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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)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024**

### **FINANCIAL HIGHLIGHTS FOR 2024**

- Revenue amounted to approximately RMB1,330.3 million, representing an increase of approximately 3.4% compared to the same period of 2023.
- Net profit amounted to approximately RMB189.9 million, representing a decrease of approximately 15.2% compared to the same period of 2023.
- Net profit attributable to the owners of the parent company amounted to approximately RMB177.2 million, which represents a decrease of approximately 15.6% compared to the same period of 2023.
- Basic earnings per share amounted to approximately RMB0.21, representing a decrease of approximately 12.5% compared to the same period of 2023.

### **PROFIT DISTRIBUTION PLAN OF 2024**

- The Board proposed to distribute a final dividend of RMB0.04 per share (tax inclusive) for the year ended 31 December 2024 to all Shareholders on the basis of the number of shares of 859.71 million shares in issue as at 31 December 2024, amounting to a total final dividend of approximately RMB34.39 million. Subject to the approval of the Shareholders at the AGM, the Company expects to complete the distribution of final dividends on or before 31 July 2025. If there is any change in the above expected timing and distribution, the Company will make necessary announcement(s) as and when appropriate.

The board (the “**Board**”) of directors (the “**Directors**”) of Luzhou Xinglu Water (Group) Co., Ltd.\* (瀘州市興瀘水務(集團)股份有限公司) (the “**Company**” or “**we**”) is pleased to announce the combined income and financial position of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**”) together with comparative figures for the year ended 31 December 2023 as follows:

## I. FINANCIAL INFORMATION OF THE GROUP

### 1. CONSOLIDATED INCOME STATEMENT

Items	Currency: RMB'000	
	2024	2023
<b>1. Total operating revenue</b>	<b>1,330,267</b>	1,286,434
Including: Operating revenue	<b>1,330,267</b>	1,286,434
<b>2. Total operating cost</b>	<b>1,118,733</b>	1,075,970
Including: Operating cost	<b>867,450</b>	842,101
Taxes and surcharges	<b>33,815</b>	34,037
Cost of sales	<b>24,227</b>	26,084
Management expenses	<b>107,361</b>	101,925
Research and development expenses	–	51
Finance costs	<b>85,880</b>	71,772
Add: Other revenue	<b>49,216</b>	82,008
Investment income (represented by a sign of “–” for loss)	<b>5,158</b>	-3,044
Credit impairment loss (represented by a sign of “–” for loss)	<b>-41,578</b>	-24,667
Asset impairment loss	–	–
Income from disposal of assets	<b>1,898</b>	3,817
<b>3. Operating profit</b>	<b>226,227</b>	268,557
Add: Non-operating revenue	<b>2,334</b>	3,666
Less: Non-operating expense	<b>696</b>	9,723
<b>4. Total profit</b>	<b>227,865</b>	262,521
Less: Income tax expense	<b>37,930</b>	38,608

Items	Currency: RMB'000	
	2024	2023
<b>5. Net profit</b>	<b>189,935</b>	223,913
(1) Classified by continuing operation	<b>189,935</b>	223,913
1. Net profit for continuing operation	<b>189,935</b>	223,913
(2) Classified by attribution of ownership	<b>189,935</b>	223,913
1. Net profit attributable to owners of the parent company	<b>177,238</b>	209,901
2. Minority profit and loss	<b>12,697</b>	14,012
<b>6. Other comprehensive income, net after tax</b>	<b>—</b>	—
Other comprehensive income attributable to the owners of the parent company, net after tax	<b>—</b>	—
(1) Other comprehensive income that cannot be reclassified into profit or loss	<b>—</b>	—
1. Others	<b>—</b>	—
<b>7. Total comprehensive income</b>	<b>189,935</b>	223,913
Total comprehensive income attributable to the shareholders of the parent company	<b>177,238</b>	209,901
Total comprehensive income attributable to minority shareholders	<b>12,697</b>	14,012
<b>8. Earnings per share:</b>		
(1) Basic earnings per share (RMB/share)	<b>0.21</b>	0.24
(2) Diluted earnings per share (RMB/share)	<b>0.21</b>	0.24

## 2. CONSOLIDATED BALANCE SHEET

Items	Currency: RMB'000	
	31 December 2024	31 December 2023
<b>Current assets:</b>		
Monetary funds	447,179	390,505
Bills receivable	–	600
Accounts receivable	697,661	563,915
Prepayments	32,636	40,106
Other receivables	71,979	126,201
Inventories	69,743	74,100
Contract assets	–	–
Other current assets	125,072	109,098
<b>Total current assets</b>	<b>1,444,270</b>	<b>1,304,524</b>
<b>Non-current assets:</b>		
Long-term receivables	–	807
Long-term equity investment	–	–
Investments in other equity instruments	56	56
Properties held for investment	1,832	2,813
Fixed assets	3,738,536	3,334,920
Construction in progress	235,077	573,722
Right-of-use assets	24	61
Intangible assets	1,512,274	1,537,620
Goodwill	28,139	28,139
Long-term deferred expenses	161,377	184,424
Deferred income tax assets	22,288	16,711
Other non-current assets	44,204	70,990
<b>Total non-current assets</b>	<b>5,743,806</b>	<b>5,750,262</b>
<b>Total assets</b>	<b>7,188,076</b>	<b>7,054,786</b>

Items	Currency: RMB'000	
	31 December 2024	31 December 2023
<b>Current liabilities:</b>		
Short-term borrowings	119,374	60,057
Accounts payable	430,247	417,137
Contract liabilities	173,440	177,211
Staff wages payable	56,790	49,150
Tax payable	14,337	20,765
Other payables	219,653	204,259
Of which: Interests payable	—	—
Non-current liabilities due within one year	504,327	569,614
Other current liabilities	3,060	2,469
<b>Total current liabilities</b>	<b>1,521,227</b>	<b>1,500,662</b>
<b>Non-current liabilities:</b>		
Long-term borrowings	1,410,549	1,465,304
Bonds payable	—	—
Long-term payables	910,844	850,844
Estimated liabilities	7,072	7,754
Deferred income	184,996	212,338
Deferred income tax liabilities	4,905	5,251
<b>Total non-current liabilities</b>	<b>2,518,366</b>	<b>2,541,491</b>
<b>Total liabilities</b>	<b>4,039,593</b>	<b>4,042,153</b>
<b>Shareholders' equity:</b>		
Share capital	859,710	859,710
Capital reserve	420,447	420,447
Other comprehensive income (represented by a sign of “—” for loss)	-67	-67
Special reserve	8,837	12,276
Surplus reserve	78,048	73,486
Undistributed profits	1,562,387	1,432,696
<b>Total shareholders' equity attributable to the parent company</b>	<b>2,929,363</b>	<b>2,798,549</b>
Minority shareholders' equity	219,120	214,084
<b>Total shareholders' equity</b>	<b>3,148,483</b>	<b>3,012,633</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,188,076</b>	<b>7,054,786</b>

