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中國水務集團有限公司*

China Water Affairs Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 855)

**ISSUANCE OF USD200 MILLION
4.85% SENIOR NOTES DUE 2026**

Reference is made to the announcement of the Company dated 12 April 2021 in respect of the Notes Issue.

The Board is pleased to announce that on 11 May 2021, the Company and the Subsidiary Guarantors entered into the Purchase Agreement with Morgan Stanley, BNP PARIBAS, ANZ, The Bank of East Asia, Limited, China CITIC Bank International, DBS Bank Ltd. and BOCOM International in connection with the issue of USD200 million 4.85% senior notes due 2026.

The Company intends to use the net proceeds from the Notes Issue in the Company's repayment of the 2017 Notes and certain other indebtedness and for financing working capital and in accordance with the Company's green finance framework.

Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Notes, the Subsidiary Guarantees, the Subsidiary Guarantors or their respective subsidiaries or associated companies (if any). No listing of the Notes will be sought in Hong Kong.

* *For identification purposes only*

THE PURCHASE AGREEMENT

Date: 11 May 2021

Parties to the Purchase Agreement

- (a) the Company as the issuer;
- (b) the Subsidiary Guarantors;
- (c) Morgan Stanley;
- (d) BNP PARIBAS;
- (e) ANZ;
- (f) The Bank of East Asia, Limited;
- (g) China CITIC Bank International;
- (h) DBS Bank Ltd.; and
- (i) BOCOM International.

Morgan Stanley, BNP PARIBAS, ANZ, The Bank of East Asia, Limited and China CITIC Bank International are the joint global coordinators, and are, together with DBS Bank Ltd. and BOCOM International, the joint bookrunners and joint lead managers in respect of the offer and sale of the Notes. Morgan Stanley is the sole green structuring advisor of the Notes Issue. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Morgan Stanley, BNP PARIBAS, ANZ, The Bank of East Asia, Limited, China CITIC Bank International, DBS Bank Ltd. and BOCOM International is a third party independent of and not connected with the Company and its connected persons.

No PRIIPs key information document (KID) has been prepared as distribution to retail is prohibited in the European Economic Area or the United Kingdom.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold by the initial purchasers outside the United States in compliance with Regulation S under the U.S. Securities Act. None of the Notes will be offered to the public in Hong Kong and none of the Notes will be placed with any connected persons of the Company.

Principal terms of the Notes

The following is a summary of certain provisions of the Notes and the Indenture. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the Indenture, the Notes, and the Subsidiary Guarantees provided by the Subsidiary Guarantors.

Notes Offered

Subject to certain conditions to completion, the Company will issue the Notes in the aggregate principal amount of USD200 million which will mature on 18 May 2026, unless earlier redeemed pursuant to the terms thereof.

Offer Price

The Offer Price of the Notes will be 98.8% of the principal amount of the Notes.

Interest

The Notes will bear interest at 4.85% per annum from 18 May 2021, payable semi-annually in arrears on 18 May and 18 November of each year, commencing 18 November 2021.

Ranking of the Notes

The Notes are (i) general obligations of the Company, (ii) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (iii) at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to any applicable law), (iv) guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations set forth in the Indenture, (v) effectively subordinated to secured obligations (if any) of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (vi) effectively subordinated to all existing and future obligations of the subsidiaries of the Company which are not providing guarantees under the Notes.

Events of default

The events of default under the Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest or additional amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of certain covenants relating to consolidation, merger and sale of assets or the failure by the Company to make or consummate an offer to repurchase the Notes upon a change of control triggering event or pursuant to certain covenants relating to limitation on asset sales; (d) default by the Company or certain of its subsidiaries in the performance or breach of any other covenant or agreement in the Indenture or under the Notes (other than the default specified in (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the trustee of the Notes or the holders of the Notes of 25% or more in aggregate principal amount of the Notes; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of USD30.0 million (or dollar equivalent thereof); (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and an aggregate amount for all such final judgments or orders outstanding and not paid or discharged against the Company or certain of its subsidiaries exceeds USD30.0 million (or the dollar equivalent thereof); (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; and (i) any Subsidiary Guarantor denying or disaffirming its obligations under its guarantees guaranteeing the obligations of the Notes or except as permitted by the Indenture, any such guarantee being determined to be unenforceable or invalid or for any reason ceasing to be in full force and effect.

If an event of default occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding may become immediately due and payable.

