
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.

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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)

**PROPOSALS RELATING TO GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES OF THE COMPANY,
RE-ELECTION OF RETIRING DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY**

A notice convening the annual general meeting of China Water Affairs Group Limited (the “Company”) to be held at Suite 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 9 September 2022 at 10:00 a.m. or any adjournment thereof is set out on pages 24 to 28 of this circular. Whether or not you intend to attend the annual general meeting of the Company, 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 Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (if return before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if return on or after 15 August 2022) not less than 48 hours before the time fixed for holding of the meeting 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.

PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the AGM:

- (1) Compulsory temperature screening/checks
- (2) Wearing of surgical face mask
- (3) No provision of refreshments or drinks

Attendees who do not comply with the precautionary measures referred to in (1) and (2) above may be denied entry to the AGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the AGM by appointing the Chairman of the AGM as their proxy and to return their proxy forms by the time specified above, instead of attending the AGM in person.

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PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the AGM:

- (1) Compulsory temperature screening/checks will be carried out on every attendee at the main entrance of the AGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the AGM venue and be requested to leave the AGM venue.
- (2) Every attendee will be required to wear a surgical face mask throughout the AGM and sit at a distance from other attendees. Please note that no masks will be provided at the AGM venue and attendees should wear their own masks.
- (3) No refreshments or drinks will be provided to attendees at the AGM.

Attendees who do not comply with the precautionary measures referred to in (1) and (2) above may be denied entry to the AGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the AGM by appointing the Chairman of the AGM as their proxy and to return their proxy forms before the prescribed time, instead of attending the AGM in person.

DEFINITIONS

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 9 September 2022 at 10:00 a.m.
“AGM Notice”	the notice convening the AGM as set out in pages 24 to 28 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 Chuan Liang, the chairman and executive director of the Company
“associated company”	has the meaning ascribed to it under the Takeovers Code
“Board” or “Directors”	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 existing Bye-laws of the Company
“close associates”	has the meaning ascribed to it in the Listing Rules
“Company”	China Water Affairs Group Limited, a company incorporated in Cayman Islands and continued in Bermuda with limited liability
“core connected persons”	has the meaning ascribed to it in the Listing Rules
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 7 September 2012
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	a general mandate to the Directors to exercise the powers of the Company to issue and allot new Shares during the period as set out in the AGM Notice up to 20% of the number of issued Shares of the Company as at the date of passing the resolution

DEFINITIONS

“Latest Practicable Date”	22 July 2022, 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
“New Share Option Scheme”	the new share option scheme of the Company to be adopted at the AGM, the principal terms of which are set out in Appendix III
“Option(s)”	option(s) to subscribe for Shares granted under the New Share Option Scheme
“Participants”	(a) any full-time or part-time employee of any member of the Group or associated company; (b) any consultant or adviser of any member of the Group or associated company; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or associated company; (d) any shareholder of any member of the Group or associated company; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or associated company, to be determined absolutely by the Board
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Repurchase Mandate”	a general mandate to the Board to exercise the powers of the Company to repurchase Shares during the period as set out in the AGM Notice up to 10% of the number of issued Share of the Company as at the date of passing the resolution
“SFO”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	Share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	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 Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. Zhao Hai Hu
Mr. Makoto Inoue
Ms. Wang Xiaojin

*Head Office and Principal place of
business in Hong Kong:*

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
Ms. Zhou Nan
Mr. Chan Wai Cheung Admiral

28 July 2022

To the Shareholders

Dear Sir/Madam,

**PROPOSALS RELATING TO GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES OF THE COMPANY,
RE-ELECTION OF RETIRING DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY**

INTRODUCTION

The purpose of this circular is to seek your approval of proposals on the grant of general mandates to issue and repurchase shares of the Company, re-election of retiring directors and adoption of the New Share Option Scheme as well as to provide you with information in connection with such proposals. Your approval will be sought at the general meeting of the Company to be held at the AGM.

