



FINANCIAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Board of Directors of Asia Water Technology Ltd. is pleased to announce the consolidated results of the Group for the year ended 31 December 2008 ("FY2008"). The figures presented below have not been audited.

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

1(a)(i) An income statement (for the Group) with comparatives for the corresponding year of the immediately preceding financial year

		Group		
	Note	FY2008 RMB'000	FY2007 RMB'000	Change %
Revenue	A	384,393	486,362	-21.0%
Cost of sales		<u>(325,455)</u>	<u>(362,840)</u>	-10.3%
Gross profit	B	58,938	123,522	-52.3%
Other income	C	7,699	4,758	61.8%
Selling and distribution expenses	D	(12,351)	(12,129)	1.8%
Administrative expenses	D	(43,686)	(44,650)	-2.2%
Negative goodwill		-	1,030	n.m.
Profit from operations		10,600	72,531	-85.4%
Financial income	E	15,343	9,906	54.9%
Financial expenses	E	(66,354)	(25,823)	157.0%
Non-cash fair value gain/(loss) - Derivative instrument	F	35,617	(7,585)	-569.6%
Non-cash goodwill impairment loss	G	(15,000)	-	n.m.
Share of profits of an associated company	K	6,132	12,898	-52.5%
(Loss)/Profit before tax		(13,662)	61,927	-122.1%
Tax expense	H	(6,409)	(8,585)	-25.3%
(Loss)/Profit for the year		(20,071)	53,342	-137.6%
Attributable to:				
Equity holders of the Company		(19,676)	53,342	-136.9%
Minority interests		(395)	-	n.m.
		(20,071)	53,342	

<i>Gross profit margin</i>	15.3%	25.4%
<i>Net profit margin</i>	-5.2%	11.0%
<i>Effective tax rate</i>	-46.9%	13.9%

Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") is summarised as follow:

	Group	
	FY2008 RMB'000	FY2007 RMB'000
Profit from operations	10,600	72,531
Add: Finance income recognised from service concession agreements	12,879	5,267
Share of profits of an associated company	6,132	12,898
Depreciation expense	3,947	2,236
Amortization expense	12,175	6,222
EBITDA	45,733	99,154

n.m. denotes not meaningful



ASIA WATER TECHNOLOGY LTD.
(Company Registration No. 200210042R)

1(a)(ii) Breakdown and explanatory notes to the income statement.

Profit before tax is arrived at after charging (crediting) the following:

	Group		
	FY2008	FY2007	Change
	RMB'000	RMB'000	%
Amortisation of intangibles	12,175	6,222	95.7%
Depreciation of property, plant and equipment	3,947	2,236	76.5%
Foreign exchange gain, net	(5,680)	(1,521)	273.4%
Allowance for doubtful trade debts	4,160	9,014	-53.8%
Allowance for doubtful non-trade debts	186	11	1590.9%
Write-back allowance for doubtful trade debts	(6,326)	-	n.m.
Write-back allowance for doubtful non-trade debts	(211)	-	n.m.
Stock option expense	7,832	4,942	58.5%
Net (loss)/profit after tax but before minority interests as a percentage of turnover	-5.2%	11.0%	



1(b)(i) A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year

	Note	Group		Company	
		31.12.2008 RMB'000	31.12.2007 RMB'000	31.12.2008 RMB'000	31.12.2007 RMB'000
Non-current assets					
Property, plant and equipment	I	51,115	46,294	115	261
Intangible assets/land use rights	I	525,635	400,191	-	-
Financial receivables	J	217,840	122,177	-	-
Retention monies		8,166	3,064	-	-
Deferred tax assets		3,245	-	-	-
Investment in subsidiaries		-	-	468,411	273,632
Investment in an associate	K	42,789	47,700	40,557	43,212
Goodwill on consolidation		24,216	36,416	-	-
Current assets					
Inventories (materials and components) at cost	L	9,897	6,329	-	-
Work-in-progress in excess of progress billings	M	105,624	83,450	-	-
Financial receivables	J	3,456	3,229	-	-
Trade receivables	M	111,799	179,274	1,548	1,717
Bills receivables		-	6,298	-	-
Other receivables, prepayments and other current assets	N	178,988	163,607	389	1,764
Due from subsidiary (non-trade)		-	-	2,597	51,100
Due from associate (trade)		23,570	30,028	-	-
Due from associate (non-trade)		69,595	-	-	-
Available-for-sale investment	O	-	15,000	-	-
Cash and bank balances	P	153,939	280,031	437	172,853
		<u>656,868</u>	<u>767,246</u>	<u>4,971</u>	<u>227,434</u>
Current liabilities					
Trade payables	Q	291,763	243,182	-	-
Other payables and accruals		133,130	131,164	8,020	16,614
Progress billings in excess of work-in-progress	M	39,095	57,645	-	-
Due to subsidiary (non-trade)		-	-	21,756	2,346
Due to associate (non-trade)		5,000	-	-	-
Bills payable to banks (secured)		72,692	46,098	-	-
Interest-bearing loans and borrowings		230,547	316,914	47,547	130,914
Derivative instrument	R	7,307	45,279	7,307	45,279
Provision for income tax		9,834	6,920	-	541
		<u>789,368</u>	<u>847,202</u>	<u>84,630</u>	<u>195,694</u>
Net current (liabilities)/assets	T	<u>(132,500)</u>	<u>(79,956)</u>	<u>(79,659)</u>	<u>31,740</u>
Non-current liabilities					
Interest-bearing loans and borrowings		333,136	179,887	84,106	-
Deferred tax liabilities		4,013	655	1,693	-
Net assets		<u>403,357</u>	<u>395,344</u>	<u>343,625</u>	<u>348,845</u>
Shareholders' equity		370,752	392,344	343,625	348,845
Minority Interests		32,605	3,000	-	-
Total equity		<u>403,357</u>	<u>395,344</u>	<u>343,625</u>	<u>348,845</u>