## NOTES

### 1. BASIS OF PREPARATION

#### **Basis of preparation**

The Group's financial statements have been prepared based on actual transactions and events in accordance with the "Accounting Standards for Business Enterprises" promulgated by the Ministry of Finance of the People's Republic of China and the practice notes, interpretations and other relevant regulations (collectively "ASBE"), as well as the disclosure of the Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (Revised in 2023) issued by the China Securities Regulatory Commission, and the disclosure-related requirements under the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

#### **Going-concern**

The Group assessed its ability to continue as a going concern for the 12 months since 31 December 2024, and found no events or circumstances that cast significant doubts upon it. These financial statements have been presented on a going concern basis

#### **Significant Accounting Policies and Accounting Estimates**

The specific accounting policies and accounting estimates developed by the Group according to relevant provisions of accounting standards in combination of characteristics of actual production and operation include business cycle, recognition and measurement of bad debt provision for receivables, fixed assets classification and depreciation methods, amortization of intangible assets, recognition and measurement of incomes, etc.

#### ***Statement of compliance with the ASBE***

The financial statements prepared by the Company comply with the requirements of the ASBE and give a true and fair view of the financial position of the Company and the Group as at 31 December 2024 and operating results, cash flows and other relevant information in 2024.

#### ***Accounting period***

The accounting period of the Group is from 1 January to 31 December of each calendar year.

#### ***Operating cycle***

The Group adopts a 12-month period as its business cycle and the basis for liquidity classification between assets and liabilities.

#### ***Reporting currency***

The Group uses Renminbi as the local currency of accounts.

## 2. REVENUE

Disaggregation of revenue generated from contracts with customers:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Type of goods</b>		
– Water supply business	<b>414,131</b>	384,719
– Wastewater treatment business	<b>660,047</b>	607,255
– Engineering business	<b>238,850</b>	256,823
– Others	<b>17,239</b>	37,636
	<hr/>	<hr/>
<b>Revenue</b>	<b><u>1,330,267</u></b>	<b><u>1,286,434</u></b>

The above revenues are all derived from the People's Republic of China (the “PRC” or “China”, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan).

## 3. SEGMENT INFORMATION

Information reported to chairman of the Board of the Company, being the chief operating decision maker (“CODM”), during the Reporting Period, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group's reportable segments under the ASBE No. 35 Segment Reporting are as follows:

- Tap water supply – provision of water supply business, engineering business
- Wastewater treatment – provision of wastewater treatment business

The Company and its certain subsidiaries mainly provide tap water supply, engineering business in the PRC, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment, “**Tap water supply segment**”, because, in the opinion of the Directors, they have similar economic characteristics and provide tap water supply, installation services and others in the PRC under similar production processes to similar classes of customers using similar distribution method in the same regulatory environment.

In addition, the wastewater treatment segment includes subsidiaries of the Company providing wastewater treatment services in the PRC, each of which is considered as a separate operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated into a single reportable segment, “**Wastewater treatment segment**”, because, in the opinion of the Directors, they have similar economic characteristics and provide wastewater treatment services in the PRC under similar production processes to similar customer groups using similar distribution methods in the same regulatory environment.

## Segment revenue and results

The following is an analysis of the Group's revenue and results by operation and reportable segment:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
<b>Segment revenue</b>		
Tap water supply		
– From external customers		
– Water supply business	414,131	384,719
– Engineering business	238,850	256,823
Wastewater treatment		
– From external customers		
– Operating services	660,047	607,255
Others	17,239	37,636
<b>Revenue</b>	<b>1,330,267</b>	<b>1,286,434</b>
<b>Segment profits</b>		
– Tap water supply	4,189	69,568
– Wastewater treatment	190,320	156,532
– Others (represented by a sign of “–” for loss)	-4,574	-2,187
<b>Net profit</b>	<b>189,935</b>	<b>223,913</b>

\* *Inter-segment sales for 2023 and 2024 were conducted at terms mutually agreed among the companies comprising the Group.*

The accounting policies of the operating segments are the same as the Group's accounting policies.



## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operation and reportable segment:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment assets</b>		
– Tap water supply	4,515,975	4,706,591
– Wastewater treatment	3,310,196	2,988,030
– Others	16,661	26,026
Elimination	<u>-677,043</u>	<u>-682,572</u>
Consolidated total assets	<u><b>7,165,789</b></u>	<u><b>7,038,075</b></u>
<b>Segment liabilities</b>		
– Tap water supply	2,346,191	2,526,800
– Wastewater treatment	1,687,320	1,504,846
– Others	3,974	8,002
Elimination	<u>-2,798</u>	<u>-2,746</u>
Consolidated total liabilities	<u><b>4,034,688</b></u>	<u><b>4,036,902</b></u>

## 4. FINANCE EXPENSES

	For the year ended	
	31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses	88,938	77,484
Less: Interest income	3,551	6,113
Add: Foreign exchange losses	223	99
Add: Other expenses	<u>271</u>	<u>301</u>
	<u><b>85,880</b></u>	<u><b>71,772</b></u>

## 5. INCOME TAX EXPENSE

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax expense	43,852	40,630
Deferred income tax expense	-5,922	-2,022
	<u>37,930</u>	<u>38,608</u>

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and the Law of the PRC on Enterprise Tax (the “**ET Law**”) and its implementation, the applicable tax rates of the subsidiaries for both years are as follows:

