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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)

**PROPOSED SPIN-OFF AND SEPARATE LISTING OF
SILVER DRAGON WATER SUPPLY GROUP LIMITED
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

THE PROPOSED SPIN-OFF

The Company proposes to spin-off and separately list the shares of Silver Dragon, a wholly-owned subsidiary of the Company, on the Main Board of the Stock Exchange by way of the Global Offering and the Distribution. The separate listing of the Silver Dragon Shares constitutes a spin-off of Silver Dragon by the Company under PN15. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 28 June 2023, Silver Dragon submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the Silver Dragon Shares on the Main Board of the Stock Exchange.

As at the date of this announcement, Silver Dragon is a wholly-owned subsidiary of the Company and it is intended that upon completion of the Proposed Spin-off, Silver Dragon will remain as a subsidiary of the Company.

* For identification purposes only

The Spin-off Group is principally engaged in the supply of city water and pipeline direct drinking water in the PRC.

LISTING RULES IMPLICATIONS

The Proposed Spin-off will be effected by way of the Global Offering and the Distribution. The Distribution does not constitute a transaction for the Company under Chapter 14 of the Listing Rules and the Global Offering, if materialized, will constitute a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules for the Proposed Spin-off is expected to be more than 5% but less than 25%, the Proposed Spin-off is expected to constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company in accordance with the Listing Rules where necessary. This announcement is published pursuant to PN15.

GENERAL

Shareholders and other investors are reminded that there is no assurance that the Listing Committee will approve the Proposed Spin-off. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

As the Proposed Spin-off is subject to, among other things, the approval by the Listing Committee, the approval by the Board of the Distribution, market conditions and other considerations, the Proposed Spin-off may or may not materialize and the Distribution may or may not be made. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.

THE PROPOSED SPIN-OFF

Reference is made to the announcement of the Company dated 17 December 2021.

The Company proposes to spin-off and separately list the shares of Silver Dragon, a subsidiary of the Company, on the Main Board of the Stock Exchange by way of the Global Offering and Distribution. The separate listing of the Silver Dragon Shares constitutes a spin-off of Silver Dragon by the Company under PN15. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

On 28 June 2023, Silver Dragon submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the Silver Dragon Shares on the Main Board of the Stock Exchange.

Details of the Proposed Spin-off have yet to be finalised. As at the date of this announcement, Silver Dragon is wholly-owned by the Company and it is intended that upon completion of the Proposed Spin-off, Silver Dragon will remain as a subsidiary of the Company.

THE SPIN-OFF GROUP

Silver Dragon was incorporated under the laws of Bermuda on 10 September 2021. The Spin-off Group is principally engaged in the supply of city water and pipeline direct drinking water in the PRC (the “**Spin-off Business**”).

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board considers that the Proposed Spin-off will be in the interests of the Company and the Shareholders taken as a whole and the Proposed Spin-off will better position each of the Remaining Group and the Spin-off Group for growth in their respective businesses and deliver clear benefits to both of the Remaining Group and the Spin-off Group for the following reasons:

- (1) **Unlocking potential value of the Spin-off Group:** the Proposed Spin-off will enable the Spin-off Group to differentiate itself as a pure-play city water supply and pipeline direct drinking water operator on a stand-alone basis.
- (2) **Enhancing focus and clarity of the Spin-off Business and the Remaining Business:** the Proposed Spin-off will enable more focused development and strategic planning, as well as better allocation of resources for the Spin-off Business and the remaining business of the Company in environmental protection, other construction services, property business and other businesses (the “**Remaining Business**”) given their distinctive business models.
- (3) **The shareholder base for the Group as a whole is expected to be diversified and strengthened after the Proposed Spin-off:** the Spin-off Group is expected to attract investors interested in a pure-play city water supply and pipeline direct drinking water business, who are not current investors of the Group given its public utilities and infrastructure conglomerate status.
- (4) **A unique opportunity for the Group to raise equity financing:** the Proposed Spin-off will present a unique opportunity for the Group to raise equity financing to support the development of the Spin-off Business, to improve the credit profile of the Group as a whole and can potentially enable the Group to reduce overall financing costs in the mid to long-run.
- (5) **Enhancing fund raising flexibility:** the Proposed Spin-off will enable the Company and the Spin-off Group to have separate fundraising platforms that have direct access to both equity and debt capital markets, which will increase their respective financial flexibility and enhance their ability to maintain stable cash flow to support sustainable growth.

