



## Asia Water Technology Ltd

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Purity with Innovation

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## Asia Water's Net Profit Surged 61.3% to RMB43.9 million

- Revenue Increased 76.1% to RMB397.3 million
- Recommended final dividend of 1.2 Singapore cents per ordinary share

Financial Highlights (in RMB'm)	12 months ended 31 Dec		
	FY 2005	FY 2004	% Change
Revenue	397,340	225,597	+76.1
Profit Before Tax	49,187	27,417	+79.4
Net Attributable Profit	43,853	27,192	+61.3

**SINGAPORE – 27 February 2006 – Sesdaq-listed Asia Water Technology Ltd.** (“Asia Water” or “The Company”), a water purification and wastewater treatment specialist, today reported a 61.3% surge in net profit to RMB43.9 million for the financial year ended 31 December 2005, from RMB27.2 million in FY2004.

Group revenue for the year jumped 76.1% to RMB397.3 million, from RMB225.6 million previously, boosted by increased contributions from all three business segments. Revenue for water purification treatment segment rose by 38.6%, whereas the wastewater treatment segment tripled in revenue from RMB24.3 million in prior year to RMB98.6 million in FY05. Revenue from other businesses surged by an impressive 216.7% to RMB35.2 million, mainly attributed to an increase in desulphurisation control system projects worked on, as well as sale of water treatment equipment to third parties.

Overall, water purification remained the major contributor for the year, accounting 66.3% of the Group's total revenue, while the wastewater treatment and other businesses constituted 24.8% and 8.9% respectively.

"We are delighted with the stellar performance by Asia Water in FY05, especially in the continuous growth from our water purification treatment and wastewater treatment segments. In addition to the 21 water purification projects secured in October 2005 which amounts to an estimated worth of RMB188.5 million, we have also acquired a tapwater treatment plant in Huaiyuan City, PRC.

The Company has further ventured into new ground by securing a new water treatment project for a nuclear power plant in Shenzhen, PRC. Securing the project clearly reflects on the Company's abilities and consolidated our position as one of the leading water purification and wastewater specialist in the PRC," commented Mr Huang Hanguang, Chief Executive Officer of Asia Water.

Gross profit increased by 34.0% from RMB56.2 million in FY2004 to RMB75.3 million in FY2005, mainly due to significant increase in margin contributions from the wastewater treatment segment and other businesses, which increased by 312.2% and 141.8% respectively. Administrative expenses remained relatively constant YoY whereas selling and distribution expenses decreased by approximately 28.0% to RMB7.5 million in FY05.

Due to its "high-tech" status, the Company still enjoys a tax holiday in FY2005. Asia Water's subsidiary, Wuhan Kaidi Water Services Co., Ltd. ("Kaidi Water"), is entitled to full exemption from corporate income tax for the first 2 years of profitability and a 50% reduction for the next 3 years. As FY2005 is the 3rd profitable year for Kaidi Water, its profits for the twelve months ended 31 December 2005 have been subjected to tax at 7.5%, accounting for the RMB5.3 million increase in income tax expense.

#### ***Earnings Per Share/ NTA***

As at 31 December 2005, the Group increased shareholders' equity to RMB117.5 million from RMB60.9 million as at 31 December 2004. Based on a weighted-average share capital of 127.3 million shares, the Group achieved an EPS of 30.98 RMB Cents in FY2005 as compared to 24.88 RMB Cents in the previous year. Net assets per ordinary share increased to 88.32 RMB Cents as at 31 December 2005, up 45.0% from 60.93 RMB Cents in FY2004.

The Directors have proposed a final dividend of 1.2 Singapore cents per ordinary share.

### ***Business Prospects***

The rapid economic development and industrialisation have further escalated the already acute water and power shortage problems in the PRC. Coupled with strong support from the PRC government, the Directors are optimistic about the future prospects of the Company.

According to the PRC's 10<sup>th</sup> Five-Year Plan, which includes initiatives to allocate more funding for water pollution control to raise the national wastewater treatment rate to above 60% in all cities by 2010 as well as various initiatives to combat the problem of water and power shortage, the Company can look forward to more business opportunities in the future.

“With heightened awareness and increased emphasis on environmental protection and control issues in the PRC, Asia Water is confident of capitalising on its technical expertise and market position to expand its market share in existing business segments. In addition, we have also acquired the remaining 9.6% of our current subsidiary, Wuhan Kaidi water services Co., Ltd. and is well-poised to propel the Company's business to greater heights,” Mr Huang added.

Moving forward, the Group will continue to expand its water purification treatment business and tender for more large-scale municipal wastewater treatment projects. It will also capitalise on the experience acquired from its first nuclear project and continue to tender and nurture its business in that arena.

Barring any unforeseen circumstances, the Group expects its business in the PRC to continue growing.

### ***About Asia Water Technology Ltd.***

Asia Water Technology Ltd. is a Singapore company engaged in the procurement of equipment, design, installation and commissioning of water purification treatment systems. The Company is also engaged in the procurement of equipment, installation and commissioning of systems for the treatment of industrial and municipal wastewater.

Designed primarily for use by power plants, the water purification systems are required at two main stages of the power generation process. At the initial “Boiler Make-up Water Treatment” stage, water from outside sources is treated with either one or a combination of the *Deionisation and Membrane Technology* to become ultrapure water for use in the boilers. The “Condensate Water Treatment Stage” treats condensed water before re-introduction to the boilers for reuse.

With operations based in Wuhan, PRC, Asia Water has completed more than 120 water treatment projects for power plants since 1996. It has also secured the project for China’s largest power plant which has a capacity of 4x 1,000 MW.

In July 2004, Asia Water secured the Hanxi Project and obtained a licence to build and operate a municipal wastewater treatment plant in the west of Han Kou, Hubei Province, together with three partners. Upon completion of construction, the wastewater treatment plant is expected to treat 400,000 tonnes of treated water daily, serving an estimated population of 600,000. This recent foray into the Build-Operate-Transfer (“BOT”) projects for treatment of municipal wastewater has opened up a new recurring revenue stream for the company by collecting water tariffs.

The Company conducts its business primarily in the PRC through its subsidiary, Wuhan Kaidi Water Services Co., Ltd. (“Kaidi Water”), incorporated in 1996. Kaidi Water provides water purification treatment and wastewater treatment systems through its own patented core technologies and those of leading technology partners in the water treatment arena.

With strong technical expertise and a solid track record, Kaidi Water has obtained certificates for being a preferred supplier of water treatment systems for power plants with capacity of 200 MW, 300 MW and 600 MW. Its stringent standards for quality control have also earned it the ISO9001:2000 certification.

**The initial public offering of Asia Water Technology Ltd. was sponsored by Westcomb Capital Pte Ltd.**

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