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 2025

FINANCIAL HIGHLIGHTS FOR 2025

- Revenue amounted to approximately RMB1,236.8 million, representing a decrease of approximately 7% compared to the same period of 2024.
- Net profit amounted to approximately RMB116.3 million, representing a decrease of approximately 38.8% compared to the same period of 2024.
- Net profit attributable to the owners of the parent company amounted to approximately RMB109.2 million, which represents a decrease of approximately 38.4% compared to the same period of 2024.
- Basic earnings per share amounted to approximately RMB0.13, representing a decrease of approximately 38.1% compared to the same period of 2024.

PROFIT DISTRIBUTION PLAN OF 2025

- The Board proposed to distribute a final dividend of RMB0.04 per share (tax inclusive) for the year ended 31 December 2025 to all Shareholders on the basis of the number of shares of 859.71 million shares in issue as at 31 December 2025, amounting to a total final dividend of approximately RMB34.39 million. Subject to the approval of the Shareholders at the 2025 annual general meeting (the "**AGM**"), the Company expects to complete the distribution of final dividends on or before 31 July 2026. 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 consolidated income and financial position of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2025 (the "**Reporting Period**") together with comparative figures for the year ended 31 December 2024 as follows:

I. FINANCIAL INFORMATION OF THE GROUP

1. CONSOLIDATED INCOME STATEMENT

Currency: RMB'000

Items		2025	2024
1.	**Total operating revenue**	**1,236,777**	1,330,267
	Including: Operating revenue	**1,236,777**	1,330,267
2.	**Total operating cost**	**1,074,847**	1,118,733
	Including: Operating cost	**823,271**	867,450
	Taxes and surcharges	**36,357**	33,815
	Selling expenses	**22,935**	24,227
	Management expenses	**105,644**	107,361
	Research and development expenses	–	–
	Finance costs	**86,641**	85,880
	Add: Other revenue	**45,405**	49,216
	Investment income (represented by a sign of "–" for loss)	**-26**	5,158
	Credit impairment loss (represented by a sign of "–" for loss)	**-53,440**	-41,578
	Asset impairment loss	–	–
	Income from disposal of assets	**-178**	1,898
3.	**Operating profit**	**153,691**	226,227
	Add: Non-operating revenue	**2,686**	2,334
	Less: Non-operating expense	**1,790**	696
4.	**Total profit**	**154,588**	227,865
	Less: Income tax expense	**38,326**	37,930
5.	**Net profit**	**116,262**	189,935
	(1) Classified by continuing operation	**116,262**	189,935
	1. Net profit for continuing operation	**116,262**	189,935
	(2) Classified by attribution of ownership	**116,262**	189,935
	1. Net profit attributable to owners of the parent company	**109,193**	177,238
	2. Minority profit and loss	**7,069**	12,697

Currency: RMB'000

Items		**2025**	2024
6.	**Other comprehensive income, net after tax**	**25**	–
	Other comprehensive income attributable to the owners of the parent company, net after tax	**25**	–
	(1) Other comprehensive income that cannot be reclassified into profit or loss	**25**	–
	1. Changes in fair value of other equity instruments investment	**25**	–
7.	**Total comprehensive income**	**116,286**	189,935
	Total comprehensive income attributable to the shareholders of the parent company	**109,218**	177,238
	Total comprehensive income attributable to minority shareholders	**7,069**	12,697
8.	**Earnings per share:**		
	(1) Basic earnings per share (RMB/share)	**0.13**	0.21
	(2) Diluted earnings per share (RMB/share)	**0.13**	0.21

2. CONSOLIDATED BALANCE SHEET

Currency: RMB'000

Items	**31 December 2025**	31 December 2024
Current assets:		
Monetary funds	**605,986**	447,179
Bills receivable	**–**	–
Accounts receivable	**752,333**	697,661
Prepayments	**37,271**	32,636
Other receivables	**43,068**	71,979
Inventories	**72,590**	69,743
Contract assets	**–**	–
Other current assets	**112,614**	125,072
Total current assets	**1,623,862**	1,444,270
Non-current assets:		
Long-term receivables	**–**	–
Long-term equity investment	**–**	–
Investments in other equity instruments	**80**	56
Properties held for investment	**1,719**	1,832
Fixed assets	**3,714,018**	3,738,536
Construction in progress	**69,885**	235,077
Right-of-use assets	**108**	24
Intangible assets	**1,542,988**	1,512,274
Goodwill	**28,139**	28,139
Long-term deferred expenses	**149,591**	161,377
Deferred income tax assets	**29,058**	22,288
Other non-current assets	**42,495**	44,204
Total non-current assets	**5,578,081**	5,743,806
Total assets	**7,201,944**	7,188,076

