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Luzhou Xinglu Water (Group) Co., Ltd.*

瀘州市興瀘水務(集團)股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 2281)

(1) CHANGE OF ACCOUNTING STANDARDS; (2) PROPOSED CHANGE OF INTERNATIONAL AUDITOR; AND (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The board of directors (the “**Board**”) of Luzhou Xinglu Water (Group) Co., Ltd.* (瀘州市興瀘水務(集團)股份有限公司) (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that the Board approved, among other things, (i) a proposal on the change of the Company’s accounting standards; (ii) a proposal on change of the Company’s international auditor; and (iii) a proposal on amendments to the articles of association of the Company (the “**Articles of Association**”) at the Board meeting convened on 9 December 2021.

I. CHANGE OF ACCOUNTING STANDARDS

Since the listing of H shares of the Company (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the Company has been preparing consolidated financial statements of the Group in accordance with both the China Accounting Standards for Business Enterprises (“**CASBE**”) and the International Financial Reporting Standards (“**IFRS**”).

Reference is made to the announcement of the Company dated 30 June 2021 in relation to the proposed initial public offering of its A shares (the “**Proposed A Share Offering**”). In view of the Company’s strategic planning and arrangement on the Proposed A Share Offering, the Board has passed a resolution in relation to the preparation of only one set of consolidated financial statements of the Group in accordance with CASBE (the “**Change of Accounting Standards**”) for the year ending 31 December 2021 and onwards. The Board is of the view that such change will improve work efficiency and reduce the compliance costs for the Proposed A Share Offering and the requirements under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange, and is in the best interest of the Company and its shareholders (the “**Shareholders**”) as a whole.

The Company is of the view that the Change of Accounting Standards will not have material effect on the financial position, operating results and cash flows of the Company for the year ending 31 December 2021 and in the future.

II. PROPOSED CHANGE OF INTERNATIONAL AUDITOR

Deloitte Touche Tohmatsu has been acting as the Company’s international auditor since the Listing, being responsible for auditing the consolidated financial statements of the Group prepared in accordance with the IFRS. In view of the change of the accounting standards of the consolidated financial statements of the Group for reporting under the Listing Rules, the Board proposed to change the Company’s international auditor from Deloitte Touche Tohmatsu to ShineWing Certified Public Accountants LLP (the “**Proposed Change of International Auditor**”), subject to the approval of the Shareholders at the general meeting of the Company. ShineWing Certified Public Accountants LLP is recognized by the Ministry of Finance of the People’s Republic of China and the China Securities Regulatory Commission and is qualified to serve as the reporting accountant for mainland incorporated companies listed in Hong Kong. Subject to the approval of the Shareholders at the general meeting of the Company on the Proposed Change of the International Auditor, ShineWing Certified Public Accountants LLP will become the sole auditor of the Company auditing the consolidated financial statements of the Group prepared in accordance with CASBE, and also undertake the role of international auditor of the Company.

Deloitte Touche Tohmatsu has confirmed in writing that there are no matters relating to the Proposed Change of International Auditor that need to be brought to the attention of the Shareholders. The Board also confirms that it is not aware of any matters relating to the Proposed Change of International Auditor that need to be brought to the attention of the Shareholders. The Board and the audit committee of the Company also confirm that there is no disagreement between the Company and Deloitte Touche Tohmatsu in relation to the Proposed Change of International Auditor.

The Board would like to take this opportunity to express its sincere gratitude to Deloitte Touche Tohmatsu for its professional services rendered to the Group during the past years.

III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Due to the Change of Accounting Standards, the Company proposes to make corresponding amendments to certain provisions in relation to accounting standards in the Articles of Association (the “**Proposed Amendments to the Articles of Association**”).

The Proposed Amendments to the Articles of Association are compared against the existing Articles of Association as follows for ease of reference.

Before Amendment	After Amendment
<p>Article 227 The financial statements of the Company shall be prepared in accordance with PRC accounting standards and regulations, and shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. If there is any material discrepancy in the financial statements prepared in accordance with these two sets of accounting standards, such discrepancy shall be specified in the notes to such financial statements. For the purpose of distributing after-tax profits by the Company for a given accounting year, the lesser of the amounts of after-tax profits shown in the aforementioned two kinds of financial statements shall govern.</p>	<p>Article 227 The financial statements of the Company shall be prepared in accordance with PRC accounting standards and regulations; and shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. If there is any material discrepancy in the financial statements prepared in accordance with these two sets of accounting standards, such discrepancy shall be specified in the notes to such financial statements. For the purpose of distributing after-tax profits by the Company for a given accounting year, the lesser of the amounts of after-tax profits shown in the aforementioned two kinds of financial statements shall govern.</p>
<p>Article 228 Interim results or financial information published or disclosed by the Company shall be prepared according to PRC accounting standards and regulations, and shall also be prepared in accordance with international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed.</p>	<p>Article 228 Interim results or financial information published or disclosed by the Company shall be prepared according to PRC accounting standards and regulations; and shall also be prepared in accordance with international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed.</p>

The English version of the Proposed Amendments to the Articles of Association is an unofficial translation of its Chinese version for reference purpose only. In case of any discrepancies, the Chinese version shall prevail.

IV. GENERAL

The Company will convene an extraordinary general meeting to consider and, if thought fit, approve the Proposed Change of International Auditor and the Proposed Amendments to the Articles of Association. A circular containing, among others, the details of the aforesaid resolutions, together with the notice of the extraordinary general meeting will be despatched to the Shareholders in due course.

By order of the Board
Luzhou Xinglu Water (Group) Co., Ltd.*
Zhang Qi
Chairman

Luzhou, Sichuan Province, the PRC
9 December 2021

As at the date of this announcement, the Board comprises of (i) two executive directors, namely Mr. Zhang Qi and Mr. Liao Xingyue; (ii) three non-executive directors, namely Mr. Chen Bing, Ms. Xu Yan and Mr. Xie Xin; and (iii) three independent non-executive directors, namely Mr. Gu Ming'an, Mr. Lin Bing and Mr. Cheng Hok Kai, Frederick.

* *For identification purposes only*