

ASIA WATER TECHNOLOGY LTD.

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

THE PROPOSED ACQUISITION OF (I) THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF S.I. UNITED WATER HOLDINGS (BVI) LIMITED AS AN INTERESTED PERSON TRANSACTION AND (II) THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF GOLDEN BELL DEVELOPMENT LIMITED

1. INTRODUCTION

The board of directors (the "**Directors**") of Asia Water Technology Ltd. (the "**Company**") wishes to announce (the "**Announcement**") that the Company had, on 27 October 2011, entered into a conditional sale and purchase agreement (the "**Sale & Purchase Agreement**") with (i) S.I. Infrastructure Holdings Limited ("**SII**"), (ii) Great Up Investments Limited ("**GUBVI**") (collectively, the "**Vendors**"), (iii) S.I. United Water Holdings (BVI) Limited ("**SIBVI**"), (iv) Golden Bell Development Limited ("**GBBVI**"), (v) S.I. United Water Holdings Limited ("**SIHK**"), (vi) Hong Kong Jinhaide Holdings Limited ("**JHDHK**"), and (vii) United Environment Co., Ltd (the "**Target Company**") for the acquisition of:

- (a) one (1) ordinary share of US\$1.00 each in the issued and paid-up share capital of SIBVI ("**Sale Share I**"), representing the entire issued and paid-up share capital of SIBVI; and
- (b) one (1) ordinary share of US\$1.00 each in the issued and paid-up share capital of GBBVI ("**Sale Share II**"), representing the entire issued and paid-up share capital of GBBVI,

(the "**Proposed Acquisition**", and Sale Share I and Sale Share II, collectively, the "**Sale Shares**").

The aggregate purchase consideration for the Proposed Acquisition (the "**Purchase Consideration**") is RMB604,000,000, which will be satisfied partly in cash and partly by way of allotment and issuance of new ordinary shares in the share capital of the Company (the "**Shares**") to the Vendors.

2. INFORMATION ON SII, GUBVI, SIBVI, SIHK, GBBVI, JHDHK AND THE TARGET COMPANY

2.1 Information on the Vendors

SII is an investment holding company incorporated in the British Virgin Islands ("**BVI**") and is engaged principally in infrastructure facilities business. SII is indirectly holding 60.4% equity interest in the Target Company through SIBVI and SIHK. SII is wholly-owned by Shanghai Industrial Holdings Limited ("**SIHL**") which is the indirect controlling shareholder of the Company.

GUBVI is a special purpose vehicle (the "**SPV**") incorporated in the BVI with the purpose of indirectly holding the 15.1% equity interest in the Target Company through GBBVI and JHDHK. GUBVI is wholly-owned by an unrelated third party.

2.2 Information on SIBVI, SIHK, GBBVI and JHDHK

SIBVI is a company limited by shares incorporated in the BVI and has an issued and paid-up share capital of US\$1.00 consisting of one issued and paid-up ordinary share of US\$1.00 each. SII owns the entire issued and paid-up capital of SIBVI.

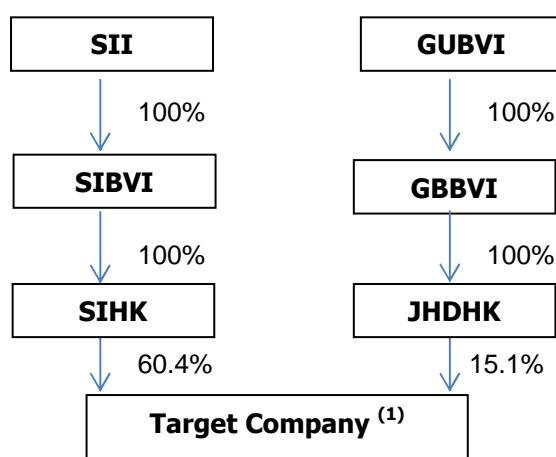
SIHK is a company limited by shares incorporated in Hong Kong and has an issued and paid-up share capital of HK\$1.00 consisting of one issued and paid-up ordinary share of HK\$1.00 each. SIBVI owns the entire issued and paid-up capital of SIHK.

