Power Plant EPC

#### **2QFY2011 vs 2QFY2010/ 1HFY2011 vs 1HFY2010**

Revenue from Power Plant EPC segment for 2QFY2011 and 1HFY2011 amounted to RMB 13.5 million (2QFY2010: RMB 27.2 million) and RMB 19.9 million (1HFY2010: RMB 55.9 million) respectively.

Majority of the existing EPC projects were substantially completed in FY2010, resulting in lower revenue recognised in 2QFY2011 and 1HFY2011. 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 2QFY2011 and 1HFY2011.

The decrease was offset partially by increase in revenue due to upwards revision in original contract sums for certain projects in 2QFY2011 being obtained from customers.

**8. A review of the performance of the group – cont'd.****(A) Revenue (cont'd)****Municipal EPC**

Revenue from Municipal EPC segment for 2QFY2011 and 1HFY2011 amounted to RMB 18.7 million (2QFY2010: RMB 20.0 million) and RMB 35.5 million (1HFY2010: RMB 31.8 million) respectively.

***2QFY2011 vs 2QFY2010***

The lower revenue generated in 2QFY2011 was due to projects substantially completed in FY2010.

The decrease was partially offset by: (i) revenue generated from the construction of the water treatment plant of Wuhan Kaidi Xinchuan Wastewater Treatment Co., Ltd ("Kaidi Xinchuan") and Wuhan Kaidi Xinlong Wastewater Treatment Co., Ltd. ("Kaidi Xinlong"), construction of which only commenced in the second half of FY2010 and as such, no corresponding revenue was recognised in 2QFY2010; and (ii) revenue generated from new and existing uncompleted projects.

***1HFY2011 vs 1HFY2010***

The higher revenue generated in 1HFY2011 was due to factors elaborated above, except that the increase was partially offset by the decrease in revenue generated from projects which were substantially completed in FY2010.

**Water Purification Treatment*****2QFY2011 vs 2QFY2010/ 1HFY2011 vs 1HFY2010***

Revenue from Water Purification Treatment segment for 2QFY2011 and 1HFY2011 amounted to RMB 14.2 million (2QFY2010: RMB 11.9 million) and RMB 27.0 million (1HFY2010: RMB 22.2 million) respectively.

The increase was mainly due to a quantity increment of tap and potable water supplied in 2QFY2011 and 1HFY2011 as a result of the increase in demand from existing customers and 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**

##### ***2QFY2011 vs 2QFY2010/ 1HFY2011 vs 1HFY2010***

Revenue from Wastewater Treatment segment for 2QFY2011 and 1HFY2011 amounted to RMB 10.1 million (2QFY2010: RMB 3.2 million) and RMB 19.0 million (1HFY2010: RMB 5.9 million) respectively.

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 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.

#### **Consultancy Work**

##### ***2QFY2011 vs 2QFY2010/ 1HFY2011 vs 1HFY2010***

Revenue from Consultancy Work segment for 2QFY2011 and 1HFY2011 amounted to RMB 4.7 million (2QFY2010: RMB 3.9 million) and RMB 8.6 million (1HFY2010: RMB 7.8 million) respectively, representing an increase of 22.6% and 10.0% as compared to 2QFY2010 and 1HFY2010.

The increase was mainly due to the execution of more consultancy work in 2QFY2011 and 1HFY2011, as compared to 2QFY2010 and 1HFY2010 respectively.

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

##### ***2QFY2011 vs 2QFY2010/ 1HFY2011 vs 1HFY2010***

GP increased by RMB 3.3 million or 15.0% from RMB 22.2 million in 2QFY2010 to RMB 25.5 million in 2QFY2011. Meanwhile, GP increased by RMB 13.8 million or 49.9% from RMB 27.7 million in 1HFY2010 to RMB 41.5 million in 1HFY2011.