* For identification purpose only

LETTER FROM THE BOARD

GENERAL MANDATE FOR REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

It will be proposed at the AGM an ordinary resolution as set out in the AGM Notice for granting to the Board the Repurchase Mandate. At the Latest Practicable Date, there were 1,632,322,346 Shares in issue and subject to the passing of the necessary ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, exercise in full of the Repurchase Mandate could accordingly result in up to 163,232,234 Shares being repurchased by the Company, representing 10% of the number of issued Shares of the Company at the Latest Practicable Date, during the course of the period prior to the next annual general meeting to be held in 2023. Subject to approval of Shareholders at the AGM, the Repurchase Mandate would continue in force until the next annual general meeting in 2023.

An explanation statement, as required under the relevant rules set out in Listing Rules of the Stock Exchange regulating the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange, to provide the requisite information for your consideration of the Repurchase Mandate is set out in the Explanatory Statement in Appendix II hereto.

GENERAL MANDATE TO ISSUE NEW SECURITIES OF THE COMPANY

It will be proposed at the AGM the ordinary resolutions as set out in the AGM Notice for granting to the Board the Issue Mandate and to extend the Issue Mandate by adding to it the aggregate number of Shares repurchased by the Company under the Repurchase Mandate.

At the Latest Practicable Date, there were 1,632,322,346 Shares in issue and subject to the passing of the necessary ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, exercise in full of the Issue Mandate could accordingly result in up to 326,464,469 Shares being issued by the Company, representing 20% of the number of issued Shares of the Company at the Latest Practicable Date, during the course of the period prior to the next annual general meeting to be held in 2023. Subject to approval of Shareholders at the AGM, the Issue Mandate would continue in force until the next annual general meeting in 2023.

At the Latest Practicable Date, the Directors have no immediate plan to use the Issue Mandate to issue shares of the Company but consider the Issue Mandate to be in the interests of the Company in order to provide itself with flexibility.

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

Pursuant to clause 87 of 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 greater 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.

In accordance with clause 87 of Bye-laws, the Directors to retire at the AGM are Ms. Ding Bin, Mr. Zhao Hai Hu, Mr. Chau Kam Wing and Mr. Siu Chi Ming. All of them being eligible offer themselves for re-election at the AGM. Mr. Chau Kam Wing and Mr. Siu Chi Ming 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 Kam Wing and Mr. Siu Chi Ming have provided valuable contributions and insights to the Board. The Nomination Committee has considered the experience, skills and expertise of Mr. Chau Kam Wing and Mr. Siu Chi Ming 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 Kam Wing and Mr. Siu Chi Ming will continue to provide valuable insights and contribute to diversity to the Board and should be re-elected.

Mr. Chau Kam Wing has served as the Company's independent non-executive Director for more than 9 years. His appointment is subject to a separate resolution to be approved by Shareholders pursuant to Code B.2.3 of Appendix 14 of the Listing Rules. Over the years, Mr. Chau Kam Wing 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. The Board considers that the long services of Mr. Chau Kam Wing would not affect his exercise of independent judgment 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 Kam Wing as an independent non-executive Director is in the interest of the Company and the Shareholders as a whole.

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

ADOPTION OF NEW SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted on 7 September 2012 and will expire on 6 September 2022. The Directors propose to adopt the New Share Option Scheme. Save for the necessary amendments to align with the requirements under the Listing Rules, the terms of the New Share Option Scheme is substantially the same as the Existing Share Option Scheme.

Adoption of the New Share Option Scheme is conditional upon, among others, (i) the passing of the ordinary resolution by the Shareholders at the AGM to approve and adopt the New Share Option Scheme and to authorise the Board to grant Options under the New Share Option Scheme and to allot and issue Shares pursuant to the exercise of any Options; and (ii) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options.