Name of taxpayers	2024	2023
Luzhou Xinglu Water (Group) Co., Ltd.* (“ <b>Water Headquarters</b> ”)	15%	15%
Luzhou Xinglu Water (Group) Co., Ltd. Lu County Branch (“ <b>Lu County Branch</b> ”)	15%	15%
Luzhou Xinglu Water (Group) Hejiang Water Co., Ltd. (“ <b>Hejiang Water</b> ”)	15%	15%
Luzhou Nanjiao Water Co., Ltd. (“ <b>Nanjiao Water</b> ”)	See ③	15%
Luzhou Xinglu Water (Group) Beijiao Water Co., Ltd. (“ <b>Beijiao Water</b> ”)	15%	15%
Luzhou Sitong Tap Water Engineering Co., Ltd. (“ <b>Sitong Engineering</b> ”)	15%	15%
Luzhou Xinglu Wastewater Treatment Co., Ltd. (“ <b>Xinglu Wastewater</b> ”)	15%	15%
Luzhou Xinghe Water Governance Co., Ltd. (“ <b>Xinghe Water Governance</b> ”)	15%	15%
Xinglu Water Weiyuan Qingxi Water Co., Ltd. (“ <b>Weiyuan Water</b> ”)	15%	15%
Weiyuan City Water Supply and Drainage Installation Engineering Co., Ltd. (“ <b>Weiyuan Installation</b> ”)	See ③	15%
Luzhou Fanxing Environmental Development Co., Ltd. (“ <b>Fanxing Environmental</b> ”)	See ①②③	See ①②③
Dechang Xinglu Water Co., Ltd. (“ <b>Dechang Water</b> ”)	15%	15%
Chengdu Qingbaijiang Xinglu Water Co., Ltd. (“ <b>Qingbaijiang Water</b> ”)	See ①②③	See ①②③
Leshan Xinglu Water Xingjia Environmental Protection Technology Co., Ltd. (“ <b>Xingjia Environmental</b> ”)	See ③	See ③
Leibo Xinglu Water Co., Ltd. (“ <b>Leibo Water</b> ”)	See ③	15%
Luzhou Xinglu Water (Group) Crystal Trading Co., Ltd. (“ <b>Crystal Trading</b> ”)	See ③	See ③
Luzhou Xinglu Zhihui Water Science and Technology Co., Ltd. (“ <b>Zhihui Technology</b> ”)	See ③	See ③
Luzhou Sitong Water Supply and Drainage Engineering Design Co., Ltd. (“ <b>Sitong Design</b> ”)	See ③	See ③
Luzhou Xinglu Water (Group) Xingxu Water Co., Ltd. (“ <b>Xingxu Water</b> ”)	See ③	See ③
Xuyong Yongxing Water Governance Co., Ltd. (“ <b>Yongxing Water Governance</b> ”)	See ③	See ③
Luzhou Xinggang Environmental Technology Co., Ltd. (“ <b>Xinggang Environmental</b> ”)	See ③	See ③
Leshan Jingyan Xinglu Wastewater Treatment Co., Ltd. (“ <b>Jingyan Wastewater</b> ”)	15%	See ③
Luzhou Xinglu Water Testing Co., Ltd. (“ <b>Water Testing</b> ”)	See ③	See ③

- ① According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (MOF Notice 2020 No. 23) by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, enterprise income tax will be levied at a reduced rate of 15% on enterprises located in the western region in the encouraged industries from 1 January 2021 to 31 December 2030. Projects including Xinglu Water Headquarters, Luxiang Branch, Hejiang Water, Nanjiao Water, Beijiao Water, Sitong Engineering, Xinglu Wastewater, Xinghe Water Governance, Weiyuan Water, Weiyuan Installation, Fanxing Environmental, Dechang Water, and Qingbaijiang Water meet the requirements of the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, and being in the encouraged industries as set out in the Catalogue of Industries Encouraged to Develop in the Western Region, they are entitled to enjoy the preferential tax policy under the Implementation of Exploration and Development of Western Region.
- ② According to Article 27 of the EIT Law, the income of enterprises engaged in the investment and operation of public infrastructure projects supported by the state and the income derived from environmental protection projects or energy and water saving projects which meet relevant requirements are entitled to the tax preference of exemption and reduction. According to Article 88 of the Regulations for Implementation of Enterprise Income Tax, in respect of environmental protection projects or energy and water saving projects, including public wastewater treatment, public garbage treatment, integrated development and utilization of biogas, energy saving and emission reduction technology transformation and seawater desalination which meet relevant requirements, the income of enterprises engaging in the above environmental protection projects or energy and water saving projects which meet relevant requirements is entitled to be exempted from EIT for the first to third years and allowed a fifty percent reduction in the fourth to sixth years beginning from the first year of commercial production and operation.

According to Article 34 of the EIT Law, for the amount of investment in purchase of special equipment for environmental protection, energy and water saving and work safety, tax credit may be implemented by the entity with a certain percentage. According to Article 100 of the Implementation Rules to the Enterprise Income Tax Law, where an enterprise purchases and actually uses special equipment for environmental protection, energy and water saving and work safety listed in the Catalogue of Enterprise Income Tax Incentives for Special Purpose Equipment for Environmental Protection, the Catalogue of Enterprise Income Tax Incentives for Special Equipment for Energy and Water Conservation, and the Catalogue of Enterprise Income Tax Incentives for Special Equipment for Work Safety, 10% of the investment amount in the special purpose equipment may be offset against its tax payable for the current year; where the tax payable is insufficient for the credit, the excess may be carried forward for credit in the following five taxable years.

According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (MOF Notice 2020 No. 23) by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, enterprise income tax will be levied at a reduced rate of 15% on enterprises located in the western region in the encouraged industries from 1 January 2021 to 31 December 2030.

If an enterprise meets the conditions for the 15% preferential tax rate under the Implementation of Exploration and Development of Western Region and also meets the tax preference conditions under the EIT Laws and its implementation regulations and the requirements of the State Council, it is entitled to the tax preferences simultaneously.

During the 50% reduction period involving tax relief for a fixed period, the tax payable may be reduced by 50% based on the tax rate applicable to the enterprise.

Name of taxpayers	50% tax reduction period
Fanxing Environmental (Gulin project)	2022 – 2024
Qingbaijiang Water	2023 – 2025

- ③ According to the Notice of the Preferential Income Tax Policies for Small and Micro Size Enterprises and Individual Industrial and Commercial Households by the Ministry of Finance and the State Administration of Taxation (2023 No. 12), for the part of small and low-profit enterprises, 25% shall be included in the taxable income, and the enterprise income tax shall be paid at the tax rate of 20%. The policy will continue to be implemented until 31 December 2027.

(2) Value-added tax

- ① According to the Notice on the Issuance of the Catalog of Value-added Tax Benefits for Products and Services for Comprehensive Utilization of Resources (Cai Shui [2021] No. 40) of the Ministry of Finance and the State Administration of Taxation, with effective from 1 March 2022, the Taxpayers who engage in the sale of self-produced products for comprehensive utilization of resources and provision of services for comprehensive utilization of resources are entitled to the policy of instant refund of value-added tax. Xinglu Wastewater which has provided services for sewage treatment since 1 March 2022 are entitled to the policy of instant refund of value-added tax with a tax refund rate of 70%.
- ② According to, the Announcement of the Ministry of Finance and the State Administration of Taxation on the Continued Implementation of Preferential Tax Policies for Rural Drinking Water Safety Projects (MOF and SAT Announcement 2019 No. 67) and the Announcement of the Ministry of Finance and the State Administration of Taxation on the Extension of the Implementation Period of Certain Preferential Tax Policies (MOF and SAT Announcement 2021 No. 6), the revenue from the sale of tap water earned by the operation and management units responsible for drinking water projects in respect of the provision of domestic water to rural residents is exempt from value-added tax.