1(b)(ii) Aggregate amount of Group's borrowings and debt securities

	Note	31.12.2008 RMB'000	31.12.2007 RMB'000
<u>Amounts payable within one year</u>			
Bills payable to banks (secured)		72,692	46,098
Interest-bearing loans and borrowings (secured)		160,547	226,914
Interest-bearing loans and borrowings (unsecured)		<u>70,000</u>	<u>90,000</u>
<u>Amount payable after one year</u>			
Interest-bearing loans and borrowings (secured)*		316,136	164,887
Interest-bearing loans and borrowings (unsecured)		<u>17,000</u>	<u>15,000</u>
Total	S	<u>636,375</u>	<u>542,899</u>

* of which RMB130,914,000 has been reclassified as current liabilities due to the breach in financial covenants relating to Series 1 Senior and Junior Bonds ("Series 1 Bonds") as at 31 December 2007. As at 31 December 2008, included in current liabilities is RMB 84,106,000, representing the fair value of current portion of loan repayment due in FY2009.

Waiver on the breach of 31 December 2007 financial covenant was obtained on 27 March 2008. In addition, the Company has breached the financial covenants as at 30 June 2008 and 30 September 2008 (as highlighted under 2nd Qtr 2008 and 3rd Qtr 2008 results announcement respectively). The Company has since 12 August 2008, entered into a Standstill Period with the Bond Subscribers (please refer to announcement no.00308 dated 14 August 2008 made via SGXNET). Since then and as of now, the Bond Subscribers have been assisting the Company in formulating measures on costing cutting, tightening internal management control and strengthening revenue generation capability for improving the financial well being of the Company.

On 31 December 2008, the Bond Subscribers consented to a waiver of the above breaches for the period beginning 30 June 2008 and ending 31 December 2009 with a set of more relaxed financial covenants as a major condition for the Company to comply with considering the current difficult macro environment (please refer to announcement no.00106 dated 31 December 2008 made via SGXNET). As such, the Standstill Period ceased with immediate effect on 31 December 2008. The Company will continue to update its shareholders if there is any material development arising.

Details of any collateral

Bills payable to banks are secured by certain bank deposits placed with the issuing banks. The interest-bearing loans and borrowings are secured by (i) a concessionary agreement (ii) guarantees by a subsidiary company and an associated company (iii) mortgage on an office building and (iv) debentures on assets of the company and a subsidiary company, including the Group's investment in a PRC subsidiary company.



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

	Group	
	FY2008 RMB'000	FY2007 RMB'000
Cash flows from operating activities		
(Loss)/Profit before tax	(13,662)	61,927
Adjustments:		
Amortisation of intangibles	12,175	6,222
Depreciation of property, plant and equipment	3,947	2,236
Allowance for doubtful trade debts	4,160	9,014
Allowance for doubtful non-trade	186	11
Share of profit of associate	(6,132)	(12,898)
Amortisation of government grant	(104)	(377)
Loss on disposal of property, plant and equipment	273	
Unrealised profit arising from sale to/interest income from associate	7,990	289
Stock option expenses	7,832	4,942
Fair value gain/(loss) on equity conversion in convertible bonds	(35,617)	7,585
Goodwill impairment loss	15,000	-
Interest expense	66,354	25,823
Interest income	(15,343)	(9,906)
Negative goodwill	-	(1,030)
Write back of allowance for doubtful trade debts	(6,326)	-
Write back of allowance for doubtful non-trade debts	(211)	-
Translation difference	890	(1,019)
Operating profit before working capital	<u>41,412</u>	<u>92,819</u>
(Increase)/decrease in:		
Inventories	(3,568)	(3,437)
Work-in-progress, net	(51,060)	94,323
Trade receivables	64,539	(53,714)
Bills receivables	6,298	(5,656)
Other receivables, other current assets and prepayments	(11,753)	12,310
Financial receivables	(95,890)	(18,739)
Due from associate (trade)	6,458	(584)
Due from associate (non-trade)	(69,595)	43
Increase/(decrease) in:		
Trade payables	48,581	(17,885)
Other payables and accruals	209	(4,440)
Due to associate (non-trade)	5,000	-
Bills payable to banks	26,594	(906)
Cash (used in)/generated from operating activities	<u>(32,775)</u>	<u>94,134</u>
Government grant received	104	377
Interest expense paid	(57,080)	(24,594)
Income tax paid	(3,222)	(6,190)
Interest income received	11,740	3,080
Net cash generated (used in)/from operating activities	<u>(81,233)</u>	<u>66,807</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,056)	(20,433)
Purchase of intangible assets/land use rights	(127,283)	(213,268)
Additional investment in a subsidiary	(2,800)	-
Proceeds from disposal of property, plant and equipment	10	854
Acquisition of a long-term investment	-	(15,000)
Net proceeds from acquisition of a subsidiary	-	(13,920)
Proceeds from disposal of other investment	15,000	-
Net cash used in investing activities	<u>(124,129)</u>	<u>(261,767)</u>



ASIA WATER TECHNOLOGY LTD.
(Company Registration No. 200210042R)

