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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)

SUPPLEMENTAL ANNOUNCEMENT TO RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of China Water Affairs Group Limited dated 9 February 2026 (the "**Announcement**"). Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

Regarding the proposed annual cap and the basis in determining the same as set out on page 4 of the Announcement, it was noted that the utilisation rate of the existing annual caps under the Existing Framework Agreement had decreased to a low level in FY2025 and the actual transactions between the Group and the JV Company have been on a declining trend since FY2024.

The existing annual caps under the Existing Framework Agreement were determined in early 2023. The Mainland had just officially removed the COVID lockdown measures then and it was expected that the economy would quickly resume to its pre-COVID level. The Company was also actively proceeding with its proposed spin-off on the Stock Exchange and subsequently submitted its application in June 2023. It was originally intended to utilise a major part of the proceeds from the proposed spin-off to further expand the pipeline direct drinking water supply business by increasing the construction of direct drinking water pipelines and facilities to various end-users and to finance the procurement of raw materials and consumables for the production of pipeline direct drinking water machinery and equipment. Hence the existing annual caps were proposed to accommodate the expected growth in the business. However the proposed spin-off eventually did not materialize and the Group strategically scaled down its development plan for the pipeline direct drinking water supply business. In addition, the property market in the Mainland continued its downturn since FY2024 and market sentiment has remained cautious. The sluggish property market has a direct impact on the demand for pipeline direct drinking products. As a result, the utilisation rate of the existing annual caps and the actual transactions between the Group and the JV Company both fell significantly after reaching their peaks for FY2024.

In view of the above and after taking into account of the historical transactions between the Group and the JV Company, the Company has adopted a prudent approach in devising its development plan for the pipeline direct drinking water supply business. As set out in the Announcement, the Board noted that the transaction amounts reached its highest to approximately RMB40 million for FY2024 and decreased to its lowest of approximately RMB12 million for FY2026 (estimated based on the 6-month figure of RMB5.87 million). Despite the declining transaction amounts for the last two years, the Board is optimistic of the development potential of the pipeline direct drinking water segment in the long run due to its sustainable and eco-friendly nature which is supported by favourable government policies. For instance, the "Action Plan for Tackling Plastic Pollution During the 14th Five-Year Period" formulated by the National Development and Reform Commission encourages government bodies to install pipeline direct drinking water equipment and provide pipeline direct drinking water in the office instead of relying on single-use plastic bottled water. Local government authorities have also issued notices or plans in relation to the promotion of pipeline direct drinking water in recent years. For example, the Tianjin Municipal People's Government issued the Notice on Printing and Distributing the 14th Five-Year Plan for Water Security in Tianjin (2021), aiming to promote the construction of pipeline direct drinking water facilities at various locations, such as schools, airport, railway stations and large exhibition halls to ensure the accessibility of safe drinking water supply. It is also hopeful that the property market in the Mainland could bottom out any time and a turnaround in sentiment would bring about an unexpected surge in demand for the products. Hence the proposed annual caps should be sufficient to accommodate such increase. After taking into account of the above, the Board has determined the proposed annual caps under the Framework Agreement at RMB40 million for each of the next three years, which represented the highest annual transaction amount for the last three years and would also allow sufficient room for expansion of the business, given that the compound annual growth rate of the actual transaction amounts from FY2021 to FY2024 was approximately 100% and the highest annual growth rate during such period was approximately 370%. The Board considers that proposed annual caps are fair and reasonable, on normal commercial terms and in the interest of the Group and the Shareholders as a whole.

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

Hong Kong, 27 February 2026

As at the date of this announcement, the Board comprises four executive Directors, being Mr. Duan Chuan Liang, Ms. Ding Bin, Mr. Li Zhong and Mr. Duan Jerry Linnan, four non-executive Directors, being Mr. Li Hao, Mr. Bai Li, Mr. Xu Yan and Ms. Wang Xiaoqin, and four independent non-executive Directors, being Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping and Mr. Xiao Zhe.

* *For identification purposes only*