## 6. DIVIDEND

A final dividend of RMB0.04 per share (tax inclusive) in respect of the year ended 31 December 2024, totalling RMB34.39 million was declared and paid to the shareholders of the Company during the Reporting Period.

Subsequent to the Reporting Period, distribution of a final dividend of RMB34.39 million in total or RMB0.04 per share (tax inclusive) in respect of the year ended 31 December 2024 (2023: RMB42.99 million in total or RMB0.05 per share (tax inclusive)) has been proposed by the Board and is subject to approval by the shareholders of the Company in the annual general meeting.

## 7. EARNINGS PER SHARE

The calculation of the basic and amortised earnings per share attributable to owners of the Company is based on the following data:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net profit realised by the Company (RMB'000)	<u><b>177,238</b></u>	<u>209,901</u>
Weighted average number of ordinary shares issued ('000)	<u><b>859,710</b></u>	<u>859,710</u>
Earnings per share (RMB)	<u><b>0.21</b></u>	<u>0.24</u>

No diluted earnings per share is presented for the year ended 2024 and 2023 as the Company and its subsidiaries did not have potential ordinary shares outstanding.

## 8. TRADE RECEIVABLES

	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade Receivables	<b>804,734</b>	635,177
Less: Allowance for credit losses	<u><b>107,073</b></u>	<u>71,263</u>
Total trade receivables	<u><b>697,661</b></u>	<u>563,915</u>

The following is the aging analysis of trade receivables, presented based on the respective revenue recognition dates:

	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 1 year (inclusive)	<b>510,431</b>	399,142
1-2 years	<b>142,401</b>	127,161
2-3 years	<b>65,025</b>	69,071
3-4 years	<b>58,037</b>	32,401
4-5 years	<b>21,925</b>	1,583
Over 5 years	<b>6,916</b>	5,819
	<b><u>804,734</u></b>	<b><u>635,177</u></b>

## **9. TRADE PAYABLES**

The following is the aging analysis of trade payables, presented based on the invoice dates:

	<b>As at 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within 1 year (inclusive)	<b>257,575</b>	194,384
1-2 years	<b>38,584</b>	59,474
2-3 years	<b>35,677</b>	88,220
3-4 years	<b>62,199</b>	1,445
4-5 years	<b>234</b>	67,017
Over 5 years	<b>35,977</b>	6,597
	<b><u>430,247</u></b>	<b><u>417,137</u></b>

## 10. SHARE CAPITAL

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
At the end of the year	<b>859,710</b>	859,710
	<i>'000 shares</i>	<i>'000 shares</i>
Shares of RMB1 each		
– Domestic shares ( <i>Note</i> )	<b>644,770</b>	644,770
– H shares	<b>214,940</b>	214,940
	<b>859,710</b>	859,710

*Note:* Domestic shares and H shares rank pari passu in all respects with each other. Domestic shares are not eligible for trading on the Main Board of the Hong Kong Stock Exchange.

## II. MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Industry Overview

In recent years, the overall operation of China's water industry has remained stable, with newly added water supply capacity concentrated in urban areas. Urban and rural water supply continue to experience slow growth, but the limited momentum in future water consumption population growth will constrain the water supply business of water enterprises. Wastewater treatment capacity and volume have continued to increase, while remaining a significant disparity between urban and rural development levels. With relevant policies tilting toward addressing shortfall areas such as rural wastewater treatment, it is expected that there remains room for demand growth for wastewater treatment in the PRC.

Currently, water enterprises are facing significant cost escalation pressures, while the sustainability of related fiscal subsidies remains challenging, making the adjustment of water tariffs both urgent and reasonable. It is projected that in 2025, driven by both top-level policies and operational pressures on enterprises, water tariff increases are likely to be implemented in a broader scale nationwide, thereby improving profitability in the water supply sector. However, due to increasing fiscal revenue and expenditure pressures on local governments, the collection cycle for wastewater treatment fees has noticeably been lengthened, leading to weakened cash realization capabilities and debt repayment metrics. Consequently, the overall debt scale and financial leverage continue to exhibit an upward trend.

Recently, a series of policies related to the new Public-Private-Partnership (“**PPP**”) mechanism have been introduced, repeatedly emphasizing the prevention of new hidden government debt while encouraging private enterprises to participate in water supply and drainage projects, which will help enhance the quality of water franchise projects. However, the stricter payment mechanisms will limit the growth potential of the PPP market. Following the cancellation of minimum water treatment volume guarantees, attention should be paid to operational risks arising from insufficient market demand.

With the promotion of cutting-edge Artificial Intelligence (“**AI**”) technologies such as DeepSeek, leveraging “Artificial Intelligence+” to develop multi-model and multi-modal applications is becoming the new norm across various industries. Consequently, we believe that the water industry will accelerate its development in areas such as digital economy empowerment and intelligent water, water resource security and ecological environmental protection will achieve leap-forward upgrades, and the water industry will break through its current development bottlenecks and constraints to rapidly enter a period of quality-oriented transformation and personalized development in segmented fields.



## (2) Development Strategy and Outlook

In 2025, the Group will continue to concentrate on its principal businesses and responsibilities, adopting a “seeking progress while ensuring stability” development strategy, and centering its efforts on “broadening business sources, reducing costs and enhancing efficiency, streamlining price and fee mechanisms, and adhering to technological innovation” as its core work theme, in order to fully seize development opportunities and place emphasis on expanding the industrial wastewater treatment market based on distillery wastewater, while continuously promoting the integration of water supply and drainage in townships. Through refined internal management, tapping internal potential, conserving energy and reducing consumption, and improving quality and efficiency, the Group will continuously strengthen its core competitiveness and promote a healthy, sustainable, and high-quality corporate development.

## (3) Business Review

The Company is an integrated municipal water service provider in Sichuan Province, the PRC, principally engaged in two segmental businesses: tap water supply and wastewater treatment. We adopt project models of build-own-operate (“**BOO**”) and transfer-own-operate (“**TOO**”) in the course of business, where we and local governments enter into concession agreements for a normal period of 30 years. The Company mainly engages business in Luzhou area, Weiyuan area in Neijiang City, Shizhong District and Jingyan area in Leshan City, Qingbaijiang area in Chengdu city, Leibo and Dechang District in Liangshan Prefecture, in the PRC.