	Group	
	FY2008	FY2007
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from bank loans	296,000	502,866
Repayment of bank loans	(236,793)	(144,918)
Proceeds from conversion of warrants	52	5,354
Decrease/(increase) in deposits pledged to banks	(12,041)	4,992
Dividend paid	(9,989)	(10,161)
Acquisition of minority interest of a subsidiary	-	(5,000)
Capital contribution from minority shareholders of a subsidiary	30,000	3,000
Net cash generated from financing activities	<u>67,229</u>	<u>356,133</u>
Net (decrease)/increase in cash and cash equivalents	(138,133)	161,173
Cash and cash equivalents at beginning of period	259,124	97,951
Cash and cash equivalents at end of period	<u>120,991</u>	<u>259,124</u>
Note: Cash and cash equivalents		
Cash and bank balances	153,939	280,031
Less: Cash and deposits pledged	(32,948)	(20,907)
Cash and cash equivalents	<u>120,991</u>	<u>259,124</u>



1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	← Attributable to shareholders of the Company →								
	Share capital RMB'000	General reserve RMB'000	Warrant reserve RMB'000	Equity component of Series 1 Senior Bonds RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2007	198,266	18,094	2,009	-	-	(4,069)	108,574	4,942	327,816
Net effect of exchange difference	-	-	-	-	-	(1,468)	-	-	(1,468)
Net expenses recognised directly in equity	-	-	-	-	-	(1,468)	-	-	(1,468)
Profit for the period	-	-	-	-	-	-	53,342	-	53,342
Total recognised income and expense for the period	-	-	-	-	-	(1,468)	53,342	-	51,874
Warrant conversions	6,176	-	(822)	-	-	-	-	-	5,354
Transfer to general reserves	-	8,194	-	-	-	-	(8,194)	-	-
Dividend paid	-	-	-	-	-	-	(10,161)	-	(10,161)
Series 1 Senior Bonds - equity component	-	-	-	17,461	-	-	-	-	17,461
Capital injection from a minority shareholder in a subsidiary	-	-	-	-	-	-	-	3,000	3,000
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(4,942)	(4,942)
Grant of equity-settled employee share options	-	-	-	-	4,942	-	-	-	4,942
As at 31 December 2007	204,442	26,288	1,187	17,461	4,942	(5,537)	143,561	3,000	395,344
As at 1 January 2008	204,442	26,288	1,187	17,461	4,942	(5,537)	143,561	3,000	395,344
Net effect of exchange difference	-	-	-	-	-	189	-	-	189
Net expenses recognised directly in equity	204,442	26,288	1,187	17,461	4,942	(5,348)	143,561	3,000	395,533
Profit for the year	-	-	-	-	-	-	(19,676)	(395)	(20,071)
Total recognised income and expense for the year	-	-	-	-	-	-	(19,676)	(395)	(20,071)
Warrant conversions	61	-	(9)	-	-	-	-	-	52
Transfer to general reserves	-	4,638	-	-	-	-	(4,638)	-	-
Dividend paid	-	-	-	-	-	-	(9,989)	-	(9,989)
Capital injection from a minority shareholder in a subsidiary	-	-	-	-	-	-	-	30,000	30,000
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-
Series 1 Senior Bonds - equity component	-	-	-	-	-	-	-	-	-
Grant of equity-settled employee share options	-	-	-	-	7,832	-	-	-	7,832
As at 31 December 2008	204,503	30,926	1,178	17,461	12,774	(5,348)	109,258	32,605	403,357



ASIA WATER TECHNOLOGY LTD.
(Company Registration No. 200210042R)

Company

	Share capital	Warrant reserve	Equity component of Series 1 Senior Bonds	Share option reserve	Translation reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	198,266	2,009	-	-	5,396	20,886	226,557
Net effect of exchange difference	-	-	-	-	(3,668)	-	(3,668)
Net expenses recognised directly in equity	-	-	-	-	(3,668)	-	(3,668)
Net profit for the period	-	-	-	-	-	108,360	108,360
Total recognised income and expense for the period	-	-	-	-	(3,668)	108,360	104,692
Warrant conversions	6,176	(822)	-	-	-	-	5,354
Dividend paid	-	-	-	-	-	(10,161)	(10,161)
Series 1 Senior Bonds - equity component	-	-	17,461	-	-	-	17,461
Grant of equity-settled employee share options	-	-	-	4,942	-	-	4,942
As at 31 December 2007	204,442	1,187	17,461	4,942	1,728	119,085	348,845
As at 1 January 2008	204,442	1,187	17,461	4,942	1,728	119,085	348,845
Net effect of exchange difference	-	-	-	-	(21,374)	-	(21,374)
Net expenses recognised directly in equity	204,442	1,187	17,461	4,942	(19,646)	119,085	327,471
Net profit for the period	-	-	-	-	-	18,259	18,259
Total recognised income and expense for the period	-	-	-	-	-	18,259	18,259
Warrant conversions	61	(9)	-	-	-	-	52
Dividend paid	-	-	-	-	-	(9,989)	(9,989)
Grant of equity-settled employee share options	-	-	-	7,832	-	-	7,832
As at 31 December 2008	204,503	1,178	17,461	12,774	(19,646)	127,355	343,625



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 at 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

	For the year ended 31 December 2008	
	Number of ordinary shares '000	RMB '000
As at 1 January 2008, 196,860,959 ordinary shares	196,861	204,442
Transfer from warrant reserve	-	9
Exercise of 58,000 warrants at S\$0.18 per share, for cash	58	52
As at 31 December 2008, 196,918,959 ordinary shares	<u>196,919</u>	<u>204,503</u>

As at 31 December 2008, there were 9,146,249 (31 December 2007: 9,204,249) unissued ordinary shares under warrants issued.

