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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 GRANT OF SHARE OPTIONS UNDER SHARE OPTION SCHEME

On 30 June 2026, the Board resolved to grant Share Options carrying the rights to subscribe for up to a total of 78,800,000 new Shares upon exercise to Mr. Duan, the chairman of the Board, an executive Director and a substantial Shareholder, under the Share Option Scheme at an exercise price of HK\$4.51 per Share, subject to acceptance by Mr. Duan and approval by the Shareholders at the General Meeting.

A circular containing, among other things, (i) details of the conditional grant of Share Options to Mr. Duan; and (ii) a notice convening the General Meeting will be despatched to the Shareholders in due course.

PROPOSED GRANT OF SHARE OPTIONS PURSUANT TO THE SHARE OPTION SCHEME

This announcement is made by the Company pursuant to Rule 17.06A of the Listing Rules.

The Board announces that on 30 June 2026, the Board resolved to grant Share Options carrying the rights to subscribe for up to a total of 78,800,000 new Shares upon exercise to Mr. Duan, the chairman of the Board, an executive Director and a substantial Shareholder, under the Share Option Scheme, subject to acceptance by Mr. Duan and approval by the Shareholders at the General Meeting.

Details of such conditional grant of the Share Options are set out as follows:

- Date of Grant : 30 June 2026
- Exercise price of Share Options granted : HK\$4.51 per Share, being higher than:
- (i) the closing price of HK\$4.38 per Share as stated in the Stock Exchange's daily quotation sheet on the Date of Grant;
 - (ii) the average closing price of HK\$4.504 per Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Date of Grant; and
 - (iii) the nominal value of HK\$0.01 per Share.
- Number of Share Options granted : 78,800,000 Share Options, each Share Option entitling Mr. Duan to subscribe for one Share.
- The Share Options to be granted will entitle Mr. Duan to subscribe for up to a total of 78,800,000 new Shares, representing:
- (i) approximately 4.84% of the total number of issued Shares (excluding treasury Shares) on the Date of Grant; and
 - (ii) approximately 4.62% of the enlarged total number of issued Shares (excluding treasury Shares) assuming the Share Options are fully exercised.
- Closing price of the Shares on the Date of Grant : HK\$4.38 per Share
- Exercise period : Subject to the rules of the Share Option Scheme, the Share Options granted are exercisable for a period of five (5) years from the Date of Grant.

- Vesting condition and performance target : The Share Options will vest upon the first achievement of the following tiered market capitalisation targets (the “**Market Capitalisation Targets**”):
- Tier 1 – 15,760,000 Share Options will vest in the event that the average market capitalisation of the Group for any 10 consecutive Business Days on the Stock Exchange first reaches or exceeds HK\$8,000,000,000.
 - Tier 2 – 15,760,000 Share Options will vest in the event that the average market capitalisation of the Group for any 10 consecutive Business Days based on the closing prices on the Stock Exchange first reaches or exceeds HK\$8,500,000,000.
 - Tier 3 – 15,760,000 Share Options will vest in the event that the average market capitalisation of the Group for any 10 consecutive Business Days based on the closing prices on the Stock Exchange first reaches or exceeds HK\$9,000,000,000.
 - Tier 4 – 15,760,000 Share Options will vest in the event that the average market capitalisation of the Group for any 10 consecutive Business Days based on the closing prices on the Stock Exchange first reaches or exceeds HK\$9,500,000,000.
 - Tier 5 – 15,760,000 Share Options will vest in the event that the average market capitalisation of the Group for any 10 consecutive Business Days based on the closing prices on the Stock Exchange first reaches or exceeds HK\$10,000,000,000.

For the calculations of the market capitalisation target:

- the average market capitalisation of the Group for any 10 consecutive Business Days shall be calculated by dividing the sum of the daily market capitalisation of the Company for those 10 Business Days by 10; and
- the market capitalisation of the Group for a Business Day shall be calculated by multiplying the closing price of the Shares and the number of issued Shares (excluding treasury Shares, if any) on that day.

