THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Water Affairs Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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)

PROPOSALS RELATING TO (1) GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES OF THE COMPANY; (2) RE-ELECTION OF RETIRING DIRECTORS; (3) FURTHER APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR WHO HAS SERVED MORE THAN NINE YEARS; (4) REAPPOINTMENT OF AUDITORS; (5) PROPOSED DECLARATION OF FINAL DIVIDEND; (6) GRANT OF SHARE OPTIONS TO A DIRECTOR; AND (7) NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY

A notice convening the AGM to be held at Suite 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 28 September 2026 at 10:00 a.m. or any adjournment thereof is set out on pages 33 to 37 of this circular. A form of proxy for use at the AGM is enclosed with this circular.

Whether or not you intend to attend the AGM, you are advised to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not less than 48 hours before the time fixed for holding of the meeting (i.e. 26 September 2026 at 10:00 a.m.) or any adjournment thereof. Completion and delivery of the proxy form will not preclude Shareholders from attending and voting in person at the meeting if they so wish.

28 August 2026

* *For identification purpose only*

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"AGM"	the annual general meeting of the Company to be held at Suite 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 28 September 2026 at 10:00 a.m. (or, in the event that a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above, or "extreme conditions" announced by the Hong Kong Government is/are in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on 30 September 2026)
"AGM Notice"	the notice convening the AGM as set out in pages 33 to 37 of this circular
"Asset Full"	Asset Full Resources Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Duan, the chairman and executive Director
"associated company"	has the meaning ascribed to it under the Takeovers Code
"Board"	the board of Directors of the Company or a duly authorised committee thereof for the time being
"Business Day(s)"	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong
"Bye-laws"	the Bye-laws of the Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"close associates"	has the meaning ascribed to it in the Listing Rules
"Company"	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange
"core connected persons"	has the meaning ascribed to it in the Listing Rules
"Date of Grant"	30 June 2026, being the date of the conditional grant of the Share Options
"Director(s)"	the directors of the Company from time to time

"Extension Mandate"	a general and unconditional mandate proposed to be granted to the Directors at the AGM to the effect that the total number of Shares which may be allotted and issued under the Issue Mandate may be increased by an additional number of Shares representing such number of Shares actually repurchased by the Company under the Repurchase Mandate provided that such number of Shares shall not exceed 10% of the total number of the issued Shares (excluding treasury Shares) at the date of passing of the resolution to approve the Extension Mandate
"Grant"	the proposed conditional grant of an aggregate of 78,800,000 Share Options to Mr. Duan under the Share Option Scheme
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Issue Mandate"	a general and unconditional mandate proposed to be granted to the Directors at the AGM to issue and allot or otherwise deal with new Shares not exceeding 20% of the total number of issued Shares (excluding treasury Shares) as at the date of passing the relevant resolution granting such mandate
"Latest Practicable Date"	25 August 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"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
"Nomination Committee"	the nomination committee of the Company
"PRC" or "China"	The People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

"Remuneration Committee"	the remuneration committee of the Company
"Repurchase Mandate"	a general and unconditional mandate proposed to be granted to the Directors at the AGM to repurchase such number of issued and fully paid Shares of up to 10% of the total number of issued Shares (excluding treasury Shares) as at the date of passing the relevant resolution granting such mandate
"SFO"	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	the holder(s) of the Shares
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company, which include treasury Share(s) of the Company, if any, and the holders of treasury Shares have no voting rights at the general meeting(s) of the Company
"Share Option(s)"	the share option(s) granted and to be granted under the Share Option Scheme
"Share Option Scheme"	the share option scheme of the Company adopted on 9 September 2022
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"treasury Shares"	has the meaning ascribed to it under the Listing Rules
"%"	per cent.

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)

Executive Directors:
Mr. Duan Chuan Liang *(Chairman)*
Ms. Ding Bin
Mr. Li Zhong
Mr. Duan Jerry Linnan

Non-executive Directors:
Mr. Li Hao
Mr. Bai Li
Mr. Xu Yan
Ms. Wang Xiaoqin

Independent non-executive Directors:
Mr. Chau Kam Wing
Ms. Ho Ping
Mr. Xiao Zhe
Ms. Wu Zhijun

Registered office:
Richmond House
12 Par-la-Ville Road
Hamilton HM 08
Bermuda

Head Office and Principal place of business in Hong Kong:
Suite 6408, 64/F, Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong

28 August 2026

To the Shareholders

Dear Sir/Madam,

**PROPOSALS RELATING TO
(1) GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES OF THE COMPANY;
(2) RE-ELECTION OF RETIRING DIRECTORS;
(3) FURTHER APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE
DIRECTOR WHO HAS SERVED MORE THAN NINE YEARS;
(4) REAPPOINTMENT OF AUDITORS;
(5) PROPOSED DECLARATION OF FINAL DIVIDEND;
(6) GRANT OF SHARE OPTIONS TO A DIRECTOR;
AND
(7) NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the resolutions to be proposed at the AGM on (i) the Issue Mandate, the Repurchase Mandate and the Extension Mandate; (ii) re-election of retiring Directors; (iii) the further appointment of an independent non-executive Director who has served for more than nine years; (iv) the reappointment of auditors of the Company; (v) the proposed declaration of final dividend; (vi) the grant of Share Options to Mr. Duan; and (vii) to give you notice of the AGM.

* *For identification purpose only*

GENERAL MANDATE FOR REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

An ordinary resolution will be proposed at the AGM as set out in the AGM Notice to grant to the Directors the Repurchase Mandate. As at the Latest Practicable Date, there were 1,626,712,346 Shares in issue (excluding treasury Shares) and subject to the passing of the necessary ordinary resolution and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase up to 162,671,234 Shares, representing 10% of the total number of issued Shares (excluding treasury Shares) as at the date of passing of the relevant resolution granting such Repurchase Mandate.

An explanatory statement, containing all the relevant information relating to the proposed Repurchase Mandate and to provide you with the requisite information to enable you to make an informed decision on whether to vote for or against the resolution to grant the Directors the Repurchase Mandate at the AGM is set out in the explanatory statement in Appendix II hereto.

GENERAL MANDATE TO ISSUE NEW SECURITIES OF THE COMPANY

An ordinary resolution will be proposed at the AGM as set out in the AGM Notice to grant to the Directors the Issue Mandate to allot, issue and deal with unissued Shares or underlying shares of the Company (other than by way of rights or pursuant to a share option scheme for employees of the Company or Directors and/or any of its subsidiaries or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of the dividend on Shares in accordance with the Bye-laws) or make or grant offers, agreements, options and warrants which might require the exercise of such power, of an aggregate number of up to 20% of the total number of issued Shares (excluding treasury Shares) as at the date of passing of the relevant resolution granting such mandate.