GBBVI is a company limited by shares incorporated in the BVI and has an issued and paid-up share capital of US\$1.00 consisting of one issued and paid-up ordinary share of US\$1.00 each. GUBVI owns the entire issued and paid-up capital of GBBVI.

JHDHK is a company limited by shares incorporated in Hong Kong and has an issued and paid-up share capital of HK\$10,000.00 consisting of 10,000 issued and paid-up ordinary shares of HK\$1.00 each. GBBVI owns the entire issued and paid-up capital of JHDHK.

SIBVI, SIHK, GBBVI and JHDHK are investment holding companies, and were incorporated as special purpose vehicles for the purposes of holding their respective equity interests in the Target Company.

A shareholding structure chart on the above is set out as follows:



Note:

- (1) The balance 24.5% equity interest in the Target Company is currently held by Weifang State-owned Assets Supervision and Administration Commission (潍坊市国有资产监督管理委员会).

2.3 Information on the Target Company

General Introduction

The Target Company is a company with limited liability duly incorporated in the PRC and has, at the date of the Sale & Purchase Agreement, a total paid-up share capital of RMB200,000,000. The Target Company and its subsidiaries and associated company (collectively, the "**Target Group**") are engaged principally in the business of waste water treatment, tap water and reclaimed water treatment, garbage treatment, project investment, management and consultation of refuse treatment in the PRC (the "**Business**") and holds more than 10 Build-Operate-Transfer ("**BOT**") and Transfer-

Operate-Transfer ("**TOT**") projects, which are mainly located in Shandong Province, Hunan Province, Guangxi Province and Guangdong Province in the PRC.

Based on the unaudited management account of the Target Group, the net profit attributable to the 75.5% equity interest is RMB36.5 million in FY2010 and the net tangible asset ("**NTA**") (including the concession rights) based on the 75.5% equity interest is RMB318.0 million as at 30 June 2011.

Description of Business

Most of the projects undertaken by the Target Group are in the form of BOT or TOT business models. As at the date of this Announcement, there are (i) 10 operating waste water treatment projects; (ii) 2 tap water supply projects; (iii) one reclaim water project; and (iv) one waste water project currently undergoing construction and estimated to complete construction by 30 June 2012 (the "**Projects**"). In addition, the Target Group has an engineering company which provides general engineering services, including the construction, installation and maintenance of pipelines and water meters for the Target Group's tap water customers.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Purchase Consideration

Subject to the terms of the Sale & Purchase Agreement, the Purchase Consideration for the Proposed Acquisition is RMB604,000,000, which will be satisfied partly in cash and partly by way of allotment and issue of new Shares to the Vendors in the following manner:

- (a) the Purchase Consideration of RMB483,200,000 for Sale Share I shall be payable to SII:
 - (i) by way of cash of RMB217,440,000 ("**SII Cash Consideration**") on or before the expiry of 18 months ("**SII Cash Consideration Payment Period**") from the date of completion of the Proposed Acquisition (the "**Completion Date**") at an interest rate of 4.35% per annum on such outstanding amount of the SII Cash Consideration, net of any tax or levies, commencing from the Completion Date and payable on a quarterly basis up till full and final settlement of the same. Any interest and/or principal not paid on due date will be subject to an additional penalty interest rate of 2.5% per annum. The Company shall have the right but not the obligation to effect partial or full payment of the SII Cash Consideration before the expiry of the SII Cash Consideration Payment Period; and
 - (ii) the balance of RMB265,760,000 (or S\$52,933,912 based on an exchange rate of S\$1 : RMB5.0206, being the average of the closing exchange rate for the last 5 market days prior to signing of the Sale & Purchase Agreement) to be satisfied by the allotment and issuance of 827,092,375 new Shares at the issue price of S\$0.064 per Share (the "**Issue Price**") by the Company to SII and/or its designated nominees, credited as fully paid up and free and clear from any and all encumbrances and together with all rights attaching or accruing thereto and such Shares shall rank

pari passu with the existing issued Shares as at the Completion Date ("**SII Consideration Shares**");