Currency: RMB'000

Items	31 December 2025	31 December 2024
Current liabilities:		
Short-term borrowings	**483,255**	119,374
Accounts payable	**387,065**	430,247
Contract liabilities	**196,268**	173,440
Staff wages payable	**53,642**	56,790
Tax payable	**24,396**	14,337
Other payables	**215,242**	219,653
Of which: Interests payable	**–**	–
Non-current liabilities due within one year	**407,078**	504,327
Other current liabilities	**3,554**	3,060
Total current liabilities	**1,770,501**	1,521,227
Non-current liabilities:		
Long-term borrowings	**1,266,466**	1,410,549
Bonds payable	**–**	–
Lease liabilities	**39**	–
Long-term payables	**780,844**	910,844
Estimated liabilities	**7,826**	7,072
Deferred income	**157,993**	184,996
Deferred income tax liabilities	**4,529**	4,905
Total non-current liabilities	**2,217,697**	2,518,366
Total liabilities	**3,988,198**	4,039,593
Shareholders' equity:		
Share capital	**859,710**	859,710
Capital reserve	**420,447**	420,447
Other comprehensive income	**-42**	-67
Special reserve	**7,141**	8,837
Surplus reserve	**78,048**	78,048
Undistributed profits	**1,637,192**	1,562,387
Total shareholders' equity attributable to the parent company	**3,002,496**	2,929,363
Minority shareholders' equity	**211,250**	219,120
Total shareholders' equity	**3,213,746**	3,148,483
Total liabilities and shareholders' equity	**7,201,944**	7,188,076

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 2025, 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 operating 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 2025 and operating results, cash flows and other relevant information in 2025.

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 operating cycle and the basis for liquidity classification between assets and liabilities.

Reporting currency

The Group uses Renminbi as the reporting currency.

2. REVENUE

Disaggregation of revenue generated from contracts with customers:

	For the year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Type of goods		
– Water supply business	**406,695**	414,131
– Wastewater treatment business	**715,118**	660,047
– Engineering business	**103,442**	238,850
– Others	**11,522**	17,239
Revenue	**1,236,777**	1,330,267

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 the chairman of the Board, 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 methods 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	
	2025	2024
	RMB'000	*RMB'000*
Segment revenue		
Tap water supply		
– From external customers		
– Water supply business	**406,695**	414,131
– Engineering business	**103,442**	238,850
Wastewater treatment		
– From external customers		
– Operating services	**715,118**	660,047
Others	**11,522**	17,239
Revenue	**1,236,777**	1,330,267
Segment profits		
– Tap water supply	**-68,977**	4,189
– Wastewater treatment	**190,762**	190,320
– Others	**-5,523**	-4,574
Net profit	**116,262**	189,935

* *Inter-segment sales for 2024 and 2025 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	
	2025	2024
	RMB'000	*RMB'000*
Segment assets		
– Tap water supply	**4,363,763**	4,515,975
– Wastewater treatment	**3,470,830**	3,310,196
– Others	**14,670**	16,661
Elimination	**-676,379**	-677,043
Consolidated total assets	**7,172,885**	7,165,789
Segment liabilities		
– Tap water supply	**2,263,610**	2,346,191
– Wastewater treatment	**1,720,153**	1,687,320
– Others	**3,039**	3,974
Elimination	**-3,133**	-2,798
Consolidated total liabilities	**3,983,669**	4,034,688

4. FINANCE EXPENSES

	For the year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Interest expenses	**90,333**	88,938
Less: Interest income	**3,980**	3,551
Add: Foreign exchange losses	**94**	223
Add: Interest on lease liabilities	**-3**	
Add: Other expenses	**197**	271
	86,641	85,880

5. INCOME TAX EXPENSE

	For the year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Current income tax expense	**45,473**	43,852
Deferred income tax expense	**-7,148**	-5,922
	38,326	37,930

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 regulations, the applicable tax rates of the subsidiaries for both years are as follows:

Name of taxpayers	**2025**	2024
Luzhou Xinglu Water (Group) Co., Ltd.* ("**Water Headquarters**")	**15%**	15%
Luzhou Xinglu Water (Group) Co., Ltd. Lu County Branch ("**Lu County Branch**")	**15%**	15%
Luzhou Xinglu Water (Group) Hejiang Water Co., Ltd. ("**Hejiang Water**")	**15%**	15%
Luzhou Nanjiao Water Co., Ltd. ("**Nanjiao Water**")	**See③**	See③
Luzhou Xinglu Water (Group) Beijiao Water Co., Ltd. ("**Beijiao Water**")	**15%**	15%
Luzhou Sitong Tap Water Engineering Co., Ltd. ("**Sitong Engineering**")	**See③**	15%
Luzhou Xinglu Wastewater Treatment Co., Ltd. ("**Xinglu Wastewater**")	**15%**	15%
Luzhou Xinghe Water Governance Co., Ltd. ("**Xinghe Water Governance**")	**15%**	15%
Xinglu Water Weiyuan Qingxi Water Co., Ltd. ("**Weiyuan Water**")	**15%**	15%
Luzhou Fanxing Environmental Development Co., Ltd. ("**Fanxing Environmental**")	**15%**	See①②③
Dechang Xinglu Water Co., Ltd. ("**Dechang Water**")	**15%**	15%
Chengdu Qingbaijiang Xinglu Water Co., Ltd. ("**Qingbaijiang Water**")	**See①②③**	See①②③
Leshan Xinglu Water Xingjia Environmental Protection Technology Co., Ltd. ("**Xingjia Environmental**")	**See③**	See③
Leibo Xinglu Water Co., Ltd. ("**Leibo Water**")	**15%**	See③
Luzhou Xinglu Zhihui Water Science and Technology Co., Ltd. ("**Zhihui Technology**")	**See③**	See③
Luzhou Sitong Water Supply and Drainage Engineering Design Co., Ltd. ("**Sitong Design**")	**See③**	See③
Luzhou Xinglu Water (Group) Xingxu Water Co., Ltd. ("**Xingxu Water**")	**See③**	See③
Xuyong Yongxing Water Governance Co., Ltd. ("**Yongxing Water Governance**")	**See③**	See③
Luzhou Xinggang Environmental Technology Co., Ltd. ("**Xinggang Environmental**")	**See①②③**	See③
Leshan Jingyan Xinglu Wastewater Treatment Co., Ltd. ("**Jingyan Wastewater**")	**15%**	15%
Luzhou Xinglu Water Testing Co., Ltd. ("**Water Testing**")	**See③**	See③

Notes: Enterprise Income Tax Preference

① Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (MOF Notice 2020 No. 23), 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 Water Headquarters, Lu County Branch, Hejiang Water, Beijiao Water, Xinglu Wastewater, Xinghe Water Governance, Weiyuan Water, Fanxing Environmental, Dechang Water, Qingbaijiang Water, Leibo Water and Leshan Jingyan meet the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission on the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region, 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 Regulations for the Implementation of 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 regular tax exemptions period, the payable corporate income tax may be exempted based on the tax rate applicable to the enterprise.

Name of taxpayer	**Exemption period**
Jingyan Wastewater	2025 – 2027

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**
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, 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 2025, totalling approximately RMB34.39 million was declared and paid to the shareholders of the Company (the "**Shareholders**") 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 2025 (2024: RMB34.39 million in total or RMB0.04 per share (tax inclusive)) has been proposed by the Board and is subject to approval by the Shareholders in the AGM.

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:

	For the year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Net profit realised by the Company *(RMB'000)*	**109,218**	177,238
Weighted average number of ordinary shares issued *('000)*	**859,710**	859,710
Earnings per share *(RMB)*	**0.13**	0.21

No diluted earnings per share is presented for the year ended 2025 and 2024 as the Company and its subsidiaries did not have potential ordinary shares outstanding.

8. TRADE RECEIVABLES

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Trade Receivables	**904,326**	804,734
Less: Allowance for credit losses	**151,992**	107,073
Total trade receivables	**752,333**	697,661

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

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Within 1 year (inclusive)	**466,098**	510,431
1-2 years	**241,273**	142,401
2-3 years	**67,797**	65,025
3-4 years	**57,599**	58,037
4-5 years	**46,788**	21,925
Over 5 years	**24,771**	6,916
	904,326	804,734

9. TRADE PAYABLES

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

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Within 1 year (inclusive)	**192,832**	257,575
1-2 years	**68,049**	38,584
2-3 years	**26,247**	35,677
3-4 years	**22,125**	62,199
4-5 years	**43,779**	234
Over 5 years	**34,034**	35,977
	387,065	430,247

10. SHARE CAPITAL

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
At the end of the year	**859,710**	859,710
	'000 shares	*'000 shares*
Shares of RMB1 each		
– Domestic shares *(Note)*	**644,770**	644,770
– H shares	**214,940**	214,940
	859,710	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 the water industry in the PRC has remained stable. However, due to the persistently subdued performance of the overall macro-economy, adjustments to relevant fee policies, and tightening of fiscal payment capacity of local governments, traditional water supply and drainage businesses continue to face significant pressure in their ongoing operation. As a result, the willingness of water and environmental protection enterprises to continue investing in traditional municipal water supply and urban domestic wastewater treatment has declined, with many shifting their focus toward higher market-oriented segmented fields such as direct drinking water supply and industrial wastewater treatment.

With the further advancement of national policies on the integration of urban and rural water supply and drainage systems, as well as the introduction of policies regarding the operation and application of water supply and drainage facilities and equipment, enterprises are now required to achieve more refined operation and maintenance management. This marks a shift in the water and environmental protection industry from large-scale expansion driven by strong capital investment toward a model emphasizing industrial chain integration, refined management, and the delivery of high-quality, high-efficiency, and cost-effective solutions.