In addition, a separate ordinary resolution will further be proposed for the Extension Mandate authorising the Directors to allot, issue and deal with Shares to the extent of the Shares repurchased pursuant to the Repurchase Mandate provided that such number of Shares shall not exceed 10% of the total number of the issued Shares (excluding treasury shares) at the date of passing of the resolution to approve the Extension Mandate.

As at the Latest Practicable Date, there were 1,626,712,346 Shares in issue (excluding treasury Shares) and subject to the passing of the necessary ordinary resolution and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Company would be allowed under the Issue Mandate to allot, issue and deal with up to 325,342,469 Shares, representing 20% of the total number of issued Shares (excluding treasury Shares), as at the date of passing of the relevant resolution granting such mandate.

The Issue Mandate (including the Extension Mandate) and the Repurchase Mandate shall continue to be in force during the period from the date of passing of the resolutions for the approval of the Issue Mandate (including the Extension Mandate) and the Repurchase Mandate until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws to be held; or (iii) the passing of an ordinary resolution by the Shareholders in a general meeting prior to the next annual general meeting of the Company revoking or varying the authority given to the Directors.

RE-ELECTION OF RETIRING DIRECTORS AND FURTHER APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR WHO HAS SERVED FOR MORE THAN NINE YEARS

Pursuant to clause 86(2) of the Bye-laws, any Director appointed by the Board to fill a casual vacancy or, subject to authorisation by the Shareholders in general meeting, as an addition to the existing Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Therefore Mr. Xu Yan and Ms. Wu Zhijun ("**Ms. Wu**"), shall retire at the AGM in accordance with the Bye-laws and being eligible shall offer themselves for re-election at the AGM.

Pursuant to clause 87 of the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Notwithstanding the aforesaid, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation nor be taken into account in determining the number of Directors to retire in each year.

In accordance with clause 87 of the Bye-laws, Mr. Li Zhong, Mr. Li Hao, Ms. Wang Xiaoqin and Mr. Chau Kam Wing ("**Mr. Chau**") shall retire at the AGM. All of them being eligible offer themselves for re-election at the AGM.

Ms. Wu was appointed as an independent non-executive Director, and a member of each of the audit committee, Remuneration Committee and Nomination Committee of the Company on 18 August 2026. Ms. Wu holds a Bachelor of Science degree from Peking University and an MBA from the Wharton School of the University of Pennsylvania. Ms. Wu has 20 years of experience in debt capital markets, having worked at several international investment banks in New York and Hong Kong. She previously served as Managing Director at Morgan Stanley, where she was responsible for the bank's China debt capital markets business. Prior to entering investment banking, Ms. Wu worked at AT&T Labs in the United States. Ms. Wu has not engaged in any executive management of the Group and has demonstrated the ability to provide an independent view on the Company's matters in different perspectives during her presence in the Board. The Board is satisfied that she has the required integrity, skills and experience to continue to contribute meaningfully and objectively as an independent non-executive Director. The Board considers that the re-election of Ms. Wu as an independent non-executive Director is in the interest of the Company and the Shareholders as a whole.

Mr. Chau was appointed as an independent non-executive Director on 30 March 2007 and has served as the Company's independent non-executive Director for more than nine years. His appointment is subject to a separate resolution to be approved by Shareholders pursuant to Code B.2.3 of Part 2 of Appendix C1 of the Listing Rules. He has over 30 years of experience in auditing, taxation and financial management and had been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a Master Degree in Business Administration from the University of San Francisco, United States of America in 2000. He is also a fellow member of The Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants.

Over the years, Mr. Chau has gained an in-depth understanding of the Company's operations and business and has been providing objective views and independent guidance to the Company. Mr. Chau has not engaged in any executive management of the Group and has demonstrated the ability to provide an independent view on the Company's matters in different perspectives during his presence in the Board. The Board considers that the long services of Mr. Chau would not affect his exercise of independent judgement and is satisfied that he has the required integrity, skills and experience to continue to contribute meaningfully and objectively as an independent non-executive Director. The Board considers that the re-election of Mr. Chau as an independent non-executive Director is in the interest of the Company and the Shareholders as a whole.

Mr. Chau and Ms. Wu have confirmed in writing their independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules which also cover their immediate family members. Both the Nomination Committee and the Board are satisfied with their independence.

Mr. Chau and Ms. Wu have provided valuable contributions and insight to the Board. The Nomination Committee has considered the experience, skills and expertise of Mr. Chau and Ms. Wu as well as the overall board diversity according to the Board's diversity policy. The Board, based on the recommendation of the Nomination Committee, believes that Mr. Chau and Ms. Wu will continue to provide valuable insight and contribute to the diversity to the Board and should be re-elected.

The Nomination Committee has evaluated the performance of each of the retiring Directors during the year ended 31 March 2026 and found the performance of all of them satisfactory. Based on the recommendation of the Nomination Committee, the Board has recommended that the retiring Directors, namely Mr. Xu Yan, Ms. Wu, Mr. Li Zhong, Mr. Li Hao, Ms. Wang Xiaoqin and Mr. Chau stand for re-election as Directors at the AGM.

The biographical details of the Directors to be re-elected at the AGM are set out in Appendix I of this circular.

REAPPOINTMENT OF AUDITORS

The Board proposes to re-appoint Ernst & Young as the auditors of the Company for the financial year ending 31 March 2027, and to hold office until the conclusion of the next annual general meeting of the Company.

The estimated audit fee agreed with Ernst & Young for the audit of the consolidated financial statements of the Company and its subsidiaries for the year ending 31 March 2027 is expected to be in the range of approximately HK$6,770,600 to HK$7,189,400. This fee has been determined following arm's length negotiations between the Company and Ernst & Young, having regard to, among other factors, (i) the current structure and complexity of the Group's business and operations; (ii) the expected scope of audit work and reporting requirements; (iii) the anticipated audit timetable; (iv) the level of audit resources, which may be facilitated by technological advancements where necessary, and expertise required; and (v) adjustments for inflation, which are expected to be similar to the year ended 31 March 2026 in which the audit fee was HK$6,980,000. The estimated audit fee has also been determined on the assumption that there will be no material changes in the Group's structure, operations, accounting policies or regulatory environment during the financial year.

Unless there is a material change in the basis or assumptions set out above, the final audit fee is not expected to deviate materially from the estimated range. In the event of any material change, the Company will make further disclosure as appropriate.

The Board considers the estimated audit fee to be fair and reasonable based on the information currently available.

PROPOSED DECLARATION OF FINAL DIVIDEND

The Directors recommended a final dividend of HK13 cents (2025: HK15 cents) per Share, which is subject to the approval by the Shareholders at the AGM and will be payable on or about Friday, 13 November 2026 to the Shareholders whose names appear on the register of members on Tuesday, 27 October 2026 if so approved by the Shareholders.