As at the end of the Reporting Period, we operated twelve tap water plants, eight city wastewater treatment plants, two industrial park wastewater treatment plants and four entrusted operation wastewater treatment plants. In addition, we operated several wastewater treatment facilities in urban and rural areas, and engaged in entrusted operation projects, with a total treatment capacity of approximately 1.4391 million tons per day.

### *Tap Water Projects*

As at the end of the Reporting Period, the Group owned twelve tap water plants with a daily supply capacity of approximately 774,000 tons (excluding emergency back-up sewage treatment plants). The average utilization rate of tap water plants remained unchanged at 70.7% from the end of 2023.

During the Reporting Period, our total sales of water amounted to approximately 166.0 million tons, representing an increase of 1.6% as compared with approximately 163.4 million tons for the same period of 2023. The increase was mainly due to the extended water supply areas, increased number of users and natural increase in water consumed by users.

## ***Wastewater Treatment Projects***

As at the end of the Reporting Period, Xinglu Wastewater Treatment owned 8 operating city wastewater treatment plants (excluding emergency back-up sewage treatment plants), with a daily treatment capacity of approximately 533,000 tons and a production load rate of 75.7%, the suspension of the Lu County Wastewater Treatment Plant reduced the daily treatment capacity by 6,000 tons, and the completion and commencement of operation of the Chengdong Wastewater Treatment Plant Phase II added 50,000 tons of daily treatment capacity; two industrial park wastewater treatment plants, with a daily treatment capacity of 30,000 tons in aggregate; four entrusted operation wastewater treatment plants, with a daily treatment capacity of 27,300 tons in aggregate, and the termination of the entrusted operation of the Lingang Wastewater Treatment Plant reduced the daily treatment capacity by 19,500 tons; and a total of 292 wastewater treatment facilities in the townships and rural areas, with a daily treatment capacity of 74,800 tons in aggregate, representing a decrease of 2 wastewater treatment facilities as compared with that by the end of 2023.

During the Reporting Period, our total actual treatment capacity of urban wastewater amounted to approximately 175.2 million tons, representing an increase of 9.44% as compared with that of 160.1 million tons for the same period of 2023. The increase was mainly due to an increase in the treatment volume of urban wastewater and an additional treatment volume of wastewater in Leshan Jingyan project.

## **(4) Financial Review**

### ***1. Analysis of Key Items in the Income Statement***

#### ***1.1 Operating revenue***

During the Reporting Period, operating revenue of the Group amounted to RMB1,330.3 million, increased by 3.4% from RMB1,286.4 million for the same period of 2023. The increase was mainly due to the increase in the revenue from tap water and wastewater treatment.

##### **1.1.1 Tap water supply**

###### **1.1.1.1 Sales of tap water**

During the Reporting Period, revenue of the Group generated from sales of tap water amounted to RMB414.1 million, increased by 7.6% from RMB384.7 million for the same period of 2023. The increase was mainly due to the increase in water sales volume. The revenue generated from sales of tap water accounted for 29.9% and 31.1% of our total revenue for 2023 and 2024, respectively.

#### 1.1.1.2 Engineering installation

During the Reporting Period, revenue of the Group generated from installation services amounted to RMB238.9 million, decreased by 7.0% from RMB256.8 million for the same period of 2023. The decrease was mainly due to the downward adjustment of tariff policy and the decrease in engineering installation projects. Revenue generated from installation services accounted for 20.0% and 18.0% of our total revenue for 2023 and 2024, respectively.

#### 1.1.2 Wastewater treatment

During the Reporting Period, revenue of the Group generated from operating services of wastewater treatment amounted to RMB660.0 million, increased by 8.7% from RMB607.3 million for the same period of 2023. The increase was mainly due to the increase in wastewater charge volume. Revenue generated from wastewater treatment accounted for 47.2% and 49.6% of our total revenue for 2023 and 2024, respectively.

### 1.2 *Operating cost*

During the Reporting Period, the Group's operating cost amounted to RMB867.4 million, increased by 3.0% from RMB842.1 million for the same period of 2023. The increase was mainly due to an increase in water sales costs and wastewater treatment costs as a result of an increase in water sales volume and wastewater treatment volume.

#### 1.2.1 Tap water supply

##### 1.2.1.1 Sales of tap water

During the Reporting Period, the Group's operating cost from sales of tap water amounted to RMB391.8 million, increased by 1.1% from RMB387.7 million for the same period of 2023. The increase was mainly due to the increase in water sales volume, which has led to an increase in variable costs related to volume within the cost of water sales. Operating cost from sales of tap water supply operations accounted for 46.0% and 45.2% of our total operating cost for 2023 and 2024, respectively.

### 1.2.1.2 Engineering installation

During the Reporting Period, the Group's operating cost associated with installation services amounted to RMB77.4 million, increased by 11.5% from RMB69.4 million for the same period of 2023. The increase was mainly due to an increase in the cost of household meter installation. Operating cost associated with installation services accounted for 8.2% and 8.9% of our total operating cost for 2023 and 2024, respectively.

### 1.2.2 Wastewater treatment

During the Reporting Period, the Group's operating cost from wastewater treatment operating services amounted to RMB385.7 million, increased by 10.3% from RMB349.7 million for the same period of 2023. The increase was mainly due to the increases in the volume of wastewater treatment and the transfer of the Chengdong Wastewater Plant Phase II to fixed assets for depreciation in October 2024 as well as the corresponding increase in cost from wastewater treatment. Operating cost from wastewater treatment operating services accounted for 41.5% and 44.5% of the total operating cost for 2023 and 2024, respectively.

## 1.3 *Gross Profit and Gross Profit Margin*

As a result of the above, the Group's gross profit amounted to RMB462.8 million during the Reporting Period, increased by 4.2% from RMB444.3 million for the same period of 2023. Gross profit margin increased from 34.5% for 2023 to 34.8% during the Reporting Period. The increase in gross profit margin was mainly due to the dilution of the corresponding fixed costs as a result of the increase in revenue from water sales and wastewater treatment.

### 1.3.1 Tap water supply

#### 1.3.1.1 Sales of tap water

During the Reporting Period, the gross profit of the Group for sales of tap water under tap water supply operations amounted to RMB22.3 million, increased by 856.5% from RMB-3.0 million for the same period of 2023. The corresponding gross profit margin increased from -0.8% for 2023 to 5.4% during the Reporting Period. The increase was mainly due to the increase in water sales volume and the Company's enhanced cost control.