ASSURED ENTITLEMENT

In giving due regard to the interests of the Shareholders as required under PN15, the Company proposes to provide an assured pro-rata entitlement by effecting the Distribution. Details of such assured entitlement and the special dividend have not yet been finalised and are subject to approval by the Board. The Company will make further announcement(s) in this regard as and when appropriate.

INFORMATION ON THE GROUP

The Group is principally engaged in the city water supply and pipeline direct drinking water supply business and environmental protection business which comprised provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management.

LISTING RULES IMPLICATIONS

The Proposed Spin-off will be effected by way of the Global Offering and the Distribution. The Distribution does not constitute a transaction for the Company under Chapter 14 of the Listing Rules and the Global Offering, if materialized, will constitute a deemed disposal of the interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules for the Proposed Spin-off is expected to be more than 5% but less than 25%, the Proposed Spin-off is expected to constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Further announcement(s) will be made by the Company in accordance with the Listing Rules where necessary. This announcement is published pursuant to PN15.

GENERAL

A redacted form of the Application Proof is expected to be available on the Stock Exchange's website at <https://www.hkexnews.hk/app/appindex.html>. The Application Proof contains, among other things, certain business and financial information relating to the Spin-off Group.

Shareholders should note that the Application Proof is in draft form and the information contained in it is subject to change which may be material. Shareholders and other investors are reminded that there is no assurance that the Listing Committee will approve the Proposed Spin-off. The Company will make further announcement(s) in relation to the Proposed Spin-off as and when appropriate.

As the Proposed Spin-off is subject to, among other things, the approval by the Listing Committee, the approval by the Board of the Distribution, market conditions and other considerations, the Proposed Spin-off may or may not materialize and the Distribution may or may not be made. Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Application Proof”	the application proof of the listing document of Silver Dragon
“Board”	the board of Directors
“Company”	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Distribution”	the distribution in specie of certain Silver Dragon Shares to the Qualifying Shareholders as a special dividend to be declared by the Board, subject to, among others, the Global Offering becoming unconditional
“Global Offering”	the offer to the public in Hong Kong for subscription, and the international placing with certain professional and institutional investors and other investors, of the Silver Dragon Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PN15”	Practice Note 15 to the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Spin-off”	the proposed spin-off and separate listing of the Silver Dragon Shares on the Main Board of the Stock Exchange

“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the non-qualifying Shareholders (being Shareholders whose names appear on the register of members of the Company on the Record Date and whose addresses as shown in such register are in certain excluded jurisdictions and any Shareholders or beneficial Shareholders at that time who are otherwise known by the Company to be resident in any of the excluded jurisdictions who will not receive Silver Dragon Shares pursuant to the Distribution)
“Record Date”	the record date for ascertaining the Qualifying Shareholders who shall be entitled to the Distribution
“Remaining Group”	the Company and its subsidiaries, excluding the Spin-off Group
“Shareholders”	shareholders of the Company
“Silver Dragon”	Silver Dragon Water Supply Group Limited (銀龍供水集團有限公司), an exempted company with limited liability incorporated under the laws of Bermuda on 10 September 2021 and a wholly-owned subsidiary of the Company
“Silver Dragon Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of Silver Dragon
“Spin-off Group”	Silver Dragon and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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

Hong Kong, 28 June 2023

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

The English translation of Chinese names is included for information purposes only and should not be regarded as their official English translation.