The improvement in the GP was mainly due to (i) increased margins earned from Power Plant EPC segment and increased contribution from Water Purification Treatment segment; (ii) steady progress in expanding the Group's customer bases in China; (iii) increasing demand from existing customer bases; (iv) 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 (v) contribution from Kaidi Xinchuan which was operational since July 2010.

The increase was partially offset by decreased GP earned from Consultancy Works and Municipal EPC segments.

GPM for 2QFY2011 and 1HFY2011 stood at 41.6% (2QFY2010: 33.5%) and 37.7% (1HFY2010: 22.4%) respectively.

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

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

The improvement in the GPM was mainly due to (i) execution of higher profit margin projects; (ii) our continuing efforts in costs control; (iii) upwards revision in original contract sums for certain projects being obtained from customers; (iv) reversal of foreseeable loss previously recognised; and (v) 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 other operating income of RMB 9.4 million in 1HFY2011 (1HFY2010: RMB 4.0 million) and RMB 8.8 million in 2QFY2011 (1QFY2011: RMB 3.6 million) was due to more installation and repair and maintenance works being carried out in both 1HFY2011 and 2QFY2011.

### **(D) Administrative Expenses**

#### ***2QFY2011 vs 2QFY2010/ 1HFY2011 vs 1HFY2010***

The Group's administrative expenses for 2QFY2011 and 1HFY2011 amounted to RMB 1.4 million (2QFY2010: RMB 8.9 million) and RMB 15.8 million (1HFY2010: RMB 19.3 million) respectively. The lower administrative expenses in 2QFY2011 and 1HFY2011 was mainly due to (i) higher amount of allowance for doubtful debts written back in 2QFY2011 and 1HFY2011; and (ii) higher foreign exchange gain recorded in 2QFY2011 and 1HFY2011. The foreign exchange gain arose mainly from the revaluation of the Group's SGD denominated cash balances as at 30 June 2011.

The decrease was partially offset by (i) higher directors' fees and remuneration incurred in 2QFY2011 and 1HY2011 following the reconstitution of the Board to enhance its overall effectiveness; and (ii) higher staff personnel costs.

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

The Group's financial income relates to financial income recognised on the service concession arrangements, interest income from banks and financial income from amortisation of retention monies.

Financial expenses remained relatively unchanged.

#### ***2QFY2011 vs 2QFY2010***

The financial income decreased from RMB 9.2 million in 2QFY2010 to RMB 5.9 million in 2QFY2011. The decrease was mainly due to lower financial income recognised on the service concession arrangements, as well as no interest income derived from the loan to an associate company in 2QFY2011 following its full repayment in FY2010.

**8. A review of the performance of the group – cont'd.****(E) Financial Income/ Financial Expenses (cont'd)*****2QFY2011 vs 2QFY2010 (cont'd)***

The Group's financial income from service concession arrangements amounted to RMB 5.4 million in 2QFY2011, as compared to RMB 8.7 million in 2QFY2010, 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, and made appropriate adjustments to better reflect the substance of the service concession agreements.

***1HFY2011 vs 1HFY2010***

The Group's financial income from service concession arrangements amounted to RMB 10.7 million in 1HFY2011, as compared to RMB 17.5 million in 1HFY2010, due mainly to lower financial income arising from the application of INT FRS 112 in 4QFY2010 as elaborated above, as well as no interest income derived from the loan to an associate company in 1HFY2011 following its full repayment in FY2010.

**(F) Other Expenses*****2QFY2011 vs 2QFY2010/ 1HFY2011 vs 1HFY2010***

Other expenses comprised mainly of non-cash fair value loss on (i) mark-to-market treatment of warrants ("W110818") and convertible bonds ("Bonds 2012 and 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.

**(G) Other Income*****2QFY2011 vs 2QFY2010***

There was no significant absolute change in other income.

***1HFY2011 vs 1HFY2010***

Other income in 1HFY2010 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 made to the bondholders. Accordingly, other income of RMB 30.9 million was recognised on the waiver of redemption premium in 1HFY2010. There was no such amount recorded in 1HFY2011.

