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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)

**DISCLOSEABLE TRANSACTION –
SUBSCRIPTION OF EXCHANGEABLE BONDS IN RESPECT OF SHARES IN
KANGDA INTERNATIONAL ENVIRONMENTAL COMPANY LIMITED
INVOLVING THE ISSUANCE OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

THE PROPOSED SUBSCRIPTION OF THE EXCHANGEABLE BONDS

The Company announces that, on 1 April 2020 (after trading hours of the Stock Exchange), the Company, as subscriber, and BPEA, as issuer, entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the Exchangeable Bonds for a consideration of HK\$361,336,495.80. The consideration shall be satisfied by the Company issuing the Convertible Bonds to BPEA to convert into up to 44,886,521 Conversion Shares at the initial conversion price (subject to adjustment) of HK\$8.05 per Conversion Share. The Exchangeable Bonds will initially entitle the holder thereof to exchange for 344,129,996 Kangda Shares (subject to adjustment), representing approximately 16.93% of the entire issued share capital of Kangda International, owned by BPEA as at the date of exercising the Exchange Right. The Company will nominate Sharp Profit, a wholly-owned subsidiary of the Company, to be the holder of the Exchangeable Bonds upon completion of the Proposed Subscription.

As at the date of the Subscription Agreement, Sharp Profit legally and beneficially holds approximately 29.52% of the entire issued share capital of Kangda International. Upon completion of the Proposed Subscription and before the exercise of any Exchange Right, assuming no new Kangda Shares will be issued, Sharp Profit's shareholding in Kangda International will remain unchanged and Kangda International will be accounted for as an associate of the Group. Assuming that no new Kangda Shares will be issued to any person from the date of the Subscription Agreement and up to the date of exercising the Exchange Right in full, Sharp Profit will own a total of approximately 46.45% of the entire issued share capital of Kangda International upon full exercise of the Exchange Right.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the Listing Rules) for the Proposed Subscription exceed 5% but all the percentage ratios are less than 25%, the Proposed Subscription constitutes a discloseable transaction and is subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the Acquisition and the Proposed Subscription shall be aggregated as if they were one transaction. As the relevant applicable percentage ratios (as defined under the Listing Rules) for the Acquisition and the Proposed Subscription (in aggregate) exceed 5% but are less than 25%, the Acquisition and the Proposed Subscription (in aggregate) constitutes a discloseable transaction and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As the completion of the Proposed Subscription is subject to the fulfilment of the conditions as set out in the sub-paragraph headed “Conditions” in this announcement, the Proposed Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

THE PROPOSED SUBSCRIPTION OF THE EXCHANGEABLE BONDS

On 1 April 2020 (after trading hours of the Stock Exchange), the Company, as subscriber, and BPEA, as issuer, entered into the Subscription Agreement in relation to the Proposed Subscription.

THE SUBSCRIPTION AGREEMENT

Date: 1 April 2020

Parties: the Company, as subscriber; and
BPEA, as issuer

Asset to be acquired

The Company will nominate Sharp Profit, a wholly-owned subsidiary of the Company, to be the holder of the Exchangeable Bonds upon completion of the Proposed Subscription. The Exchangeable Bonds will entitle the holder of the Exchangeable Bonds to exchange for 344,129,996 Kangda Shares (at the initial exchange price of HK\$1.05 per Kangda Share) beneficially owned by BPEA as at the date of exercising the Exchange Right.

Subscription price

The subscription price of HK\$361,336,495.80 will be satisfied by the Company issuing the Convertible Bonds.

The subscription price represents the exchange price of HK\$1.05 per Kangda Share and was determined after arm's length negotiations between the Company and BPEA on normal commercial terms after taking into account, (i) the volume weighted average price of Kangda Shares over the 50 trading days immediately preceding the date of the Subscription Agreement; (ii) the net assets value attributable to owners of Kangda International per Kangda Share as disclosed in the financial results of Kangda International for the year ended 31 December 2019 of approximately RMB2.16 (equivalent to approximately HK\$2.42); (iii) the business prospects of Kangda Group; and (iv) the benefits to the Group from the Proposed Subscription as described under the section headed "Reasons for and benefits of the Proposed Subscription".

