



MODERNWATER

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Modern Water plc
("Modern Water" or "the Group")

TRADE PARTNERSHIP AGREED IN CHINA

Modern Water plc (LSE: MWG), the owner of leading water technologies for the production of fresh water and monitoring of water quality, has signed a Framework Agreement with Hangzhou Development Center of Water Treatment Technology, Company Limited ("Hangzhou Water") in the People's Republic of China.

The new partnership will allow both organisations to jointly identify and develop projects in China, including seawater desalination plants and other water-related opportunities.

Hangzhou Water is a key player in the water industry in China and is owned by National BlueStar (Group) Co, Ltd which is part of the state-owned China National Chemical Corporation. Hangzhou Water specialises in membrane systems which have different industrial uses such as seawater desalination, industrial pure water preparation and water reuse.

Hangzhou Water has won or been involved in approximately 60% of China's current or planned desalination projects. Hangzhou Water has engineer, procure and construct ("EPC") contracts as well membrane manufacturing and fabrication facilities.

The partnership with Hangzhou Water further strengthens Modern Water's position in China. Last year the Group appointed a non-executive chairman to drive business development in the region. This appointment was supported by the growth of Modern Water's Monitoring Technologies division in China which last year contributed sales of more than £500k to the Group.

The agreement was signed in Hangzhou today by Mr Neil McDougall, Executive Chairman of Modern Water and Mr Zheng Genjiang, Board Chairman of Hangzhou Water. Senior guests at the signing included Mr Liu Shaohua, Deputy General Manager of Hangzhou's parent company, Bluestar; Mr Brian Davidson, British Consul General Shanghai; and Mr Zhou HuaFu, Deputy Director of Zhejiang Province Development and Reform Committee.

Neil McDougall, Executive Chairman of Modern Water, commented: "We are very excited to be extending our presence in China and we look forward to working with Hangzhou Water. This partnership of like-minded and skilled organisations should lead to an abundance of opportunities and offer world leading solutions to the water and wastewater industry, such as our cost and energy-saving desalination technology.

It is an exciting development with sources estimating the industry in China will see new investment of up to RMB20 billion (US\$3.2billion) over the next four years."

Zheng Genjiang, Board Chairman of Hangzhou Water, added: "Our aim is to be at the forefront of water technology and this partnership with Modern Water is another strategic move that will build on this and improve our international reach. We believe that this partnership is the start of a long-standing relationship with Modern Water, who has a leading position in the field of FO technology, and Hangzhou Water with our innovative capability and industrial scale in China."

For further information

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Notes to editors

Modern Water

Modern Water owns, installs and operates world-leading membrane technology and develops and supplies advanced systems for water monitoring. Its shares trade on the Alternative Investment Market of the London Stock Exchange.

Modern Water's patented Forward Osmosis (FO) technology has been proven to significantly reduce costs, lower energy consumption and lessen environmental impact in a variety of industries. With a sales presence in over 60 countries, the Group's Monitoring Division includes the world's only real-time continuous toxicity monitor and trace metal analysers for monitoring the quality of drinking water.

www.modernwater.co.uk

Hangzhou Water

The Hangzhou Development Center of Water Treatment Technology, established in 1984, is one of the forerunners in membrane research and development. It specialises in the technical integration and design of sea water desalination, industrial wastewater treatment, membrane, membrane modules, and membrane equipment. The company owns four mainstream technologies-electro-osmosis (ED), reverse osmosis (RO), ultra-filtration (UF), and microfiltration (MF). It also has production lines for membranes of RO, NF, UF, and MF, and manufactures and sells 23 product lines in five sectors.

www.chinawatertech.com/hzsclen/index.htm