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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)

CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT

On 28 February 2020 after trading hours, the Company and the JV Company entered into the Framework Agreement pursuant to which the JV Company has agreed to supply the Products to the Group during the term of the Framework Agreement.

LISTING RULES IMPLICATIONS

The JV Company is a non-wholly owned subsidiary of the Company. ORIX CHINA holds 20% of the equity interest in the JV Company. ORIX CHINA is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company. The JV Company therefore is a connected subsidiary of the Company. The transactions under the Framework Agreement constitute continuing connected transactions for the Company. Since the relevant percentage ratios under the Listing Rules are less than 5%, the transactions under the Framework Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

FRAMEWORK AGREEMENT

Date

28 February 2020

Parties

- (1) The Company; and
- (2) the JV Company.

The JV Company is a non-wholly owned subsidiary of the Company and is principally engaged in research and development, production and sale of pipeline direct drinking equipment, water purification technical consultant services, production, sale and services of water purification equipment, water treatment engineering installation and technical services; research and development and production of water treatment equipment automation control system; development and promotion of intelligent water and Internet of Things system software. ORIX CHINA holds 20% of the equity interest in the JV Company. ORIX CHINA is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company. The JV Company therefore is a connected subsidiary of the Company.

Term

From 1 April 2020 to 31 March 2023

Subject matter

The JV Company has agreed to supply to the Group the Products during the term of the Framework Agreement which will be used by the Group in connection with its water supply business. Each transaction shall be effected by a separate sale and purchase agreement to be entered into between the JV Company and the Group. The particulars of the Products, including but not limited to the type, price and quantity shall be agreed by the parties under each purchase.

Pricing

The prices of the Products shall be agreed by the parties under each purchase and are determined by the production costs of the Products plus a profit margin and with reference to the market prices of similar products in the market.

In any event the price of any Products purchased by the Group should not be higher than the price offered by the JV Company to any independent third party.

Annual cap

The expected maximum annual transaction amounts under the Framework Agreement for the following periods shall be as follows:

Period	Annual cap
1 April 2020 to 31 March 2021	RMB38,000,000
1 April 2021 to 31 March 2022	RMB56,000,000
1 April 2022 to 31 March 2023	RMB95,000,000

Basis for determining the annual cap

In arriving at the above annual caps, the Directors had considered:

- (a) the estimated production capacity of the JV Company;
- (b) the estimated demands of the Group for the Products; and
- (c) the average selling price of the Products.

Up to the date hereof, the amount of similar previous transactions between the Company and the JV Company is insignificant.

REASONS AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Group is principally engaged in the 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 provision of pipeline direct drinking service is one of the strategies of the Group in developing its water supply business. The Products supplied by the JV Company make use of leading water treatment technology and are the core processing units in pipeline direct drinking systems. It is expected that the use of the Products by the Group will facilitate the development of its pipeline direct drinking business.

The Directors (including the independent non-executive Directors) consider that the terms of the Framework Agreement to be fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interest of the Group and the Shareholders as a whole. Mr. Makoto Inoue, being a director of ORIX Corporation, is materially interested in the Framework Agreement and has abstained from voting at the board meeting approving the Framework Agreement.

LISTING RULES IMPLICATIONS

The JV Company is a non-wholly owned subsidiary of the Company. ORIX CHINA holds 20% of the equity interest in the JV Company. ORIX CHINA is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company. The JV Company therefore is a connected subsidiary of the Company. The transactions under the Framework Agreement constitute continuing connected transactions for the Company. Since the relevant percentage ratios under the Listing Rules are less than 5%, the transactions under the Framework Agreement are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of directors of the Company
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Framework Agreement”	the framework agreement dated 28 February 2020 made between the Company and the JV Company relating to the supply of the Products
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	江西銀麗直飲水設備有限公司 (Jiangxi Yinli Direct Drinking Equipment Co. Ltd.*)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“ORIX CHINA”	ORIX China Investment Corporation (歐力士(中國)投資有限公司)
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Products”	Pipeline direct drinking system related equipment and services
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

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

Hong Kong, 28 February 2020

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*