- (b) the Purchase Consideration of RMB120,800,000 (or S\$24,060,869 based on an exchange rate of S\$1 : RMB5.0206, being the average of the closing exchange rate for the last 5 market days prior to the signing of the Sale & Purchase Agreement) for Sale Share II shall be payable to GUBVI by way of 375,951,078 new Shares, to be allotted and issued at the Issue Price by the Company to GUBVI and/or its designated nominees, credited as fully paid up and free and clear from any and all encumbrances and together with all rights attaching or accruing thereto and such Shares shall rank *pari passu* with the existing issued Shares as at the Completion Date ("**GUBVI Consideration Shares**"),

(SII Consideration Shares and GUBVI Consideration Shares, collectively, the "**Consideration Shares**").

The SII Cash Consideration will be funded from internal resources of the Group, bank borrowings and/or capital market fund raising exercises (either pursuant to the Company's Share Issue Mandate obtained at its Annual General Meeting on 27 April 2011 or by way of specific shareholders' approval at a general meeting, in compliance with the Catalist Rules).

The Issue Price represents a premium of 19.4% over the volume weighted average price of Shares of S\$0.0536 for trades done on Catalist on 25 October 2011, being the last market day prior to the signing of the Sale & Purchase Agreement.

The Purchase Consideration was arrived at on a willing-buyer and willing-seller basis after taking into consideration the fair value estimate (the "**Fair Value Estimate**") of the Target Group as determined by an independent valuer ranging from RMB747.0 million (or approximately S\$149.4 million¹) to RMB830.0 million (or approximately S\$166.0 million¹) (the "**Independent Valuation**").

Independent Valuation

For the purpose of the Proposed Acquisition, the Company has appointed PricewaterhouseCoopers LLP as the independent valuer (the "**Independent Valuer**") to conduct a desktop Fair Value Estimate range as at 30 June 2011 (the "**Valuation Date**"). Fair value is defined as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Fair Value Estimate is a desktop valuation analysis conducted with limited information without the requirement on the Independent Valuer to independently verify and validate the information provided to them. However, discussions have been held with the management of the Company and the Target Company, and the Independent Valuer has reviewed the information provided to them, upon which the valuation analysis is based on.

The Independent Valuer has relied primarily on the income approach and has utilised a discounted cash flow methodology to determine the Fair Value Estimate of the future operating cash flows of the Target Group on a standalone going concern basis based on (i) the financial models and projections provided by or on behalf of the Company, and (ii)

¹ Based on the closing exchange rate as at 26 October 2011 of S\$1:RMB5.000.

the projected operating cash flow streams of the Target Group (based on sum of parts of each of the relevant companies currently owned by the Target Group) which are discounted based on an appropriate weighted average cost of capital, from the Valuation Date to the end of their respective concession period.

The Independent Valuer has relied on certain assumptions for its valuation analysis, *inter alia*, that the information provided by or on behalf of the management of the Company has reflected the Target Group's financial and operating positions and that the Target Group can obtain the necessary financing to achieve its financial forecast. After due consideration of the key assumptions, limitations and valuation basis, the Fair Value Estimate as determined by the Independent Valuer ranges between RMB747.0 million and RMB830.0 million.

