

ASIA WATER TECHNOLOGY LTD.

("the Company")

(Incorporated in Singapore on 19 November 2002)

(Company registration number: 200210042R)

BOND SUBSCRIPTION AGREEMENT DATED 8 AUGUST 2007 ("BSA") BETWEEN THE COMPANY, THE SUBSCRIBERS AND CLSA MEZZANINE MANAGEMENT LIMITED AS ARRANGER AND AGENT – WAIVER REQUEST

Unless otherwise specified herein or the context otherwise requires, any term used in this announcement which is defined or construed in the Company's circular to its shareholders dated 9 November 2007 shall have the same meaning given therein.

In relation to the Standstill Period as announced on 14 August 2008 resultant from the non-completion of Taizhou Qualified Restructuring and Hanxi building certificates and the subsequent breaches of financial covenants for 2nd and 3rd Quarters of 2008, the Subscribers have consented on 31 December 2008 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. The Subscribers reserve the right to restructure their equity upside.

The Standstill Period will cease with immediate effect.

The Company will update its shareholders on developments in relation to the above in periodic announcements as appropriate.

BY ORDER OF THE BOARD

Tan Kim Han, Raymond
Financial Controller/Company Secretary

31 December 2008