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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)

ADDITIONAL INFORMATION RELATING TO CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Company's announcement dated 28 February 2020 (the "Announcement") relating to the Framework Agreement. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

The Board would like to provide the following additional information relating to the Announcement:

Pricing

In determining the price of the Products, the JV Company and the Group will refer to the market prices of similar products in the market for the last 3 months. Since the JV Company possesses the necessary technical expertise and information on the production costs of the Products, it is able to make an assessment of the approximate range of profit margin of similar products based on the technical specifications of such products. The JV Company will also provide to the Group the production costs of its Products with detailed specifications. The JV Company and the Group will then determine the price of the Products based on the production costs of the Products plus a profit margin no higher than those of similar products in the market.

The Directors consider that the above pricing mechanism will ensure that the price of the Products will be determined based on the production costs and at a profit margin comparable to similar products in the market and are on normal commercial terms.

Information on the JV Company

The JV Company is owned as to 55% by the Company, 15% by Toray Industries, Inc (東麗株式會社) ("Toray"), 20% by ORIX CHINA and 10% by 新余銀龍水務設備有限公司 (Xinyu Silver Dragon Water Equipment Co. Ltd.*) ("Silver Dragon").

TORAY is a company listed in Japan and is a world renowned high-tech multinational with core technologies in organic synthesis, polymer chemistry and biochemistry. It offers integrated skills and expertise in water and wastewater treatment technologies and a comprehensive range of water treatment membrane technology and products. According to the latest annual report of Toray, its largest shareholder is The Master Trust Bank of Japan, Ltd. (Trust Account) holding 8.25% of the total issued shares.

ORIX CHINA is a wholly owned subsidiary of ORIX Corporation and is principally engaged in finance leases, structured financing, investment consultant, equity investment and other comprehensive financial services.

ORIX Corporation is a company listed in Japan and the United States of America. It is a leader in numerous domains including leasing, financing, investment, life insurance, banking, asset management, automobile-related services, real estate, environment and energy services. According to the latest annual report of ORIX Corporation, its largest shareholder is Japan Trustee Services Bank, Ltd. (Trust Account) holding 9.20% of the total issued shares.

Silver Dragon is principally engaged in design, production and sale of non-negative pressure water supply and electrical equipment. The ultimate beneficial owners of Silver Dragon are Zhang Xiaowen, Zhou Mulin, Feng Tianhua, Zhou Songwen, Yuan Shupu, Wang Hui, Wu Ying, Zhao Xiaona, Fung Pak Tao and the Company. To the best of the Directors' information and belief, all individual beneficial owners are third parties independent of and not connected with the Company and its connected persons except Zhang Xiaowen, Feng Tianhua, Zhou Songwen and Yuan Shupu who are directors of the Company's subsidiaries.

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

Hong Kong, 26 March 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*