CARDIA TECHNOLOGIES LIMITED

ACN 064 755 237

TO: **COMPANY ANNOUNCEMENTS OFFICE**
AUSTRALIAN STOCK EXCHANGE

DATE: **12th January 2005**

CARDIA CONTINUES TO EXPAND ITS PRESENCE IN CHINA WITH THE SIGNING OF AN AGREEMENT WITH PETROCHINA COMPANY LTD

The Board of Cardia Technologies Ltd ("Cardia") is pleased to announce that it's wholly owned subsidiary, Aquenox Pty Ltd ("Aquenox"), has signed a Co-operation Agreement with PetroChina Shanghai Sales Co. Ltd ("PSSC") a wholly owned subsidiary of PetroChina Company Limited ("PetroChina").

When combined with the existing Agreement with the Sinopec Group, announced on 28th September 2004, the new Agreement has the potential to give Aquenox access to close to 50,000 of China's retail petrol outlets and to a vast number of oil production wells in China for the treatment of oil production water.

PetroChina is one of the largest companies in China in terms of sales, engaged in a broad range of activities related to petroleum and natural gas.

It is China's largest oil producer and the country's second largest retail petrol outlet chain behind Sinopec, with its securities listed on the New York Stock Exchange and the Stock Exchange of Hong Kong since April 2000. Its 2002 net profit was RMB 46.9 billion or approximately A$7.2 billion.

The new Agreement provides Cardia with two significant business opportunities in China-:

(1) Carwash water re-use and recycling application

The Agreement involves the initial installation of an Aquenox carwash water re-use and recycling system on a selected existing PSSC carwash operation site in Shanghai.

CARDIA TECHNOLOGIES LTD
REGISTERED OFFICE
Suite 5.10 Level 5 Pacific Tower 737-741 Burwood Road Hawthorn Victoria 3122 Australia
Telephone +61 3 9813 3228 Facsimile +61 3 9813 2668 Email: cardia@bigpond.com

Upon the successful installation and operation of the initial system, which is likely to be by the end of March 2005, PSSC will promote the water re-use and recycle application across its network of carwash operations associated with its retail outlet chain in the Shanghai region with the potential to take it nationwide through other PetroChina regional companies.

(2) Establishment of carwash Facilities

In addition to the supply of recycling systems to existing PSSC carwash sites, the Agreement also covers the intention of both parties to work to establishing new carwash facilities at PSSC retail sites either jointly or by Aquenox alone on space leased from PSSC.

Cardia intends to establish a new 100% owned international subsidiary under Aquenox to focus on the establishment of a chain of carwash outlets. The new company will be used to separate the establishment of carwash outlets from the existing water processing and recycling business.

SINOPEC GROUP DEVELOPMENTS

The new Co-operation Agreement with PetroChina complements the earlier agreement with the Sinopec Group for the establishment of a new Sino-foreign Joint Venture Company in China.

The Sinopec Joint Venture Framework Agreement for the transfer of Aquenox's China operations and Sinopec's water treatment Division –Jianghan Petroleum Machinery Plant Company ("JPMP") into a new Joint Venture Company 51% owned by Aquenox and 49% owned by JPMP. This arrangement will allow for the combining of the Aquenox and JPMP water treatment technologies and products, and the established manufacturing facilities, expertise, distribution and marketing infrastructure already in place in China. It will also provide for the further potential development of Sinopec's existing network of car and other vehicle wash-down centres. The Agreement is conditional upon both parties successfully completing their respective due diligence processes.

The due diligence processes being conducted by both parties are progressing positively.

Sinopec financials up to and as at 31st December 2004 are expected during January and Cardia is expecting to shortly appoint an independent group to assess the value of Sinopec's water treatment business intended to be transferred into the proposed new Joint Venture Company.

As part of Sinopec's due diligence process its representatives are expected to travel to Australia within a few weeks and it is hoped that both parties can proceed to a formal Agreement in the first half of 2005.