LETTER FROM THE BOARD

The purpose of the New Share Option Scheme is to reward Participants who have contributed to the Group and to provide incentives to Participants to work towards the success of the Company. By offering Options to the Participants, their interests are aligned with the long-term development of the Group as they may also enjoy any potential upside from increasing value of the Group. The New Share Option Scheme motivates employees and directors to stay in the Group and strive for the benefit of the Group as well as themselves. It also aims to foster long-term cooperation with business associates and other stakeholders by granting them an equity interest to share in any future growth of the Group and providing them with an incentive to serve and contribute to the smooth operation of the Group.

The purpose of including participants other than employees and directors of the Group in the New Share Option Scheme is to give more flexibility to the Company to incentivise and reward such persons who are expected to have a long term relationship with the Group so that they may participate in the growth of the Group and will continue to contribute to the benefit of the Group.

The eligibility of those external parties other than employees and directors of the Group will be determined by the Board considering the potential and/or actual contribution of these individual parties to the operation and business of the Group. The Directors consider that the inclusion of business associates and stakeholders other than employees and directors of the Group as eligible participants is appropriate as the successful development of the Group could not be achieved by the directors and employees of the Group alone and will also depend on the cooperation of the business associates and other stakeholders of the Group, which all play an important role in the business of the Group. Given that the success of the Group requires the cooperation and contribution from such parties, it is important that the Group is able to maintain a long term and sustainable relationship with them. In respect of any consultant, adviser, distributor, contractor, supplier, agent or service provider of any member of the Group, the Company will assess the importance and value of the goods or services provided to the Group. The Company may consider granting Options to such participants to provide incentives for the supply of reliable and high quality goods or services on a long term basis which will benefit the Group. In respect of any customer of any member of the Group, the Company will assess the value of the goods or services purchased from the Group. The Company may consider granting Options to such participants to provide incentives for the continue support of the Group's products and services and to align the interest of the customers with the future prospects of the Group. In respect of business partners of any member of the Group, the Company will assess the nature of the business cooperation with the Group. The Company may grant Options to such participants to facilitate a long term relationship with such partners which will benefit the Group by way of thriving and long term business cooperation. In respect of the directors, employees, business associates and stakeholders of associated company, the success of associated company is an important element to the success of the Group. The Company wished to have more flexibility to incentivise and reward such persons who are expected to have a long term relationship with the Group. The Board will consider strategically the importance of the associated company to the Group and the potential and/or actual contribution of those individual parties to the operation and business of the associated company. The Company may consider granting Options to such participants to provide incentives for them to maintain a long term relationship with the associated company and to align their interests with the interest of the Group in the associated company.

LETTER FROM THE BOARD

The Company has not granted any Options to any Participants other than directors and employees of the Group under the Existing Share Option Scheme. Nevertheless the Company wishes to maintain more flexibility to incentivise and reward participants other than employees and directors of the Group. The Company will only grant Options to such participants after carefully considering the actual and potential contributions and the need to foster a long term relationship. It is evidenced from past records that the Board has exercised its power to grant Options prudently under the Existing Share Option Scheme. It is therefore expected that the flexibility to grant Options under the Existing Share Option Scheme should remain the same under the New Share Option Scheme.

The Directors believe that the authority given to the Directors under the New Share Option Scheme to specify any minimum holding period and/or performance targets as conditions in any Option granted and the requirement for a minimum subscription price as well as the authority to select the appropriate Participants as prescribed by the rules of the New Share Option Scheme will serve to protect the value of the Company as well as to achieve the purposes of the New Share Option Scheme. The Board will consider all circumstances including the exercise price, the reason for granting the Options and the capacity of the grantee and on a case by case basis in determining whether to impose a performance target for the Options. The Board may not consider imposing a performance target to be necessary if, for example, the exercise price is set at a large premium to the market price of the Shares as the premium in share price will represent the corresponding expected growth in the performance of the Company.

The Directors consider it inappropriate to state the value of all options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date because a number of variables crucial for the calculation cannot be determined. Such variables include the exercise price, exercise period, any conditions which the Options are subject to and other relevant variables. The Directors believe that any statement regarding the value of the options based on a large number of assumptions will not be meaningful to the Shareholders.

