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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 securities 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 transfer was effected for transmission to the purchaser or the transferee.

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中國水務集團有限公司*
China Water Affairs Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 855)

**PROPOSED PLACING OF NON-LISTED WARRANTS
UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

Unless the context otherwise requires, capitalised terms used in this circular (including this cover page) shall have the same meanings as those defined in the section headed “Definitions” of this circular.

A notice convening the SGM to be held at Suit 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, at 10:00 a.m. on Thursday, 18 June 2026 is set out on pages SGM-1 to SGM-3 of this circular. A proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked. Such form of proxy for use at the SGM is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinawatergroup.com). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

13 May 2026

* For identification purposes only

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 1 April 2026 in relation to, among others, the Warrant Placing
“Board”	Board of Directors of the Company
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	China Water Affairs Group Limited, an exempted company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the securities of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the subscription of the Warrants pursuant to the Warrant Placing Agreement
“Completion Date”	the fifth (5th) Business Day after the day on which the conditions precedent of the Warrant Placing Agreement have been fulfilled (or such later date as may be agreed between the Company and the Placing Agent) on which the Completion shall take place pursuant to the Warrant Placing Agreement
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Exercise Period”	the period during which the Subscription Rights attaching to the Warrants may be exercised at any time, being a period of 36 months commencing from the date of issue of the Warrants
“Group”	the Company and its subsidiaries and the expression “member(s) of the Group” shall be construed accordingly
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person or persons who is independent of and not connected with the Company or any of its associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange);

DEFINITIONS

“Independent Valuer”	Ravia Global Appraisal Advisory Limited, an independent professional valuer commissioned by the Company for the purpose of conducting valuation of the Warrants
“Instrument”	the deed poll constituting the Warrants to be executed by the Company, in the form or substantially in the form set out in the Warrant Placing Agreement
“Last Trading Day”	1 April 2026
“Latest Practicable Date”	8 May 2026, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing Agent”	First Shanghai Securities Limited, the placing agent appointed by the Company and a licensed corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“PRC”	the People’s Republic of China which, and for the sole purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at Suit 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 18 June 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 Monday, 22 June 2026) or at any adjournment thereof for the purpose of considering and, if thought fit, the Warrant Placing Agreement and the transactions contemplated thereunder including the issue of the Warrants and the grant of the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Specific Mandate”	the specific mandate to be granted to the Directors by the Shareholders at the SGM for allotment and issue of the Warrant Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Rights”	the rights of the Warrantholder represented by the Warrants to subscribe for Shares pursuant to the Warrants, and, in relation to each Warrant, means the rights of the Warrantholder in respect of such Warrant to subscribe for one Share pursuant to such Warrant
“Subscription Shares”	up to 130,000,000 new Shares to be allotted and issued by the Company upon the full exercise by the holder of the Warrants of the subscription rights attached to the Warrants
“Warrant(s)”	up to 130,000,000 non-listed warrants to be issued by the Company, in registered form, entitling the holder thereof to subscribe for up to 130,000,000 new Shares at an initial subscription price of HK\$7.02 per Share subject to adjustment, at any time during the period of 36 months from the date of issue of the Warrants, subject to the terms and conditions set out in the Instrument
“Warrant Exercise Price”	an initial exercise price of HK\$7.02 per Warrant Share (subject to adjustment) at which holder of the Warrants may subscribe for the Warrant Share(s)
“Warrant Placee(s)”	any person or entity whom the Placing Agent and/or any of its agent(s) have procured to subscribe for any of the Warrants
“Warrant Placing”	the placing, on a best effort basis, of up to 130,000,000 Warrants pursuant to the terms of the Warrant Placing Agreement
“Warrant Placing Agreement”	the conditional placing agreement dated 1 April 2026 entered into between the Company and the Placing Agent in relation to the Warrant Placing
“Warrant Placing Price”	HK\$0.10 per Warrant, being the issue price for each Warrant, payable in full on application under the Warrant Placing Agreement
“Warrant Share(s)”	up to 130,000,000 new Shares to be allotted and issued upon exercise of the Subscription Rights attaching to the Warrants
“Warrantholder(s)”	the holder(s) of the Warrant(s)
“%”	per cent.

LETTER FROM THE BOARD



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 Director:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Li Hao
Mr. Bai Li
Mr. Xu Yan
Ms. Wang Xiaoqin

Principal office:

Suite 6408, 64/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Independent non-executive Directors:

Mr. Chau Kam Wing
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe

13 May 2026

To the Shareholders,

Dear Sir or Madam,

**PROPOSED PLACING OF NON-LISTED WARRANTS
UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the proposed Warrant Placing under the Specific Mandate. The purpose of this circular is to provide you with, among other things, further information relating to (i) the Warrant Placing and the transactions contemplated thereunder; and (ii) the notice of the SGM.

* For identification purposes only

LETTER FROM THE BOARD

THE WARRANT PLACING AGREEMENT

On 1 April 2026 (after trading hours), the Company entered into the Warrant Placing Agreement with the Placing Agent in connection with the Warrant Placing, pursuant to which the Placing Agent has agreed to place, on a best effort basis, up to 130,000,000 Warrants conferring rights to subscribe for up to 130,000,000 Warrants Share at the initial Warrant Exercise Price of HK\$7.02 per Warrant Share (subject to adjustment) to the Warrant Placee(s) who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties. Each Warrant carries the right to subscribe for one Warrant Share.