Please refer to below for a summary of outstanding convertible securities.

Summary of outstanding convertible securities

		As at 31 December 2008		As at 31 December 2007	
		Number of outstanding convertible securities	Percentage of the Company's existing issued share capital of 196,918,959	Number of outstanding convertible securities	Percentage of the Company's existing issued share capital of 196,860,959
Existing warrants	Note A	9,146,249	5%	9,204,249	5%
Senior Bond warrants ("SB Warrants")	Note B	11,400,480	6%	11,400,480	6%
Series 1 Junior Bonds	Note B	40,090,909	20%	28,063,636	14%
ESOS Options	Note C	21,940,000	11%	21,940,000	11%
		<u>82,577,638</u>	<u>42%</u>	<u>70,608,365</u>	<u>36%</u>

Note A

These refer to the 33,247,175 warrants issued in FY2005 at an issue price of S\$0.04 per warrant, with each warrant exercisable at an exercise price of S\$0.18, expiring on 20 December 2010. As at 31 December 2008, there were 9,146,249 warrants (31 December 2007: 9,204,249) unexercised.

Note B

These refer to (i) the issue of 11,400,480 detachable and freely transferable warrants ("SB Warrants") in connection with the issue of Series 1 Senior Bonds of US\$15,000,000 and (ii) the issue of Series 1 Junior Bonds of US\$15,000,000. Please refer to announcement made through SGXNet on 13 December 2007 for more details on the material terms and conditions.

The SB Warrants are exercisable upon issue at an exercise price of S\$0.513, expiring at 5.00 p.m. (Singapore time) on 12 December 2013. Series 1 Junior Bonds are convertible into ordinary shares of the Company with effect from 13 June 2008 up to the close of business on 6 December 2012. The number of shares arising from the conversion of Series 1 Junior Bonds are computed based on the exchange rate of US\$1.00 to S\$1.4406 as at 13 December 2007 and at a conversion price of S\$0.770 ("Initial Conversion Price"). The Initial Conversion Price is subjected to evaluation on the first anniversary of the issue and every three months thereafter (each a "Reset Date") for the life of the Junior Bonds. At each Reset Date, the volume-weighted average price (VWAP) for 30 consecutive days immediately preceding the reset date will be calculated and compared to the conversion price in effect with the lower price becoming the next period's conversion price subject to a floor which is 70% of the Initial Conversion Price (i.e S\$0.539). The Initial Conversion Price was evaluated to be S\$0.539 on its first anniversary, 13 December 2008, and the next evaluation will be on 13 March 2009. Based on the reset conversion price of S\$0.539, the maximum number shares that can be converted is 40,090,909.

Note C

These refer to options granted to the Group's directors and staff in accordance with the terms and conditions of the Employee Share Option Scheme adopted by the Company on 24 January 2005 ("ESOS Options"). ESOS options granted under the First Grant shall have a life span of 5 years from the date of First Grant Options, and shall be vested and exercisable after the first anniversary of the date of First Grant of Options. First Grant of Options were granted on 14 August 2007 with an exercise price of S\$0.665. No options have been exercised as at 31 December 2008.

There were no shares held as treasury shares as at 31 December 2008 and 31 December 2007.



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.

The total number of issued shares excluding treasury shares as at 31 December 2008 was 196,918,959 (31 December 2007: 196,860,959).

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.

Not Applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have neither been audited nor reviewed.

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.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period as those applied in the financial statements for the year ended 31 December 2007.

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.

Not applicable.

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

	Group	
	FY2008	FY2007
Earnings per ordinary share for the period (RMB cents):		
- Basic	<u>(9.99)</u>	<u>27.42</u>
- Fully Diluted basis	<u>(9.99)</u>	<u>26.41</u>

Basic earnings per share for FY2007 and FY2008 have been computed by dividing the (loss)/profit after tax attributable to shareholders by the weighted average share capital of **194,543,844** shares and **196,908,709** shares respectively.

As disclosed in Section 1(d)(ii), the Company has outstanding warrants/options granted amounted to 82,577,638. These share options/warrants are dilutive as they are issued for no consideration or where a portion of the outstanding warrants/options are deemed dilutive in situations where the exercisable price of the options/warrants are below their fair value.

Since the exercisable price of the Senior Bond warrants, Series 1 Junior Bonds, ESOS options are above the fair value of the Company's shares for the current financial year, the options/warrants are deemed non-dilutive. As such, the options/warrants have no dilution effect on the earnings per share of the Group for the current 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	
	<u>31.12.2008</u>	<u>31.12.2007</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
Net Assets (RMB'000)	370,752	392,344	343,625	348,845
Net Assets per Share (RMB cents)	<u>188.28</u>	<u>199.30</u>	<u>174.50</u>	<u>177.20</u>
Net Assets per Share (SGD cents) [#]	<u>39.61</u>	<u>39.50</u>	<u>36.71</u>	<u>35.12</u>

Translated based on respective year-end exchange rate

Net Assets per share for year ended 31 December 2007 has been computed by dividing the net assets, net of minority interests by the share capital as at 31 December 2007 of 196,860,959.