The New Share Option Scheme has no trustees and it will be subject to the administration of the Directors. As at the Latest Practicable Date, the Company has no plan to grant any Options under the New Share Option Scheme.

As at the Latest Practicable Date, the total number of Shares in issue was 1,632,322,346. Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, 163,232,234 new Shares which may fall to be issued pursuant to the exercise of any Options to be granted under the New Share Option Scheme, being 10% of the total number of Shares in issue as at the date of the AGM assuming that there being no further issue or repurchase of Shares between the Latest Practicable Date and the date of the AGM.

As at the Latest Practicable Date, there was no outstanding options granted under the Existing Share Option Scheme. Therefore the maximum number of Shares which may fall to be issued upon exercise of the Options to be granted under the New Share Option Scheme will not exceed the 30% limit under Note 2 to Rule 17.03(3) of the Listing Rules.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular.

LETTER FROM THE BOARD

ANNUAL GENERAL MEETING

Set out on pages 24 to 28 of this circular is the AGM Notice at which ordinary resolutions will be proposed to approve the Issue Mandate, Repurchase Mandate, re-election of retiring directors and adoption of the New Share Option Scheme.

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 Proxy form 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 Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if return before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if return on or after 15 August 2022) not less than 48 hours before the time fixed for holding the meeting 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 Tuesday, 6 September 2022 to Friday, 9 September 2022 (both days inclusive), during which period no transfer of shares will be registered. 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 Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022), for registration not later than 4:30 p.m. on Monday, 5 September 2022.

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 Issue Mandate, the Repurchase Mandate, the re-election of retiring Directors and adoption of the New Share Option Scheme as set out in the AGM Notice 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.

LETTER FROM THE BOARD

DOCUMENT AVAILABLE FOR INSPECTION

The full terms of the New Share Option Scheme will be published on the website of the Stock Exchange and the website of the Company for a period of 14 days before the date of the AGM (including the date of the AGM) and can be inspected at the AGM.

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

APPENDIX I DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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

Executive Director

Ms. Ding Bin, aged 46, has over 20 years of experience in financial management and tax planning. Ms. Ding was graduated from Zhengzhou University of Technology in finance and computing management. Ms. Ding is a Certified Public Accountant in the PRC. Ms. Ding joined the Group in 2007. Ms. Ding did not hold any other directorship in any public listed companies in the last three years.

There is no service contract between Ms. Ding 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. Ding is entitled to an annual remuneration of HK\$2,029,000 which was determined based on market rate and the time, effort and expertise to be exercised on the Group's affairs. Ms. Ding has no relationship with any director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Ms. Ding is interested in 5,700,000 Shares. Save as aforesaid, Ms. Ding 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 (within the meaning of Part XV of the SFO). There is no information required to be disclosed by Ms. Ding pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules and there is no other information that need to be brought to the attention of the Shareholders.

Non-Executive Director

Mr. Zhao Hai Hu, aged 67, was graduated from Zhejiang University with a master degree in Engineering. Mr. Zhao acted as an assistant to the head of North China College of Water Conservancy and Hydro Power. He was also the head of the infra-structure department and the head of the personnel department. He was a general manager of an irrigation technology company which was principally engaged in the research and development of irrigation and hydroelectric technology. Mr. Zhao has over 40 years' experience in project management, research and development and engineering of irrigation, hydroelectric and water supply. He joined the Group in 2003. Mr. Zhao did not hold any other directorship in any public listed companies in the last three years.

There is no service contract between Mr. Zhao 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. Zhao is entitled to an annual remuneration of HK\$749,000 which was determined based on market rate and the time, effort and expertise to be exercised on the Group's affairs. Mr. Zhao has no relationship with any director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Zhao is interested in 4,306,000 Shares. Save as aforesaid, Mr. Zhao 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 (within the meaning of Part XV of the SFO). There is no information required to be disclosed by Mr. Zhao pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules and there is no other information that need to be brought to the attention of the Shareholders.