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

### **(H) Share of (Loss)/Profit of Associate**

The share of (loss)/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.

The share of loss of associate recognised in 2QFY2011 and 1HFY2011 was mainly due to effects of adjustments arising from the application of INT FRS 112 in 4QFY2010, higher accruals of operating expenses and provision for doubtful debts in 2QFY2011 and 1HFY2011.

### **(I) Income Tax Expense**

#### ***2QFY2011 vs 2QFY2010/ 1HFY2011 vs 1HFY2010***

The Group's income tax expense in 2QFY2011 amounted to RMB 5.9 million, as compared to RMB 2.7 million for 2QFY2010. The Group's income tax expense for 1HFY2011 amounted to RMB 6.8 million while its tax expense for 1HFY2010 was RMB 4.1 million.

The higher income tax expense in 2QFY2011 and 1HFY2011 was largely due to deferred tax accrued in relation to the withholding tax on higher distributable profit of PRC subsidiaries and higher taxable profits of some of the Group's business units.

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

#### ***2QFY2011 vs 2QFY2010***

Profit from discontinued operations includes results from Bengbu Xinya Water Services Co., Ltd and Wuhan Caidian (further details of which are set out in Note (T) below).

#### ***1HFY2011 vs 1HFY2010***

The Group recorded a net profit from discontinued operations of RMB 1.4 million in 1HFY2011 (1HFY2010: net loss of RMB 1.5 million), largely due to disposal of Wuhan Caidian in 1QFY2011.

### **(K) Amortisation of Intangible Assets**

#### ***2QFY2011 vs 2QFY2010***

There was no significant absolute change in amortisation of intangible assets.

#### ***1HFY2011 vs 1HFY2010***

The Group's amortisation of intangible assets increased from RMB 6.9 million in 1HY2010 to RMB 7.8 million in 1HY2011, due to significant addition of intangible assets in 2HFY2010 in connection with the construction of water plants and facilities.

**8. A review of the performance of the group – cont'd.****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 "Grantors") 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 financial receivables, as at 30 June 2011, amounted to RMB 377.2 million (31 December 2010: RMB 362.4 million). The higher balance as at 30 June 2011 was largely due to additional costs incurred for plant of Wuhan Kaidi Xinlong Wastewater Treatment Co., Ltd. ("Kaidi Xinlong") and Wuhan Kaidi Xinchuan Wastewater Treatment Co., Ltd. ("Kaidi Xinchuan"). The construction of the plants was not completed as at 30 June 2011.

**(M) Investment in associate**

This represents our investment in an associated company, Wuhan Hanxi Waste Water Treatment Co., Ltd. ("Wuhan Hanxi"), established in 2004, to build and operate a municipal wastewater treatment plant in Wuhan City, Hubei Province. The Group has invested RMB 43.0 million (or a 43% stake) in Wuhan Hanxi, which has registered capital of RMB 100.0 million.

The lower balance as at 30 June 2011 was largely due to share of loss of associate's results.

**(N) Deferred Tax Assets/ Deferred Tax Liabilities**

The deferred tax assets and liabilities, as at 30 June 2011, amounted to RMB 1.0 million (31 December 2010: RMB 0.8 million) and RMB 18.0 million (31 December 2010: RMB 15.0 million) respectively. The higher balances as at 30 June 2011 were largely due to increase in the temporary differences.

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

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

	30.06.2011 RMB '000	31.12.2010 RMB '000	Change RMB '000	Change %
Trade receivables (current)	68,197	59,781	8,416	14.1
Bills receivables (current)	16,662	5,540	11,122	>100.0
Retention monies (non-current)	1,445	1,405	40	2.8
<b>Total</b>	<u>86,304</u>	<u>66,726</u>	<u>19,578</u>	<u>29.3</u>

The higher balance of trade receivables recorded as at 30 June 2011, as compared to that reported as at 31 December 2010 was mainly due to billings raised in 1HFY2011 and write-back of allowance for doubtful debts that were no longer required. The increase was partially offset by collections in 1HFY2011.