As cutting-edge Artificial Intelligence ("**AI**") technologies and big data applications become more intensely embedded and widely adopted, enabling the interconnection and integration of isolated data silos to generate cognitive value through data flow has become increasingly important. To avoid falling into the trap of excessive technological stacking, establishing mechanisms for data cleansing, anomaly detection, and drift calibration–ensuring that real, reliable, and meaningful data provide high-quality "fuel" for model training and business decision-making–will become a key area for future exploration and research. Consequently, the water and environmental protection industry will undergo a profound integration of technology and business operations, fostering deep collaboration between humans and machines and driving a systemic transformation that leverages the complementary strengths of both.

(2) Development Strategy and Outlook

The year 2026 marks the inaugural year of the "15th Five-Year Plan". Directly confronting the challenges arising from the continued downturn in the overall economy, the allocation-based charges from centralized construction of water supply pipe networks and the cancellation of secondary water supply charges, as well as persistently high accounts receivable, the Company will uphold the general work principle of "seeking progress while ensuring stability", and firmly advance the integration of urban and rural water supply and drainage, with a strategic focus on expanding into direct drinking water supply, industrial wastewater treatment, and the upstream and downstream segments of the water supply and drainage industry chain, with a view to enhancing our risk-resilience and sustainable development capability.

(3) Business Review

The Company is an integrated municipal water service provider in Sichuan Province, the PRC, principally engaged in two major business segments: tap water supply and wastewater treatment. The business primarily adopts build-own-operate ("**BOO**") and transfer-own-operate ("**TOO**") project models, pursuant to which we enter into concession agreements with local governments typically for a term of 30 years. The Company conducts business in the regions of Luzhou, Weiyuan in Neijiang City, Jingyan in Leshan City, Qingbaijiang in Chengdu City, as well as Leibo and Dechang in Liangshan Prefecture, the PRC.

As at the end of the Reporting Period, we operated 12 tap water plants, 8 city wastewater treatment plants, 2 industrial park wastewater treatment plants and 5 entrusted operation wastewater treatment plants. In addition, we operated several wastewater treatment facilities in townships and rural areas, and engaged in entrusted operation projects, with a total treatment capacity of approximately 1.439 million tons per day.

Tap Water Projects

As at the end of the Reporting Period, the Group owned 12 tap water plants with an aggregate daily water supply capacity of approximately 784,000 tons (excluding emergency back-up water plants), representing an increase of 10,000 tons as compared with the end of 2024. The average utilization rate of the tap water plants was 70.0%.

During the Reporting Period, our total water sales amounted to approximately 165.1 million tons, representing a decrease of 0.6% as compared with approximately 166.0 million tons for the same period of 2024. The decrease was mainly due to changes in the water consumption structure, including a decline in non-residential water usage and greening water usage as compared with the same period of the previous year.

Wastewater Treatment Projects

As at the end of the Reporting Period, the Group operated 8 urban wastewater treatment plants (excluding emergency back-up wastewater treatment plants), with an aggregate daily treatment capacity of approximately 533,000 tons and a production load rate of 75.81%; 3 industrial park wastewater treatment plants, with an aggregate daily treatment capacity of approximately 33,000 tons; 4 entrusted-operation wastewater treatment plants, with an aggregate daily treatment capacity of 30,000 tons; and 224 township and rural wastewater treatment facilities, with an aggregate daily treatment capacity of 59,000 tons, representing a decrease of 68 facilities as compared with the end of 2024.

During the Reporting Period, our actual treatment volume of wastewater amounted to approximately 174.5 million tons, representing a decrease of 0.4% as compared with 175.2 million tons for the same period of 2024. The decrease was mainly due to the suspension of the Leshan Shizhong District project and the reduction in inflow from municipal interception pipe networks.

(4) Financial Review

1. Analysis of Key Items in the Income Statement

1.1 Operating revenue

During the Reporting Period, the Group's operating revenue amounted to RMB1,236.8 million, representing a decrease of 7.0% from RMB1,330.3 million for the same period of 2024. The decrease was mainly due to the decline in engineering installation revenue and the elimination of the secondary water supply service fee effective.

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 RMB406.7 million, representing a decrease of 1.8% from RMB414.1 million for the same period of 2024. The decrease was mainly due to the cancellation of secondary water supply service fees, in accordance with relevant policies. Revenue generated from sales of tap water accounted for 31.1% and 32.9% of our total revenue for 2024 and 2025, respectively.

1.1.1.2 Engineering installation

During the Reporting Period, revenue of the Group generated from installation services amounted to RMB103.4 million, representing a decrease of 56.7% from RMB238.9 million for the same period of 2024. The decrease was mainly due to the downturn in the property market, the decline in installation projects for newly built residential units, and the cancellation of centralized pipeline network construction fees. Revenue generated from installation services accounted for 18.0% and 8.4% of our total revenue for 2024 and 2025, respectively.