Independent Non-executive Directors

Mr. Chau Kam Wing, aged 59, 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. He is also the chairman of the audit committee and remuneration committee and a member of the nomination committee of the Company. Mr. Chau is currently the finance director of Winox Holdings Limited (stock code: 6838) and 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. Save as disclosed above, Mr. Chau did not hold any other directorship in any public listed companies in the last three years.

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. Mr. Chau has no relationship with any director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Chau is interested in 2,000,000 shares of Kangda International Environmental Company Limited, an associated company of the Company. Save as aforesaid, 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 (within the meaning of Part XV of the SFO). There is no information required to be disclosed by Mr. Chau pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules and there is no other information that need to be brought to the attention of the Shareholders.

Mr. Siu Chi Ming, aged 41, holds a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. He is a member of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators. Mr. Siu is the executive director and company secretary of Jiu Rong Holdings Limited (stock code: 2358), which is listed on the main board of the Stock Exchange and an independent non-executive director of Ying Kee Tea House Group Limited (stock code: 8241), which is listed on the GEM of the Stock Exchange. Mr. Siu was a senior manager of a corporate finance division of a licensed corporation registered under Securities and Futures Ordinance (the “SFO”) and a licensed person registered under the SFO to carry on type 6 (advising on corporate finance) regulated activities. He has been involved in several corporate finance transactions including mergers and acquisitions, corporate reorganisation and a variety of fund raising exercises. Mr. Siu joined the Group in 2016. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Save as disclosed above, Mr. Siu did not hold any other directorship in any public listed companies in the last three years.

APPENDIX I DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

There is no service contract between Mr. Siu 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. Siu 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. Mr. Siu has no relationship with any director, senior management or substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Siu 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 (within the meaning of Part XV of the SFO). There is no information required to be disclosed by Mr. Siu pursuant to Rule 13.51(2) (h) to (v) of the Listing Rules and there is no other information that need to be brought to the attention of the Shareholders.

The Appendix serves as an explanatory statement, as required by the Listing Rules, to provide information to you with regard to the Repurchase Mandate.

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 2022 (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 1,632,322,346 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 163,232,234 Shares representing 10% of the number of issued Shares of the Company at the Latest Practicable Date.

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.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to 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.

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 Chuan Liang, which together held 471,036,301 Shares of the Company representing approximately 28.86% of the total number of issued Shares of the Company, is the single largest substantial Shareholder. In the event that the Repurchase Mandate is exercised in full, Mr. Duan Chuan Liang's interest would be increased to approximately 32.06% of the total number of issued Shares of the Company. 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 Chuan Liang 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.

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

No repurchase of Shares have been made by the Company (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 <i>HK\$</i>	Lowest <i>HK\$</i>
2021		
July	6.35	5.71
August	7.98	5.80
September	9.09	7.70
October	9.79	7.84
November	9.42	7.11
December	11.20	8.22
2022		
January	11.56	8.95
February	10.10	8.47
March	9.27	7.24
April	9.23	7.98
May	8.99	7.61
June	8.58	7.10
July (up to the Latest Practicable Date)	7.77	7.01

The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted at the AGM.

(a) Purpose

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

(b) Who may join

The Directors may at their absolute discretion grant Options to (a) any full-time or part-time employee of any member of the Group or associated company; (b) any consultant or adviser of any member of the Group or associated company; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or associated company; (d) any shareholder of any member of the Group or associated company; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or associated company, to be determined absolutely by the Board.

(c) Duration of New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted.

(d) Acceptance and exercise of Option

An offer of the grant of an Option may be accepted within 28 days from the date of grant together with a remittance of HK\$1.00 by way of consideration for the grant thereof. An Option may be exercised during such period as the Board may in its absolute discretion determine, save that such period shall not be more than ten (10) years from the date of grant.

(e) Exercise Price

The exercise price of the Option shall be determined at the discretion of the Directors which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Shares.

(f) Minimum holding period

Save as determined at the discretion of the Board, there is no minimum holding period before an Option is exercisable.