3.2 Conditions Precedent for the Proposed Acquisition

The obligation of the parties to the Sale & Purchase Agreement in respect of completion is subject to the fulfilment on or prior to the Completion Date of the following conditions (the "**Conditions Precedent**"):

- (a) the warranties as set out in the Sale & Purchase Agreement shall be true in all material respects on and as of the Completion Date with the same force and effect as though made on and as of the Completion Date. The parties to the Sale & Purchase Agreement shall have performed and complied with all covenants and agreements required by the Sale & Purchase Agreement to be performed or complied with by the relevant parties (as the case may be) on, or prior to, the Completion Date;
- (b) all required consents defined in the Sale & Purchase Agreement shall have been obtained without restrictions or limitations whatsoever unacceptable to the Company, and the Vendors, and be in full force and effect, in particular, and without limitation:
 - (i) the approval of the Company's shareholders (the "**Shareholders**") at a general meeting, the board of directors of the Company (as appropriate), SAC Capital Private Limited as the Sponsor and the regulatory authorities (including the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) in respect of:
 - (aa) the Proposed Acquisition in respect of Sale Share I as an interested person transaction as required under the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**"); and
 - (bb) the issuance and allotment of the SII Consideration Shares and GUBVI Consideration Shares to SII and GUBVI (or their designated nominees) respectively;
 - (ii) the approval of the Vendors' shareholders at a general meeting (if necessary) and their respective board of directors (as appropriate);
- (c) the Company shall remain listed on the Catalist and no condition exists which would affect the continued listing of the Company on the Catalist;
- (d) the results of the legal and financial due diligence investigations including the Due Diligence defined in the Sale & Purchase Agreement, conducted by the Company and its advisors, being satisfactory to the Company in its sole and absolute discretion;

- (e) 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, and any such conditions as may be attached to the Listing Approval which is required to be fulfilled on or before the Completion Date having been fulfilled on or before that date to the satisfaction of the SGX-ST or waived by the SGX-ST; and
- (f) the full and complete novation of:
 - (i) the existing shareholder's loan between SIBVI and SII, from SII to AWT; and
 - (ii) the existing shareholder's loan between GBBVI and GUBVI, from GUBVI to AWT

by way of a deed, to the effect that such shareholder's loans under (i) and (ii) above shall be due and owing to AWT, and each of SII and GUBVI shall no longer have a claim for such shareholder's loans.

Long Stop Date

If any of the Conditions Precedent are not satisfied or waived in accordance with the Sale & Purchase Agreement, on or before 31 December 2011 or such later date as mutually agreed by the Company and the Vendors (the "**Long Stop Date**"):

- (a) all the provisions of the Sale & Purchase 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 Sale & Purchase Agreement falling due for performance prior to such lapse and cessation.

3.3 Completion

Completion of the Sale & Purchase Agreement shall take place within five (5) business days from fulfilment and/or waiver of all Conditions Precedent at such place and time or such later date as the Company and the Vendors may mutually agree.

4. **RATIONALE FOR THE PROPOSED ACQUISITION**

The Directors are of the view that the Proposed Acquisition is in the best interest of the Company.

The Company and its subsidiaries (collectively, the "**Group**") specialise in driving large scale municipal and industrial projects, offering innovative and effective engineering solutions for water purification and wastewater treatment systems. The Directors are of the view that the Proposed Acquisition presents an opportunity for the Group to acquire a profitable business in the same industry and in line with the Group's ordinary course of business, with a view to expanding the Group's current business operations and enhancing Shareholders' value.

In addition, the Directors understand that the Proposed Acquisition is part of SIHL's overall plan to restructure and streamline its businesses by consolidating its directly controlled water treatment business to be held under the Group as a unified platform.

SIHL is the holding company of SII. Further details of SIHL are set out in paragraph 8 of this Announcement.

5. THE PROPOSED ACQUISITION IN RESPECT OF SALE SHARE I AS AN INTERESTED PERSON TRANSACTION

5.1 Details of the Interested Person

As at the date of this Announcement, Triumph Power Limited ("**Triumph**") is a controlling shareholder of the Company, and owns 2,703,212,343 Shares representing 71.18% of the issued share capital of the Company. As Triumph is wholly-owned by SII, SII is considered an "interested person" within the meaning of Rule 904 of the Catalist Rules and the Proposed Acquisition in respect of Sale Share I will constitute an "interested person transaction" pursuant to Chapter 9 of the Catalist Rules.

