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Tri-Tech Holding Third Quarter 2009 Earnings Conference Call

November 13, 2009

Operator: Good day, ladies and gentlemen. Thank you for standing by. Welcome to the Tri-Tech Holding Third Quarter Earnings Conference Call. During today's presentation all parties will be in a listen-only mode. Following the presentation the conference will be open for questions. If you have a question please press the star followed by the one on your touchtone phone. Please press star, zero for operator assistance at any time. And for participants using speaker equipment it may be necessary to pick up your handset before making your selection.

I would now like to turn the conference over to Susan Zhou, Investor Relations for Tri-Tech Holding. Please go ahead.

Susan Zhou: Thank you, everyone, and welcome to Tri-Tech Holding's conference call for the third quarter 2009 and nine-months ended September 30, 2009. The earnings press release accompanying this conference call was released yesterday on November 12th. On the call today are Mr. Warren Zhao, Chief Executive Officer; Mr. Phil Fan, President; Mr. Peter Dong, the company's Chief Financial Officer; and Ms. Janice Wang, Tri-Tech Corporate Investor Relations.

I am Susan Zhou at Hawk Associates, Investor Relations for Tri-Tech Holding. I'd like to begin by reading the company's Safe Harbor statement. And then we'll hear the prepared remarks from the management team before they take your questions.

This morning's discussion contains forward-looking statements that involve known and unknown risks, uncertainties and other factors not under the company's control. Those risks may cause actual results, performance or achievements of the company to be materially different from the results, performance or other expectations implied by these forward-looking statements. These factors include, but are not limited to those detailed in the company's periodic filings with the Securities and Exchange Commission.

At this time I'd like to turn the call over to Mr. Warren Zhao. Mr. Zhao will be providing brief opening remarks; followed by a review of Tri-Tech's financial and operational performance for the third quarter and the nine months ended September 30, 2009.

Mr. Zhao, the floor is now yours.

Warren Zhao: Thanks, Susan. Thank you everyone for joining us today for Tri-Tech Holding's first quarterly financial report as a public company. Tri-Tech designs, customizes sewage treatment and odor control systems for China's municipalities and its larger cities. The company also designs systems that track natural waterway levels for drought control, monitor groundwater quality and assist the government in managing its water resource.

Tri-Tech is the first Chinese company to be listed on NASDAQ engaged in both wastewater treatment and natural water resources management. Tri-Tech's successful initial public offering on September 10th was a landmark event in our company's history, and I'd like to thank our investors for your confidence in our team, growth strategy and plan.

On September 10, 2009 Tri-Tech completed an initial public offering of 1.7 million ordinary shares at a price of \$6.75 per share. The net received from the initial public offering totaled approximately 10 million. We are excited to move forward in a strong and flexible financial position. We are sufficiently well capitalized to operate successfully in China's wastewater treatment and natural water resources sectors. And we expect to take advantage of the long-term opportunities driven by China's severe water challenges.

We intend to use our proceeds from the IPO to reinforce our competitive position. We will continue pursuing new projects planned and initiated by the Chinese government nationwide in the fields of water resources, flood control and mitigation, water quality monitoring and assessment, municipal water and wastewater management, water reuse and odor control, and tail gas treatment. All of these sectors are poised to benefit from the government's growing investment in infrastructure.

The third quarter was very successful for Tri-Tech with solid financial performance and significant business progress. We are proud to deliver these results while maintaining our competitive position to reduce urban sewage pollution and improve ecological environment and water quality. Our patented technology, the increasing effort of our sales force and the growth of our customer base all contributed to our strong quarterly financial results. We feel confident that we will be able to continue strong growth in the future.

At this time I would like to pass the call to Mr. Phil Fan for comments on our financial results for the third quarter and the nine months ended September 30, 2009, and our business operations and the competitive strategy. Thank you.

Phil Fan: Hi. This is Phil Fan, the President of Tri-Tech. Thank you, Warren. On today's call, I will be providing details on our financial results for Q3, 2009, discussing our growth strategy, and providing our business outlook as we further establish ourselves as one of the leading water engineering, consulting and management companies in China.

Now I'd like to review our financial performance for the third quarter of 2009.

During the quarter, we generated strong revenue growth and profit by further developing our operations.