The register of members will be closed from Monday, 26 October 2026 to Tuesday, 27 October 2026 both days inclusive, during which period no transfer of shares will be registered. The record date for the entitlement to the final dividend will be Tuesday, 27 October 2026. In order to qualify for entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Friday, 23 October 2026.

GRANT OF SHARE OPTIONS TO A DIRECTOR

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 AGM.

Details of the Share Options granted to Mr. Duan are set out below:

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) on the Date of Grant 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**"):

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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:

(i) 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

(ii) 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.

The Market Capitalisation Targets will not be adjusted to exclude the impact of corporate actions, including but not limited to the increase in the number of Shares. The Remuneration Committee has considered whether adjustments should be made to exclude the impact of corporate actions and is of the view that no such adjustments are necessary taking into consideration that market capitalisation represents the aggregate market value of the Company as assessed by investors with all relevant factors considered at the relevant time, which includes changes in the share capital structure of the Company, and that such adjustments were also not made by the Comparables. The Remuneration Committee considers that any corporate actions undertaken by the Company, such as equity fund raising, are typically implemented for commercial and strategic purposes which is undertaken to develop and expand the Group's business, improve liquidity or strengthen the financial position of the Group and therefore aims to promote the Company's overall value. By reason of the above, taking into consideration that the Market Capitalisation Targets encompasses the overall market value of the Company, the Remuneration Committee is of the view that not making adjustments to exclude the number of Shares as a result of corporate actions is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For the avoidance of doubt:

(i) 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.

(ii) 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. The vesting period will expire at the end of the exercise period, being 5 years from the Date of Grant (i.e. 29 June 2031). 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.
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 (as defined in the Share Option Scheme) 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 Latest Practicable Date, 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 before the Date of Grant.

Details of the Grant are as follows:

Name of grantee:	Position held within the Group:	Number of Share Options granted:	Approximate % to the total issued share capital of the Company (excluding treasury Shares) as at the Latest Practicable Date:
Mr. Duan	Chairman of the Board, executive Director and a substantial Shareholder	78,800,000	4.84%

In the event that Share Options granted to Mr. Duan are fully vested and exercised, Mr Duan's interest would be increased to approximately 30.85% of the enlarged total number of issued Shares (excluding treasury Shares and assuming that there are no changes to the issued share capital of the Company from the Latest Practicable Date to the date of the exercising of the Share Options). Accordingly, where the Share Options are fully exercised, it would give rise to an obligation to make a mandatory offer for Mr. Duan and Asset Full in accordance with Rule 26 of the Takeovers Code. Mr. Duan has no present intention to exercise the Share Options in full which will trigger the obligations under the Takeovers Code to make a mandatory offer or which will result in the amount of Shares held by the public being reduced to less than the prescribed minimum percentage of 25%.

Reasons for and benefits of the grant of Share Options

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

Mr. Duan was appointed on 28 January 2003 and has had a longstanding history with the Group of over 20 years. In particular, Mr. Duan has been in charge of the overall management, operations, development, strategic direction, corporate governance and long-term growth of the Group, which includes but is not limited to day-to-day management and high level decision making in relation to (i) driving expansion, acquisitions and restructuring of the Group; (ii) managing investments in urban public utilities and comprehensive water environmental renovation projects; (iii) facilitating the Group in navigating regulatory and municipal frameworks; and (iv) leading the financing, fundraising and environmental, social and governance strategies of the Group. Under the leadership of Mr. Duan throughout the years, the Group has, amongst others, (i) procured more installation and maintenance and construction works and implemented fast expanding pipeline direct drinking water supply projects in its pipeline direct drinking water supply business segment, which recorded an aggregate HK$1,626.3 million in profit in this segment for the five years ended 31 March 2026; (ii) procured more construction work driven by the supply-drainage integration and expansion of sewage treatment infrastructure in a national level petrochemical area the Group is serving in as part of its environmental protection business segment, which recorded an aggregate HK$2,448.2 million in profit in this segment for the five years ended 31 March 2026; and (iii) procured more construction work for water supply and sewage treatment projects in its main contractor construction business segment, which recorded an aggregate HK$2,640.1 million in profit in this segment for the five years ended 31 March 2026. Such development had led to the Group recording relatively stable net profit amounts of approximately HK$2,662 million for the year ended 31 March 2021, of approximately HK$2,977 million for the year ended 31 March 2022, approximately HK$3,088 million for the year ended 31 March 2023 and approximately HK$2,591 million for the year ended 31 March 2024.

Save for a slight decline in the net profit of the Group for the two years ended 31 March 2026, the Group's performance in its various business segments has maintained at a generally steady rate under the management and leadership of Mr. Duan, being the Chairman and the executive Director, during his longstanding tenure. Therefore, the granting of the Share Options to Mr. Duan, which feature the Market Capitalisation Targets, will continue to reward and motivate Mr. Duan for his unwavering support and contributions to the Group which shall in turn strengthen the Group's development.

Furthermore, throughout Mr. Duan's tenure, the Company has previously granted and the Shareholders have approved the granting of share options to Mr. Duan in 2014 and 2009 as an incentive for the work he has undertaken for the growth and development of the Group.

The details of the share options previously granted to Mr. Duan are as follows:

Date of grant:	Number of share options granted:	Percentage to the then total number of issued Shares:	Performance targets (if any):
12 January 2009	50,000,000	4.14%	N/A
3 October 2014	70,000,000	5.00%	N/A

Whilst the exercise of the share options previously granted to Mr. Duan were not subject to any performance targets, Mr. Duan had been a core member of the Group for more than 5 and 11 years respectively as at the dates of the above grants, and thus an integral part of the Group's development during its formative years. Having played such a vital role within the Group, whilst the share options did not have defined performance targets, the share options presented a means to incentivise and reward Mr. Duan for his continuous contributions to the Group and align the interests of Mr. Duan with the success of the Group without imposing substantial financial burden to the Group.

With reference to the above, the number of Share Options granted to Mr. Duan, being 78,800,000 Share Options which represents approximately 4.84% of the total number of issued Shares (excluding treasury Shares and assuming that there are no changes to the issued share capital of the Company from the Latest Practicable Date to the date of the exercising of the Share Options), falls within the range of the previous grants of share options to Mr. Duan as compared to the then total number of issued Shares and is comparable to the number of share options granted to individual directors of the Comparables in the recent period. Taking such into account, the Remuneration Committee is of the view that the grant of the Share Options to Mr. Duan and the size of the Share Options granted to Mr. Duan is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is expected that where each of the Market Capitalisation Targets are met, the value of the Share Options, as calculated by the market capitalisation amount at each tier of the Market Capitalisation Targets divided by the total number of issued Shares as at the Latest Practicable Date (being 1,626,712,346 Shares, assuming that there are no other changes to the issued share capital of the Company) and multiplied by the number of Share Options at each tier after deduction of the exercise price, is as follows:

Tier:	Market capitalisation:	Theoretical Share price:	Value of the Share Options at each tier after deduction of the exercise price:
1	HK$8,000,000,000	HK$4.92	HK$6,461,600
2	HK$8,500,000,000	HK$5.23	HK$11,347,200
3	HK$9,000,000,000	HK$5.53	HK$16,075,200
4	HK$9,500,000,000	HK$5.84	HK$20,960,800
5	HK$10,000,000,000	HK$6.15	HK$25,846,400

The grant of the Share Options to Mr. Duan forms part of his remuneration package. Taking the above demonstration of the value of the Share Options, the continuous contributions of Mr. Duan to the Group over the past 20 years and his responsibilities within the Group, as an addition to his cash remuneration as a Director, the grant of the Share Options will encourage Mr. Duan to work towards enhancing the value of the Company and the Shares for the benefit of the Company and Shareholders as a whole by continuously contributing his knowledge, expertise and strategic guidance to the Group in building the long-term success of the Group. Whilst the cash remuneration to Mr. Duan as a Director, which included his Director's fee and bonus, has been reduced from HK$22,038,000 per annum to HK$4,168,000 per annum in the last 5 years due to Mr. Duan's willingness to reduce the Group's cash outflow, the Board and the Remuneration Committee consider that the Share Options which feature the Market Capitalisation Targets and links the performance of the Group to Mr. Duan's efforts, acts as an alternative form of compensation to incentivise and reward Mr. Duan for his contributions to the Group. In particular, the Remuneration Committee took into account that (i) Mr. Duan has been in charge of the overall management, operations, development, strategic direction, corporate governance and long-term growth of the Group and has led the Group to record significant increases in profit and operations in its business segments as set out above; (ii) other alternative means to compensate Mr. Duan, such as lump sum cash bonuses and remuneration increment would increase the cash outflow to be incurred by the Group, whilst the granting of Share Options enables the Group to conserve its cash resources while serving the purposes of rewarding and incentivising Mr. Duan; (iii) despite the reduction in Mr. Duan's cash remuneration by HK$17,870,000 in the last 5 years, Mr. Duan has previously also been granted share options representing 4.14% and 5.0% respectively of the then total number of issued Shares as part of his remuneration package; and (iv) the Share Options can only be exercised and meet the requisite value as set out above if the Market Capitalisation Targets are met, thereby providing further incentives to Mr. Duan. Therefore, by reason of the above, the Remuneration Committee is of the view that the current remuneration package of Mr. Duan is commensurate with his roles and responsibilities in the Company and is consistent with Mr. Duan's historical remuneration package.

As such, the Board and the Remuneration Committee are of the view that the grant of the Share Options, which include the Market Capitalisation Targets, will effectively incentivise Mr. Duan by better aligning his interests with those of the success of the Group, and ultimately, the Shareholders and act as a long-term incentive to motivate him to continuously drive positive results for the Group and its Shareholders. Such grants are comparable to the Comparables and aligns Mr. Duan's personal interests with the Group's long-term strategy and value to Shareholders, thereby ensuring the sustainability of the development and expansion of the Group.

The Board is of the view that adopting the Market Capitalisation Target as a performance target reflects the Company's overall value creation. In reaching such conclusion, the Board (including the Remuneration Committee) has reviewed the historical relationship between the Company's market capitalisation and its financial and operational performance over the past five financial years ended 31 March 2026, and is of the view that the market capitalisation of the Company must be taken as a whole, and each factor contributing to the same cannot be viewed independently as a standalone influence on the market capitalisation of the Company. The price of the Shares is a market-driven reflection of the overall value of the Company, including the Group's profitability, sustainable growth prospects, capital allocation efficiency, risk management, competition positioning within the industry, management credibility, and the strength of its corporate government framework. The active effort to strengthen the price of the Shares, and as a result, the market capitalisation of the Company, requires joint efforts of the Group in procuring the Group's improvement in these aspects. Attaining the prescribed Market Capitalisation Targets would support sustained growth of the Company, which in turn, is expected to materially enhance the Group's overall financial flexibility and operational capability, as well as financial performance. A higher market capitalisation brought about by higher market price of the Shares empowers the business expansion of the Group's existing core business by strengthening the Group's standing and bargaining power within the industry chain, and thus facilitates the Group in the establishment of long-term business collaboration and strategic partnerships. Moreover, higher market prices of the Shares are expected to create long-term value to the Group and its Shareholders by enhancing investor confidence, customer trust and market visibility, improving the Shares' liquidity in the market and market capitalisation growth. The market capitalisation of the Company must be viewed holistically, taking into account the collective effective of all such aspects described above.

Furthermore, the Board (including the Remuneration Committee) also took into account that over the past five years, the fluctuations in the Company's market capitalisation, which demonstrated a gradual decline from approximately HK$11,916 million as at 30 June 2022, to approximately HK$9,663 million as at 30 June 2023 and to approximately HK$8,194 million as at 28 June 2024, followed by a recovery to approximately HK$10,232 million as at 30 June 2025 and to approximately HK$7,125 million as at 30 June 2026, considerably mirrored the movements in the financial conditions of the Company as a whole as set out below:

	For the year ended 31 March 2022	**For the year ended 31 March 2023**	**For the year ended 31 March 2024**	**For the year ended 31 March 2025**	**For the year ended 31 March 2026**
Profit for the year *(HK$'000)*	2,977,129	3,088,345	2,591,357	2,028,078	1,784,097
Operating cash flow *(HK$'000)*	3,662,282	3,466,466	2,777,301	3,393,646	1,416,473
Dividend per Share *(HK$)*	0.34	0.34	0.28	0.28	0.26
Earnings per Share *(HK$)*	1.17	1.14	0.94	0.66	0.61
Gross profit margin *(%)*	38.32	37.66	37.14	37.79	34.43

The above demonstrates that the market capitalisation of the Company considerably follows the trend of the financial position and operation of the Company and thus illustrates an all encompassing view on the Group's development throughout the years.

Although market capitalisation of the Company is influenced by a multitude of internal and external factors and is not determined solely by the performance of Mr. Duan, it serves as a comprehensive and forward-looking indicator of the Company's overall value creation, reflecting investors' collective assessment of the Group's profitability, sustainable growth prospects, capital allocation efficiency, risk management, competitive positioning within the industry, management credibility, and the strength of its corporate governance framework.

