Purity with Innovation

Asia Water Technology Ltd.
(Receiver Appointed)
(Incorporated in Singapore)
(Co. Reg. No: 200210042R)

36 Robinson Road #14-06
City House
Singapore 068877
Tel: (65) 6538 2598 Fax : (65) 6538 2896

PROPOSED INVESTMENT, PROPOSED RIGHTS ISSUE AND PROPOSED RESTRUCTURING OF OBLIGATIONS UNDER THE BOND SUBSCRIPTION AGREEMENT

Unless otherwise specified herein or where the context otherwise requires, where capitalised terms are used in this announcement and are not otherwise defined, such capitalised terms shall bear the same meanings as ascribed to them in the announcements made by the Company on 11 November 2009 and 7 December 2009 relating to the proposed corporate actions.

Further to the announcements released by the Company on 11 November 2009 and 7 December 2009 in relation to the above, the Board of Directors of the Company wishes to announce that the SGX-ST has on 14 January 2010 issued the listing and quotation notice (the "Listing and Quotation Notice") for:-

1. Up to 1,860,910,521 new shares in the capital of the Company ("New Shares") at S$0.02 each to Triumph;

2. Up to 138,150,000 New Shares to be issued pursuant to the conversion of the proposed issue of Bonds 2012 to Triumph;

3. The proposed issue and allotment of 196,918,959 New Shares at S$0.02 each to Litebay;

4. The proposed non-renounceable rights issue of up to 112,237,604 Rights Shares at S$0.02 each on the basis of one Rights Share for every two existing ordinary shares in the capital of the Company, fractional entitlements to be disregarded;

5. Up to 61,400,000 New Shares to be issued pursuant to the conversion of the proposed issue of Repayment Bonds to Lucky Six Limited;

6. The proposed bonus issue of up to 112,237,604 free Warrants ("Tranche 1 Warrants"), each warrant carrying the right to subscribe for one new share at an exercise price of S$0.02 for each new share, on the basis of one warrant for every two existing ordinary shares in the capital of the Company, fractional entitlements to be disregarded;

7. The proposed bonus issue of up to 112,237,604 free Warrants ("Tranche 2 Warrants"), each warrant carrying the right to subscribe for one new share at an exercise price of S$0.045 for each new share, on the basis of one warrant for every two existing ordinary shares in the capital of the Company, fractional entitlements to be disregarded; and

8. Up to 224,475,208 New Shares to be issued pursuant to the exercise of Tranche 1 Warrants and Tranche 2 Warrants.

(collectively, the "Proposed Transactions")

The SGX-ST's Listing and Quotation Notice is subject to the following conditions:-

(a) Compliance with the Exchange's listing requirements;

(b) Shareholders' approval for the Proposed Transactions at the Extraordinary General Meeting to be convened;

(c) The Whitewash Resolution in connection with the Proposed Investment, in accordance with any conditions stated in the confirmation from the Securities Industry Council, waiving the obligation for the Subscriber to make a general offer for the Company under Rule 14 of the Takeover Code; and

(d) Submission of a confirmation that a sufficient spread in the Bonus Warrants as required under Rule 826 of the Listing Manual is complied with.

Please take note that the Listing and Quotation Notice from the SGX-ST is not to be taken as an indication of the merits of the Proposed Transactions, New Shares, Bonus Warrants, the Company, its subsidiaries and their securities.

In addition, the SGX-ST has granted by its letter dated 14 January 2010 to the Company a waiver from compliance with Rule 825 of the Catalist Rules in respect of the proposed bonus issue of warrants to entitled shareholders, subject to:-

(a) The Company making an announcement of the waiver, reasons for seeking the waiver, and that the Company and/or any of its Board of Directors are not aware of any other material information in respect of the Company and proposed bonus issue of warrants which was not formerly disclosed to the investors;

(b) The Company obtaining specific shareholders' approval for the proposed bonus issue of warrants; and

(c) The Company disclosing the recommendations of the Board of Directors on the issue of convertible securities and the basis for such recommendations.

In relation to condition (a) above, the waiver had been sought for the following reasons:

(i) A similar rule for Mainboard issuers, Mainboard Rule 825, was removed in March 2009 to allow issuers listed on the Mainboard greater flexibility in determining their capital structure. This is subject to specific shareholders' approval if the results of the exercise/conversion exceed the limit of the issuer's general mandate. In addition, the issuer will disclose in the shareholder's circular the recommendations of the Board of Directors on the issue of convertible securities. In this regard, the Company will be seeking shareholders' approval at an EGM to be convened;

(ii) The bonus issue of warrants is proposed as part of a series of transactions, all of which would be subject to shareholders' approval at the same general meeting; and

(iii) The purpose of the bonus issue of warrants is to offer existing shareholders an opportunity to increase their equity participation in the Company.

The Company and its Directors confirm that to the best of their knowledge, they are not aware of any other material information in respect of the Company and proposed bonus issue of warrants which was not formerly disclosed to the investors.

Following the completion of the Proposed Investment and the Rights Issue, the percentage of the Company's issued shares that are held in public hands may fall below 10%, and in such event trading in the Company's shares on the SGX-ST will likely be suspended until the free float requirements under the Listing Manual of the SGX-ST are met. As a result, a compliance placement may be undertaken to enable the Company to comply with the shareholding spread and distribution requirements set out in the Listing Manual of the SGX-ST (the "Compliance Placement"). The Company will obtain Shareholders approval for the Compliance Placement at the EGM to be convened and if necessary, an application will be made to the SGX-ST for the listing and quotation of the new shares under the Compliance Placement.

Further details on the Proposed Transactions, the advice of Independent Financial Adviser to the Independent Directors in relation to the Whitewash Resolution, and the recommendation of the Directors, will be set out in a circular to Shareholders to be despatched by the Company in due course.

By Order of the Board

Kareti Venkataramana
Interim Executive Director

15 January 2010

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited, for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Huong Wei Beng (tel: 65-6221 5590) at 79 Anson Road #15-03 Singapore 079906.
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