### 1.3.1.2 Engineering installation

During the Reporting Period, the gross profit of the Group for installation services amounted to RMB161.4 million, decreased by 13.9% from RMB187.4 million for the same period of 2023. Its corresponding gross profit margin decreased from 73.0% for 2023 to 67.6% during the Reporting Period. The decrease was mainly due to the downward adjustment of price and fee policies.

### 1.3.2 Wastewater treatment

During the Reporting Period, the gross profit of the Group for wastewater treatment operating services amounted to RMB274.3 million, increased by 6.5% from RMB257.6 million for the same period of 2023, which was mainly due to an increase in the volume of wastewater treatment. Its corresponding gross profit margin decreased from 42.4% in the 2023 to 41.6% during the Reporting Period. The decrease was mainly due to the increased depreciation costs of fixed assets converted from the newly constructed Chengdong Wastewater Treatment Plant Phase II.

## 1.4 *Other revenue*

During the Reporting Period, the Group's other revenue amounted to RMB49.2 million, decreased by 40.0% from RMB82.0 million for the same period of 2023. The decrease was mainly due to the construction subsidy for centralized pipeline network given by the government of RMB35 million in 2023, while there was no subsidy during the Reporting Period.

## 1.5 *Cost of sales*

During the Reporting Period, the Group's cost of sales amounted to RMB24.2 million, decreased by 7.3% from RMB26.1 million for the same period of 2023. The decrease was mainly due to the adjustment of sales personnel positions at Weiyuan Water, the reduction in wages of sales personnel at Crystal Trading in the second half of the year following its transfer in August 2024, the retirement of sales personnel at Lu County Branch and a reduction in sales personnel of Xingxu Water.

## 1.6 *Management expenses*

During the Reporting Period, the Group's management expenses amounted to RMB107.4 million, increased by 5.4% from RMB101.9 million for the same period of 2023. The increase was mainly due to the increase in remuneration of the management employees.

### 1.7 Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB85.9 million, increased by 19.6% from RMB71.8 million for the same period of 2023. The increase was mainly due to the writedown of finance costs of RMB17 million in loan interest subsidy granted by the government for water plants in 2023.

### 1.8 Income tax expense

During the Reporting Period, the Group's income tax expenses amounted to RMB37.9 million, decreased by 1.8% from RMB38.6 million for the same period of 2023. The decrease was mainly due to the decrease in profit tax expenses due to the decrease in total profit as compared to the same period of the previous year. As of 31 December 2023 and 2024, the effective tax rates of the Group were 14.7% and 16.6%, respectively.

### 1.9 Net profit and net profit margin

As a result of the above, the Group's net profit amounted to RMB189.9 million during the Reporting Period, decreased by 15.2% from RMB223.9 million for the same period of 2023. Net profit margin decreased from 17.4% for 2023 to 14.3% during the Reporting Period.

## 2. Analysis of Key Balance Sheet Items

### 2.1 Accounts receivable

Accounts receivable of the Group were RMB563.9 million and RMB697.7 million as of 31 December 2023 and 2024, respectively. The increase was mainly due to the increase in recurring accounts receivable such as wastewater treatment fee.

The table below sets forth the average turnover days of our accounts receivable during indicated periods:

	For the year ended 31 December	
	2024	2023
Average turnover days of accounts receivable <sup>Note 1</sup>	<u>171</u>	<u>153</u>

*Note:*

- (1) Turnover days of accounts receivable:  $360/\text{number of accounts receivable turnover}$ , number of accounts receivable turnover:  $\text{operating income}/\text{average balance of accounts receivable}$ .

## 2.2 Inventories

The inventories of the Group (consisted primarily of raw materials, including water pipes and other gadgets relating to tap water supply and pipeline installation) were RMB74.1 million and RMB69.7 million as of 31 December 2023 and 2024, respectively. The decrease was mainly due to the enhancement of inventory management and optimization of supplies procurement.

The table below sets forth the average turnover days of our inventories for the indicated periods:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2024</b>	<b>2023</b>
Average turnover days of inventory <i>Note 2</i>	<u><b>30</b></u>	<u><b>35</b></u>

*Note:*

- (2) Turnover days of inventories:  $360/\text{number of inventories turnover}$ , number of inventories turnover:  $\text{operating cost}/\text{average balance of inventories}$ .

## 2.3 Other receivables

As of 31 December 2023 and 2024, the Group's other receivables were RMB126.2 million and RMB72.0 million, respectively. The decrease was mainly due to the recovery of certain subsidy funds for the water meter transformation projects (Phase I).

## 2.4 Fixed assets

As of 31 December 2023 and 2024, the Group's fixed assets were RMB3,334.9 million and RMB3,738.5 million, respectively. The increase was mainly due to the increase in the number of projects such as the Chengdong Wastewater Treatment Plant Phase II during the Reporting Period.

## 2.5 Construction in progress

As of 31 December 2023 and 2024, the Group's balance of construction in progress were approximately RMB573.7 million and RMB235.1 million, respectively. The decrease was mainly due to the decrease in the number of projects under construction, such as Chengdong Wastewater Treatment Plant Phase II during the Reporting Period.

## 2.6 Intangible assets

As of 31 December 2023 and 2024, the Group's intangible assets were RMB1,537.6 million and RMB1,512.3 million, respectively. The decrease was mainly due to the amortization during the Reporting Period.

## 2.7 Long-term deferred expenses

As of 31 December 2023 and 2024, the Group's long-term deferred expenses were RMB184.4 million and RMB161.4 million, respectively. The decrease was mainly due to the amortization during the Reporting Period.

## 2.8 Short-term borrowings

As of 31 December 2023 and 2024, the Group's short-term borrowings were RMB60.1 million and RMB119.4 million, respectively. Such increase was mainly due to the increase in bank short-term borrowings based on funding needs.

## 2.9 Accounts payable

As of 31 December 2023 and 2024, the Group's accounts payable were RMB417.1 million and RMB430.2 million, respectively. The increase was mainly due to the increase in the project payment payable for the Chengdong Wastewater Treatment Plant Phase II.

The table below sets forth the average turnover days of our accounts payable during indicated periods:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2024</b>	<b>2023</b>
Average turnover days of accounts payable <sup>Note 3</sup>	<b><u>176</u></b>	<b><u>170</u></b>

*Note:*

- (3) Turnover days of accounts payables:  $360/\text{number of accounts payables turnover}$ , number of accounts payables turnover:  $\text{operating cost}/\text{average balance of accounts payables}$ .