(g) Performance target

Save as determined at the discretion of the Board, there is no performance target that must be achieved before any Options can be exercised.

(h) Transferability of Options

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee 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 Option. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any outstanding Option or any part thereof granted to such Grantee to the extent not already exercised without incurring any liability on the part of the Company.

(i) Rights on ceasing to be a Participant

- (1) in the event of the Grantee ceasing to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as specified in paragraph (o)(4) below having arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within the period of 6 months following his death provided that where any of the events set out in paragraphs (j), (k), (l) and (m) below occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the Option only within such of the various periods respectively set out in such paragraphs provided further that if within a period of 3 years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph (o)(4) below which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate his Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option;
- (2) in the event of a Grantee who is an employee or a Director of the Company or another member of the Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph (o)(4) below, his Option (to the extent not already exercised) shall lapse on the date of cessation or termination of such employment (which date shall be the Grantee's last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable;

- (3) in the event of a Grantee who is not an employee or a Director of the Company or another member of the Group ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which his Option (or such remaining part thereof) shall be exercisable following the date of such cessation; and
- (4) in the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph (o)(4) below, his Option shall lapse automatically (to the extent not already exercised) and shall not be exercisable on or after the date of termination of his employment and to the extent the Grantee has exercised his Option in whole or in part, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option.

(j) Rights on a takeover

In the event a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (k) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise his Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

(k) Rights on a scheme of arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise his Option to its full extent or to the extent notified by the Company.

(l) Rights on winding up

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily windup the Company, the Company shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise his Option to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

(m) Rights on compromise or arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (k) above, between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such compromise or arrangement and the Grantee (or his legal personal representative) may at any time thereafter but before such time as shall be notified by the Company exercise his Option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

(n) Ranking of the Share

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the bye-laws of the Company for the time being in force and shall rank *pari passu* in all respects (including the rights arising on a liquidation of the Company) with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

(o) Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the expiry of the period referred to in paragraph (d) above;
- (2) the expiry of the periods referred to in paragraphs (i), (j), (k), (l) and (m) above;
- (3) the date of the commencement of the winding-up of the Company;
- (4) the date on which the Grantee (if an employee or Director of the Company or another member of the Group) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily;
- (5) the date on which the Grantee commits a breach of paragraph (h) above; and
- (6) the date the Grantee ceases to be a Participant for any other reason.

(p) Cancellation of Options

Any Options granted but not exercised may be cancelled if the Participant so agrees. Where the Company cancels Options and issues new ones to the same Option holder, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the limit approved by Shareholders as mentioned in note (1) to Rule 17.03(3) of the Listing Rules.

(q) Maximum number of Share

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% of all the Shares in issue on the date of adoption (the "Scheme Mandate Limit"). Options lapsed will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the renewed limit. Options previously granted under the New Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

The Company may grant Options beyond the Scheme Mandate Limit to Participants if separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and the Company must first send a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

At any time, the maximum number of Shares which may be issued upon exercise of all Options which then has been granted and have yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 30% of the Shares in issue from time to time. No options may be granted under the New Share Option Scheme or any other share option schemes of the Company (or its subsidiary), if this will result in such 30% limit being exceeded.

(r) Maximum entitlement of each Grantee

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the New Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "Individual Limit"). Any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person

(including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules. The number and terms (including the exercise price) of the Options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price.

(s) Grant of Options to connected persons

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million, such further grant of Options shall be subject to prior approval by resolution of the Shareholders.

The Company must send a circular to the Shareholders in accordance with the Listing Rules and the grantee, his associates and all core connected persons of the Company shall abstain from voting in favour of the resolution at such general meeting of the Shareholders. Any change in the terms of an Option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(t) Restriction on the time of grant of Options

A grant of Options may not be made after inside information has come to the Company's knowledge until (and including) the trading day after it has announced the information. In particular, during the period commencing one month immediately before the earlier of:

- (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no Option may be granted. No Option may be granted during any period of delay in publishing a results announcement.