While the Board (including the Remuneration Committee) acknowledges that market capitalisation may be affected by external factors, including macroeconomic conditions, market sentiment, liquidity of the Shares and geopolitical developments which are outside the control of the Company, the Board (including the Remuneration Committee) considers that the above analysis demonstrates that, when viewed over a multi year horizon, the Company's market capitalisation has generally reflected various aspects of the Group's performance such as share price, net profit and revenue, and also encapsulates investors' sentiment of the Group's financial performance and business prospects. As the Market Capitalisation Targets reflects and encapsulates various facets of the Group's overall performance, the Board (including the Remuneration Committee) were of the view that adoption of other standalone performance indicators such as share price, net profits or revenue taken on its own would not be appropriate as it would present a one-dimensional view on the development of the Group. The Board (including the Remuneration Committee) acknowledges that market capitalisation is not intended to function as a precise or standalone performance target, but rather as a high-level, forward-looking and aggregated indicator that captures investors' overall expectations of the Company's sustainability and long-term prospects, particularly when considered together with other financial and operational targets.

As the chairman of the Board and an executive Director, Mr. Duan plays a pivotal leadership role in shaping and driving the Group's strategic direction. This includes spearheading key initiatives such as cost optimisation programmes, the divestment or turnaround of under-performing assets, operational streamlining, and the enhancement of financial discipline and efficiency across the organisation. The Board is firmly of the view that successful execution of these strategies under Mr. Duan's stewardship will materially contribute to the Group's intrinsic value and, over time, be reflected in a higher market capitalisation. By linking a significant portion of his incentive awards to this metric, the Company reinforces direct accountability and motivation for delivering tangible, long-term Shareholders' returns.

The Board considers the Market Capitalisation Targets to be a clear, transparent, and objectively measurable performance benchmark. Upon their achievement, the targets will be deemed satisfied without requiring further subjective qualitative assessment or attribution analysis. This approach minimises ambiguity, enhances governance robustness, and aligns management incentives with shareholders' outcomes.

The Board fully recognises that external factors, such as macroeconomic conditions (including interest rate movements and inflation), market sentiment, industry cycles, share liquidity, and geopolitical developments, may influence share price performance and are not always within the direct control of the Company or its management. However, market capitalisation remains one of the most holistic and reliable indicators available. It encapsulates investors' holistic evaluation of the Company's operational execution, financial resilience, strategic positioning, sustainability credentials, and long-term growth potential.

Based on the issued share capital of the Company as at the Latest Practicable Date and assuming no further issuance or allotment of Shares, achievement of the Market Capitalisation Targets would imply share prices of approximately HK$4.92, HK$5.23, HK$5.53, HK$5.84 and HK$6.15 for Tier 1 to Tier 5 respectively. This represents a substantial uplift of more than 12.32% to 40.41% over the closing share price of HK$4.38 as at the Date of Grant. The Board believes this ambitious yet attainable threshold appropriately challenges and rewards exceptional performance while remaining realistic given Mr. Duan's strategic mandate and the Group's potential.

As such, the Board and the Remuneration Committee consider that the grant of the Share Options and the Market Capitalisation Targets 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.

Other market comparables

For the purpose of considering whether adoption of the Market Capitalisation Targets are broadly in line with market practice amongst other companies listed on the Stock Exchange, the Board has conducted a market review based on publicly available information on the website of the Stock Exchange. The Group, on a best effort basis, has identified certain comparable grants (the "**Comparables**") which have adopted market capitalisation or share price-linked metrics as performance targets for the vesting of share options or similar equity-linked awards, as summarised below:

Date of announcement	Company (stock code)	Grantee	Approximate percentage of the share options/ awards granted to the number of issued shares of the company	Market capitalisation/ share price as at date of grant	Target increase in market capitalisation
8 April 2026	Vala Inc. (2051)	Directors and employees	8% (of which, among others, 4% granted to an individual director)	Approximately HK$1,076 million at a share price of HK$0.66	Approximately 355% to 1,718% increase
28 January 2026	Zhejiang Taimei Medical Technology Co., Ltd. (2576)	Directors and employees	10% of H shares (of which, among others, 3.03% of H shares granted to an individual director)	Approximately HK$2,739 million at a share price of HK$4.86	Approximately 27% to 100% increase
26 March 2026	Wanka Online Inc. (1762)	Directors and senior management	0.74%	Approximately HK$3.351 billion at a share price of HK$1.71	Approximately 19% to 258% increase

Date of announcement	Company (stock code)	Grantee	Approximate percentage of the share options/ awards granted to the number of issued shares of the company	Market capitalisation/ share price as at date of grant	Target increase in market capitalisation
29 July 2025	Cornerstone Technologies Holdings Limited (8391)	Directors and senior management	12.35% (of which, among others, 4.75% granted to an individual director)	Approximately HK$429.1 million at a share price of HK$0.45	Approximately 133% increase
12 June 2025	VISEN Pharmaceuticals (2561)	Director	0.38%	Approximately HK$5,497 million at a share price of HK$48.25	50% to 200% increase

As illustrated by the Comparables, both the size of grants and the targeted increase thresholds vary considerably depending on the relevant issuers' specific circumstances and operations. In particular, the Market Capitalisation Targets adopted by the Company aims for a steady and reasonably achievable increase in its market capitalisation. The Board considers that such Market Capitalisation Targets, which demonstrate progressive growth in the Company's market capitalisation will motivate Mr. Duan in leading the Group to sustained improvements in the Group's overall performance, financial position and market perception.

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 of the Share Option Scheme 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 of the Share Option Scheme, 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 or 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 AGM. As at the Latest Practicable Date, no such person has indicated its intention to vote against the relevant resolutions at the AGM.

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 AGM. 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 AGM.

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 Latest Practicable Date (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 Latest Practicable Date.

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	9,052,000
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 Latest Practicable Date, no other Shareholder is required to abstain from voting on or in favour of the resolution(s) to be proposed at the AGM in respect of the grant of the Share Options to Mr. Duan.

ANNUAL GENERAL MEETING

Set out on pages 33 to 37 of this circular is the AGM Notice at which ordinary resolutions will be proposed to approve, among others, (i) the Issue Mandate, the Repurchase Mandate and the Extension Mandate; (ii) re-election of retiring Directors; (iii) the further appointment of an independent non-executive Director who has served for more than nine years; (iv) the reappointment of auditors of the Company; (v) the proposed declaration of final dividend; and (vi) the grant of Share Options to Mr. Duan.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the AGM will be voted by poll.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the AGM.

ACTION TO BE TAKEN

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you intend to attend the AGM, you are advised to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not less than 48 hours before the time fixed for holding the meeting (i.e. 26 September 2026 at 10:00 a.m.) or any adjournment thereof. Completion and delivery of the proxy form will not preclude Shareholders from attending and voting in person at the AGM if they so wish.