Set out below is a summary of the principal terms of the Warrant Placing Agreement:

Date

1 April 2026

Parties

Issuer: the Company

Placing Agent: First Shanghai Securities Limited

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiry, the Placing Agent and its parent company are Independent Third Parties.

Warrant Placing Commission

The Placing Agent will charge the Company a placing commission of HK\$100,000 or 1% of the aggregate Warrant Placing Price for the Warrants actually placed by the Placing Agent, whichever is higher, plus any other out-of-pocket charges and expenses by the Placing Agent in relation to the Warrant Placing in accordance with the Warrant Placing Agreement. The Warrant Placing commission was negotiated on arm's length basis between the Company and the Placing Agent with reference to the prevailing market rate. The Warrant Placing commission in comparable recent market transactions ranges from approximately 0.2% to 5% of the gross proceeds. A Warrant Placing commission of 1% therefore falls at the lower end of the prevailing market range and is considered by the Company to be reasonable and acceptable. In view of this comparatively low commission rate, the Placing Agent has proposed, and the Company has agreed to, a minimum Warrant Placing commission of HK\$100,000 to cover the Placing Agent's costs in providing the placing services, including the deployment of sufficient resources and execution capabilities to ensure orderly execution of the Placing and compliance with the Listing Rules. Based on the maximum gross proceeds of the Placing of HK\$13,000,000, the minimum Warrant Placing commission of HK\$100,000 represents less than 1% of such amount. The Board also noted that there were other market examples where the placing agent would charge a fixed or minimum amount of placing commission regardless of the actual amount of securities placed. The Directors consider that the terms of the Warrant Placing, including the Warrant Placing commission, are comparable to market practice and are fair and reasonable based on the current market conditions and Warrant Placing is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Warrant Placees

The Warrants shall be offered to not less than six (6) Warrant Placees. Each Warrant Placee and its ultimate beneficial owner(s) shall be an independent institutional or private investor not connected with the Company, any of its connected persons and their respective associates.

Number of Warrants

Up to 130,000,000 Warrants, each Warrant carries the right to subscribe for one (1) Warrant Share.

Exercise Period

The Subscription Rights attaching to the Warrants may be exercised at any time during the period of 36 months commencing from the date of issue of the Warrants.

Warrant Placing Price

The Warrant Placing Price is HK\$0.10 for each Warrant. The Warrant Placing Price is determined after arm's length negotiations between the Company and the Placing Agent with reference to the current market conditions, the Group's financial positions, the historical share prices and liquidity of the Shares in the market, and valued by the Independent Valuer.

In determining the Warrant Placing Price, the Directors have reviewed the average monthly closing prices of the Shares during the period from April 2025 and up to the date of the Warrant Placing Agreement (i.e. 1 April 2025, being the twelve-month period immediately prior to the date of the Warrant Placing Agreement) (the "**Review Period**"). The Directors consider that the Review Period could reflect the trend of the recent prevailing market price of the Shares. The following chart depicts the average monthly closing prices of the Shares during the Review Period:

Average monthly closing price of the Shares during the Review Period

Month/Period	Average monthly closing price
April 2025	6.10
May 2025	5.94
June 2025	6.24
July 2025	6.32
August 2025	6.21
September 2025	6.05
October 2025	6.22
November 2025	6.15
December 2025	5.39
January 2026	5.45
February 2026	5.46
March 2026	5.24
Last Trading Day	4.99

Source: the website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE BOARD

As shown in the chart above, the average monthly closing prices of the Shares fluctuated within the range from approximately HK\$5.24 per Share to approximately HK\$6.32 per Share. The average monthly closing price of the Shares was approximately HK\$5.90 per Share during the Review Period.

In addition, the Directors have reviewed the trading liquidity of the Shares during the Review Period in determining the Warrant Placing Price. The following table sets out the trading liquidity of the Shares during the Review Period:

Trading liquidity of the Shares during the Review Period

Month/Period	Total trading Volume (No. of Shares)	Number of trading days	Approximate average daily trading volume of the Shares (No. of Shares)	Approximate average daily trading volume as a percentage of the total number of Shares in issue (Note)
April 2025	56,994,821	19	2,999,727	0.1838%
May 2025	46,783,070	20	2,339,154	0.1433%
June 2025	38,071,340	21	1,812,921	0.1111%
July 2025	68,451,593	22	3,111,436	0.1906%
August 2025	30,861,867	21	1,469,613	0.0900%
September 2025	27,910,728	22	1,268,669	0.0777%
October 2025	42,199,425	20	2,109,971	0.1293%
November 2025	32,882,755	20	1,644,138	0.1007%
December 2025	36,050,721	21	1,716,701	0.1052%
January 2026	38,529,405	21	1,834,734	0.1124%
February 2026	18,458,624	17	1,085,801	0.0665%
March 2026	35,752,501	22	1,625,114	0.0996%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note:

The calculation is based on the approximate average daily trading volume of the Shares divided by the total number of the issued Share as at the Latest Practicable Date (i.e. 1,632,322,346 Shares)