Revenue was \$4.9 million for the quarter ended September 30, 2009, up 131% from \$2.1 million in the same period of 2008. The increase in revenue was mainly due to an increase in wastewater and tail gas treatment system integration sales, which generated \$3.8 million in revenue, or about 77.4% of total revenue for the quarter. Our another business segment, water resources management, accounted for 22.6% of total revenue.

Gross profit exclusive of depreciation and amortization increased 112% year over year to \$1.9 million in the third quarter of 2009. Overall gross margin slightly declined year over year to 39.1% from 42.6% in the same period of 2008 due to relatively higher costs for hardware products compared to system integration and software products. Gross margins in the wastewater and tail gas segment and water resources management segment were 39.2% and 38.7%, respectively.

Operating expenses inclusive of depreciation and amortization in the third quarter were about \$581,000, up 57% from \$369,000 in the third quarter of 2008. Operating expenses increased in the third quarter mainly because selling expenses increased due to the increase in the number of customers we served and an increase in the size of our sales forces.

Operating income was \$1.3 million for the quarter, an increase of 150% from \$536,000 in the third quarter of 2008. Operating margin was 27.3%, compared to 25.2% in the three months ended September 30 2008.

Net income attributable to TRIT was \$1.1 million in the quarter ending September 30, 2009, or \$0.27 per share diluted, compared with a net income of \$506,000, or \$0.14 per share diluted in the third quarter of 2008.

During the quarter ended September 30, 2009, as a certified software hi-tech enterprise, the Company received a partial tax rebate of \$26,000 from the Chinese government for value added tax (VAT) paid on software it sold. This partial rebate is classified as other income.

Now let me talk about our Liquidity and Capital Resources

As of September 30, 2009, cash totaled \$10.3 million, up from \$732,000 as of December 31, 2008. Net cash provided in financing activities totaled \$10.5 million. The cash provided in financing activities in the nine months ended September 30, 2009 was mainly attributable to the net proceeds of approximately \$10 million from the initial public offering in September 2009.

As of September 30, 2009, our company had long-term debt of \$69,000 and short-term debt of \$695,000.

Working capital as of September 30, 2009 was \$17.4 million. Total Tri-Tech Stockholders' equity totaled \$18.3 million, up from \$5.8 million as of December 31, 2008.

Weighted average number of diluted shares outstanding was 3.95 million as of September 30, 2009, compared to 3.56 million as of September 30, 2008.

I would now like to review our financial performance for the nine months ended Sept. 30, 2009.

For the first nine months of 2009, revenue was \$10.9 million, an increase of 97% over \$5.6 million for the comparable period last year. Gross profit was 4.4 million, an increase of 86% over \$2.4 million, Operating income was up 129% at \$2.9 million. Net income for the first nine months of 2009 was up 97% at \$2.5 million compared to \$1.3 million for the first nine months of 2008. Diluted EPS was \$0.68 for the first nine months of 2009 as compared to \$0.36 for the first nine months of 2008.

On September 10, 2009, we completed an initial public offering of 1,700,000 ordinary shares at a price of \$6.75 per share. The net proceeds from the initial public offering, after deducting underwriter discounts, commissions and offering expenses, totaled approximately \$10 million. With the proceeds, our balance sheet should be strong enough to provide capital for our organic growth.

Now move to our recently awarded projects.

On October 26, we received \$960,000 in mountain torrent forecast contracts covering eight projects in four provinces. The Chinese government only granted an initial total of 50 pilot contracts for mountain torrent forecasting.

On November 4, we secured \$1.6M municipal sewage treatment contract in Kuancheng County, Chengde City, Hebei Province. This is a key Chengde City project for reduction of wastewater discharge. We will help the city to dispose 90% of wastewater discharged from Kuancheng County.

Now I would like to discuss our business outlook.

We are continuing to provide our customers quality service and products in natural waterways management, and water and wastewater treatment facility construction.

We are currently pursuing over 100 small-size river basin flood monitoring and forecasting systems and groundwater monitoring systems for more than 100 counties across the country with a total market potential of \$145 million. Through local distributors and partnerships, we also expect to promote our proprietary products targeting the water monitoring and dispatching systems to the Northward Rerouting of Southern River engineering construction with market potential of approximately \$43.5 million.