CHINESE CARWASH INDUSTRY

The Chinese carwash industry is still in its infancy with the potential to experience strong growth in the near future as a result of the growing Chinese middle class and their increasing ability to afford motor vehicles.

According to statistics released by the China Association of Automobile Manufactures domestic vehicle sales grew by 16.8% for the 11 months to November 2004 compared with the same period the previous year. Similar growth patters are being experienced in the sales of trucks and buses.

The increase in water consumption resulting from this growth together with increasing water shortage problems in China, have led to the Government significantly increasing water charges and encouraging companies to recycle waste water.

With 18 provinces in China identified as having severe water shortages and seven major industries identified as having high water usage, the Government has established a "Saving Water Plan" and structured its water charges into three categories; Commercial, Special Industry and Residential.

In addition, Provincial Governments have clamped down on the carwash industry with additional surcharges on water supply thereto up to ten (10) times the residential water usage charge rate.

Both Sinopec and PetroChina have publicly stated their intention to recycle water in the carwash industry and between them they have close to 600 retail petrol outlets in Shanghai alone.

Cardia's Executive Chairman, Mr Pat Volpe, said today that "the growth in the car market has lead to opportunities in the carwash industry and the increasing shortages of water and cost thereof combined with the recently established arrangements with China's two largest retail petrol outlet chains provide Aquenox with significant new business opportunities in China".

IN SUMMARY

Aquenox has established alliances with the two largest petroleum companies in China giving the company the opportunity to-:

- form a new China water treatment company owned 51% by Aquenox and 49% by Sinopec's subsidiary JPMP.
- establish equity ownership in existing manufacturing facilities for the production of water treatment plant and equipment.
- provide a basket of water treatment technologies and products.
- combine local and overseas technical expertise.

REGISTERED OFFICE
Suite 5.10 Level 5 Pacific Tower 737-741 Burwood Road Hawthorn Victoria 3122 Australia
Telephone +61 3 9813 3228 Facsimile +61 3 9813 2668 Email: cardia@bigpond.com

- access an established distribution and marketing network for both the oil industry and vehicle wash down markets enabling a fast track market entry.
- establish a chain of Carwash operations in China via Sinopec and PetroChina's existing network of retail petrol chains.

PAT VOLPE
Executive Chairman

Copy of Media Release is attached.

CARDIA TECHNOLOGIES LTD
REGISTERED OFFICE
Suite 5.10 Level 5 Pacific Tower 737-741 Burwood Road Hawthorn Victoria 3122 Australia
Telephone +61 3 9813 3228 Facsimile +61 3 9813 2668 Email: cardia@bigpond.com

CARDIA TECHNOLOGIES LIMITED

Media Release **12 January 2005**

CARDIA'S WATER RECYCLING TECHNOLOGY CLEANS UP CHINA

Cardia's subsidiary, Aquenox signs agreement with one of China's largest petrol station chains to supply its water recyclable carwash system

Highlights

- Through the agreement, Cardia's recyclable water technology may potentially expand its customer base to 50,000 retail petrol outlets in China
- Cardia has now established alliances with the two largest petroleum companies in China
- Opportunity for Cardia to provide recycling car wash system to China's biggest retail petrol outlets
- Through agreement, Aquenox will also have access to China's oil production wells for the treatment of oil production water

Melbourne, Wednesday 12 January - Cardia Technologies Ltd (ASX: CNN), the incubator for biotechnology, environmental and agricultural technology businesses, announced today that it's wholly owned subsidiary, Aquenox Pty Ltd ("Aquenox"), has signed an agreement with PetroChina Shanghai Sales Co. Ltd ("PSSC") to supply its water recycling system in China.

Under the agreement, PSSC will install an initial Aquenox car wash water recycling system by the end of March 2005 at a select Shanghai carwash outlet. Following the success of the initial installation, PSSC, a subsidiary of PetroChina Company Limited one of China's largest companies, will then promote Aquenox's re-use and recycle water system across its chain of retail petrol outlets in the Shanghai region with the potential to take it nationwide.