1.1.2 Wastewater treatment

During the Reporting Period, revenue generated from wastewater treatment operating services amounted to RMB715.1 million, representing an increase of 8.3% from RMB660.0 million for the same period of 2024. The increase was mainly due to the commencement of operation of the Chengdong Wastewater Treatment Plant Phase II, resulting in a substantial increase in wastewater treatment volume charges, as well as revenue generated from the completion and commissioning of the Shidong Wastewater Treatment Plant, leading to an increase in revenue. Revenue generated from wastewater treatment accounted for 49.6% and 57.8% of our total revenue for 2024 and 2025, respectively.

1.2 Operating cost

During the Reporting Period, the Group's operating cost amounted to RMB823.3 million, representing a decrease of 5.1% from RMB867.4 million for the same period of 2024. The decrease was mainly due to the reduction in engineering installation costs and tap water costs.

1.2.1 Tap water supply

1.2.1.1 Sales of tap water

During the Reporting Period, the Group's operating cost associated with the sales of tap water amounted to RMB367.0 million, representing a decrease of 6.3% from RMB391.8 million for the same period of 2024. The decrease was mainly due to the expiration of depreciation periods for water production equipment resulting in cessation of depreciation charges, the extension of depreciation periods for pipe network assets, which led to a reduction in depreciation expenses during the period, and the effective implementation of cost reduction and efficiency enhancement measures by the Group. Operating cost from tap water supply operations accounted for 45.2% and 44.6% of our total operating cost for 2024 and 2025, respectively.

1.2.1.2 Engineering installation

During the Reporting Period, the Group's operating cost associated with installation services amounted to RMB36.7 million, representing a decrease of 52.6% from RMB77.4 million for the same period of 2024. The decrease was mainly due to the downturn in the property market and the decline in installation projects for newly built residential units. Operating cost associated with installation services accounted for 8.9% and 4.5% of our total operating cost for 2024 and 2025, respectively.

1.2.2 Wastewater treatment

During the Reporting Period, the Group's operating cost from wastewater treatment operating services amounted to RMB411.5 million, representing an increase of 6.7% from RMB385.7 million for the same period of 2024. The increase was mainly due to higher depreciation charges arising from the transfer of the Chengdong Wastewater Treatment Plant Phase II to fixed assets. Operating cost from wastewater treatment operating services accounted for 44.5% and 50.0% of our total operating cost for 2024 and 2025, respectively.

1.3 Gross Profit and Gross Profit Margin

As a result of the above factors, the Group's gross profit during the Reporting Period amounted to RMB413.5 million, representing a decrease of 10.7% from RMB462.8 million for the same period of 2024. Gross profit margin decreased from 34.8% for 2024 to 33.4% during the Reporting Period. The decline in gross profit margin was mainly due to the decrease in gross profit from engineering installation services.

1.3.1 Tap water supply

1.3.1.1 Sales of tap water

During the Reporting Period, the gross profit from sales of tap water under the tap water supply operations amounted to RMB39.7 million, representing an increase of 78.2% from RMB22.3 million for the same period of 2024. The corresponding gross profit margin increased from 5.4% for 2024 to 9.8% during the Reporting Period. The increase was mainly attributable to the expiration of depreciation periods for water production equipment resulting in cessation of depreciation charges, the extension of depreciation periods for pipe network assets, which led to a reduction in depreciation expenses during the period, and the effective implementation of cost reduction and efficiency enhancement measures by the Group.

1.3.1.2 Engineering installation

During the Reporting Period, the gross profit from installation services amounted to RMB66.7 million, representing a decrease of 58.7% from RMB161.4 million for the same period of 2024. The corresponding gross profit margin decreased from 67.6% for 2024 to 64.5% during the Reporting Period. The decrease was mainly due to the cancellation of centralized pipeline network construction fees.

1.3.2 Wastewater treatment

During the Reporting Period, the gross profit from wastewater treatment operating services amounted to RMB303.6 million, representing an increase of 10.7% from RMB274.3 million for the same period of 2024. The corresponding gross profit margin increased from 41.6% for 2024 to 42.5% during the Reporting Period. The increase was mainly due to the substantial increase in wastewater treatment volume charges, which diluted fixed unit costs.

1.4 Other revenue

During the Reporting Period, the Group's other revenue amounted to RMB45.4 million, representing a decrease of 7.7% from RMB49.2 million for the same period of 2024. The decrease was mainly due to a reduction in sludge subsidy income received during the year.

1.5 Selling expenses

During the Reporting Period, the Group's selling expenses amounted to RMB22.9 million, representing a decrease of 5.3% from RMB24.2 million for the same period of 2024. The decrease was mainly attributable to the effectiveness of the cost reduction and efficiency enhancement initiatives introduced by the Group, resulting in reductions in handling fees, entertainment expenses, office expenses, and other related items.

1.6 Management expenses

During the Reporting Period, the Group's management expenses amounted to RMB105.6 million, representing a decrease of 1.6% from RMB107.4 million for the same period of 2024. The decrease was mainly attributable to the effectiveness of the cost reduction and efficiency enhancement initiatives introduced by the Group, leading to reductions in labour service fees, office expenses, communication expenses, and other related items.