The increase in bills receivables was the result of additional bills receivables obtained offset by maturity of bills receivables in 1HFY2011.

There was no significant variance for retention monies.

### **(P) 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 balance, as at 30 June 2011, was a credit balance of RMB 2.0 million (31 December 2010: credit balance of RMB 9.5 million). The movement was mainly due to cost, attributable profits and reversal of allowance for foreseeable losses recognised in 1HFY2011, offset partially by progress billings raised for new and existing projects during 1HFY2011.

### **(Q) Other Receivables, Prepayments and Other Current Assets**

The other receivables, prepayments and other current assets as at 30 June 2011 was RMB 60.6 million (31 December 2010: RMB 79.1 million). The reduction in the other receivables, prepayments and other current assets was mainly due to collections of other receivables during 1HY2011.

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

The amount due from associate (trade) as at 30 June 2011 was RMB 82.5 million (31 December 2010: RMB 69.3 million). This represents the amount due from an associated company.

The increase in the amount due from associate (trade) was due to billings raised during 1HFY2011.

**8. A review of the performance of the group – cont'd.****(S) Cash and Cash Equivalents/ Bank Deposits Pledged**

The cash and bank balances, as at 30 June 2011, amounted to RMB 559.3 million (31 December 2010: RMB 175.2 million). The increase was mainly attributed to (i) net proceeds of RMB 377.7 million from the Rights Issue; (ii) new loans and borrowings obtained of RMB 155.0 million; and (iii) proceeds from warrant conversion of RMB 7.0 million. The increase was offset partially by the repayment of loans and borrowings amounting to RMB 149.2 million.

**(T) Assets of Disposal Group Classified as Held for Sale/ Liabilities Directly Associated with Disposal Group Classified as Held for Sale**

The Group is in the process of disposing its 100% shareholdings in its subsidiary, Bengbu Xinya Water Services Co., Ltd. ("Bengbu Xinya"). 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 were presented separately on the consolidated income statement as "Profit/(loss) from discontinued operations, net of tax".

The decrease in both the assets of disposal group classified as held for sale and liabilities directly associated with disposal group classified as held for sale was due to the disposal of Wuhan Caidian in 1QFY2011.

**(U) Trade Payables**

The trade payables balances, as at 30 June 2011, amounted to RMB 93.9 million (31 December 2010: RMB 109.0 million). The decrease was largely due to repayment made in 1HFY2011.

**(V) Other Payables, Accruals and Provisions**

Other payables, accruals and provisions, as at 30 June 2011, amounted to RMB 195.2 million (31 December 2010: RMB 185.5 million). The increase was due to an increase in customer advances received for new contracts signed during 1HFY2011 but goods were not delivered as at 30 June 2011.

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

### **(W) Interest-bearing Loans and Borrowings/ Bills Payable to Banks (secured)**

Total borrowings and bills payables of the Group decreased from RMB 603.0 million as at 31 December 2010 to RMB 568.3 million as at 30 June 2011.

	<b>30.06.2011</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)	230,195	355,493	(125,298)	(35.2)
Interest-bearing loans (current)	331,912	222,564	109,348	49.1
Bills payable to banks (secured)	6,213	24,951	(18,738)	(75.1)
<b>Total</b>	<u>568,320</u>	<u>603,008</u>	<u>(34,688)</u>	<u>(5.8)</u>

During 1HFY2011, the Group repaid loans of RMB 149.2 million while new loans drawdown amounted to RMB 155.0 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 issued during 1HFY2011.

### **(X) 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 fair value of the derivative instruments 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 30 June 2011.

### **(Y) Provision for Income Tax**

The Group's provision for income tax, as at 30 June 2011, amounted to RMB 8.0 million (31 December 2010: RMB 5.9 million). Tax expenses recognised and payment of taxes during the period accounted for the movement in the balances.