CARDIA TECHNOLOGIES LIMITED

In addition to the supply of recycling systems to existing PSSC carwash sites, the Agreement also includes the intention to establish new carwash facilities at PSSC retail sites either jointly or by Aquenox alone on space leased from PSSC.

Cardia's Executive Chairman, Mr Pat Volpe, said:
"Chinese domestic vehicle sales is currently growing at a rate of over 16.8 per cent per annum. Added to this the water shortage problem in China has led to the Government significantly increasing water charges and encouraging companies to recycle wastewater. Inevitably this has led to significant business opportunities for Aquenox in China.

We are very excited with this agreement which is likely to give Aquenox access to 50,000 of China's retail petrol outlets and to a vast number of oil production wells in China for the treatment of oil production water."

Cardia intends to establish a 100 per cent international subsidiary under Aquenox to focus on the establishment of a chain of carwash outlets. This new company will be used to distinguish it from its water processing and recycling business.

In Summary, Aquenox has established alliances with the two largest petroleum companies in China giving the company the opportunity to-:

- form a new China water treatment company owned 51% by Aquenox and 49% by Sinopec's subsidiary JPMP.
- establish equity ownership in existing manufacturing facilities for the production of water treatment plant and equipment.
- provide a basket of water treatment technologies and products.
- combine local and overseas technical expertise.
- access an established distribution and marketing network for both the oil industry and vehicle wash down markets allowing a fast track market entry.

- establish a chain of Carwash operations in China via Sinopec and PetroChina's existing network of retail petrol chains.

This agreement follows on from Aquenox's announcement on 28 September 2004 regarding its establishment of a new Joint Venture Company 51% owned by Aquenox and 49% owned by Sinopec's, water treatment division, Jianghan Petroleum Machinery Plant (JPMP). Through this agreement Aquenox and JPMP water treatment technologies would merge.

Both Sinopec and PetroChina have announced their intention to recycle water in the Chinese carwash industry and between them they have approximately 600 retail petrol outlets in Shanghai alone.

FURTHER NOTES:

PETROCHINA is one of the largest companies in China in terms of sales, engaged in a broad range of activities related to petroleum and natural gas.

It is China's largest oil producer and the country's second largest retail petrol outlet chain behind Sinopec, with its securities listed on the New York Stock Exchange and the Stock Exchange of Hong Kong since April 2000. Its 2002 net profit was RMB 46.9 billion or approximately A$7.2 billion.

MOTOR CAR MARKET IN CHINA

Domestic vehicle output for the 11 months to November 2004 stood at 4.67 million units, a 16.23% increase from the same period the previous year according to statistics from the China Association of Automobile Manufacturers. Sales grew by 16.8% for the same period. Similar growth patterns are being experienced for sales of trucks and buses.

This growth has provided Cardia with a new business opportunity to enter the cash wash facilities market at its infancy with the potential alliances of two of China's largest retail petrol outlet chains- Sinopec and Petrochina.

CHINESE CARWASH INDUSTRY

The Chinese carwash industry is currently in a strong growth phase with greater car ownership resulting from the increase in the Chinese middle class. The resultant increase in water consumption together with increasing water shortage problem in China, has led to the Government significantly increasing water charges and encouraging companies to recycle waste water.

With 18 provinces in China identified as having severe water shortages and seven major industries identified as having high water usage, the Government has established a "Saving Water Plan" and structured its water charges into three categories; Commercial, Special Industry and Residential.

In addition, Provincial Governments have clamped down on the carwash industry with additional surcharges on water supply thereto up to ten (10) times the residential water usage charge rate.

- ENDS -

Media contact:
PAT VOLPE, Executive Chairman Telephone:03 9813 3228
Cardia Technologies

Siobhan Young Telephone: 02 8256 3333
Radar Investor Relations