(u) Adjustments

In the event of an alteration in the capital structure of the Company whilst any Option remains exercisable by way of capitalisation issue, rights issue, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to (i) the number or nominal amount of Shares subject to the Option so far as unexercised or (ii) the subscription price, or any combination thereof, provided that any such adjustments shall give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled and no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

The Company shall engage the auditors of the Company for the time being or an independent financial advisor to certify in writing, either generally or as regards any particular Grantee, that the adjustments made by the Company satisfy the requirements set out in the New Share Option Scheme.

(v) Variations

Those specific provisions of the New Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants, and changes to the authority of the Board in relation to any alteration of the terms of the New Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. The New Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(w) Termination

The Company by ordinary resolution in general meeting or the Board may at any time terminate the New Share Option Scheme and in such event no further Options may be granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the New Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme.

NOTICE OF ANNUAL 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 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 9 September 2022 at Suite 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and the Auditors of the Company for the year ended 31 March 2022.
2. To declare a final dividend.
3.
 - (i) To re-elect Ms. Ding Bin as executive director;
 - (ii) To re-elect Mr. Zhao Hai Hu as non-executive director;
 - (iii) To re-elect Mr. Chau Kam Wing as independent non-executive director;
 - (iv) To re-elect Mr. Siu Chi Ming as independent non-executive director; and
 - (v) To authorise the board of directors to fix the Directors’ remunerations.
4. To consider and, if thought fit, re-appoint PricewaterhouseCoopers as auditors and to authorise the board of directors of the Company 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

5. **“THAT**
 - (A) subject to paragraph (C) of this resolution below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional 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;

NOTICE OF ANNUAL GENERAL MEETING

- (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 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.

“Right 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).”

NOTICE OF ANNUAL GENERAL MEETING

6. **“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 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.”

NOTICE OF ANNUAL GENERAL MEETING

7. “**THAT** conditional upon the passing of the ordinary resolution nos. 5 and 6 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. 6 shall be added to the aggregate number of shares of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with ordinary resolution no. 5 as set out in the notice of the annual general meeting of the Company.”
8. “**THAT** subject to the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Shares to be issued and allotted by the Company under the proposed share option scheme of the Company (the “New Share Option Scheme”, a copy of which has been produced to the meeting marked ‘A’ and initialed by the chairman of the meeting for the purpose of identification):
- (a) the New Share Option Scheme be and is hereby approved and adopted as the Company’s share option scheme and the Directors of the Company be and are hereby authorised to take all such steps as they may deem necessary, desirable or expedient to carry into effect, waive or amend the New Share Option Scheme subject to the terms of the New Share Option Scheme and the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time); and
- (b) the Directors of the Company be and are hereby authorised to grant options to subscribe for Shares in accordance with the rules of the New Share Option Scheme up to a maximum of 10% of the Shares in issue as at the date of passing of this resolution, to issue and allot Shares pursuant to the exercise of the options so granted, to administer the New Share Option Scheme in accordance with its terms and to take all necessary actions incidental thereto as the Directors of the Company deem fit.”

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

Hong Kong, 28 July 2022

As at the date of this announcement, the Board comprises five executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Ms. Liu Yu Jie, Mr. Li Zhong and Mr. Duan Jerry Linnan, three non-executive Directors, being Mr. Zhao Hai Hu, Mr. Makoto Inoue and Ms. Wang Xiaoqin, and five independent non-executive Directors, being Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping, Ms. Zhou Nan and Mr. Chan Wai Cheung Admiral.

NOTICE OF ANNUAL GENERAL MEETING

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 to attend and vote instead of him. A proxy need not be a member of the Company. In addition, a proxy or proxies 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 Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if return before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if return on or after 15 August 2022) not less than 48 hours before the time fixed for holding the meeting.
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 Tuesday, 6 September 2022 to Friday, 9 September 2022 (both days inclusive), during which period no transfer of shares will be registered. 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 Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022), for registration not later than 4:30 p.m. on Monday, 5 September 2022

* *For identification purpose only*