The register of members will be closed from Wednesday, 23 September 2026 to Monday, 28 September 2026 (or to Wednesday, 30 September 2026, in the event that the AGM is to be held on Wednesday, 30 September 2026 because of a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above, or "extreme conditions" announced by the Hong Kong Government) (both days inclusive), during which period no transfer of Shares will be registered, in order to determine the entitlement to attend the AGM. All holders of Shares whose names appear on the register of members of the Company on Monday, 28 September 2026, being the record date, will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 22 September 2026.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Board considers that the proposed declaration of final dividend, the Issue Mandate (including the Extension Mandate), the Repurchase Mandate, the re-election of retiring Directors, the further appointment of an independent non-executive Director who has served for more than nine years, the reappointment of auditors of the Company and the grant of Share Options to Mr. Duan are all in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully
By order of the Board
China Water Affairs Group Limited
DUAN CHUAN LIANG
Chairman

The following are the particulars of the retiring Directors proposed to be re-elected at the AGM:

Executive Director

Mr. Li Zhong, JP, aged 57, graduated from the Beijing University of Chemical Technology with a major in Polymer Materials, and obtained a Master Degree in Business Administration from Saint Mary's University of Canada in 1998. He held various key positions with central state-owned enterprises and well-known multinational enterprises. Since 2002, he has dedicated himself to urban public utilities with a focus on water affairs, as well as the investment, management and operation of infrastructure projects. Mr. Li Zhong serves as executive director of the China Overseas Friendship Association, the honorary chairman of the Hong Kong Volunteers Association and a Hong Kong member of the standing committee of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Li Zhong is also an executive director of Kangda International Environmental Company Limited (stock code: 6136), which is listed on the main board of the Stock Exchange. He is currently an independent director of Konka Group Co., Ltd. (stock code: 000016, 200016), which is listed on the Shenzhen Stock Exchange. He joined the Group in 2015.

Mr. Li Zhong and the Company have entered into a service contract. His appointment has no fixed term and is subject to retirement and re-election at the annual general meeting of the Company. Mr. Li Zhong is entitled to an annual remuneration of HK$2,643,000 which was determined based on market rate and the time, effort and expertise to be exercised on the Group's affairs. As at the Latest Practicable Date, Mr. Li Zhong was interested in 37,813,457 Shares of which 29,207,457 Shares were held through his spouse and 8,606,000 Shares were held by Mr. Li Zhong personally.

As at the Latest Practicable Date, save as disclosed herein, (i) Mr. Li Zhong does not hold any position in the Company or any of its subsidiaries nor does he have any relationship with any Director, senior management or substantial or controlling Shareholders of the Company; (ii) Mr. Li Zhong has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years or other major appointments and professional qualifications; and (iii) Mr. Li Zhong does not have, and is not deemed to have, any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO.

Save as disclosed herein, there are no other matters relating to the re-election of Mr. Li Zhong that needs to be brought to the attention of the Shareholders nor is there any information relating to Mr. Li Zhong that is required to be disclosed pursuant to Rules 13.51(2)(h) to (2)(v) of the Listing Rules.

Non-Executive Directors

Mr. Xu Yan ("**Mr. Xu**"), aged 51, graduated from Northeastern University with a doctorate. He has worked for Dalian Development and Reform Commission and served as senior management in various state-owned and private enterprises. He joined ORIX Group in 2022. ORIX Corporation ("**ORIX**") is a substantial shareholder of the Company. Mr. Xu is currently the Co-President of ORIX (China) Industrial Holdings Co., Ltd. and the Executive President of 大連金融產業投資集團有限公司 (Dalian Financial & Industry Investment Group Co., Ltd*). He is also a director of 北京東方中科集成科技股份有限公司 (Beijing Oriental Zhongke Integrated Technology Co., Ltd*) (stock code: 002819.SZ) and 山東新葉化學股份有限公司 (Shandong Newleaf Chemical Co., Ltd*) (stock code: 002476.SZ), the shares of which are listed on the Shenzhen Stock Exchange. He joined the Group in 2025.

There is no service contract between Mr. Xu and the Company. His appointment has no fixed term and is subject to retirement and re-election at the annual general meeting of the Company. Mr. Xu is entitled to an annual remuneration of HK$100,000 which was determined based on market rate and the time, effort and expertise expended on the Group's affairs. As at the Latest Practicable Date, Mr. Xu was interested in 100,000 shares of the Company.

As at the Latest Practicable Date, save as disclosed herein, (i) Mr. Xu does not hold any position in the Company or any of its subsidiaries nor does he have any relationship with any Director, senior management or substantial or controlling Shareholders of the Company; (ii) Mr. Xu has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years or other major appointments and professional qualifications; and (iii) Mr. Xu does not have, and is not deemed to have, any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO.

Save as disclosed herein, there are no other matters relating to the re-election of Mr. Xu that needs to be brought to the attention of the Shareholders nor is there any information relating to Mr. Xu that is required to be disclosed pursuant to Rules 13.51(2)(h) to (2)(v) of the Listing Rules.

Mr. Li Hao, aged 44, holds a Bachelor degree from Dalian University of Technology and a Master of Business Administration degree in Finance from Waseda University, Japan. Mr. Li Hao served the role of the executive officer (responsible for Greater China Group) and general manager of Greater China Group at ORIX, a diversified financial services company and whose shares are listed on both Tokyo Stock Exchange and New York Stock Exchange. He is also a non-executive director of Beijing Energy International Holding Co., Ltd. (stock code: 686), an executive director and the vice chairman of the board of directors of Shoucheng Holdings Limited (stock code: 697), whose shares are both listed on the main board of the Stock Exchange. He joined the Group in 2024.

There is no service contract between Mr. Li Hao and the Company. His appointment has no fixed term and is subject to retirement and re-election at the annual general meeting of the Company. Mr. Li Hao is entitled to an annual remuneration of HK$100,000 which was determined based on market rate and the time, effort and expertise to be exercised on the Group's affairs.

As at the Latest Practicable Date, save as disclosed herein, (i) Mr. Li Hao does not hold any position in the Company or any of its subsidiaries nor does he have any relationship with any Director, senior management or substantial or controlling Shareholders of the Company; (ii) Mr. Li Hao has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years or other major appointments and professional qualifications; and (iii) Mr. Li Hao does not have, and is not deemed to have, any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO.

Save as disclosed herein, there are no other matters relating to the re-election of Mr. Li Hao that needs to be brought to the attention of the Shareholders nor is there any information relating to Mr. Li Hao that is required to be disclosed pursuant to Rules 13.51(2)(h) to (2)(v) of the Listing Rules.

Ms. Wang Xiaoqin ("**Ms. Wang**"), aged 53, non-executive director of the Company and directors of certain subsidiaries of the Company. Ms. Wang was graduated from the Shenzhen University majoring in International Finance, and obtained a Master Degree in Business Administration from the University of Ballarat in Australia. She has held senior management position in finance and technology companies, and has extensive experience in such fields. She is currently a director of 清研環境科技股份有限公司 (Qingyan Environmental Technology Co., Ltd.*) (stock code: 301288.SZ) which is listed on the Shenzhen Stock Exchange. She joined the Group in 2004.