5.2 Materiality Thresholds under Chapter 9 of the Catalist Rules

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Catalist Rules, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

- (a) 5% of the listed group's latest audited consolidated NTA; or
- (b) 5% of the listed group's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Catalist Rules) during the same financial year.

Based on the audited financial statements of the Group for FY2010, the audited NTA of the Group as at 31 December 2010 was RMB387.8 million². As the Proposed Acquisition in respect of Sale Share I is of a value more than RMB19.4 million, being 5% of the latest audited NTA of the Group as at 31 December 2010, the Proposed Acquisition in respect of Sale Share I is subject to Shareholders' approval pursuant to Chapter 9 of the Catalist Rules. Accordingly, the Company will be convening an extraordinary general meeting (the "**EGM**") to seek Shareholders' approval on the Proposed Acquisition in respect of Sale Share I in due course.

The audit committee of the Company (the "**Audit Committee**"), comprising Mr Tay Ah Kong, Bernard, Mr Yeo Guat Kwang, Mr Tan Chong Huat and Mr Tan Gim Soo, will obtain an opinion from an independent financial adviser to advise the Audit Committee on whether the Proposed Acquisition in respect of Sale Share I is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Chapter 10 of the Catalist Rules governs the continuing listing obligations of listed companies in respect of acquisition and disposals. The relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

² Includes the relevant concession rights amounting to RMB470.9 million.

| | | |
|-----|---|----------------|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value | Not applicable |
| (b) | The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits ⁽¹⁾⁽²⁾ | 175.5% |
| (c) | The aggregate value of the Purchase Consideration given or received, compared with the Company's market capitalisation as at 25 October 2011, being the last market day immediately preceding the date of the Sale & Purchase Agreement | 59.1% |
| (d) | The number of Consideration Shares issued by the Company for the Proposed Acquisition, compared to the number of issued Shares as at the Announcement Date | 31.7% |
| (e) | The 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 | Not applicable |

Notes:

- (1) Under Rule 1002(3)(b) of the Catalist Rules, net profits means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the unaudited net profit from continuing operations of the Group of RMB12.1 million for the financial period from 1 January 2011 to 30 June 2011 ("1H2011") and adjusted for the unaudited net profit of Lap Yin International Limited ("Lap Yin") (which acquisition was announced on 4 July 2011) of RMB7.7 million in 1H2011, and the 75.5% interest in the unaudited net profit of the Target Group in 1H2011 of RMB34.8 million. For the avoidance of doubt, no adjustments have been made to the unaudited net profits of Lap Yin and the Target Group to align any differences that may result from the adoption of different accounting standards and policies by the Group.

Pursuant to Rule 1015 of the Catalist Rules, where any of the relative figures as computed on the bases set out under Rule 1006 of the Catalist Rules exceeds 100%, the transaction would be classified as a "very substantial acquisition transaction", and the Company must seek Shareholders' approval. Based on the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Catalist Rules, the only limit breached is Rule 1006(b). Rule 1015(8) of the Catalist Rules provides that Rule 1015 does not apply in cases of an acquisition of profitable assets if the only limit breached is Rule 1006(b). Hence the Proposed Acquisition is deemed as a "Discloseable Transaction" under Rule 1010 of the Catalist Rules. Accordingly, the Company is not required to obtain Shareholders' approval for the Proposed Acquisition³.