1.7 Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB86.6 million, representing an increase of 0.9% from RMB85.9 million for the same period of 2024. The increase was mainly due to higher expensed interest as capitalization ceased following the completion and transfer of the Chengdong Wastewater Treatment Plant Phase II to fixed assets.

1.8 Income tax expense

During the Reporting Period, the Group's income tax expense amounted to RMB38.3 million, representing an increase of 1.0% from RMB37.9 million for the same period of 2024. The increase was mainly due to higher taxable profit contribution from profitable subsidiaries and limitations on the tax deductibility of losses from loss-making subsidiaries, resulting in an increase in consolidated income tax expense. As of 31 December 2024 and 2025, the Group's effective tax rates were 16.6% and 24.8%, respectively.

1.9 Net profit and net profit margin

As a result of the above, the Group's net profit during the Reporting Period amounted to RMB116.3 million, representing a decrease of 38.8% from RMB189.9 million for the same period of 2024. Net profit margin decreased from 14.3% for 2024 to 9.4% during the Reporting Period.

2. Analysis of Key Balance Sheet Items

2.1 Accounts receivable

Accounts receivable of the Group were RMB697.7 million and RMB752.3 million as of 31 December 2024 and 2025, respectively. The increase was mainly due to the increase in operating 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	
	2025	2024
Average turnover days of accounts receivable *Note 1*	**211**	171

Note:

(1) Turnover days of accounts receivable: 360/number of accounts receivable turnover, number of accounts receivable turnover: operating income/average balance of accounts receivable.

During the Reporting Period, the average turnover days of accounts receivable increased from 171 days in 2024 to 211 days in the Reporting Period. This increase was primarily attributable to the increase in operating accounts receivables, including wastewater treatment fees.

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 RMB69.7 million and RMB72.5 million as of 31 December 2024 and 2025, respectively. The increase is primarily attributable to the impact of rising contract fulfilment costs (resulting from increased material usage in ongoing projects).

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

	For the year ended 31 December	
	2025	2024
Average turnover days of inventory *Note 2*	**31**	30

Note:

(2) Turnover days of inventories: 360/number of inventories turnover, number of inventories turnover: operating cost/average balance of inventories.

During the Reporting Period, the average turnover days of inventory increased from 30 days in 2024 to 31 days in the reporting period. This increase was primarily attributable to the impact of higher contract fulfilment costs (resulting from increased material usage in ongoing projects).

2.3 *Other receivables*

As of 31 December 2024 and 2025, the Group's other receivables amounted to RMB72.0 million and RMB43.1 million, respectively. The decrease was mainly due to the recovery of certain subsidy funds for Phase I of the household meter renovation project and funds related to equity transfers.

2.4 Fixed assets

As of 31 December 2024 and 2025, the Group's fixed assets amounted to RMB3,738.5 million and RMB3,714.0 million, respectively. The decrease was mainly due to normal depreciation of fixed assets during the year.

2.5 Construction in progress

As of 31 December 2024 and 2025, the Group's balance of construction in progress amounted to approximately RMB235.1 million and RMB69.9 million, respectively. The decrease was mainly due to the completion and transfer to fixed assets of several key water supply projects, including the New Hedong Pump Station, the Medium and high-pressure water pipeline from Hexi Pump Station to Naxi District, and the expansion and renovation projects at the Haiwan Water Plant and Shikala Water Plant.

2.6 Intangible assets

As of 31 December 2024 and 2025, the Group's intangible assets amounted to RMB1,512.3 million and RMB1,543.0 million, respectively. The increase was mainly due to the inclusion of land use rights for the New Hedong Pump Station Project and the transfer of intangible assets related to the Qingbaijiang European Industrial City Wastewater Purification Project.

2.7 Long-term deferred expenses

As of 31 December 2024 and 2025, the Group's long-term deferred expenses amounted to RMB161.4 million and RMB149.6 million, respectively. The decrease was mainly due to normal amortization in accordance with regulations.

2.8 Short-term borrowings

As of 31 December 2024 and 2025, the Group's short-term borrowings amounted to RMB119.4 million and RMB483.3 million, respectively. The increase was mainly due to the rollover of certain long-term working capital loans upon maturity, which were reclassified as short-term borrowings.

2.9 Accounts payable

As of 31 December 2024 and 2025, the Group's accounts payable were RMB430.2 million and RMB387.1 million, respectively. The decrease was mainly due to a reduction project construction costs payable.

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

	For the year ended 31 December	
	2025	2024
Average turnover days of accounts payable Note 3	**179**	176

Note:

(3) Turnover days of accounts payables: 360/number of accounts payables turnover, number of accounts payables turnover: operating cost/average balance of accounts payables.

The average turnover days of accounts payable increased from 176 days in 2024 to 179 days during the Reporting Period, which was mainly due to the impact of reduced operating costs.