There is no service contract between Ms. Wang and the Company. Her appointment will be for a term of three years and is subject to retirement and re-election at the annual general meeting of the Company. Ms. Wang is entitled to an annual remuneration of HK$2,647,000 which was determined based on market rate and the time, effort and expertise to be exercised on the Group's affairs. As at the Latest Practicable Date, Ms. Wang was interested in 9,052,000 Shares.

As at the Latest Practicable Date, save as disclosed herein, (i) Ms. Wang does not hold any position in the Company or any of its subsidiaries nor does he have any relationship with any Director, senior management or substantial or controlling Shareholders of the Company; (ii) Ms. Wang has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years or other major appointments and professional qualifications; and (iii) Ms. Wang does not have, and is not deemed to have, any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO.

Save as disclosed herein, there are no other matters relating to the re-election of Ms. Wang that needs to be brought to the attention of the Shareholders nor is there any information relating to Ms. Wang that is required to be disclosed pursuant to Rules 13.51(2)(h) to (2)(v) of the Listing Rules.

Independent Non-executive Directors

Ms. Wu Zhijun ("Ms. Wu"), aged 53, independent non-executive director of the Company, the member of the audit committee and Remuneration Committee and Nomination Committee of the Company. Ms. Wu holds a Bachelor of Science degree from Peking University and an MBA from the Wharton School of the University of Pennsylvania. Ms. Wu has 20 years of experience in debt capital markets, having worked at several international investment banks in New York and Hong Kong. She previously served as Managing Director at Morgan Stanley, where she was responsible for the bank's China debt capital markets business. Prior to entering investment banking, Ms. Wu worked at AT&T Labs in the United States. She joined the Group in 2026.

There is no service contract between Ms. Wu and the Company. Her appointment has no fixed term and is subject to retirement and re-election at the annual general meeting of the Company. Ms. Wu is entitled to an annual remuneration of HK$300,000 which was determined based on market rate and the time, effort and expertise to be exercised on the Group's affairs.

As at the Latest Practicable Date, save as disclosed herein, (i) Ms. Wu does not hold any position in the Company or any of its subsidiaries nor does she have any relationship with any Director, senior management or substantial or controlling Shareholders of the Company; (ii) Ms. Wu has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years or other major appointments and professional qualifications; and (iii) Ms. Wu does not have, and is not deemed to have, any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO.

Save as disclosed herein, there are no other matters relating to the re-election of Ms. Wu that needs to be brought to the attention of the Shareholders nor is there any information relating to Ms. Wu that is required to be disclosed pursuant to Rules 13.51(2)(h) to (2)(v) of the Listing Rules.

Mr. Chau Kam Wing ("**Mr. Chau**"), aged 63, independent non-executive director of the Company, the chairman of the audit committee and Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Chau has over 30 years of experience in auditing, taxation and financial management and had been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a Master Degree in Business Administration from the University of San Francisco, United States of America ("**USA**") in 2000. He is also a fellow member of The Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in 2007. Mr. Chau is currently the finance director of Winox Holdings Limited (stock code: 6838), an independent non-executive director of Carpenter Tan Holdings Limited (stock code: 837), Kangda International Environmental Company Limited (stock code: 6136) and Ching Lee Holdings Limited (stock code: 3728), all of which are listed on the main board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Eco-Tek Holdings Limited (stock code: 8169) which is listed on the GEM of the Stock Exchange.

There is no service contract between Mr. Chau and the Company. His appointment has no fixed term and is subject to retirement and re-election at the annual general meeting of the Company. Mr. Chau is entitled to an annual remuneration of HK$348,000 which was determined based on market rate and the time, effort and expertise to be exercised on the Group's affairs.

As at the Latest Practicable Date, save as disclosed herein, (i) Mr. Chau does not hold any position in the Company or any of its subsidiaries nor does he have any relationship with any Director, senior management or substantial or controlling Shareholders of the Company; (ii) Mr. Chau has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years or other major appointments and professional qualifications; and (iii) Mr. Chau does not have, and is not deemed to have, any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations which is required to be disclosed under Part XV of the SFO.

Save as disclosed herein, there are no other matters relating to the re-election of Mr. Chau that needs to be brought to the attention of the Shareholders nor is there any information relating to Mr. Chau that is required to be disclosed pursuant to Rules 13.51(2)(h) to (2)(v) of the Listing Rules.

The Appendix serves as an explanatory statement, as required by the Listing Rules, to provide information to you with the requisite information to make an informed decision whether to vote for or against the resolution to approve the grant of the Repurchase Mandate to the Directors at the AGM.

1. STOCK EXCHANGE RULES FOR REPURCHASES OF SHARES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions.

The Listing Rules provide that all proposed repurchases of shares by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the shares to be repurchased must be fully paid up. A maximum of 10% of the number of issued Shares as to the date of passing the relevant resolution may be repurchased on the Stock Exchange.

2. FUNDING OF REPURCHASES

Any repurchase will be funded entirely from the Company's available cashflow or working capital facilities and will, in any event, be made out of funds which are legally available for the repurchase in accordance with the memorandum and Bye-laws of the Company and the Companies Act 1981 of Bermuda. Any repurchases will be made out of funds of the Company legally permitted to be utilised in this connection. Such fund may include profits available for distribution and proceeds of a new issue of Shares made for the purpose of the repurchases. In addition, under the laws of Bermuda and other applicable laws and regulations, no repurchase of the Company's Shares may be effected if, on the date on which the repurchase is to be effected, there are reasonable grounds for believing that the Company is, or after the repurchase would be, unable to pay its liabilities as they become due.

As compared with the financial position of the Company as at 31 March 2026 (being the date of its latest audited accounts), the Directors consider that there should not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing position which in the opinion of the Directors are from time to time appropriate for the Company.

3. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,626,712,346 Shares (excluding treasury Shares). Subject to the passing of the relevant ordinary resolutions to approve the general mandates to repurchase Shares and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 162,671,234 Shares representing 10% of the number of issued Shares of the Company (excluding treasury Shares) as at the date of passing the relevant resolution.

4. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

The Company may cancel any Shares it repurchased and/or hold them as treasury Shares subject to market conditions and the Group's capital management needs at the relevant time of the repurchases.

To the extent that any treasury Shares are deposited with the CCASS pending resale on the Stock Exchange, the Company will adopt appropriate measures to ensure that it does not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in the Company's own name as treasury Shares. These measures may include approval by the Board that (i) the Company will not (or will procure its broker not to) give any instructions to HKSCC to vote at general meetings for the treasury Shares deposited with CCASS; and (ii) in the case of dividends or distributions, the Company will withdraw the treasury Shares from CCASS, and either re-register them in its own name as treasury Shares or cancel them, in each case before the record date for the dividends or distributions.

5. COMPLIANCE BY THE DIRECTORS

The Directors will exercise the Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Bermuda and in accordance with the memorandum and Bye-laws of the Company. The Directors confirm that neither this Explanatory Statement nor the proposed share repurchase under the Repurchase Mandate has unusual features.