The average turnover days of accounts payable increased from 170 days in 2023 to 176 days during the Reporting Period, which was mainly due to the increase in the average balance of accounts payable.



### *2.10 Contract liabilities*

As of 31 December 2023 and 2024, the Group's contract liabilities were RMB177.2 million and RMB173.4 million, respectively. The decrease was mainly due to the decrease in revenue from engineering installation projects, resulting in a decrease in the advance collection of construction fees.

### *2.11 Other payables*

As of 31 December 2023 and 2024, the Group's other payables were RMB204.3 million and RMB219.7 million, respectively. The increase was mainly due to the increase in amounts paid from or to governmental institutions.

### *2.12 Non-current liabilities due within one year*

As of 31 December 2023 and 2024, the Group's non-current liabilities due within one year were RMB569.6 million and RMB504.3 million, respectively. The decrease was mainly due to the decrease of long-term borrowings and bonds payable due within one year.

### *2.13 Long-term borrowings*

As of 31 December 2023 and 2024, the Group's long-term borrowings were RMB1,465.3 million and RMB1,410.5 million, respectively. The decrease was mainly due to the repayment of long-term borrowings due and the impact of reclassification.

### *2.14 Long-term payables*

As of 31 December 2023 and 2024, the Group's long-term payables were RMB850.8 million and RMB910.8 million, respectively. The increase was mainly due to the increase in special bonds for Luzhou City Urban Area Household Meter Renovation (Phase II).

### *2.15 Deferred income*

As of 31 December 2023 and 2024, the Group's deferred income were approximately RMB212.3 million and RMB185.0 million, respectively. Such decrease was mainly due to the amortization of government grants on a monthly basis during the Reporting Period.

### 3. *Liquidity and Financial Resources*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders of the Company (the “**Shareholders**”) through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged during the Reporting Period. The capital structure of the Group consists of net debts (which include borrowings net of cash and cash equivalents) and total equity (comprising paid-in capital/share capital, capital reserve, statutory surplus reserve, retained profits and non-controlling interests). The Group is not subject to any externally imposed capital requirements.

As at the end of the Reporting Period, the cash and bank balances of the Group amounted to approximately RMB447.2 million (at the end of 2023: approximately RMB390.5 million).

As at the end of the Reporting Period, the total borrowings of the Group amounted to approximately RMB2,923.3 million (at the end of 2023: RMB2,922.6 million), including bank and other borrowings. Of which, approximately 68.9% of the bank and other borrowings bore interest at floating rates. Short-term borrowings and non-current liabilities due within one year amounted to approximately RMB604.6 million, all of which were domestic RMB borrowings. The amount of fixed-rate borrowings was RMB910 million.

As at the end of the Reporting Period, the net debts to equity ratio of the Group (being calculated by total equity divided by debts (including long-term and short-term loans and bonds payable) less bank balances and cash) was 106.9% (at the end of 2023: 102.3%).

## III. OTHER INFORMATION

### (1) **Employees and Remuneration Policy**

As at the end of the Reporting Period, the Group had 867 employees (2023: 905). During the Reporting Period, employee salaries and benefits expenses amounted to approximately RMB171.9 million (2023: approximately RMB160.6 million). The remunerations and benefits, including basic and floating wages, discretionary bonuses and staff benefits, are determined based on their performance and the competence. During the Reporting Period, the Company continued to adjust the new performance-based pay system and provided comprehensive career training and development plan for all employees.

During the Reporting Period, the Group did not incur any significant labour disputes that had material impact on the Group’s normal business operations.

## **(2) Major Acquisitions and Disposals**

On 16 August 2024, the Company entered into an equity transaction contract with Luzhou City Xinglu Assets Management Co., Ltd. (瀘州市興瀘資產管理有限公司), the controlling shareholder of the Company, pursuant to which all equity interest of Crystal Trading held by the Company would be transferred to Luzhou City Xinglu Assets Management Co., Ltd. with a contract amount of RMB9.782 million. After the completion of the transaction, the Company no longer holds any equity interest in Crystal Trading. Please refer to the announcement of the Company dated 16 August 2024 for details.

Save as disclosed in this announcement, the Group did not have any other major acquisitions and disposals during the Reporting Period.

## **(3) Pledges of the Group's Assets**

As at the end of the Reporting Period, the Group had secured bank borrowings secured by the operating concessions for all water supply projects of the Company in Jiangyang District, the collection rights for certain wastewater treatment fees, the concession rights of the Jingyan No. 2 Sewage Treatment Plant, and the charging right for wastewater treatment projects of Fanxing Environmental in townships and rural areas in Jiangyang District, Luzhou City.

Save as disclosed above, as at the end of the Reporting Period, the Group did not have any pledged assets.

## **(4) Foreign Exchange Risks**

During the Reporting Period, the Group carried out business in the PRC and received revenue and paid its costs/expenses in RMB, as at the end of the Reporting Period, the Group has unutilized monetary funds in Hong Kong dollar, and recognized no foreign exchange gains during the Reporting Period. The Group does not currently hedge its exposure to foreign currencies.

## **(5) Contingent Liabilities**

During the Reporting Period, the Company had no significant contingent liabilities.

## **(6) Significant Investments Held**

As at the end of the Reporting Period, the Group did not hold any significant investments.

## **(7) Events after the Reporting Period**

Save as disclosed in this announcement, the Group's did not have other significant events after the Reporting Period.

## **(8) Final Dividends**

The Board proposed to distribute a final dividend of RMB0.04 per share (tax inclusive) for the year ended 31 December 2024 (2023: RMB0.05 per share (tax inclusive)) to the Shareholders whose names appeared on the register of members of the Company on Tuesday, 15 July 2025 (the “**Record Date**”) (subject to the approval of Shareholders at the annual general meeting (the “**AGM**”) to be held on Friday, 27 June 2025), with the total amount being approximately RMB34.39 million. Once approved, the final dividends are expected to be paid on or before Thursday, 31 July 2025.

Such proposed dividends will be dominated in RMB. Dividends for domestic shares will be paid in RMB, while dividend for H shares will be paid in Hong Kong dollars. The relevant exchange rate for conversion shall be calculated by the average central parity rate of the relevant foreign exchange posted by China Foreign Exchange Trading Centre for one calendar week immediately preceding the date of declaration of such dividend at the AGM.

Under the relevant tax rules and regulations of the PRC (collectively, the “**PRC Tax Law**”), the Company is required to withhold and pay enterprise income tax at the rate of 10% when distributing final dividends to non-resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the H Shares register of members of the Company on behalf of them.