As illustrated hereinabove, the average daily trading volume for each relevant month/period during the Review Period ranged from approximately 1,085,801 Shares to approximately 2,999,727 Shares, representing approximately 0.0665% to 0.1838% of the total number of issued Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Company has engaged Ravia Global Appraisal Advisory Limited, a valuation firm which is an Independent Third Party, to assess the fair value of the Warrants by making reference to the Binomial option pricing model (the “**Binomial Model**”). Based on the Binomial Model, the unit Warrant value as valued by the Independent Valuer was approximately HK\$0.074 as at 31 March 2026 (the “**Valuation Date**”), being the last trading date immediately prior to the date of Warrant Placing Agreement. The key assumptions and parameters applied by the Independent Valuer in the Binomial Model for the assessment of the fair value of the Warrants are set out as follows:

- The Company will continue to operate as a going concern and has sufficient liquidity and maximize the efficiency of the operation of the Company;
- The Company’s business activities are assumed to continue without material disruption arising from events beyond management’s control, such as natural disasters, epidemics, catastrophic incidents or other unforeseeable circumstances;
- The Company has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Company operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;
- There will be sufficient supply of technical staff in the industry in which the Company operates or intends to operate, and the Company will retain competent management, key personnel and technical staff to support their ongoing operations and developments;
- There will be no material change in the political, legal, fiscal, technological, market and economic conditions that will materially affect the operation of the Company and the share price of the underlying security of the Warrants;
- There will be no material change in the taxation laws and regulations that will materially affect the underlying security of the Warrants, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The Company is expected to remain a listed entity throughout the entire term of the Warrants;
- No significant regulatory or legal obstacles will prevent the Warrantholders from exercising their conversion rights under the terms set out in the Warrant Placing Agreement;
- The effect of potential share dilution resulting from the placement of the Warrants is assumed not to have been incorporated into the Company’s share price as of the Date of Valuation;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;

LETTER FROM THE BOARD

- The information (i.e., the terms and conditions of the Warrants) provided by the management of the Company is true and accurate; and
- The information in respect of the Warrants has been prepared on a reasonable basis that have been arrived at after due and careful consideration by the management of the Company.

Parameters

In calculating the fair value of the Warrants as at Valuation Date, the following inputs for those parameters of the Binomial Model were selected:–

- (a) The public quoted price of the underlying security as at the Valuation Date being HK\$4.89 per Share;
- (b) The initial Warrant Exercise Price of HK\$7.02 per Warrant Share as specified in the Warrant Placing Agreement;
- (c) The maximum Exercise Price of HK\$7.34 per Warrant Share as specified in the Warrant Placing Agreement;
- (d) The contractual life to maturity of the Warrants of 36 months as specified in the Warrant Placing Agreement;
- (e) The expected volatility of 35.17% determined with reference to the historical annualized price volatility (i.e., by numbers of trading days of 260 per year) as at Valuation Date of the Company's shares over a period commensurate with the contractual life of the Warrants;
- (f) The risk-free rate of 2.23% determined with reference to the Hong Kong Government Bond Yield as at Valuation Date with duration similar to that of contractual life of the Warrants; and
- (g) The expected dividend yield of 5.41% determined with reference to the historical dividend payout of the Company.

As the Warrant Placing Price of HK\$0.1 represents a premium of approximately 35.14% over the unit Warrant value of HK\$0.074 as valued by the Independent Valuer as disclosed above, which is set by comparing the premium of the Warrant Exercise Price to the average closing price per Share for 20 and 30 consecutive trading days prior to the Last Trading Day of approximately 34.2% and approximately 32.5% respectively, and rounded to the nearest cent for ease of calculation, and that the Company intends to strike a balance between raising more funds to fulfill the Company's daily operation needs and to maintain the attractiveness of the Warrants to potential investors, the Directors consider that the Warrant Placing Price is fair and reasonable and in the interests of the Shareholders and the Company as a whole.

LETTER FROM THE BOARD

Warrant Exercise Price

The initial Warrant Exercise Price is HK\$7.02 per Warrant Share, subject to following adjustment:

- (1) If and whenever there shall be an alteration to the nominal amount of each of the Shares by reason of any consolidation or subdivision or re-classification, the Warrant Exercise Price in force immediately prior thereto shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{B}$$

where:

A = the nominal amount of one Share immediately after such alteration; and

B = the nominal amount of one Share immediately before such alteration.

Each such adjustment shall be effective from the close of business on the business day immediately preceding the date on which the relevant consolidation or subdivision or re-classification (as the case may be) becomes effective, provided that, where the Subscription Date in respect of a particular exercise of any of the Subscription Rights attaching to a Warrant shall fall on or before the said business day but the Company shall not by the close of business on the said business day have allotted the relative Shares in accordance with its obligations hereunder, such adjustment shall, for the purpose of determining the number of Shares to be allotted to the Warrant holder exercising the said Subscription Rights, be deemed to have become effective before such Subscription Date.