Net Assets per share for year ended 31 December 2008 has been computed by dividing the net assets, net of minority interests by the share capital as at 31 December 2008 of 196,918,959.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

(I) PERFORMANCE REVIEW

(A) Revenue

A breakdown of the Group's revenue for FY2008 and FY2007 are summarised as follows:

	<u>FY2008</u> <u>RMB'000</u>	<u>FY2007</u> <u>RMB'000</u>	<u>Change</u> <u>RMB'000</u>	<u>Change</u> <u>%</u>
Water Purification Treatment	292,200	399,252	(107,052)	-26.8%
Wastewater Treatment	65,360	49,976	15,384	30.8%
Consultancy and Others	26,833	37,134	(10,301)	-27.7%
Total	<u>384,393</u>	<u>486,362</u>	<u>(101,969)</u>	<u>-21.0%</u>

Overall

The Group's revenue for year ended 31 December 2008 decreased by RMB102.0 million or 21.0%, from RMB486.3 million in FY2007 to RMB384.4 million in FY2008. The lower revenue was attributable to decrease in Water Purification Treatment and Consultancy and Others segments which recorded decrease in revenue of 26.8% and 27.7% respectively. This is partially offset by a 30.8% increase in revenue from Wastewater Treatment segment.

Water Purification Treatment

Revenue from the Water Purification Treatment segment decreased by RMB107.1 million, from RMB399.3 million in FY2007 to RMB292.2 million in FY2008. The decrease is due mainly to substantial completion of a few major Water Purification Treatment projects (including the Group's BOO portable water project, Lvliang) in 2HY2007. This is partially offset by the commencement of the construction of the Group's Wuhan Huangpi BOT project in FY2008. The revenue derived from power plant Engineering, Procurement and Construction ("EPC") projects has also decreased due to more intense competition in the power plant water purification industry.

Wastewater Treatment

Revenue from the Wastewater segment increased by RMB15.4 million, from RMB50.0 million in FY2007 to RMB65.4 million in FY2008, due mainly to the contributions from the EPC work that the Group has been contracted to handle in connection with its BOT wastewater project, Huangshi Kaidi.

Consultancy and Others

The Group's Consultancy and Others segment also recorded a decrease of RMB10.3 million or 27.7%, from RMB37.1 million in FY2007 to RMB26.8 million in FY2008, due mainly to completion of a few consultancy projects in 2HY2007 and a decrease in new ad-hoc consultancy projects under-taken by the Group in FY2008.



(B) Gross Profit/Gross Profit Margin

A breakdown of the Group's gross profit and gross profit margins for FY2008 and FY 2007 are summarised as follows:

<u>Gross Profit</u>	<u>FY2008</u>	<u>FY2007</u>	<u>Change</u>	<u>Change</u>
	RMB'000	RMB'000	RMB'000	%
Water Purification Treatment Treatment	32,584	78,967	(46,383)	-58.7%
Wastewater Treatment	4,047	21,246	(17,199)	-81.0%
Consultancy and Others	22,307	23,309	(1,002)	-4.3%
Overall	58,938	123,522	(64,584)	-52.3%

<u>Gross Margin</u>	<u>FY2008</u>	<u>FY2007</u>	<u>Change</u>	<u>% Change</u>
	%	%	%	%
Water Purification Treatment	11.2%	19.8%	-8.6%	-43.6%
Wastewater Treatment	6.2%	42.5%	-36.3%	-85.4%
Consultancy and Others	83.1%	62.8%	20.3%	32.3%
Overall	15.3%	25.4%	-10.1%	-39.6%

Overall

Group's overall gross profit margin has decreased by 10.1%, from 25.4% in FY2007 to 15.3% in FY2008, due mainly to lower gross profit margin from the Wastewater segment and Water Purification Treatment segment, which decreased 36.3% and 8.6% respectively. This is partially offset by a 20.3% increase in gross profit margin from the Consultancy and Others segment.

Water Purification Treatment

Gross profit margin from the Water Purification Treatment segment has decreased from 19.8% in FY2007 to 11.2% in FY2008, due mainly to rising raw materials, utilities, transportation and staff costs resulting from inflationary pressure in the People's Republic of China (the "PRC") during the year. Continued intensified competition in the traditional power plant Water Purification Treatment industry has also contributed to the reduction in gross profit margin.

Wastewater Treatment

Gross profit margin from the Wastewater Treatment segment decreased from 42.5% in FY2007 to 6.2% in FY2008, mainly as a result of higher contributions from the civil engineering part of the Group's EPC work on the Huangshi Kaidi project in 2HY2008 (which typically yields significantly lower gross profit margin compared to the equipment design and installation part of the EPC contract).

Consultancy and Others

Gross profit margin from the Consultancy and Others segment has increased from 62.8% in FY2007 to 83.1% in FY2008, due mainly to the undertaking of a management and operations project which yields a higher gross profit margin.

(C) Net Other Income

Net other income of RMB7.7 million in FY2008 (FY2007: RMB4.8 million) consists mainly of (i) income earned from installation of water meters and repairs and maintenance work undertaken by the Group's subsidiaries, mainly Tianmen Kaidi and Bengbu Xinya, (ii) compensation income received from the government, and (iii) after-sales income derived by Wuhan Kaidi Water Services.

(D) Selling and Distribution Expenses & Administrative Expenses

Selling and distribution expenses remained relatively unchanged.

Administrative expenses remained relatively unchanged. This is due mainly to (i) increase in net foreign exchange gain of RMB4.2 million recognised and (ii) write-back of RMB6.3 million of specific doubtful debts provided in prior years after the collection of the receivables in FY2008, partially offset by (i) increased in contributions from newly setup subsidiaries and subsidiaries, which commenced operations in 2HY2008, and (ii) increase in stock options expenses of RMB2.9 million.