In accordance with the PRC Tax Law, the Company is also required to withhold and pay individual income tax when distributing final dividends to individual Shareholders whose names appeared on the H Shares register of members of the Company on behalf of them. The Company will determine the country of domicile of the individual H Shareholders based on the registered addresses as recorded in the H Shares register of members of the Company on the Record Date with details as follows:

For individual H Shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them.

For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them. If such individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company would make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the tax treaties.

For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the agreed-upon effective tax rate on behalf of them.

For individual H Shareholders who are residents of those countries without any tax treaties with the PRC or having tax treaties with the PRC stipulating a dividend tax rate of 20% or more and other situations, the Company would withhold and pay the individual income tax at a tax rate of 20% on behalf of them.

Should individual H Shareholders have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax implications in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

#### **(9) Closure of Register of Members**

In order to determine the entitlement to attend and vote at the AGM to be held on Friday, 27 June 2025, the register of members of the Company will be closed from Tuesday, 24 June 2025 to Friday, 27 June 2025 (both days inclusive), during which period no transfer of shares will be effected. The Record Date for entitlement to attend and vote at the AGM is Tuesday, 24 June 2025. In order to be qualified to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shareholders), or to the Company's registered office in the PRC at 16 Baizi Road, Jiangyang District, Luzhou, Sichuan Province, the PRC (in respect of Domestic Shareholders) no later than 4:30 p.m. on Monday, 23 June 2025.

In order to determine the list of Domestic Shareholders and H Shareholders who shall be entitled to obtain final dividends, subject to the approval of the Shareholders at the AGM, the register of members of the Company will be closed from Friday, 11 July 2025 to Tuesday, 15 July 2025 (both days inclusive), during which period no transfer of shares of the Company will be effected. The Company will distribute final dividends to Domestic Shareholders and H Shareholders which are on the register of members of the Company on Tuesday, 15 July 2025. In order to be qualified to obtain final dividends, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shareholders), or to the Company's registered office in the PRC at 16 Baizi Road, Jiangyang District, Luzhou, Sichuan Province, the PRC (in respect of Domestic Shareholders) no later than 4:30 p.m. on Thursday, 10 July 2025.

If there is any change in the above expected timing and distribution, the Company will make necessary announcement(s) as and when appropriate.

#### **(10) Audit Committee**

The primary responsibilities of the Audit Committee (the “**Audit Committee**”) of the Company are to supervise our internal control, risk management, financial information disclosure and financial reporting matters. The terms of reference of the Audit Committee are available for inspection on the Company’s website and the website of the Hong Kong Stock Exchange.

The Audit Committee has reviewed this annual results announcement and the consolidated financial statements of the Group for the Reporting Period and has discussed with the senior management on the accounting policies and practices adopted by the Company as well as matters relating to internal control.

#### **(11) Nomination and Remuneration Committee**

The primary responsibilities of the Nomination and Remuneration Committee (the “**Nomination and Remuneration Committee**”) of the Company are to make recommendations to the Board on the appointment and removal of the Directors and senior management of the Company, establish and review the policy and structure of the remuneration for the Directors and senior management of the Company, make recommendations on employee benefit arrangement and to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules. The terms of reference of the Nomination and Remuneration Committee are available for inspection on the Company’s website and the website of the Hong Kong Stock Exchange.

During the Reporting Period, there was no change in the members of the Nomination and Remuneration Committee of the Company.

#### **(12) Strategy Committee**

The primary responsibilities of the Strategy Committee (the “**Strategy Committee**”) of the Company are to formulate the operation goals and long-term development strategies of the Company, make proposals on major events and supervise the implementation of annual operating plans and proposals. The terms of reference of the Strategy Committee are available for inspection on the Company’s website and the website of the Hong Kong Stock Exchange.

During the Reporting Period, there was no change in the members of the Strategy Committee of the Company.

#### **(13) Change in Directors, Supervisors and Chief Executives’ Information**

There was no change in the information of the Directors, supervisors and chief executives of the Company during the Reporting Period.

#### **(14) Compliance with the Corporate Governance Code**

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interest of Shareholders and enhancing corporate value. The Board believes that good corporate governance is one of the important factors leading to the success of the Company and balancing the interests of the Shareholders, customers and employees of the Group. The Company had adopted all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules, and formulated a series of corporate governance policies according to the relevant requirement to build up and perfect the corporate governance structure.

During the Reporting Period, the Company has been complied with all applicable code provisions under the CG Code.

#### **(15) Model Code for Securities Transactions by Directors and Supervisors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions of the Company by the Directors, supervisors and employees of the Group who, by reason of their office or employment, may have inside information about the Group or the Company’s securities. The Company has made specific inquiries to all Directors and supervisors, and all Directors and supervisors have confirmed that they have fully complied with the requirements set out in the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance with the Model Code by the relevant employees during the Reporting Period.

#### **(16) Directors’ and Supervisors’ Interests in Competing Business**

During the Reporting Period, to the best knowledge of the Board, none of the Directors and supervisors and their respective associates has any business or interest that competes or may compete with the business of the Group or has or may have any other conflict of interest with the Group.

#### **(17) Purchase, Sale or Redemption of Listed Securities of the Company**

During the Reporting Period, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities (or sale of treasury shares, if any) of the Company. As at 31 December 2024, the Company did not hold any treasury shares.

#### **(18) Public Float**

Based on the public information of the Company and to the knowledge of the Board, at least 25% of the total issued share capital of the Company are held in public hands as at the date of this announcement.



#### IV. REVIEW OF ANNUAL RESULTS

##### **Scope of work of ShineWing Certified Public Accountants LLP**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this results announcement have been audited by the Group's auditor, ShineWing Certified Public Accountants LLP ("SHINEWING"), to the amounts set out in the Group's consolidated financial statements for the Reporting Period.

#### V. PUBLICATION OF THE ANNOUNCEMENT OF ANNUAL RESULTS AND THE ANNUAL REPORT

This announcement of annual results has been published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.lzss.com](http://www.lzss.com). The annual report of the Group for the year ended 31 December 2024 will be dispatched to the Shareholders and released on the above websites of the Hong Kong Stock Exchange and the Company in due course.

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

Luzhou, the PRC,  
28 March 2025

*As at the date of this announcement, the Board comprises of (i) three executive directors, namely Mr. Zhang Qi, Mr. Chen Qinan and Mr. Xu Guanghua; (ii) three non-executive directors, namely Mr. Xu Fei, Ms. Zhang Guanghui and Ms. Hu Fenfen; and (iii) three independent non-executive directors, namely Ms. Ma Hua, Mr. Fu Ji and Mr. Liang Youguo.*

\* For identification purposes only