For the avoidance of doubt:

- If a higher-tier target is achieved for the first time without the lower-tier target having been achieved previously, the Share Options corresponding to both the lower and higher tiers will vest in a single instalment; if the lower-tier target has been previously achieved and the corresponding Share Options have been vested, only the Share Options corresponding to the current proportion of the higher-tier target will vest upon its achievement, without any duplicate vesting. On the date of achieving the target, Mr. Duan must still be a Director and shall not have triggered the clawback mechanism set out below.
- Once the above market capitalisation target(s) is/are achieved, such market capitalisation target(s) shall be deemed satisfied regardless of whether the market capitalisation has changed afterwards.

According to the Share Option Scheme, save as determined at the discretion of the Board, there is no minimum holding period before a Share Option is exercisable and there is no performance target that must be achieved before any Share Options can be exercised. The Share Options do not have any minimum vesting period and may vest within 12 months subject to the fulfillment of the Market Capitalisation Targets and are not subject to other performance targets apart from the Market Capitalisation Targets.

- Consideration for the acceptance of the grant : HK\$1.00 to be paid by Mr. Duan upon acceptance of the grant
- Clawback mechanism : In the event Mr. Duan (a) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, or any other reason; or (b) he shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Share Options; the Share Options granted to Mr. Duan but not yet exercised shall lapse automatically.

There is no arrangement for the Company or its subsidiaries to provide financial assistance to Mr. Duan to facilitate the purchase of Shares under the Share Option Scheme.

On the basis that the grant of the Share Options is completed, the number of Shares available for future grants under the scheme mandate of the Share Option Scheme is 84,432,234.

As at the date of this announcement, Mr. Duan is holding 447,311,901 Shares, representing approximately 27.50% of the issued share capital of the Company (excluding treasury Shares), which consist of 229,267,600 Shares held by him personally and 218,044,301 Shares held by Asset Full. No option has been granted to Mr. Duan within 12 months from the Date of Grant.

REASONS FOR AND BENEFITS OF THE PROPOSED GRANT OF THE SHARE OPTIONS

The purpose of the Share Option Scheme is to reward Participants who have contributed to the Group and to provide incentives to Participants to work towards the success of the Company.

Having considered that (i) Mr. Duan is the chairman of the Board and an executive Director who is responsible for overall management, operations, development and long-term growth of the Group; (ii) Mr. Duan's work performance and contributions will affect the future price of the Shares; and (iii) the Share Options will only vest upon the Market Capitalisation Targets having been achieved, the Board and the Remuneration Committee are of the view that vesting period is not necessary and the achievement of the Market Capitalisation Targets is a suitable vesting condition which links to Mr. Duan's performance and aligns with the purpose of the Share Option Scheme. As such, the Board and the Remuneration Committee consider that the grant of the Share Options are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The grant of the Share Options to Mr. Duan has been reviewed and approved by the Board, including all of the independent non-executive Directors of the Company (with Mr. Duan and Mr. Duan Jerry Linnan, being the son of Mr. Duan, abstaining from voting on the resolution relating to the grant of the Share Options to Mr. Duan), and the Remuneration Committee.

LISTING RULES IMPLICATIONS

Pursuant to Rule 17.04(1) of the Listing Rules, any grant of Share Options to a Director, chief executive or substantial Shareholder, or any of their respective associates, under the Share Option Scheme must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Share Options). The independent non-executive Directors have approved the grant of the Share Options to Mr. Duan. Mr. Duan and Mr. Duan Jerry Linnan, being the son of Mr. Duan, have abstained from voting on the relevant resolution of the Board approving the grant of the Share Options to Mr. Duan.

Pursuant to Rule 17.03D(1) of the Listing Rules, where any grant of Share Options to a Participant would result in the Shares issued and to be issued upon exercise of all Share Options and awards granted and to be granted to such person (excluding any Share Options and awards lapsed in accordance with the terms of the share scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue (excluding treasury Shares), such grant of Share Options must be separately approved by Shareholders in general meeting with such Participant, his/her close associates (or associates if the participant is a connected person) abstaining from voting.