³ For the avoidance of doubt, as set out in paragraph 5 of this Announcement, the Company will nonetheless be required to seek Shareholders' approval of the Proposed Acquisition in respect of Sale Share I as it is an interested person transaction under Chapter 9 of the Catalist Rules. Accordingly, the Company will seek Shareholders' approval for the Proposed Acquisition at the EGM.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are purely for illustrative purposes and should neither be taken as an indication of the actual financial performance of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after the Completion Date. The financial effects of the Proposed Acquisition set out below are based on the Group's audited financial statements for FY2010 and have been prepared based on the following assumptions:

- (a) the effect of the Proposed Acquisition on the net earnings and the EPS is based on the assumption that the Proposed Acquisition was completed on 1 January 2010;
- (b) the effect of the Proposed Acquisition on the NTA and gearing of the Group is based on the assumption that the Proposed Acquisition was completed on 31 December 2010;
- (c) 1,203,043,453 Consideration Shares were issued at an issue price of S\$0.064 per Share on 1 January 2010 for the purpose of computing the financial effects on EPS and on 31 December 2010 for the purpose of computing the financial effects on NTA and gearing;
- (d) there will be no goodwill arising from the Proposed Acquisition; and
- (e) no adjustments have been made to align any differences that may result from the adoption of different accounting standards and policies by the Group.

Share capital

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

| | Number of issued Shares ('000) | Share Capital (RMB'000) |
|--|---|-------------------------------------|
| Share capital as at 31 December 2010 | 2,273,527 | 415,455 |
| Share capital before Proposed Acquisition ⁽¹⁾ | 3,797,644 | 896,543 |
| Issue of Consideration Shares | 1,203,043 | 386,560 |
| Share capital after Proposed Acquisition | 5,000,687 | 1,283,103 |

Note:

- (1) Adjusted for (i) the issue of 138,150,000 new Shares pursuant to conversion of convertible bonds by Triumph which was completed on 5 January 2011 (the "**Triumph Shares**"), (ii) the issue of 1,217,789,975 rights shares pursuant to the rights issue which was completed on 29 March 2011 (the "**Rights Shares**"), (iii) the issue of 3,545,963 new Shares to KordaMentha Pte Ltd ("**KordaMentha**") for settlement of debts which was completed on 28

April 2011 (the “**KordaMentha Shares**”), (iv) the issue of 66,052,616 new Shares pursuant to the exercise of outstanding warrants (the “**Warrant Shares**”), and (v) the issue of 98,578,821 new Shares pursuant to the acquisition of Lap Yin (the “**Lap Yin Shares**”).

NTA

The effect of the Proposed Acquisition on the NTA of the Group as at 31 December 2010 is as follows:

| | As at 31 December 2010 | Before Proposed Acquisition | After Proposed Acquisition |
|--------------------------------|-----------------------------------|--|---------------------------------------|
| NTA (RMB'000) | 387,776 ⁽¹⁾ | 868,864 ⁽²⁾ | 940,981 ⁽³⁾ |
| Number of issued Shares ('000) | 2,273,527 | 3,797,644 ⁽²⁾ | 5,000,687 |
| NTA per Share (RMB cents) | 17.06 | 22.88 | 18.82 |

Notes:

- (1) Includes relevant concession rights of RMB470.9 million.
- (2) Adjusted for the issue of (i) the Triumph Shares, (ii) the Rights Shares, (iii) the KordaMentha Shares, (iv) the Warrant Shares, and (v) the Lap Yin Shares.
- (3) Adjusted for the 75.5% interest in the NTA of the Target Group (including the concession rights) amounting to RMB289.5 million and taking into account the cash consideration of RMB217.4 million payable to SII.

EPS

The effect of the Proposed Acquisition on the EPS of the Group for FY2010 is as follows:

| | FY2010 | Before Proposed Acquisition | After the Proposed Acquisition |
|---|---------------|--|---|
| Net profit attributable to owners of the Company from continuing operations (RMB'000) | 22,544 | 37,987 ⁽¹⁾ | 70,821 ⁽²⁾ |
| Weighted average number of Shares ('000) | 1,931,724 | 3,455,841 ⁽³⁾ | 4,658,884 |
| Earnings per Share (RMB cents) | 1.17 | 1.10 | 1.52 |

Notes:

- (1) Adjusted for the acquisition of Lap Yin and the applicable withholding tax.
- (2) Adjusted for the 75.5% interest in the net profit attributable to shareholders of the Target Group amounting to RMB36.5 million and the applicable withholding tax. The interest payable (if any) by the Company as set out in paragraph 3.1 of this Announcement has not been included.

