21 July 2009

SECURITIES AND EXCHANGE COMMISSION
Attention: Director Justina Callangan
Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.
Attention: Janet A. Encarnacion
Head, Disclosure Department

PHILIPPINE DEALING & EXCHANGE CORPORATION
Attention: Mr. Cesar B. Crisol
President and Chief Operating Officer

Re: Acquisition of 100% equity in AAA Water Corporation

Gentlemen:

Please be informed that Manila Water Company, Inc. (Manila Water) has concluded the relevant agreements for the acquisition of 100% ownership in AAA Water Corporation.

AAA Water Corporation owns 70% of Laguna AAA Water Corporation, a joint venture company with the Province of Laguna, that has a 25-year concession for the provision of water supply services to the city of Sta. Rosa and the municipalities of Biñan and Cabuyao in Laguna province. The concession started in 2007.

Manila Water signed and executed a Share Purchase Agreement (SPA) with Asia Water Limited to acquire the latter’s 65% ownership of AAA Water Corporation. Under the SPA, the parties are to fulfill certain conditions for the effectivity of the sale.

An agreement was likewise concluded with All Asia Development Corporation for the acquisition of the remaining 35% of the outstanding capital stock in AAA Water Corporation.

Laguna AAA Water Corporation currently serves around 120,000 customers (out of around 600,000 population which it expects to increase to around 1 million within fifteen years). Total capital expenditures for the period are estimated at Php2.5 billion, which shall be used for the expansion and improvement of water services in the concession area for the next 10 years.
Please see attached press release, for more details.

Thank you.

Sincerely,

[Signature]
Lizelle Zamora-Dimacuha
Legal and Compliance Officer
Manila Water Acquires Concession in Laguna Province

Manila Water has just recently acquired 100% of AAA Water Corporation (AWC), which correspondingly owns 70% of Laguna AAA Water Corporation (LAC). The latter, which is a joint venture between AWC and the provincial government of Laguna, is responsible for the operation of the provincial government's water facilities through the granting of a 25-year concession. Since the start of the concession in 2007, LAC is responsible for the provision of water services to the city of Sta. Rosa, and the municipalities of Biñan and Cabuyao, located to the south of Metro Manila. Upon the satisfaction of several conditions precedent, Manila Water will take over the concession within the year.

Sta.Rosa, Biñan and Cabuyao are currently home to the operations of well-known companies such as Nestle, Coca-Cola and Ford Motors. In addition, a number of residential and commercial projects are being undertaken here by some of the country’s biggest real estate developers such as Ayala Land, Vista land and Eton Properties.

The potential for growth is extremely high as the area is currently underserved. At the moment, only 120,000 people, out of a total 600,000 population, are currently being served by the existing water network. In addition, the new developments in the area will further help drive sales growth over the next several years. Projected population growth for the said city and municipalities are placed at an average of at least five percent. Not counting the inflow of new residents to ongoing and proposed residential and commercial developments, the population of the concession is expected to grow to as much as 1 million people over the next 15 years.

Manila Water’s entry seeks to ensure that the increasing demand for 24-hour potable water supply in these communities will be sufficiently addressed. The total investment cost for the area is estimated at around P2.5 billion ($50 million), the bulk of which will be spent over the next ten years. The Company believes that it has the necessary manpower, technical, and financial resources to make this goal a reality.

Manila Water currently has an existing concession in the East Zone of Metro Manila with a customer base of around 5.6 million people. Since the start of operations in 1997, the Company has already increased 24-hour water coverage to 99% from 26% and reduced water losses from 63% to less than 20% at present.

From a strategic perspective, the Laguna acquisition, along with Manila Water's takeover of water and wastewater operations in Boracay Island, will further help open up more public-private partnership opportunities in the local water and wastewater sector. More specifically, the acquisition of this concession will also help allow the Company to look at the possibility of expanding its services to other cities in Laguna, one of the most developed provinces in the country today.