Covenants

The Notes, the Indenture and the guarantees provided by the Subsidiary Guarantors will limit the Company's ability and the ability of certain of its subsidiaries to, among other things:

- (a) incur additional indebtedness;
- (b) make investments or other specified restricted payments;
- (c) pay dividends or make other distributions or repurchase or redeem capital stock;
- (d) guarantee indebtedness;
- (e) enter into certain transactions with shareholders and affiliates;
- (f) create liens;
- (g) enter into sale and leaseback transactions;
- (h) sell assets;
- (i) enter into agreements that restrict certain of its subsidiaries' ability to pay dividends;
- (j) issue and sell capital stock of certain of its subsidiaries;
- (k) effect a consolidation or merger; and
- (l) engage in different business activities.

Optional Redemption

The Notes may be redeemed at the option of the Company as a whole but not in part at a redemption price equal to 100% of the principal amount thereof together with accrued and unpaid interest if as a result of any change in, or amendment to, the taxation laws of any relevant jurisdiction the Company or any Subsidiary Guarantor is required to pay any additional amounts.

At any time on or after 18 May 2024, the Company may redeem the Notes, in whole or in part, at the redemption prices expressed as percentages of principal amount set forth below, plus accrued and unpaid interest, if any, to (but not including) the redemption date, if redeemed during the 12-month period commencing on 18 May of any year set forth below:

Period	Redemption Price
2024	102.4250%
2025 and thereafter	101.2125%

At any time prior to 18 May 2024, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time prior to 18 May 2024, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 104.85% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

Redemption on change of control triggering event

Not later than 30 days following a change of control triggering event of the Company, the Company shall make an offer to purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest.

Reasons for the Notes Issue

The Company intends to use the net proceeds from the Notes Issue in the Company's repayment of the 2017 Notes and certain other indebtedness and for financing working capital and in accordance with the Company's green finance framework.

Listing and Rating

Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Notes, the Subsidiary Guarantees, the Subsidiary Guarantors or their respective subsidiaries or associated companies (if any). No listing of the Notes will be sought in Hong Kong.

The Notes are expected to be rated "BB+" by Standard & Poor's Global Rating Services and "Ba1" by Moody's Investors Service, Inc. Any rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the relevant rating organization.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

"2017 Notes"	USD300,000,000 5.25% senior notes due 2022
"ANZ"	Australia and New Zealand Banking Group Limited
"BNP PARIBAS"	BNP Paribas
"Board"	the Board of directors of the Company
"BOCOM International"	BOCOM International Securities Limited
"China CITIC Bank International"	China CITIC Bank International Limited
"Company"	China Water Affairs Group Limited, an exempted company incorporated under the laws of the Cayman Islands and continued as an exempted company in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules

“DBS Bank Ltd.”	DBS Bank Ltd.
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indenture”	the written agreement between the Company (as the issuer of the Notes), the Subsidiary Guarantors (as guarantors) and Citicorp International Limited (as trustee) that specify the terms of the Notes including the interest rate of the Notes and the maturity date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Morgan Stanley”	Morgan Stanley & Co. International plc
“Notes”	the USD senior notes to be issued by the Company subject to the terms and conditions of the Purchase Agreement
“Notes Issue”	the proposed issue of the Notes by the Company
“Offer Price”	the final price at which the Notes will be sold
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRIIPs”	the Packaged Retail and Insurance-based Investment Products (as defined by Regulation (EU) No 1286/2014, as amended)
“Purchase Agreement”	the agreement dated 11 May 2021 entered into by and among, inter alia, the Company, the Subsidiary Guarantors, Morgan Stanley, BNP PARIBAS, ANZ, The Bank of East Asia, Limited, China CITIC Bank International, DBS Bank Ltd. and BOCOM International in relation to the Notes Issue

“SGX-ST”	Singapore Exchange Securities Trading Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantees”	the guarantees to be provided by the Subsidiary Guarantors in respect of the Notes Issue
“Subsidiary Guarantors”	certain existing subsidiaries of the Company guaranteeing the Notes
“The Bank of East Asia, Limited”	The Bank of East Asia, Limited
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“USD”	United States dollar
“%”	per cent.

By Order of the Board
China Water Affairs Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 12 May 2021

As at the date of this announcement, the Board comprises five executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Ms. Liu Yu Jie, Mr. Li Zhong and Mr. Duan Jerry Linnan, four non-executive Directors, being Mr. Zhao Hai Hu, Mr. Zhou Wen Zhi, Mr. Makoto Inoue and Ms. Wang Xiaoqin, and five independent non-executive Directors, being Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping, Ms. Zhou Nan and Mr. Chan Wai Cheung Admiral.