### **(Z) Net Current Assets/ (Liabilities)**

As at 30 June 2011, the Group was in a net current assets position of RMB 164.1 million as compared to net current liabilities of RMB 178.6 million as at 31 December 2010. The change was mainly due to increase in cash and cash equivalents (from continuing operations) from RMB 157.3 million to RMB 543.6 million and decrease in loans and borrowings from RMB 603.0 million to RMB 568.3 million due to net repayment made during 1HFY2011.

**8. A review of the performance of the group – cont'd.****(AA) Total Equity**

The Group's total equity as at 30 June 2011 amounted to RMB 887.2 million (31 December 2010: RMB 434.3 million). The increase was mainly due to (i) RMB 378.4 million raised through the issuance of 1,217,789,975 Rights Shares in March 2011; (ii) increase in RMB 53.3 million of equity through issuance of 138,150,000 new ordinary shares to Triumph Power Limited following the conversion of convertible bonds ("Bonds 2012"); (iii) RMB 12.7 million raised through warrants conversions; and (iv) net profit of RMB 6.7 million in 1HFY2011.

**(BB) STATEMENT OF CASH FLOW**

During the 6 months ended 30 June 2011, net cash used in the Group's operating activities amounted to RMB 21.9 million. In particular, for the 3 months ended 30 June 2011, the Group recorded a net cash generated from operating activities of RMB 10.4 million. During the 6 months period under review, net cash used in the Group's investing activities amounted to RMB 3.4 million while its financing activities raised RMB 392.6 million. RMB 377.7 million was raised through the issuance of new shares. Drawdown of loans amounted to RMB 155.0 million while repayment of loans and borrowings amounted to RMB 149.2 million. As at 30 June 2011, the Group's cash and cash equivalents (from continuing and discontinued operations) stood at RMB 545.5 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 in connection with the 1QFY2011 results announcement, no forecast or prospect statement was previously disclosed during FY2011.

**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 expects the water industry in China to remain as one of the key contributors to its results in the next 12 months. In addition, the Group continues to see potential and opportunities in the China market, including the opportunities to acquire quality assets and/or invest in suitable Transfer-Operate-Transfer (“TOT”) / Build-Operate-Transfer (“BOT”) / Build-Own-Operate (“BOO”) service concessionary projects to further the Group’s business expansion and to strengthen its recurring income base. While the Group is excited about the opportunities available, it is also mindful of the challenges and risks inherent in the water industry.

Other than the water industry, the Group is also actively exploring opportunities in other environmental related businesses in China, such as the waste treatment business. With large amounts of waste generated annually in China as a result of rapid industrialization and urbanization, and coupled with shortages of land sources in many parts of China, waste treatment business in China represents one key industry with growth potential and prospects. In fact, under the 12th Five-Year Plan, waste treatment industry has been identified as one of the key targets for development and investments by the PRC Government.

In line with the Group’s belief in the potential of waste treatment industry, the Group has on 4 July 2011 announced the acquisition of an effective 50% equity stake of Wenling Hanyang Resources Power Co., Ltd. (“Wenling Hanyang”) via the acquisition of Lap Yin International Limited. 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 (“BOT”) project with Wenling City Government on 22 March 2006 (which is supplemented by a further agreement dated 30 May 2011 with the Wenling City Government in relation to phase 2 of the BOT project). Acquisition of Wenling Hanyang will mark the Group’s foray into the waste incineration generation industry and allow the Group 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.

In connection with the acquisition of Wenling Hanyang in July 2011, the Group has utilised S\$15,803,335 (approximately RMB82,445,998) from the proceeds of the Rights Issue completed in March 2011 in full payment of the Tranche 1 Consideration. The Company will make further announcements via SGXNET as and when the remaining proceeds from the Rights Issue are materially disbursed.

**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 period ended 30 June 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**

**TAN KIM HAN, RAYMOND**  
Company Secretary

12 August 2011