The Directors (excluding those Common Directors who have abstained from voting in the relevant Board meeting to approve the Subscription Agreement) considered the subscription price and exercise price of the Exchangeable Bonds are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Conditions

Completion of the Proposed Subscription shall be conditional upon:

- (i) the Stock Exchange having granted permission for the listing of and permission to deal in the Conversion Shares, subject to such conditions that are acceptable to BPEA (acting reasonably), and such conditional permission not having been subsequently revoked prior to the completion of the Proposed Subscription;
- (ii) Mr. Duan remaining the single largest shareholder of the Company;
- (iii) no event or circumstances having a material adverse effect on BPEA having occurred;
- (iv) no event or circumstances having a material adverse effect on the Company having occurred;
- (v) the warranties given by BPEA under the Subscription Agreement (a) (to the extent not subject to any materiality) remaining true and accurate in all material respects; and (b) (to the extent subject to materiality) remaining true and accurate in all respects; and
- (vi) the warranties given by the Company under the Subscription Agreement (a) (to the extent not subject to any materiality) remaining true and accurate in all material respects; and (b) (to the extent subject to materiality) remaining true and accurate in all respects.

The condition (i) is incapable of being waived. Conditions (ii), (iv) and (vi) may be waived by BPEA (in whole or in part, with or without conditions) and may not be waived by the Company. Conditions (iii) and (v) may be waived by the Company (in whole or in part, with or without conditions) and may not be waived by BPEA. As at the date of this announcement, neither BPEA nor the Company has the intention to waive any conditions which are capable of being waived.

If the above conditions have not been fulfilled or waived on or before the date falling three months after the date of the Subscription Agreement, or such later date as the Company and BPEA may agree in writing, each party may terminate the Subscription Agreement and the Subscription Agreement shall cease and determine and neither party shall have any obligations and liabilities under the Subscription Agreement save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the second Business Day after the fulfillment (or waiver) of the conditions to the Subscription Agreement.

As disclosed in the announcement of the Company dated 3 April 2019, Sharp Profit as the purchaser entered into an agreement with Kangda Holdings and Mr. Zhao Sizhen as vendors in relation to the acquisition of an aggregate of 600,000,000 Kangda Shares (the “**Acquisition**”), representing approximately 29.52% of the entire issued share capital of Kangda International.

As at the date of the Subscription Agreement, Sharp Profit legally and beneficially holds approximately 29.52% of the entire issued share capital of Kangda International. Upon completion of the Proposed Subscription and before the exercise of any Exchange Right, assuming that no new Kangda Shares will be issued, Sharp Profit’s shareholding in Kangda International will remain unchanged and Kangda International will be accounted for as an associate of the Group. Assuming that no new Kangda Shares will be issued to any person from the date of the Subscription Agreement and up to the date of exercising the Exchange Right in full, Sharp Profit will own a total of approximately 46.45% of the entire issued share capital of Kangda International upon full exercise of the Exchange Right.

Principal terms of the Exchangeable Bonds

Set out below are the proposed principal terms of the Exchangeable Bonds:

- Issuer: BPEA
- Principal amount: HK\$361,336,495.80
- Issue price: 100% of the principal amount of the Exchangeable Bonds
- Interest: Nil
- Maturity date: the Exchangeable Bonds is perpetual in term and has no maturity date

- Status: the Exchangeable Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of BPEA and shall at all times rank *pari passu* and without any preference or priority among themselves
- Exchange Right: subject to the conditions of the Exchangeable Bonds, each Exchangeable Bond with a principal amount of HK\$1.05 shall entitle the holder thereof to exchange such Exchangeable Bond into one Kangda Share
- The exercise of the Exchange Right is not conditional upon the exercise of the conversion right attached to the Convertible Bonds
- Exchange Shares: based on the initial exchange price of HK\$1.05, up to 344,129,996 Kangda Shares, representing approximately 16.93% of the existing issued share capital of Kangda International as at the date of this announcement, will be delivered to the holder of the Exchangeable Bonds upon exercise in full of the Exchange Right attaching to the Exchangeable Bonds
- Exchange price: HK\$1.05 per Kangda Share, which represents:
- (i) a premium of approximately 38.16% over the closing price of HK\$0.76 per Kangda Share as quoted on the Stock Exchange on 1 April 2020, being the date of the Subscription Agreement;
 - (ii) a premium of approximately 40.75% over the average of the closing price of HK\$0.746 per Kangda Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
 - (iii) a premium of approximately 30.4% over the volume weighted average price of HK\$0.805 per Kangda Share for the last 50 consecutive trading days immediately prior to the date of the Subscription Agreement; and
 - (iv) a discount of approximately 56.61% to the net assets value attributable to owners of Kangda International per Kangda Share as at 31 December 2019 of approximately HK\$2.42 per Kangda Share