6. EFFECT OF THE TAKEOVERS CODE

If as a result of the repurchases of Shares, a Shareholder's proportionate interest in the voting rights of the Company increase, such increase will be treated as an acquisition of voting rights for the purpose of the Rule 32 of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 and Rule 32 of the Takeovers Code. As at the Latest Practicable Date, Asset Full and Mr. Duan, which together held 447,311,901 Shares of the Company, representing approximately 27.50% of the total number of issued Shares (excluding treasury Shares), and ORIX Corporation which held 445,136,277 Shares, representing approximately 27.36% of the total number of issued Shares of the Company (excluding treasury Shares), are the largest substantial Shareholders. In the event that the Repurchase Mandate is exercised in full, Mr. Duan's interest would be increased to approximately 30.55% and ORIX Corporation's interest would be increased to 30.40% of the total number of issued Shares of the Company (excluding treasury Shares). Accordingly, the Directors consider that the exercise in full of the power to repurchase Shares under the Repurchase Mandate will give rise to an obligation to make a mandatory offer for Asset Full and Mr. Duan and ORIX Corporation in accordance with Rule 26 of the Takeovers Code. The Directors have no present intention to repurchase Shares to an extent that will trigger the obligations under the Takeovers Code to make a mandatory offer or which will result in the amount of the Shares held by the public being reduced to less than the prescribed minimum percentage of 25%.

7. DIRECTORS, THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS

To the best of the Directors' knowledge and belief, after having made all reasonable enquiries, none of the Directors nor any of their respective close associates have any present intention, in the event that the proposed Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company.

No core connected person of the Company has notified the Company that he/she/it has a present intention to sell any Shares to the Company nor has he/she/it undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Repurchase Mandate is approved by the Shareholders.

8. REPURCHASES OF SHARES BY THE COMPANY

The Company has not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

9. THE SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months and the current month (up to the Latest Practicable Date prior to the printing of this circular) were as follows:

	Share Prices	
	Highest	**Lowest**
	HK$	*HK$*
2025		
August	6.31	6.02
September	6.25	5.77
October	6.71	5.93
November	6.52	5.75
December	5.94	5.16
2026		
January	5.71	5.18
February	5.61	5.23
March	5.54	4.80
April	5.06	4.75
May	5.20	4.61
June	4.85	4.30
July	4.80	4.36
August (up to the Latest Practicable Date)	4.69	4.41

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)

NOTICE IS HEREBY GIVEN that an annual general meeting of China Water Affairs Group Limited (the "**Company**") will be held at 10:00 a.m. on 28 September 2026 at Suite 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (or, in the event that a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above, or "extreme conditions" announced by the Hong Kong Government is/are in force in Hong Kong at 9:00 a.m. on that day, at the same time and place on 30 September 2026) for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors (the "**Director(s)**") and the Auditors of the Company for the year ended 31 March 2026.

2. To declare a final dividend.

3. (i) To re-elect Mr. Li Zhong as executive Director;

   (ii) To re-elect Mr. Xu Yan as non-executive Director;

   (iii) To re-elect Mr. Li Hao as non-executive Director;

   (iv) To re-elect Ms. Wang Xiaoqin as non-executive Director;

   (v) To re-elect Ms. Wu Zhijun as independent non-executive Director; and

   (vi) To re-elect Mr. Chau Kam Wing, who has served more than nine years, as independent non-executive Director.

4. To authorise the board (the "**Board**") of Directors to fix the Directors' remunerations.

5. To consider and, if thought fit, reappoint Ernst & Young as auditors and to authorise the Board to fix their remuneration.

As special business, to consider and, if thought fit, pass the following resolutions, which will be proposed with or without amendments, as ordinary resolutions:

ORDINARY RESOLUTIONS

6. "**THAT**

(A) subject to paragraph (C) of this resolution below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares (including any sale or transfer of treasury shares) in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(B) the Directors be and are hereby authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;

(C) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs (A) and (B) of this resolution above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company or an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the bye-laws of the Company, shall not exceed 20% of the number of issued shares (excluding any treasury shares) of the Company at the time of passing this resolution; and

(D) for the purposes of this resolution:

"**Relevant Period**" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and bye-laws of the Company or the applicable laws of Bermuda to be held; or

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"**Rights Issue**" means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange)."

7. "**THAT**

(A) subject to paragraph (C) of this resolution below, the exercise by the directors of the Company ("**Directors**") during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to repurchase such shares are subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby, generally and unconditionally approved;

(B) the approval in paragraph (A) of this resolution above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its shares at a price determined by the Directors;

(C) the aggregate number of shares of the Company repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (A) of this resolution above during the Relevant Period shall not exceed 10% of the number of issued shares (excluding any treasury shares) of the Company as at the time of passing this resolution; and

(D) for the purposes of this resolution:

"**Relevant Period**" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and bye-laws of the Company or the applicable laws of Bermuda to be held; or

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

8. "**THAT** conditional upon the passing of the ordinary resolution nos. 6 and 7 in the notice convening the annual general meeting of the Company, the aggregate number of shares of the Company which are repurchased by the Company pursuant to and in accordance with the said ordinary resolution no. 7 shall be added to the aggregate number of shares of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the directors of the Company pursuant to and in accordance with ordinary resolution no. 6 as set out in the notice of the annual general meeting of the Company."

9. "**THAT** the conditional grant of share options carrying the rights to subscribe for up to 78,800,000 new shares of the Company (the "**Share(s)**") upon exercise to Mr. Duan Chuan Liang, the chairman of the Board, an executive Director and a substantial shareholder of the Company, under the share option scheme adopted by the Company on 9 September 2022 at an exercise price of HK$4.51 per Share on the terms set out in the circular of the Company dated 28 August 2026 be and is hereby approved and that any one Director be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing."

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

Hong Kong, 28 August 2026

As at the date of this notice, 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, Ms. Ho Ping, Mr. Xiao Zhe and Ms. Wu Zhijun.

Notes:

1. A member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy representing either an individual member or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised.

3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority shall be deposited to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not less than 48 hours before the time fixed for holding the meeting (i.e. 26 September 2026 at 10:00 a.m.).

4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened or upon the poll concerned and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any Shares, any one of such joint holders may vote either personally or by proxy in respect of such Shares as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.

6. The register of members will be closed from Wednesday, 23 September 2026 to Monday, 28 September 2026 (or to Wednesday, 30 September 2026, in the event that the AGM is to be held on Wednesday, 30 September 2026 because of a black rainstorm warning signal, a tropical cyclone warning signal no. 8 or above, or "extreme conditions" announced by the Hong Kong Government) (both days inclusive), during which period no transfer of Shares will be registered. All holders of Shares whose names appear on the register of members of the Company on Monday, 28 September 2026, being the record date, will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 22 September 2026.

* *For identification purpose only*