- (3) Adjusted for the issue of (i) the Triumph Shares, (ii) the Rights Shares, (iii) the KordaMentha Shares, (iv) the Warrant Shares, and (v) the Lap Yin Shares.

Gearing

The effect of the Proposed Acquisition on the gearing of the Group as at 31 December 2010 is as follows:

| | As at 31 December 2010 | Before Proposed Acquisition (RMB'000) | After the Proposed Acquisition (RMB'000) |
|--|---------------------------|---|---|
| Total borrowings ⁽¹⁾ (RMB'000) | 603,008 | 611,708 ⁽²⁾ | 1,213,160 ⁽³⁾ |
| Total Shareholders' funds (RMB'000) | 404,965 | 886,053 ⁽⁴⁾ | 958,273 ⁽⁵⁾ |
| Gearing (times) | 1.49 | 0.69 | 1.27 |

Notes:

- (1) Includes loans, borrowings and bills payable to banks.
- (2) Adjusted for the acquisition of Lap Yin.
- (3) Adjusted for the loans, borrowings and bills payable to banks of the Target Group amounting to RMB601.5 million.
- (4) Adjusted for the issue of (i) the Triumph Shares, (ii) the Rights Shares, (iii) the KordaMentha Shares, (iv) the Warrant Shares, and (v) the Lap Yin Shares.
- (5) Adjusted for the 75.5% interest in the Shareholders' funds of the Target Group of RMB289.5 million and taking into account the cash consideration of RMB217.4 million payable to SII.

8. CHANGES IN SHAREHOLDINGS

As at the date of this Announcement, the Company has 3,797,644,064 Shares in the issued share capital of the Company, 18,320,349 outstanding options (the "**Options**") pursuant to the Asia Water Share Option Scheme which are exercisable into 18,320,349 Shares at an exercise price of S\$0.09 and convertible bonds ("**Bonds**") which are exercisable into 55,260,000 Shares at a conversion price of S\$0.04.

The following table illustrates the shareholding interests of the Directors and the substantial Shareholders in the Company as at the date of this Announcement and immediately after the Proposed Acquisition:

| | As at the date of this Announcement | | Upon the completion of the Proposed Acquisition | | Upon the completion of the Proposed Acquisition and assuming that new Shares are issued pursuant to the exercise/ conversion of Options and Bonds | |
|---|--|-------|--|-------|--|-------|
| | Number of Shares | % | Number of Shares | % | Number of Shares | % |
| <u>Directors</u> | | | | | | |
| Liu Yujie ⁽¹⁾ | 750,000 | 0.02 | 750,000 | 0.01 | 750,000 | 0.01 |
| <u>Substantial Shareholders</u> | | | | | | |
| Triumph ⁽²⁾ | 2,703,212,343 | 71.18 | 2,703,212,343 | 54.06 | 2,703,212,343 | 53.27 |
| SII ⁽³⁾ | 2,703,212,343 | 71.18 | 3,530,304,718 | 70.60 | 3,530,304,718 | 69.57 |
| SIHL ⁽³⁾ | 2,703,212,343 | 71.18 | 3,530,304,718 | 70.60 | 3,530,304,718 | 69.57 |
| Litebay Pte. Ltd. ("Litebay") | 295,378,438 | 7.78 | 295,378,438 | 5.91 | 295,378,438 | 5.82 |
| Chedington Limited ("CL") ⁽⁴⁾ | 295,378,438 | 7.78 | 295,378,438 | 5.91 | 295,378,438 | 5.82 |
| Ye Qin ⁽⁴⁾ | 295,378,438 | 7.78 | 295,378,438 | 5.91 | 295,378,438 | 5.82 |
| GUBVI | - | - | 375,951,078 | 7.52 | 375,951,078 | 7.41 |