- (2) If and whenever the Company shall issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Warrant Exercise Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{C}{C+D}$$

where:

C = the aggregate nominal amount of the Shares in issue immediately before such issue;
and

D = the aggregate nominal amount of the Shares issued in connection with and as a result of such capitalisation,

LETTER FROM THE BOARD

Provided that if the relevant issue of Shares is made as part of an arrangement involving a reduction of capital, the Warrant Exercise Price shall be adjusted in such manner as an approved merchant bank or auditors of the Company shall certify to be appropriate, having regard to the relative interests of the persons affected thereby taken as a whole and such other matters as the approved merchant bank shall consider relevant.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

- (3) If and whenever the Company shall offer to all holders of Shares new Shares for subscription by way of rights, or shall grant to all holders of Shares any options or warrants to subscribe for new Shares, at a price per new Share which is less than 80 per cent. of the market price on the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Shares or other persons), the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{G + H}{G + I}$$

where:

G = the number of Shares in issue immediately before the date of such announcement;

H = the number of Shares which the aggregate of the two following amounts would purchase at such market price:

- (a) the total amount (if any) payable for the rights, options or warrants being offered or granted by the Company; and
- (b) the total amount payable for all of the new Shares being offered for subscription by way of rights or comprised in the options or warrants being granted; and

I = the aggregate number of Shares being offered for subscription or comprised in the rights, options or warrants being granted.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the record date for the relevant offer or grant. For the avoidance of doubt, no adjustment shall take effect in accordance with this paragraph (3) should such offer or grant fail to become effective or unconditional.

LETTER FROM THE BOARD

- (4) (a) If and whenever the Company or any of its Subsidiaries shall issue wholly for cash or for reduction of liabilities or acquisition of assets any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total Effective Consideration per new Share (as defined in paragraph (c) below) initially receivable for such securities is less than 80 per cent. of the market price on the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Shares or other persons), the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately prior to such issue by the following fraction:

$$\frac{J + K}{J + L}$$

J = the number of Shares in issue immediately before the date of the issue of such securities;

K = the number of Shares which the total Effective Consideration receivable for such securities would purchase at such market price (exclusive of any disbursements incurred in connection therewith); and

L = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business on the business day immediately preceding the date on which the issuer of the relevant securities determines the conversion or exchange rate or subscription price in respect of such securities or, to the extent that the relevant issue is announced (whether or not subject to the approval of holders of Shares or other persons) and the date of such announcement is earlier than the said date, the business day immediately preceding the date of such announcement.

- (b) If and whenever the rights of conversion or exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (a) above of this paragraph (4) are modified so that the total Effective Consideration per new Share initially receivable for such securities shall be less than 80 per cent. of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately prior to such modification by the following fraction:

$$\frac{M + N}{M + O}$$

LETTER FROM THE BOARD

where:

M = the number of Shares in issue immediately before the date of such modification;

N = the number of Shares which the total effective consideration receivable for such securities at the modified conversion or exchange rate or subscription price would purchase at such market price; and

O = the maximum number of new Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at their relative modified conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the purposes of this paragraph (4)(b) where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustments of conversion, exchange or subscription terms.

(c) For the purposes of this paragraph (4):

(i) the “**total Effective Consideration**” receivable for the relevant securities shall be deemed to be the aggregate consideration receivable by the issuer of such securities for the issue thereof plus the additional minimum consideration (if any) to be received by such issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto; and

(ii) the “**Effective Consideration per new Share**” initially receivable for such securities shall be the total Effective Consideration divided by the maximum number of new Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial subscription price, in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof.

LETTER FROM THE BOARD

- (5) If and whenever the Company shall issue wholly for cash or for reduction of liabilities any Shares at a price which is less than 80 per cent. of the market price on the date of the announcement of the terms of such issue, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for the Shares allotted pursuant to such issue would purchase at such market price (exclusive of expenses);
and

R = the number of Shares allotted and issued pursuant to such issue.

Such adjustment shall become effective (if appropriate retroactively) on the date of the issue of such Shares.

- (6) If and whenever the Company shall issue Shares wholly for the acquisition of asset at a total Effective Consideration per Share (as defined in this paragraph (6) below) which is less than 80 per cent. of the market price at the date of the announcement of the terms of such issue, the Warrant Exercise Price shall be adjusted by multiplying the Warrant Exercise Price in force immediately before the date of such announcement by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the total effective consideration receivable for the securities issued would purchase at such market price per Share; and

C = the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

LETTER FROM THE BOARD

The benchmark of 80 per cent. of the market price to trigger adjustment to the Exercise Price was determined based on the lower end of common market practice and this is designed to protect the Company's interest by providing more room to issue new Shares at a higher discount under the general mandate if and when needed.

The initial Warrant Exercise Price of HK\$7.02 per Warrant Share represents:

- (i) a premium of approximately 40.7% over the closing price of HK\$4.99 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 41.8% over the average closing prices of approximately HK\$4.95 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to (but excluding) the Last Trading Day;
- (iii) a premium of approximately 39.0% over the average closing prices of approximately HK\$5.05 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to (but excluding) the Last Trading Day;
- (iv) a premium of approximately 34.2% over the average closing prices of approximately HK\$5.23 per Share as quoted on the Stock Exchange for the twenty consecutive trading days immediately prior to (but excluding) the Last Trading Day;
- (v) a premium of approximately 32.5% over the average closing prices of approximately HK\$5.30 per Share as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to (but excluding) the Last Trading Day; and
- (vi) a discount of approximately 17.0% to the net asset value per Share of approximately HK\$8.46 as at 30 September 2025.

The aggregate of the Warrant Placing Price and the Warrant Exercise Price, i.e. HK\$7.12 per Warrant Share, represents (i) a premium of approximately 42.7% over the closing price of HK\$4.99 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 43.8% over the average closing prices of approximately HK\$4.95 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to (but excluding) the Last Trading Day.