Depreciation expense increased from RMB2.2 million in FY2007 to RMB3.9 million in FY2008, due mainly to increase in depreciation expense recorded in connection with the acquisition of an office building subsequent to 4th Qtr 2007. Amortization expense increased from RMB6.2 million in FY2007 to RMB12.2 million in FY2008, due largely to higher amortization expenses recorded as more water treatment infrastructures turn operational in FY2008. Refer to Note I below on the recognition of intangible assets.



(E) Financial Expenses / Income

Financial expenses increased from RMB25.8 million in FY2007 to RMB66.4 million in FY2008, due mainly to:

- (i) financial expenses recognised in connection with the draw down of Series 1 Bonds of USD30 million on 13 December 2007, including the related amortized interest expense (which is non-cash in nature), early redemption premium and Series 2 Bonds cancellation fee;
- (ii) an increase in average short-term borrowings balance during the year to facilitate working capital requirements;
- (iii) draw down of project loan during the year; and
- (iv) an increase in PRC lending rates during the year.

Financial income relates mainly to financial income recognised on construction services of wastewater treatment plants in connection with the adoption of INT FRS 112 Service Concession Agreements ("INT FRS 112"). In addition to Wuhan Xincheng, another wastewater treatment plant, Taizhou Kaidi, officially commenced operations in 4th Qtr 2008.

(F) Non-cash fair value gain/(loss) - Derivative instrument

This represents the non-cash fair value gain of RMB35.6 million (FY2007: non-cash fair value loss of RMB7.6 million) recognised in connection to the mark-to-market treatment of the conversion option as at 31 December 2008 from 31 December 2007, arising in conjunction with the draw down of Series 1 Junior Bonds on December 2007 (refer to Note R).

(G) Goodwill impairment loss

This represents the impairment of goodwill arising on the Company's acquisition of the Group's subsidiary, Wuhan Kaidi Water Services Co., Ltd. ("Wuhan Kaid Water") in 1HY2006. Moving forward, the Group plans to transfer Wuhan Kaidi Water's future business activities to its three wholly-owned subsidiaries (namely Wuhan Kaidi Engineering, Wuhan Kaidi Technology and Wuhan Kaidi Management & Operation), incorporated based on their respective areas of expertise in FY2007. As the Group expects uptake of projects to slow down in view of the challenging market conditions, an impairment loss is charged to better reflect the recoverable amount of the cash generating units.

(H) Tax expense

In 2008, tax exemption for two of the Group's eligible subsidiaries were granted. The reversal of the related tax provisions made in prior periods has resulted in a decrease in tax expenses for FY2008. In addition, the Group has provided for a 5% withholding tax on distributable profits of our PRC subsidiaries in 2008, in accordance with the new PRC tax rules.

(II) BALANCE SHEET

(I) Property, plant and equipment/Intangible assets

Property, plant and equipment increased marginally from RMB46.3 million in FY2007 to RMB51.1 million as at 31 December 2008, due mainly to addition of pipeline from one of the Group's subsidiary, partially offset by depreciation expense incurred during the year. Intangible assets increased from RMB400.2 million in FY2007 to RMB525.6 million as at 31 December 2008, due mainly to additions from land use rights and construction-in-progress from the Group's subsidiaries, partially offset by the increase in amortization expenses recognised during the year. Bulk of the intangible assets were recognised in respect of construction of water treatment plants by our subsidiaries (namely Tianmen Kaidi, LvLiang Xinya, Tianmen Xinnong, Huangpi Kaidi, Huangshi Kaidi and Wuhan Dongxihu) in accordance with INT FRS 112. INT FRS 112 requires the recognition of construction revenue and the corresponding financial receivables and/or intangible asset for public-to private service concession arrangements if:

- a) the party that grants the service arrangement (the "grantor") controls or regulates the nature of services the entity (the "operator") must provide with the infrastructure asset, the users and the pricing of the services; and
- b) the grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure asset at the end of the term of the arrangement.

When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the financial receivable (if any), which will be used to reduce the carrying amount of the financial receivable on its balance sheet, (ii) interest income, which will be recognised as finance income in its income statement and (iii) revenue from operating and maintaining the plants in its income statement.

(i) Recognition of financial receivables

The Group recognised a financial receivable if it has a contractual right under the concession arrangements to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the plants. The financial receivable is measured on initial recognition at its fair value. Subsequent to initial recognition, the financial receivable is measured at amortised cost using the effective interest method.

(ii) Recognition of intangible assets

The Group has concession arrangements with the various governing bodies or agencies of the PRC government (the "grantors") to supply treated water from water treatment plants, and operate wastewater treatment plants. Under the concession arrangements, the Group will construct and/or operate the plants for concession periods of between 20 to 30 years and transfer the plants to the grantors at the end of the concession periods. Such concession arrangements fall within the scope of INT FRS 112.

The Group recognises an intangible asset if it does not have any contractual right under the concession agreements to receive a fixed and determinable amount of payments during the service concession period.

The intangible asset is recognised to the extent that the Group has a right to charge fees for the usage of the plants and is amortised over the concession period from commencement of the operations of the plants.



ASIA WATER TECHNOLOGY LTD.
(Company Registration No. 200210042R)

(J) Financial receivables

Financial receivables relate to receivables recognised in respect of services provided (or to be provided) by our subsidiaries (namely Wuhan Xincheng, Taizhou Kaidi and Huangshi Kaidi) in accordance with INT FRS 112 (please refer to Note I above). The increase of RMB95.9 million, from RMB125.4 million in FY2007 to RMB221.3 million as at 31 December 2008, was mainly attributable to additions from the Group's subsidiaries, Taizhou Kaidi and Huangshi Kaidi.