2.10 Contract liabilities

As of 31 December 2024 and 2025, the Group's contract liabilities amounted to RMB173.4 million and RMB196.3 million, respectively. The increase was mainly due to the increase in advance receipts of water fees.

2.11 Other payables

As of 31 December 2024 and 2025, the Group's other payables amounted to RMB219.7 million and RMB215.2 million, respectively. The decrease was mainly due to the reduction in amounts payable to and from governmental institutions.

2.12 Non-current liabilities due within one year

As of 31 December 2024 and 2025, the Group's non-current liabilities due within one year amounted to RMB504.3 million and RMB407.1 million, respectively. The decrease was mainly due to the gradual reduction in principal repayments of long-term borrowings due within one year.

2.13 Long-term borrowings

As of 31 December 2024 and 2025, the Group's long-term borrowings amounted to RMB1,410.5 million and RMB1,266.5 million, respectively. The decrease was mainly due to the scheduled repayment of a portion of long-term borrowings, as well as the rollover of certain long-term working capital loans upon maturity, which were reclassified as short-term borrowings.

2.14 Long-term payables

As of 31 December 2024 and 2025, the Group's long-term payables amounted to RMB910.8 million and RMB780.8 million, respectively. The decrease was mainly due to the reclassification of certain special-purpose bonds, which are due to mature within one year, from "Long-term payables" to "Non-current liabilities due within one year".

2.15 Deferred income

As of 31 December 2024 and 2025, the Group's deferred income amounted to approximately RMB185.0 million and RMB158.0 million, respectively. The decrease was mainly due to the amortisation of deferred income being recognized in other revenue during the year.

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 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 RMB606.0 million (at the end of 2024: approximately RMB447.2 million).

As at the end of the Reporting Period, the total borrowings of the Group amounted to approximately RMB2,915.8 million (at the end of 2024: RMB2,923.3 million), including bank and other borrowings. Of which, approximately 51.9% 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 RMB890.4 million, all of which were domestic RMB borrowings. The amount of fixed-rate borrowings was RMB1,403.9 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 105.2% (at the end of 2024: 106.9%).

III. OTHER INFORMATION

(1) Employees and Remuneration Policy

As at the end of the Reporting Period, the Group had 844 employees (2024: 867). During the Reporting Period, employee salaries and benefits expenses amounted to approximately RMB168.34 million (2024: approximately RMB171.9 million). The remunerations and benefits, including basic and floating wages, discretionary bonuses and staff benefits, are determined based on their performance and competence levels. During the Reporting Period, the Company continued to adjust the new performance-based remuneration management system of member companies 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

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, 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 other significant contingent liabilities requiring disclosure.

(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 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 2025 (2024: RMB0.04 per share (tax inclusive)) to the Shareholders whose names appear on the register of members of the Company on Wednesday, 15 July 2026 (the "**Record Date**") (subject to the approval of Shareholders at the AGM to be held on Friday, 26 June 2026), with the total amount being approximately RMB34.39 million. Once approved, the final dividends are expected to be paid on or before Friday, 31 July 2026.

Such proposed dividends will be denominated in RMB. Dividends for domestic shares will be paid in RMB, while dividends 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 announced 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 appear 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 those 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 the PRC, 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, 26 June 2026, the register of members of the Company will be closed from Tuesday, 23 June 2026 to Friday, 26 June 2026 (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, 23 June 2026. 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, 22 June 2026.

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 Saturday, 11 July 2026 to Wednesday, 15 July 2026 (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 whose names appear on the register of members of the Company on Wednesday, 15 July 2026. 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 Friday, 10 July 2026.

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.

During the Reporting Period, there were no changes to the composition of the Audit Committee of the Company.

(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, to establish and review the policy and structure of the remuneration for the Directors and senior management of the Company, to 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 to the composition 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, Mr. Zhang Qi ("**Mr. Zhang**"), chairman and member of the Strategy Committee of the Company, resigned due to work reassignment. The Board elected Mr. Chen Qinan ("**Mr. Chen**") as a member and chairman of the Strategy Committee. Details of the above were disclosed in the Company's announcement dated 16 December 2025.

(13) Change in Directors, Supervisors and Chief Executives' Information

During the Reporting Period, Mr. Zhang, executive Director and chairman of the Board of the Company, resigned due to work reassignment. The Board elected Mr. Chen, an executive Director of the Company, as the chairman of the Board. For further details, please refer to the Company's announcement dated 16 December 2025.

During the Reporting Period, in accordance with the Company Law of the People's Republic of China (the "**Company Law**") and other applicable laws, regulations and regulatory requirements, and upon consideration and approval at the 2025 first extraordinary general meeting, the Company abolished the supervisory committee. The Audit Committee has since exercised the powers and functions of the supervisory committee pursuant to the Company Law and relevant national regulations, and all Supervisors accordingly retired from office.

Details of the above changes were disclosed in the Company's announcements dated 31 October, 13 November and 28 November 2025.