Both the Warrant Placing Price and the Warrant Exercise Price are determined after arm's length negotiation between the Company and the Placing Agent with reference to, among other things, the current market conditions, the Group's financial position, the historical Share prices and liquidity of the Shares in the market. In respect of current market conditions and historical Share prices, since 2025 the stock market has been re-bounced. The performance of the Shares lag behind the market trend in the recent year. However, with the recent prevalence of HALO ("Heavy Assets, Low Obsolescence") concept promulgated by Goldman Sachs in early 2026 which suggests investing in company less prone to the impact of Artificial Intelligence, it is believed that certain investors will turn to invest in utility and infrastructure companies such as the Company which would not easily be disrupted by Artificial Intelligence, and hence it is beneficial to the price trend of the Shares in the long run. In respect of the Group's financial position, the latest net asset value represented by each Share as at 30 September 2025

LETTER FROM THE BOARD

was approximately HK\$8.46, which is well above the current market price and the targeted maximum Exercise Price. Also, the trading volume of the Shares have been maintained at a relatively low trend in the recent years which may lead to a more volatile performance of the Share prices. Taking also into account the historical price of the Shares, it was at the level of over HK\$7 per Share back in 2023 and it reflected a price closer to the NAV per Share. The Exercise Price represents a premium of approximately 40% to the current market price of the Shares and taking into account the Exercise Period of 36 months, which means an average of approximately 13% increase in the market price per year, and hence the Company considers the Exercise Price at a level possible to be achieved during the Exercise Period. The Directors consider that the Warrant Placing Price and the Warrant Exercise Price are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

Rights of the Company to reject the exercise of warrants

In the event that the price of the Shares trading on the Stock Exchange at the time when the Warrantholders exercise their respective Subscription Rights exceeds HK\$7.34, the Company shall have the sole and absolute discretion to reject to exercise of the Subscription Rights.

As mentioned above, it is decided by the Company that the Warrant Placing Price shall be set at HK\$0.1 per Warrant which represents a premium to the value of the Warrants of HK\$0.074. Based on the valuation calculation, if no rejection price is set or is set higher than HK\$7.34, the value of the Warrants shall become over HK\$0.1, which will defeat the purpose of setting the Warrant Placing Price at a level which is believed to be reasonably attractive to the investors. As such, the rejection price of HK\$7.34 is set. This also help to prevent a high dilution effect in the value of the Shares in the event the market price of the Shares surged dramatically over the rejection price in a short period of time.

Completion Date

Completion of the Warrant Placing is expected to take place on the fifth (5th) Business Day after the day on which the conditions precedent of the Warrant Placing Agreement have been fulfilled (or such later date as may be agreed between the Company and the Placing Agent) on which completion of the Warrant Placing shall take place pursuant to the Warrant Placing Agreement.

Information of the Warrants

The Warrant Shares to be allotted and issued shall rank pari passu in all respects with the Shares in issue and in particular will have the right to receive all dividends or other distributions thereafter declared, paid or made on such Shares with reference to a record date occurring on or after the respective date of exercise of the Subscription Rights attaching to the Warrants. The Subscription Rights attaching to the Warrants may be exercised at any time during the period of 36 months commencing from the date of issue of the Warrants.

The Subscription Right shall only be exercised on the condition that the exercise of the Subscription Right and the allotment and issue of the Warrant Shares will not cause the public float of the Shares to be less than 25% (or any given percentage as required by the Listing Rules for the minimum percentage of Shares being held by the public as per Rule 8.08(1) of the Listing Rules) of the issued Shares of the Company.

LETTER FROM THE BOARD

Each one (1) Warrant carries the right to subscribe for one (1) Warrant Share at the Warrant Exercise Price and is issued at the Warrant Placing Price.

Pursuant to Rule 15.02(1) of the Listing Rules, the Warrant Shares to be issued upon exercise of the Warrants must not, when aggregated with all other equity securities to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20.00% of the total number of issued shares of the Company at the time the Warrants are issued. Options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules are excluded for the purpose of such limit. As at the Latest Practicable Date, the Company has no outstanding subscription rights (excluding options granted under employee or executive share schemes which comply with Chapter 17 of the Listing Rules).

A total of up to 130,000,000 Warrants are proposed to be issued. Assuming full exercise of the Subscription Rights attaching to the 130,000,000 Warrants at the initial Warrant Exercise Price of HK\$7.02 per Warrant Share and there being no other changes in the issued share capital of the Company, a total of up to 130,000,000 Warrant Shares will be allotted and issued, representing (i) approximately 7.99% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 7.40% of the issued share capital of the Company as enlarged by the allotment and issue of the 130,000,000 Warrant Shares.

Accordingly, the issue of the Warrants is in compliance with Rule 15.02(1) of the Listing Rules.

Transferability

The holder of the Warrants may assign or transfer the Warrants to the transferee subject to the compliance of the Listing Rules. The Warrants may not be assigned or transferred, in whole or in part, to any connected person of the Company without prior written consent of the Company.