(K) Investment in an 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 RMB43 million (or a 43% stake) in Wuhan Hanxi, which has a registered capital of RMB100 million.

As at 31 December 2008, net investment of RMB42.8 million was arrived at after taking into account (i) elimination of inter-company transactions and (ii) the Group's share of profit and loss of Wuhan Hanxi in previous financial periods as well as in FY2008.

(L) Inventories

Inventories increased by RMB3.6 million, from RMB6.3 million in FY2007 to RMB9.9 million as at 31 December 2008, due mainly to bulk purchases made during the year in an effort to lower per unit cost and contribution from the Group's subsidiary, Wuhan Huangpi, which commenced operations during the year.

(M) Work-in-progress, net ("WIP") / Trade receivables

Net WIP increased RMB40.7 million due largely to the commencement of Huangshi Kaidi and Wuhan Dongxihu projects, partially offset by billings made during the year.

Trade receivables decreased by RMB67.5 million from RMB179.3 million in FY2007 to RMB111.8 million as at 31 December 2008, due mainly to more cash collection towards the year end. The Group will continue to undertake proactive measures to monitor and to accelerate the collection of its outstanding trade receivables in FY2009.

(N) Other receivables, prepayments and other current assets

Other receivables, prepayments and other current assets increased by RMB15.4 million from RMB163.6 million in FY2007 to RMB179.0 million as at 31 December 2008, due mainly to (i) increase in prepayments made in connection with project constructions, and (ii) staff loans extended to employees of the Group.

(O) Available-for-sale investment

This represented our 15% investment in Linhuan Water Services Co., Ltd ("Linhuan"), which was incorporated to undertake a Build-Own-Operate ("BOO") water project in Huaibei City, Anhui Province in PRC. The project has an aggregated investment value estimated to be around RMB960 million. During 1st Qtr 2008, the Group entered into a share transfer agreement to dispose the available-for-sale investment, Linhuan, for RMB15 million.

(P) Cash and bank balances / Cash and cash equivalents

Cash and bank balances decreased RMB126.1 million due mainly to greater utilisation and deployment of (i) Series 1 Bonds net cash proceeds and (ii) project loans drawn down by certain subsidiaries.

As at 31 December 2007, cash proceeds from Series 1 Bonds, drawn down on 13 December 2007, and certain project loans drawn down prior to 31 December 2007 were not fully deployed and utilized, leading to a relatively higher cash balance as at 31 December 2007.

In addition, the net decrease in cash and cash equivalents in FY2008 was due mainly to (i) the addition of intangible assets/land use right (refer to Note I above), (ii) partial repayment of USD1 million Series 1 Bonds loan principal, and (iii) net cash outflow from operating activities. This is partially offset by the proceeds from disposal of investment (refer to Note O) and increase in finance income received in relation to the service concession agreements. The net cash outflow from operating activities is due largely to advances to an associated company during the year and increase in financial receivables recognised in accordance with INT FRS 112 (refer to Note I and J).

(Q) Trade payables

Trade payables increased by RMB48.6 million, from RMB243.2 million in FY2007 to RMB291.8 million as at 31 December 2008, due mainly to additional payables recorded in connection with the construction of the Group's BOT projects and the Group's continued efforts to manage payment of payables.

(R) Derivative instrument

This derivative financial instrument arises in connection with the issue of Series 1 Junior Bonds and was recognised in accordance with "FRS 39 - Financial Instruments: Recognition and Measurement". As such, the derivative instrument is required to be fair valued at each reporting period (i.e. quarterly) with a corresponding fair value gain/loss to be recognised as 'Non-cash fair value gain/loss - Derivative instrument' in the income statement. The value of the derivative instrument is highly sensitive to the changes in the Company's share price between each reporting period. Comparing 31 December 2007 and 31 December 2008, the fair value of the derivative instrument reduced from RMB45.3 million to RMB7.3 million.



(S) Group's borrowings

Total Group borrowings were RMB636.4 million as at 31 December 2008, compared to RMB542.9 million in FY2007. The increase is due mainly to increase in bills payable to bank and project loan drawn down during the year, partially offset by loan principal repaid during the year.

(T) Net current liabilities

As at 31 December 2008, the net current liabilities of RMB132.5 million were due mainly to the utilisation of a portion of short term borrowings (i.e. current liability), suppliers' credits (i.e. current liability) and internally generated cash (i.e. current asset) to bridge the financing needs relating to the construction and execution of certain subsidiaries' Build-Operate-Transfer ("BOT")/Build-Own-Operate ("BOO") water infrastructure (i.e. non-current asset). The group has short term borrowings of revolving nature amounting to RMB149.0 million as at 31 December 2008. The Group is currently in the advanced stage of discussions with various financial institutions to obtain long-term project financing for the Group's BOT/BOO projects.

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

The actual results is in line with the profit guidance announcement released on 11 February 2009.

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 macro environment in which the Group operates in remains highly challenging. In particular, the Group expects intense competition in the power plant water purification industry in the People's Republic of China ("PRC") to continue, which will put pressure on the pricing of new projects. The Group will continue to improve its efficiency by implementing cost monitoring and reduction measures.