The initial exchange price of HK\$1.05 per Kangda Share was determined after arm's length negotiations between the Company and BPEA with reference to (i) the net assets value attributable to owners of Kangda International per Kangda Share as disclosed in the financial results of Kangda International for the year ended 31 December 2019, (ii) the volume weighted average price of Kangda Shares over the 50 trading days immediately preceding the date of the Subscription Agreement; and (iii) the business prospects of Kangda Group. The Directors (excluding those Common Directors who have abstained from voting in the relevant Board meeting to approve the Subscription Agreement) consider that the exchange price is fair and reasonable and in the interests of the Company and the Shareholders as a whole

Adjustment events: the initial exchange price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) consolidation, reclassification or subdivision of the Kangda Shares;
- (ii) capitalisation of profits or reserves; and
- (iii) issue of Kangda Shares by way of a scrip dividend at a price which exceeds the relevant cash dividends declared by Kangda International

Exchange period: unless with the consent of BPEA, the Exchange Right in respect of an Exchangeable Bond may not be exercised from the date of issue of the Exchangeable Bonds up to the last day of the 28th month from the date of issue of the Exchangeable Bonds. The holder of the Exchangeable Bonds is free to exercise the Exchange Right attached thereto from the first day of the 29th month from the issue date of the Exchangeable Bonds and up to the last day of the 31st month from the issue date thereof

Voting: the Exchangeable Bonds do not confer holder thereof any voting right at any meetings of Kangda International

Transferability: the Exchangeable Bonds are not transferable, without the consent of BPEA, from the date of issue of the Exchangeable Bonds and until the last day of the 28th month from the issue date of the Exchangeable Bonds, and will be freely transferable, in whole or in part, from the date thereafter

Listing: no application will be made for the listing of the Exchangeable Bonds on the Stock Exchange or any other stock exchange

Principal terms of the Convertible Bonds

Set out below are the proposed principal terms of the Convertible Bonds:

Issuer:	the Company
Principal amount:	HK\$361,336,495.80
Issue price:	100% of the principal amount of the Convertible Bonds
Interest:	Nil
Maturity date:	the Convertible Bonds is perpetual in term and has no maturity date
Status:	the Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves
Conversion right:	<p>subject to the conditions of the Convertible Bonds, each Convertible Bond with a principal amount of HK\$8.05 shall entitle the holder thereof to convert such Convertible Bonds into one Conversion Share</p> <p>The exercise of the conversion right is not conditional upon the exercise of the Exchange Right attached to the Exchangeable Bonds</p>
Conversion Shares:	<p>based on the initial conversion price of HK\$8.05, up to 44,886,521 Conversion Shares will be allotted and issued upon exercise in full of the conversion right attaching to the Convertible Bonds, representing:</p> <ul style="list-style-type: none">(i) approximately 2.80% of the existing issued share capital of the Company as at the date of this announcement; and(ii) approximately 2.72% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the conversion price, assuming that no other Shares would be allotted and issued

The Conversion Shares will be allotted and issued under the General Mandate. The Conversion Shares, when issued will rank *pari passu* and carry the same rights and privileges in all respects with the other Shares in issue and shall be entitled to all dividends and other distributions declared, paid or made thereon

Conversion price:

HK\$8.05 per Share, which represents:

- (i) a premium of approximately 42.48% over the closing price of HK\$5.65 per Share as quoted on the Stock Exchange on 1 April 2020, being the date of the Subscription Agreement;
- (ii) a premium of approximately 39.56% over the average of the closing price of HK\$5.768 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iii) a premium of approximately 30.4% over the volume weighted average price of HK\$6.173 per Share for the last 50 consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iv) a premium of approximately 62.63% over the audited net assets value attributable to owners of the Company per Share as at 31 March 2019 of approximately HK\$4.95 per Share

The initial conversion price of HK\$8.05 per Conversion Share was determined after arm's length negotiations between the Company and BPEA with reference to (i) the audited net assets per share of the Company as at 31 March 2019; (ii) the volume weighted average price of the Shares over the 50 trading days immediately preceding the date of the Subscription Agreement; and (iii) the business prospects of the Group. The Directors (excluding those Common Directors who have abstained from voting in the relevant Board meeting to approve the Subscription Agreement) considered that the conversion price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustment events:

the initial conversion price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) consolidation, reclassification or subdivision of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) issue of Shares by way of a scrip dividend at a price which exceeds the relevant cash dividends declared by the Company;