Recently, we secured a contract for eight (8) projects of mountain torrents forecast system out of the 50 pilot projects initiated by China State Flood Control and Drought Relief Headquarter. In 2009, the Chinese government allocated RMB200 million (approximately US\$29 million) to fund this type of projects in 103 pilot counties, that are frequently devastated by mountain torrents. So far, only half of the 103 counties have invited public bids. We won the bids for 8 of these 50 pilot projects. The development is in line with our earlier indications of our efforts.

We also expect an increase in sales of Northward Rerouting of Southern River Projects with dozens of major urban water supply tasks, and six nation-wide flood forecasting and hydrological monitoring projects proposed by the Ministry of Water Resources.

Based on multiple contracts for sewage treatment plants recently won in Hebei Province, we will continue to target our wastewater treatment business in the Tianjin Municipality and Hebei Province. Recently, we received a contract for multiple pump station retrofitting projects in Tianjin Municipality, and we will continue to pursue major pump stations construction and retrofitting contracts resulting from proactive government spending and a strong demand for reducing pollutants discharge in these areas.

We are expanding in a number of different areas of the environmental protection industry. One of our goals is to build a strong presence in the industrial pollution control market in China based on our two existing primary business segments, water resources management, and wastewater and tail gas treatment.

We believe we are in an excellent position to accomplish this goal through our strategic expansion plan of technological initiatives and promotion. In addition, we have secured contracts, which provided our petrochemical clients with air pollution control and odor control systems and help our clients comply with environmental regulations. More importantly, through an initial public offering in September 2009, we raised the capital we need to execute our growth strategy.

On the front of upcoming investor conference participation, I will present at the Brean Murray China Growth Conference at the Millennium Broadway Hotel in New York City next Friday, November 20th. I will be available for one-on-one meetings with investors on both November 19th and 20th. Interested parties may contact me or Susan Zhou,

our Investor Relations representative.

This concludes our prepared remarks. I would now like to invite listeners to ask Mr. Zhao, Mr. Dong and myself questions you may have regarding our operations and financial results. Operator?

Operator: Thank you. We will now begin the question-and-answer session. As a reminder if you have a question please press the star followed by the one on your touchtone phone. If you would like to withdraw the question please press the star followed by two. If you're using speaker equipment please lift the handset before making your selection. One moment, please, for our first question.

Our first question comes from the line of Julie Marshall of Hawk Associates. Please go ahead.

Julie Marshall: Good morning. What was the impact from the stimulus package from the Chinese government on your recent quarter? And I wondered could you tell us do you expect any impact in the fourth quarter 2009? And maybe what about beyond? What about next year?

Phil Fan: Okay. Thank you, Julie. We have seen significant growth in the third quarter revenue which result from a considerable increase in newly secured contracts. The remarkable performance was directly attributed to allocation of the stimulus package funds in Chinese government spending in the environmental infrastructure construction field. We expect to continue to benefit from this stimulus package in the fourth quarter and the next year as part of the spending will be allocated to next year.

Julie Marshall: Okay. Thank you.

Phil Fan: Thank you.

Operator: Thank you. Ladies and gentlemen, if there are any additional questions please press the star followed by the one on your touchtone phone. As a reminder if you're using speaker equipment please lift the handset before making your selection. One moment, please.

And management, there are no further questions at this time.

Susan Zhou: Okay, operator. On behalf of Tri-Tech's management team, I'd like to thank everyone for your interest in Tri-Tech. As a reminder, Mr. Phil Fan will present at the Brean Murray China Growth Conference in New York on November 19-20. Mr. Fan will be available for one-on-one meetings during those two days. Interested parties may contact me, Susan Zhou, Hawk Associates, at phone number 305-451-1888 or e-mail me at tritech@hawkassociates.com.

Please also let us know if you are interested in contacting or visiting the company, information about the company is available on both the Company's corporate website: www.tri-tech.cn and its investor relations website: www.hawkassociates.com.

This now concludes Tri-Tech's Third Quarter 2009 Earnings Conference Call. We look forward to talking with you again in our next quarter.

Phil Fan: Thank you, Susan.

Operator: Thank you. Ladies and gentlemen, this concludes the Tri-Tech Holding Third Quarter Earnings Conference Call. Thank you for your participation. You may now disconnect.