Pursuant to Rule 17.04(3) of the Listing Rules, where any grant of Share Options to an independent non-executive Director or a substantial Shareholder, would result in the Shares issued and to be issued in respect of all Share Options and awards granted (excluding any Share Options and awards lapsed in accordance with the terms of the relevant share scheme) to such grantee in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of Shares in issue (excluding treasury shares), such grant of options or awards must be approved by Shareholders in general meeting in the manner set out in Rule 17.04(4) of the Listing Rules. The grantee, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

As (i) the total number of Shares to be issued upon exercise of the Share Options to be granted to Mr. Duan would in a 12-month period exceed 1% of the Shares in issue (excluding treasury Shares) and (ii) the number of Shares to be issued upon exercise of the Share Options to be granted to Mr. Duan, being a substantial Shareholder would in a 12-month period exceed 0.1% of the Shares in issue, the grant of the Share Options to Mr. Duan is conditional upon the approval by the Shareholders at the General Meeting.

GENERAL

The General Meeting will be convened and held for the Shareholders to, among other things, consider and, if thought fit, approve, among other things, the grant of Share Options to Mr. Duan. A circular containing, among other things, (i) details of the conditional grant of Share Options to Mr. Duan; and (ii) a notice convening the General Meeting will be despatched to the Shareholders in due course.

Mr. Duan and his associates and all Shareholders who have a material interest (which is different from that of the other Shareholders) in the grant of Share Options to Mr. Duan will be required to abstain from voting on the relevant resolution(s) approving the grant of the Share Options to Mr. Duan at the General Meeting. All core connected persons of the Company shall abstain from voting in favour of the relevant resolution(s) approving the grant of the Share Options to Mr. Duan at the General Meeting.

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, Mr. Duan and Asset Full, being an associate of Mr. Duan and a core connected person of the Company, holding 447,311,901 Shares in aggregate as at the date of this announcement (representing approximately 27.50% of the issued share capital of the Company (excluding treasury Shares)) will be required to abstain from voting on the relevant resolution(s) approving the grant of the Share Options to Mr. Duan. Mr. Duan Jerry Linnan does not hold any Shares as at the date of this announcement.

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, the following core connected persons of the Company shall abstain from voting in favour of the relevant resolution(s) approving the grant of the Share Options to Mr. Duan:

Name	Capacity	Number of Shares held
Ms. Ding Bin	Executive Director	5,700,000
Mr. Li Zhong	Executive Director	8,606,000
Ms. Lu Hai	Spouse of Mr. Li Zhong	29,207,457
Ms. Wang Xiaoqin	Non-executive Director	8,950,000
Mr. Xu Yan	Non-executive Director	100,000
Ms. Ho Ping	Independent non-executive Director	978,000
ORIX Corporation	Substantial Shareholder	291,170,277
ORIX (China) Industrial Holdings Limited	Corporation controlled by ORIX Corporation	122,772,000
ORIX Asia Capital Limited	Corporation controlled by ORIX Corporation	31,194,000

Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no other Shareholder is required to abstain from voting on or in favour of the resolution(s) to be proposed at the General Meeting in respect of the grant of the Share Options to Mr. Duan.

DEFINITIONS

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

“Asset Full”	Asset Full Resources Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Duan
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	the day on which the Stock Exchange is open for the business of dealing in securities

“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 (Stock Code: 855)
“close associate(s)”	has the meaning ascribed to it in the Listing Rules
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“core connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Date of Grant”	30 June 2026, being the date of conditional grant of the Share Options
“Director(s)”	director(s) of the Company
“General Meeting”	the annual or special general meeting of the Company to be convened and held to, among other things, consider and, if thought fit, approve the grant of Share Options to Mr. Duan
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Duan”	Mr. Duan Chuan Liang, the chairman of the Board, an executive Director and a substantial Shareholder
“Participants”	(a) any full-time or part-time employee of any member of the Group or associated company; (b) any consultant or adviser of any member of the Group or associated company; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or associated company; (d) any shareholder of any member of the Group or associated company; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or associated company, to be determined absolutely by the Board

“Remuneration Committee”	remuneration committee of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	holder(s) of issued Shares from time to time
“Share Option(s)”	the share option(s) granted and to be granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 9 September 2022
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning given to it under the Listing Rules
“%”	per cent.

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

Hong Kong, 30 June 2026

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. Li Hao, Mr. Bai Li, Mr. Xu Yan and Ms. Wang Xiaoqin, and four independent non-executive Directors, being Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping and Mr. Xiao Zhe.

* *For identification purposes only*