Conditions precedent of the Warrant Placing Agreement

The obligations of the Placing Agent under the Warrant Placing Agreement in respect of the issue of the Warrants are conditional upon the following conditions precedent being fulfilled at or before 5:00 p.m. on 30 June 2026 (or such later time and date as the Placing Agent and the Company shall agree in writing) (the “**Long Stop Date**”):

- (a) the Shareholders shall have passed the requisite resolution(s) at the SGM approving the Warrant Placing Agreement and the transactions contemplated thereunder including the issue of the Warrants and the Specific Mandate for the allotment and issue of the Warrants Shares upon exercise of the Subscription Rights attached to the Warrants;
- (b) the Stock Exchange shall have granted the listing of, and permission to deal in, the Warrants Shares which fall to be allotted and issued upon the exercise of the Subscription Rights attached to the Warrants;
- (c) the issued Shares remaining listed on the Stock Exchange, and that the listing status of the issued Shares not being subject to or threatened with any revocation, suspension, withdrawal or cancellation at any time prior to the Completion Date;

LETTER FROM THE BOARD

- (d) the representations and warranties made by the Company pursuant to the Placing Agreement being true and accurate and not misleading as of the date of the Placing Agreement and the Completion Date;
- (e) the Warrant Placing Agreement not being terminated in accordance with the terms of the Warrant Placing Agreement including the provisions regarding force majeure event; and
- (f) all necessary consents and approvals to be obtained on each of the Company and the Placing Agent in respect of the Warrant Placing Agreement and the transactions contemplated thereunder having been obtained.

If the above conditions precedent shall not be so satisfied on or before the Long Stop Date, all obligations of the Placing Agent and of the Company thereunder shall cease and determine and none of the parties thereto shall have any claim against the other in relation thereto except for any antecedent breach of any obligation under the Warrant Placing Agreement and the payment obligation of the Company to the Placing Agent in relation to the placing commission and out-of-pocket charges and expenses incurred by the Placing Agent and all costs, charges and expenses in relation to the Warrant Placing.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

Termination

If at any time prior to 9:00 a.m. on the Completion Date:

- (i) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the opinion of the Placing Agent and in its absolute discretion may materially and adversely affect the business or financial condition or prospects of the Group as a whole; or
 - (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the sole opinion of the Placing Agent and in its absolute discretion will, or may be expected to, have a material adverse effect on the Warrant Placing; or
 - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the sole opinion of the Placing Agent and in its absolute discretion has or may have a material adverse effect on the Warrant Placing; or

LETTER FROM THE BOARD

- (d) any litigation or claim of material importance of any third party being instigated against the Company or any member of the Group, which has or may have a material adverse effect on the business or financial prospects of the Group and which in the sole opinion of the Placing Agent would materially prejudice the success of the Warrant Placing; or
- (e) any event of force majeure including but without limitation to the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike, economic sanction or lock-out, which may reasonably be expected to materially prejudice the success of the Warrant Placing; or
- (ii) any breach of any of the warranties made by the Company in the Warrant Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Warrant Placing, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Warrant Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Warrant Placing; or
- (iii) there is any adverse change in the business or in the financial or trading position of the Group taken as a whole which being unaware of by the Placing Agent and in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Warrant Placing;

then and in any such case, the Placing Agent may, in its sole and absolute discretion, terminate the Warrant Placing Agreement without liability to the Company or any other party by giving notice in writing to the Company, which notice may be given at any time prior to 9:00 a.m. on the Completion Date

In the event that the Warrant Placing Agreement is terminated, all obligations of each of the parties under the Warrant Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Warrant Placing Agreement except for any antecedent breach of any obligation under the Warrant Placing Agreement and the payment obligation of the Company to the Placing Agent in relation to the out-of-pocket charges and expenses incurred by the Placing Agent and all costs, charges and expenses in relation to the Warrant Placing.

Voting rights for the holders of the Warrants

The holders of the Warrants will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Warrants. The holders of the Warrants shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

LETTER FROM THE BOARD

Rights of the holders of the Warrants on the liquidation of the Company

If an effective resolution is passed during the Exercise Period for the voluntary winding-up of the Company, then:

- (a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the holders of the Warrants, or some person designated by them for such purpose by special resolution of the holders of the Warrants, shall be a party or in conjunction with which a proposal is made to the holders of the Warrants and is approved by such special resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on the holders of the Warrants; and
- (b) in any other case, the holders of the Warrants shall be entitled at any time within six weeks after the passing of such resolution by irrevocable surrender of his/her/its Warrant certificate to the Company at its head office and principal place of business in Hong Kong with the subscription form(s) duly completed, together with payment of the Warrant Exercise Price, to elect to be treated as if he/she/it had immediately prior to the commencement of such winding-up exercised such of the Subscription Rights represented by his/her/its Warrant(s) as are specified in the subscription form(s) submitted by him/her/it and had on such date been the holder of the Shares to which he/she/it would have become entitled pursuant to such exercise and the Company and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the holders of the Warrants of the passing of any such resolution within seven days after the passing thereof and such notice shall contain a reminder to the holders of the Warrants with respect to his/her/its/their rights under this paragraph (b) (to the extent applicable).

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the date of the passing of such resolution shall lapse and Warrant certificate shall cease to be valid for any purpose.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares which may fall to be allotted and issued upon exercise of the Subscription Rights attaching to the Warrants. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

REASONS AND BENEFITS FOR THE WARRANT PLACING

The Group is principally engaged in the city water supply business, pipeline direct drinking water supply business and environmental protection business which comprises provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management.