- (iv) capital distribution;
- (v) grant of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares or any securities which carry rights of conversion into or exchange or subscription for any Shares at a price which is less than 90% of the market price per Share; and
- (vi) issue of Shares at a price which is at less than 90% of the market price per Share

Conversion period: the holder of the Convertible Bonds is free to exercise the conversion right attached thereto from the date of issue of the Convertible Bonds and up to the last day of the 31st month from the issue date thereof

Voting: the Convertible Bonds do not confer holder thereof any voting right at any meetings of the Company

Transferability: the Convertible Bonds are not transferable, without the consent of the Company, from the date of issue of the Convertible Bonds and until the last day of the 28th month from the issue date of the Convertible Bonds, and will be freely transferable, in whole or in part, from the date thereafter

Listing: no application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange. The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares

GENERAL MANDATE

Upon exercise in full of the conversion right attaching to the Convertible Bonds at the initial conversion price, a maximum of 44,886,521 Conversion Shares shall be allotted and issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 6 September 2019, subject to the limit of up to 20% of the aggregate number of Shares in issue on that date, which is equivalent to 320,805,771 Shares. As at the date of this announcement, none of the General Mandate have been utilised.

APPLICATION FOR LISTING

The Company will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

POTENTIAL EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the initial conversion price of HK\$8.05, up to 44,886,521 Conversion Shares will be allotted and issued upon exercise in full of the conversion right attaching to the Convertible Bonds, representing (i) approximately 2.80% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.72% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the conversion price.

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full conversion of Convertible Bonds at the conversion price, assuming that there is no change in the existing shareholding of the Company:

	As at the date of this announcement		Immediately after the full conversion of the Convertible Bonds at the conversion price (for illustration only)	
	No. of Shares	Approx.%	No. of Shares	Approx.%
Asset Full Resources Limited (note 1)	218,044,301	13.59	218,044,301	13.22
Mr. Duan	252,836,000	15.76	252,836,000	15.33
ORIX Corporation	291,170,277	18.15	291,170,277	17.66
Ms. Ding Bin	5,700,000	0.36	5,700,000	0.35
Ms. Liu Yu Jie	12,000,000	0.75	12,000,000	0.73
Mr. Li Zhong (note 2)	37,627,457	2.35	37,627,457	2.28
Mr. Zhao Hai Hu	4,306,000	0.27	4,306,000	0.26
Mr. Zhou Wen Zhi	870,000	0.05	870,000	0.05
Ms. Wang Xiaoqin	8,950,000	0.56	8,950,000	0.54
Ms. Ho Ping	978,000	0.06	978,000	0.06
BPEA	–	–	44,886,521	2.72
Public shareholders	771,546,824	48.10	771,546,824	46.80
Total:	1,604,028,859	100.00	1,648,915,380	100.00

Notes:

1. The entire issued share capital of Asset Full Resources Limited is wholly and beneficially owned by Mr. Duan.
2. These 37,627,457 Shares consist of 8,420,000 Shares held by Mr. Li Zhong and 29,207,457 Shares held by his spouse, Ms. Lu Hai personally.

INFORMATION OF BPEA AND KANGDA INTERNATIONAL

BPEA

BPEA is an investment holding company owned by The Baring Asia Private Equity Fund V, L.P. (“**Fund V**”) as to 99.35%, whose general partner is Baring Private Equity Asia GP V, L.P. (“**Fund V GP**”). The general partner of Fund V GP is Baring Private Equity Asia GP V Limited (“**Fund V Limited**”). Mr. Jean Eric Salata is the sole shareholder of Fund V Limited. Each of Fund V, Fund V GP, Fund V Limited and Mr. Jean Eric Salata is deemed to be interested in the 344,129,996 Kangda Shares held by BPEA. Mr. Jean Eric Salata disclaims beneficial ownership of such 344,129,996 Kangda Shares, other than to the extent of his economic interest in such entities. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, BPEA and its ultimate beneficial owners are Independent Third Parties.

Kangda International

Kangda International is an investment holding company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange. Kangda International and its subsidiaries are principally engaged in construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement in the PRC.

The consolidated financial information of Kangda International prepared under the International Financial Reporting Standards for the year ended 31 December 2018 and 2019 are as follows:

	For the year ended	
	31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note)</i>	<i>(audited)</i>
Revenue	2,815,203	3,021,327
Profit before tax	509,841	455,691
Profit after tax	384,071	309,890
Net assets attributable to owners of Kangda International	4,395,102	4,114,653

Note: Extracted from the latest published consolidated financial information of Kangda International for the year ended 31 December 2019.

REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION

The Company is an investment holding company. The Group is principally engaged in 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 Group's water supply projects spread over Hunan, Hubei, Henan, Hebei, Hainan, Jiangsu, Jiangxi, Shenzhen, Guangdong, Beijing, Chongqing, Shandong, Shanxi and Heilongjiang provinces/municipalities in the PRC. The Group's sewage treatment projects spread over Beijing, Tianjin, Shenzhen, Guangdong, Henan, Hebei, Hubei, Jiangxi, Shaanxi, Heilongjiang and Sichuan provinces/municipalities in the PRC.

The Acquisition in April 2019 represented a good opportunity for the Group to expand its core water supply and sewage treatment businesses capacities and geographical coverage, particularly the development of supply-drainage integration and urban-rural water supply integration and has enabled Kangda Group and the Group to unlock and maximise their respective companies' values. Since the Acquisition in April 2019, based on the financial statements of Kangda International for the year ended 31 December 2019, the financial performance of Kangda Group has been improving. The Directors are optimistic about the long-term performance of Kangda Group.

Despite the Common Directors do not have interest in the Proposed Subscription, as a 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 Subscription Agreement and the transactions contemplated thereunder. The Directors (excluding those Common Directors who have abstained from voting in the relevant Board meeting to approve the Subscription Agreement) considered that the Proposed Subscription gives the Group the right and option to acquire additional Kangda Shares and to step up its interest in Kangda International without cash outflow when the financial performance of Kangda Group is to the satisfaction of the Company, or alternatively it allows the Group to realise its investment in the Exchangeable Bonds without substantially affecting the financial performance of the Group.

The Directors (excluding those Common Directors who have abstained from voting in the relevant Board meeting to approve the Subscription Agreement) are of the view that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable and the Proposed Subscription is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the Listing Rules) for the Proposed Subscription exceed 5% but all the percentage ratios are less than 25%, the Proposed Subscription constitutes a discloseable transaction and is subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

Pursuant to Rule 14.22 of the Listing Rules, the Acquisition and the Proposed Subscription shall be aggregated as if they were one transaction. As the relevant applicable percentage ratios (as defined under the Listing Rules) for the Acquisition and the Proposed Subscription (in aggregate) exceed 5% but are less than 25%, the Acquisition and the Proposed Subscription (in aggregate) constitutes a discloseable transaction and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As the completion of the Proposed Subscription is subject to the fulfilment of the conditions as set out in the sub-paragraph headed “Conditions” in this announcement, the Proposed Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“BPEA”	Baring Private Equity Asia V Holding (5) Limited, a company incorporated in the British Virgin Islands with limited liability, the issuer of the Exchangeable Bonds
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Common Directors”	persons who are directors of the Company as well as the directors of Kangda International, namely Ms. Liu Yu Jie, Mr. Li Zhong, Mr. Duan Jerry Linnan and Mr. Chau Kam Wing
“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 Main Board of the Stock Exchange
“Conversion Share(s)”	the Share(s) to be allotted and issued upon exercise of the conversion right attached to the Convertible Bonds
“Convertible Bond(s)”	the convertible bond(s) to be issued by the Company to BPEA pursuant to the Subscription Agreement
“Director(s)”	Director(s) of the Company

“Exchangeable Bond(s)”	the exchangeable bond(s) to be issued by BPEA to Sharp Profit pursuant to the Subscription Agreement
“Exchange Right”	the right of the holder of the Exchangeable Bonds to exchange the principal amount of the Exchangeable Bonds into Kangda Shares in accordance with the terms and conditions of the Exchangeable Bonds
“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 6 September 2019 to allot, issue and deal up to 20% of the then issued share capital of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Kangda Group”	Kangda International and its subsidiaries
“Kangda Holdings”	Kangda Holdings Company Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial shareholder of Kangda International
“Kangda International”	Kangda International Environmental Company Limited, a company incorporated in Cayman Islands with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Kangda Share(s)”	share(s) of HK\$0.01 each in the share capital of Kangda International
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Duan”	Mr. Duan Chuan Liang, being the executive Director, chairman of the Board and the substantial shareholder of the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Subscription”	the proposed subscription of the Exchangeable Bonds by the Company in accordance with the terms of the Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Sharp Profit”	Sharp Profit Investments Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into between BPEA and the Company dated 1 April 2020 in relation to the Proposed Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 1 April 2020

For the purposes of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.12. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

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.

** For identification purposes only*