Notes:

- (1) Liu Yujie is deemed to be interested in the Shares held by her spouse, Mr Li Chao Yang.
- (2) As announced on 29 August 2011, China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited ("CECE") had, on 26 August 2011, entered into a sale and purchase agreement with Triumph to purchase 768,564,586 Shares from Triumph. As at the date of this Announcement, the transfer of Shares from Triumph to CECE has yet to be effected.
- (3) SII and SIHL are deemed to be interested in the Shares held by Triumph as SIHL owns the entire issued share capital of SII and SII owns the entire issued share capital of Triumph.
- (4) CL and Ye Qin are deemed to be interested in the Shares held by Litebay as Ye Qin owns the entire issued share capital of CL and CL owns the entire issued share capital of Litebay.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, none of the Directors or the substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.

Interest of Directors

Cai Yutian and Zhou Jun, the directors of the Company, are also the executive directors of SIHL. SIHL owns the entire issued share capital of SII which in turn owns the entire issued share capital of Triumph. Feng Jun, a director of the Company, is also a nominee of SIHL and holds a senior position in one of the SIHL's subsidiaries. As such, Cai Yutian, Zhou Jun and Feng Jun are not independent for the purpose of the Proposed Acquisition in respect of Sale Share I and shall abstain from making a recommendation on the Proposed Acquisition.

Interest of Substantial Shareholders

As SII owns the entire issued share capital of Triumph, Triumph is not independent for the purpose of the Proposed Acquisition in respect of Sale Share I. Triumph will abstain from voting on the resolution approving the Proposed Acquisition.

10. INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 921(4)(a) of the Catalist Rules, the Directors other than Cai Yutian, Zhou Jun and Feng Jun (the "**Independent Directors**") have appointed PrimePartners Corporate Finance Pte. Ltd. ("**IFA**") to provide an opinion on whether the Proposed Acquisition in respect of Sale Share I is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

The IFA will issue an opinion on whether the Proposed Acquisition in respect of Sale Share I is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders ("**IFA Opinion**"). The IFA Opinion will be included in the circular ("**Circular**") to be despatched to the Shareholders in connection with the Proposed Acquisition and to convene the EGM to approve the resolutions in connection with the Proposed Acquisition.

11. AUDIT COMMITTEE STATEMENT

The Audit Committee will form its view as to whether the Proposed Acquisition in respect of Sale Share I is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders after considering the IFA Opinion referred to in paragraph 10 above ("**AC Opinion**"). The AC Opinion will be set out in the Circular.

12. SERVICE CONTRACTS OF DIRECTORS PROPOSED TO BE APPOINTED TO THE BOARD OF THE COMPANY IN CONNECTION WITH THE PROPOSED ACQUISITION

As of the date of this Announcement, no director is proposed to be appointed to the Company or proposed to be engaged through any service agreements with the Company in connection with the Proposed Acquisition.

13. CIRCULAR

The Circular containing, *inter alia*, further details of the Sale & Purchase Agreement, the Proposed Acquisition, the IFA Opinion, the AC Opinion, the valuation summary letter from the Independent Valuer and the notice of EGM to be convened to seek Shareholders' approval for the Proposed Acquisition, will be dispatched to the Shareholders in due course.

14. DOCUMENTS FOR INSPECTION

The Sale & Purchase Agreement and the valuation summary letter from the Independent Valuer are 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 of this Announcement.

By Order of the Board

Liu Yujie
Executive Director
27 October 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.

The contact person for the Sponsor is Mr. Ong Hwee Li (Tel: 65-6221 5590) at 79 Anson Road #15-03 Singapore 079906.