LETTER FROM THE BOARD

The Board considers that the Warrant Placing represents good opportunities to raise additional funds for the Group while broadening the Shareholder base and capital base of the Company. In addition, the Warrants are not interest bearing and the Warrant Placing will not be resulted in any immediate dilution effect on the shareholding of the existing Shareholders. In addition to the net proceeds that will be raised upon completion of the Warrant Placing, further capital will be raised upon the exercise of the Subscription Rights attaching to the Warrants by the holders thereof during the Exercise Period.

In deciding to raise fund, the Company has considered various fund-raising alternatives, including bank borrowings, issue of debt securities, placing of new shares and rights issue or open offer. However, the Company does not intend to increase its gearing ratio and the further increase in bank borrowings or issue of debt securities are considered to be against the financial health of the Company; while placing of new shares could create an immediate dilution effect to the Shareholders, and rights issue or open offer would cause immediate financial burden to the existing Shareholders. Moreover, as mentioned above, the current market price of the Shares is below the net asset value per Share and therefore the Company does not consider an ideal timing to raise fund by issue of new Share at the current market price level. The issue of Warrants allows the Company to potentially raise more funds than it could currently, which is considered to be beneficial to the Company and the Shareholders as a whole. This is also why the Warrant Exercise Price was set at a significant premium to the current market price of the Shares as on the Last Trading Day. The Company considers such Warrant Exercise Price would allow the Company to potentially raise more fund, but at the same time such Warrant Exercise Price is not unlikely to achieve, as the price level of the Shares back in three years' time was also at the level of around HK\$7 per Share and the price level of the Shares was even above HK\$11 per Share back in 2021. The Company is optimistic about the Share price performance improving in the coming years with the expected shifting of investment focus for utility and infrastructure companies and with the management's effort to improve the financial performance of the Company.

The Board considers that the terms of the Warrant Placing Agreement, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

Assuming the maximum number of the Warrants are placed at the Warrant Placing Price, the gross proceeds and net proceeds from the issue of the Warrants will be approximately HK\$13,000,000 and HK\$12,500,000, respectively. The net proceeds from the issue of the Warrants is expected to be used for general working capital of the Group, including the payment of salary, rental expenses and other office overhead of the Group.

Assuming the full exercise of the Subscription Rights attaching to the maximum number of Warrants at the initial Warrant Exercise Price, it is expected that an additional gross proceeds of up to approximately HK\$912,600,000 will be raised.

LETTER FROM THE BOARD

The aggregate net proceeds from the Warrant Placing and the allotment and issue of the Warrant Shares of up to approximately HK\$925,100,000 are expected to be used in the following manners:

- (a) as to approximately HK\$832.59 million (representing approximately 90% of the aggregate net proceeds from the Warrant Placing and the allotment and issue of the Warrant Shares) for repayment of indebtedness of the Group; and
- (b) as to approximately HK\$92.51 million (representing approximately 10% of the aggregate net proceeds from the Warrant Placing and the allotment and issue of the Warrant Shares) for general working capital of the Group, including the payment of salary, rental expenses and other office overhead of the Group.

Based on the unaudited financial information of the Company, the offshore bank borrowings (including syndicated bank borrowings) and other borrowings (including senior notes issued by the Company) as at 31 March 2026 repayable within one year amounted over HK\$1,400 million and HK\$2,600 million respectively; while the same repayable over one year amounted over HK\$3,900 million and HK\$4,200 million respectively. As demonstrated above, the potential equity fund raising from the exercise of Warrants amount to HK\$912.6 million will improve the gearing ratio of the Company.

In the event that insufficient funds could be raised from the exercising of the Warrants, the Company will consider the various fund-raising alternatives as detailed under the section “Reasons and Benefits for the Warrant Placing” above.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Group has not conducted any equity fund raising activities in the past twelve months before the Latest Practicable Date.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 1,626,712,346 Shares in issue. The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after full exercise of the Subscription Rights attaching to the Warrants (assuming that there will be no further changes in the issued share capital of the Company prior to such exercise) are as follows:

	As at the Latest Practicable Date		Immediately after full exercise of the Subscription Rights (Note 3)	
	<i>No. of Shares</i>	<i>Approximate%</i>	<i>No. of Shares</i>	<i>Approximate%</i>
Mr. Duan Chuan Liang (Note 1)	447,311,901	27.50%	447,311,901	25.46%
Ms. Ding Bin	5,700,000	0.35%	5,700,000	0.32%
Mr. Li Zhong (Note 2)	37,813,457	2.32%	37,813,457	2.15%
Ms. Wang Xiaoqin	8,950,000	0.55%	8,950,000	0.51%
Ms. Ho Ping	978,000	0.06%	978,000	0.06%
ORIX Corporation	445,136,277	27.36%	445,136,277	25.34%
Public Shareholders (other than the holders of the Warrants)	680,822,711	41.86%	680,822,711	38.76%
Holders of the Warrants (Note 4)	—	—	130,000,000	7.40%
Total (Note 5)	<u>1,626,712,346</u>	<u>100.00</u>	<u>1,756,712,346</u>	<u>100.00</u>

Notes:

