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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)

AMENDMENTS TO THE TERMS OF THE EXCHANGEABLE BONDS

THE PROPOSED AMENDMENTS

On 4 December 2023, the Company, BPEA and Sharp Profit entered into the Second Deed of Amendment: (i) to amend the Non Exchangeable Period such that the Exchange Right attached to the Exchangeable Bonds may not be exercised from the Issue Date up to and including 30 September 2024, being the last day of the 52nd month from the Issue Date; (ii) to amend the Exchange Period such that the holder of the Exchangeable Bonds will be entitled to exercise the Exchange Right attached thereto from the day following the Non Exchangeable Period up to the close of business on 31 December 2024, being the last day of the 55th month from the Issue Date; and (iii) to give BPEA a right to shorten the Exchange Period such that it will end upon the close of business on 31 October 2024, being the last day of the 53rd month from the Issue Day by giving the Company a written notice on or before 30 September 2024, being the last day of the 52nd month from the Issue Date.

Save for the Proposed Amendments, all other principal terms of the Exchangeable Bonds remain unchanged.

BACKGROUND

Reference is made to the announcement of the Company dated 1 April 2020 (the “**Announcement**”), in relation to, among other things, the subscription of the Exchangeable Bonds by the Company, and the announcement of the Company dated 12 July 2021 in relation to the amendments to the terms of the Exchangeable Bonds. Capitalised terms used in this announcement shall have the same meaning as those defined in the Announcement unless the context requires otherwise.

The Company, as subscriber, entered into the Subscription Agreement with BPEA V Holding (5) Limited (previously known as Baring Private Equity Asia V Holding (5) Limited) (“**BPEA**”), as issuer, in relation to the subscription of the Exchangeable Bonds on 1 April 2020, pursuant to which, the Exchangeable Bonds were issued to Sharp Profit, being the nominee of the Company, on 8 May 2020. Pursuant to the original terms of the Exchangeable Bonds: (i) the Exchange Right attached to the Exchangeable Bonds may not be exercised from the date of issue of the Exchangeable Bonds (the “**Issue Date**”) up to the last day of the 28th month from the Issue Date (the “**Non Exchangeable Period**”); and (ii) the holder of the Exchangeable Bonds was entitled to exercise the Exchange Right attached thereto from the first day of the 29th month from the Issue Date and up to the last day of the 31st month from the Issue Date (the “**Exchange Period**”).

On 12 July 2021, the Company, BPEA and Sharp Profit entered into a first deed of amendment: (i) to amend the Non Exchangeable Period such that the Exchange Right attached to the Exchangeable Bonds may not be exercised from the Issue Date up to the last day of the 40th month from the Issue Date; and (ii) to amend the Exchange Period such that the holder of the Exchangeable Bonds will be entitled to exercise the Exchange Right attached thereto from the first day of the 41st month from the Issue Date and up to the last day of the 43rd month from the Issue Date.

As at the date of this announcement, none of the Exchangeable Bonds has been transferred, exchanged, redeemed or repurchased, in whole or in part.

THE PROPOSED AMENDMENTS

On 4 December 2023 (after trading hours), the Company, BPEA and Sharp Profit entered into a second deed of amendment (the “**Second Deed of Amendment**”): (i) to amend the Non Exchangeable Period such that the Exchange Right attached to the Exchangeable Bonds may not be exercised from the Issue Date up to and including 30 September 2024, being the last day of the 52nd month from the Issue Date; (ii) to amend the Exchange Period such that the holder of the Exchangeable Bonds will be entitled to exercise the Exchange Right attached thereto from the day following the Non Exchangeable Period and up to the close of business on 31 December 2024, being the last day of the 55th month from the Issue Date; and (iii) to give BPEA a right to shorten the Exchange Period such that it will end upon the close of business on 31 October 2024, being the last day of the 53rd month from the Issue Day by giving the Company a written notice on or before 30 September 2024, being the last day of the 52nd month from the Issue Date (collectively, the “**Proposed Amendments**”).

Save for the Proposed Amendments, all other principal terms of the Exchangeable Bonds remain unchanged.

REASONS FOR THE PROPOSED AMENDMENTS

The Company is an investment holding company. The Group is principally engaged in the city water supply, 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.

The Directors considered it is prudent to have more time to consider when to consolidate the financial results of Kangda Group to the Group and to retain the flexibility to exercise the Exchangeable Bonds, such that the Company could observe the long-term performance of Kangda Group and ensure the financial performance of Kangda Group is to the satisfaction of the Company before acquiring the Kangda Shares.

Although the Common Directors do not have interest in the Proposed Amendments, as good corporate governance and in view of the common directorships in the Company and Kangda International, all the Common Directors abstained from voting in the Board meeting approving the Second Deed of Amendment and the transactions contemplated thereunder. The Directors (excluding those Common Directors who have abstained from voting in the relevant Board meeting to approve the Second Deed of Amendment) considered that the Proposed Amendments give the Company more time and flexibility in managing its investments, and therefore are of the view that the terms of the Second Deed of Amendment are on normal commercial terms, fair and reasonable and the Proposed Amendments are in the interests of the Company and its Shareholders as a whole.

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

Hong Kong, 4 December 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.

* *For identification purposes only*