Over the years, the Group has built up a strong portfolio of portable water and wastewater projects in central China. Currently, it has 6 Build-Operate-Transfer ("BOT")/Build-Own-Operate ("BOO")/Transfer-Operate-Transfer ("TOT") projects in operation whilst another two – Wuhan Dongxihu and Huangshi Kaidi – are on schedule to commence operations in FY2009. Due to the long-term nature of these BOT/TOT/BOO projects, the Group will benefit from a larger pool of stable recurring income when all its existing projects commence operations.

The Group will also continue to explore opportunities to secure new projects but expects uptake of new projects to slow down significantly in FY2009 as fund-raising options have become increasingly limited and costly amidst a global credit crunch. However, it will continue to explore alternative forms of financing from both abroad and domestically, and may even enter into collaboration with strategic partners to take on new projects.

As announced in December 2008, the Group has received a favorable response from its Bond Subscribers for a time extension to fulfill its obligations under the terms of the bond subscription agreement signed in August 2007. In addition, the Bond Subscribers have agreed to a more relaxed set of financial covenants to make it easier for the Group to fulfill its obligations during the current difficult market conditions.

11. Dividend

(a) Current Financial Year Reported On

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	First & Final
Dividend Type	Cash
Dividend Amount per Share (in SGD-Cents)	1.0
Tax Rate	1 tier tax-exempt

(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 dividend has been declared/recommended by the Board for the financial year ended 31 December 2008.



PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 and Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic customer market which the Group offers products/services. For management purposes, the Group is organised into three business segments, namely Water Purification Treatment, Wastewater Treatment and Consultancy and Others.

By Business Segments

	Water Purification Treatment	Wastewater Treatment	Consultancy and Others	Group
	RMB'000	RMB'000	RMB'000	RMB'000
2008				
Revenue	292,200	65,360	26,833	<u>384,393</u>
Segment results	2,093	(3,866)	18,869	17,096
Unallocated expenses				(6,496)
Financial income				15,343
Financial expenses				(66,354)
Non-cash fair value gain - Derivative instrument				35,617
Non-cash goodwill impairment loss				(15,000)
Share of profits of an associated company				6,132
Tax				<u>(6,409)</u>
Loss for the year				<u>(20,071)</u>
Segment depreciation	2,641	962	284	3,887
Unallocated depreciation				<u>60</u>
Total depreciation				<u>3,947</u>
Segment non-cash expenses	13,381	2,624	466	16,471
Unallocated non-cash expenses				<u>180</u>
Total non-cash expenses				<u>16,651</u>
Segment non-cash income	2,567	1,021	414	4,002
Unallocated non-cash expenses				<u>7,549</u>
Total non-cash income				<u>11,551</u>
Assets	904,168	594,649	27,577	1,526,394
Unallocated assets				<u>3,480</u>
Total assets				<u>1,529,874</u>
Liabilities	(534,654)	(395,990)	(48,824)	(979,468)
Unallocated liabilities				<u>(147,049)</u>
Total liabilities				<u>(1,126,517)</u>
Capital expenditure	79,166	56,681	385	136,232
Unallocated capital expenditure				<u>107</u>
Total capital expenditure				<u>136,339</u>



2007	Water Purification Treatment	Wastewater Treatment	Consultancy and Others	Group
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	399,252	49,976	37,134	<u>486,362</u>
Segment results	52,138	17,506	21,168	90,812
Unallocated expenses				(19,311)
Financial income				9,906
Financial expenses				(25,823)
Negative goodwill				1,030
Other expenses				(7,585)
Share of loss of an associate				12,898
Tax expense				<u>(8,585)</u>
Profit for the year				<u><u>53,342</u></u>
Segment depreciation	1,571	475	100	2,146
Unallocated depreciation				<u>90</u>
Total depreciation				<u><u>2,236</u></u>
Segment non-cash expenses	11,665	918	2,664	<u>15,247</u>
Segment non-cash income	364	49	6	<u>419</u>
Assets	959,133	198,953	8,327	1,166,413
Unallocated assets				<u>256,675</u>
Total assets				<u><u>1,423,088</u></u>
Liabilities	663,531	159,034	9,877	832,442
Unallocated liabilities				<u>195,302</u>
Total liabilities				<u><u>1,027,744</u></u>
Capital expenditure	237,248	11,373	464	249,085
Unallocated capital expenditure				<u>33</u>
Total capital expenditure				<u><u>249,118</u></u>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Refer to item 8 for review of performance.

15. Breakdown of Sales and Profit after tax

	Group		Change %
	FY2008 RMB'000	FY2007 RMB'000	
Sales reported for first half year	129,493	198,367	-34.7%
Sales reported for second half year	<u>254,900</u>	<u>287,995</u>	-11.5%
	<u><u>384,393</u></u>	<u><u>486,362</u></u>	-21.0%
(Loss)/profit after tax before deducting minority interest reported for first half year	(9,770)	37,606	-126.0%
(Loss)/profit after tax before deducting minority interest reported for second half year	<u>(10,301)</u>	<u>15,736</u>	-165.5%
	<u><u>(20,071)</u></u>	<u><u>53,342</u></u>	-137.6%



ASIA WATER TECHNOLOGY LTD.
(Company Registration No. 200210042R)

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	<u>FY2008</u>	<u>FY2007</u>
Total Annual Dividend (S\$) - First & Final Dividend	<u>NIL</u>	<u>1,969,190</u>

17. Statement by the Audit Committee of the Company

With the assistance provided by the internal and external auditors of the Company, the Audit Committee has reviewed and ensured the proper accounting of the Group's budgeting process, proper authorisation and recording of project costs and accuracy in the computation and recognition of revenue.

BY ORDER OF THE BOARD

Tan Kim Han, Raymond
Company Secretary
27 February 2009