- These 447,311,901 shares consist of 218,044,301 shares held by Asset Full Resources Limited, which is wholly and beneficially owned by Mr. Duan Chuan Liang, and 229,267,600 shares held by Mr. Duan Chuan Liang personally.
- These 37,813,457 shares consist of 8,606,000 shares held by Mr. Li Zhong and 29,207,457 shares held by his spouse, Ms. Lu Hai personally.
- Assumption is made for all the Warrants will be placed by the Placing Agent and the number of the Warrant Shares upon the Subscription Rights being exercised in full will be 130,000,000 Warrant Shares.
- The Warrant Placees are holders of the Warrants upon Completion, and they will become Shareholders upon their exercise of the Subscription Rights in accordance with the terms and conditions of the Warrants.
- As at the Latest Practicable Date, the total issued shares of the Company is 1,632,322,346, among which 5,610,000 are treasury shares, hence the number of issued shares subject to trading and bearing voting right is 1,626,712,346.

WARNING NOTICE

Completion of the Warrant Placing Agreement is subject to, among other things, fulfillment of the conditions precedent set out in the Warrant Placing Agreement. As the Warrant Placing may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

SGM

A notice convening the SGM to be held at Suit 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 18 June 2026 at 10:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no Shareholder has any material interest in the Warrant Placing Agreement and the transactions contemplated thereunder including the issue of the Warrants and the grant of the Specific Mandate, and accordingly, no Shareholder would be required to abstain from voting on the resolutions at the SGM.

ACTION TO BE TAKEN

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of the power of attorney or authority, to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish and in such event, your appointment of proxy under any proxy form shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the 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. Accordingly, all the resolutions proposed at the SGM will be taken by way of poll. On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every Share held which is fully paid or credited as fully paid.

RECOMMENDATION

The Directors consider that the terms of the Warrant Placing including the grant of the Specific Mandate are in the best interest of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

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.

MISCELLANEOUS

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

Yours faithfully,
On behalf of the Board
CHINA WATER AFFAIRS GROUP LIMITED
Duan Chuan Liang
Chairman

NOTICE OF SPECIAL GENERAL MEETING



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 OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of China Water Affairs Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) will be held at Suit 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 10:00 a.m. on Thursday, 18 June 2026 (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 Monday, 22 June 2026) or at any adjournment thereof for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the warrant placing agreement dated 1 April 2026 (the “**Warrant Placing Agreement**”) entered into between the Company as issuer and First Shanghai Securities Limited as placing agent (the “**Placing Agent**”), pursuant to which the Placing Agent has agreed to place, on a best effort basis, subject to the fulfilment of certain terms and conditions as set out in the Warrant Placing Agreement, to not less than six (6) warrant placees, to subscribe for up to a maximum of 130,000,000 warrants (the “**Warrants**”) at the issue price of HK\$0.10 per Warrant (a copy of the Warrant Placing Agreement and the draft instrument have been marked “A” and “B” respectively, and initialled by the chairman of this meeting for identification purpose) be and are hereby approved, ratified and confirmed;
- (b) the creation and issue of the Warrants by the Company in accordance with the terms and conditions of the Warrant Placing Agreement be and are hereby approved, ratified and confirmed;
- (c) the directors of the Company be and are hereby granted a specific mandate for the allotment and issue of up to a maximum number of 130,000,000 new ordinary shares of HK\$0.01 each in the share capital of the Company (the “**Warrant Share(s)**”) credited as fully paid at the initial subscription price of HK\$7.02 per Warrant Share (subject to adjustment and the terms and conditions as set out in the draft instrument), which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Warrants; and

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

- (d) any one director of the Company be and is hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments) which are in his opinion necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Warrant Placing Agreement and the transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith.”

By order of the Board
CHINA WATER AFFAIRS GROUP LIMITED
Duan Chuan Liang
Chairman

Hong Kong, 13 May 2026

Registered office:

Clarendon House,
2 Church Street
Hamilton
HM 11 Bermuda

Principal Office:

Suite 6408, 64/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Notes:

- (1) A form of proxy for use at the SGM is enclosed herewith.
- (2) The register of members of the Company will be closed from Monday, 15 June 2026 to Thursday, 18 June 2026 (both days inclusive) during which period no transfer of share(s) will be effected. In order to determine the eligibility to attend and vote at the SGM, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company 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, 12 June 2026 (Hong Kong time).
- (3) Any shareholder entitled to attend and vote at the SGM or at any adjourned meeting thereof (as the case may be) is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint not more than two proxies, or more than two proxies provided that the shareholder is a clearing house (who must be an individual or individuals) to attend and vote instead of him/her on the same occasion. A proxy need not be a shareholder of the Company but must attend the SGM or at any adjourned meeting thereof (as the case may be) in person to represent him/her.

NOTICE OF SPECIAL GENERAL MEETING

- (4) In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, not later than 48 hours before the time appointed for holding the SGM (i.e. not later than 10:00 a.m., on Tuesday, 16 June 2026, Hong Kong time) or any adjourned meeting thereof (as the case may be). Such prescribed form of proxy for use at the SGM is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.chinawatergroup.com.
- (5) Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (6) Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the SGM or at any adjourned meeting thereof (as the case may be), either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM or at any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (7) The ordinary resolution set out above will be determined by way of a poll.
- (8) 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, Mr. Siu Chi Ming, Ms. Ho Ping and Mr. Xiao Zhe.