During the Reporting Period, Mr. Yang Xudong, deputy general manager of the Company, ceased to serve as deputy general manager due to personnel arrangements.

As of the date of this announcement, the Board has appointed Mr. Wang Jian ("**Mr. Wang**") as deputy general manager of the Company, responsible for engineering construction management and safety and environmental protection duties. Mr. Wang's personal details are as follows:

Mr. Wang has 22 years of experience in corporate management, from July 2004 to October 2010, he held positions at Xinglu Wastewater, including staff member, Assistant to the Director of the Production and Technology Department, Deputy Director of the Production and Technology Department, and Deputy Director of the Equipment Maintenance Department (during which time, from November 2009 to September 2010, he was seconded to the Engineering Department of Xinglu Investment); from October 2010 to December 2021, he held positions at Xinglu Investment, successively serving as a staff member in the Engineering Department, a Senior Staff Member in the Engineering Department (during which time, from April 2013 to April 2014, he concurrently served as Manager of the General Affairs Department at Luzhou Xinglu Jutai Real Estate Co., Ltd.*), and Deputy Manager of the Engineering Department; From December 2021 to March 2025, served as a member of the Party Committee and Deputy General Manager of Luzhou Communications Investment Group Co., Ltd.; From June 2025 to March 2026, served as Manager of the Risk Control Department at Luzhou Xinglu Financial Leases Co., Ltd.*.

Mr. Wang studied Water Supply and Drainage Engineering at the School of Civil Engineering of Anhui University of Technology from September 2000 to July 2004, where he earned a Bachelor of Engineering degree. In August 2009, he was certified as a Water Supply and Drainage Engineer by the Intermediate Professional Title Review Committee for Civil Engineering Technology under the Sichuan Provincial Department of Construction. In November 2013, he was certified as an Intermediate Economist (Construction) by the Sichuan Provincial Human Resources and Social Security Department.

Save as disclosed in this announcement, there were no other changes in the Directors or chief executives of the Company.

(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 interests of the 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, except as disclosed below in relation to deviations from the CG Code.

In accordance with Code Provision B.2.2 of the CG Code, every Director (including Directors appointed for a specific term) should be subject to retirement by rotation at least once every three years. Pursuant to the Articles of Association of the Company, the term of office of Directors (including non-executive Directors and independent non-executive Directors) is three years, and they are eligible for re-election upon expiry of their term. The term of office of the second session of the Board expired in March 2025. As (among other reasons) the nomination process for certain Directors proposed by the Shareholders remains incomplete and candidates for the succession of some Directors are still under consideration, the Company was unable to complete the transition before the expiry of the term of the second Board. Until the transition is completed, the current Directors shall continue to perform their respective duties.

On 16 December 2025, Mr. Zhang resigned as executive Director, chairman of the Board, member and chairman of the Strategy Committee and the authorised representative of the Company as required under Rule 3.05 of the Listing Rules due to work reassignment. The Board elected Mr. Chen, an executive Director and general manager of the Company, as Chairman of the Board, member and chairman of the Strategy Committee and authorised representative of the Company. As Mr. Chen concurrently serves as both chairman of the Board and general manager, this deviates from Code Provision C.2.1 of the CG Code. However, this arrangement is intended to be temporary. The Company considers that entrusting both the roles of chairman and general manager to Mr. Chen will not affect the implementation of the Group's business strategies or its operational efficiency. Accordingly, the Board is of the view that the deviation from Code Provision C.2.1 under the current circumstances is appropriate. In addition, the Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors, with an appropriately structured and balanced composition that provides sufficient checks and balances to safeguard the interests of the Company and the Shareholders. The Company will continue to identify a suitable candidate to succeed the role of general manager in order to comply with the CG Code.

As at the date of this announcement, save for the deviations from Code Provisions B.2.2 and C.2.1 of the CG Code, the Company has complied with all other applicable Code Provisions set out in the CG Code. The Board will continue to review the Company's corporate governance practices from time to time to ensure compliance with the relevant requirements of the Listing Rules.

(15) Model Code for Securities Transactions by Directors

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 by the Directors of the Company 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 all Directors 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' Interests in Competing Business

During the Reporting Period, to the best knowledge of the Board, none of the Directors 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, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities (including the sale of treasury shares as defined by the Listing Rules) of the Company. As at 31 December 2025, the Company did not hold any treasury shares.

(18) Public Float

Based on the publicly available information of the Company and to the best knowledge of the Directors, during the Reporting Period and up to the date of this announcement, the Company has maintained the public float required under the Listing Rules, being that not less than 25% of the issued share capital of the Company is held in public hands.

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 2025 as set out in this results announcement have been audited by the Group's auditor, ShineWing Certified Public Accountants LLP, 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 and on the Company's website at www.lzss.com. The annual report of the Group for the year ended 31 December 2025 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.*
Chen Qinan
Chairman

Luzhou, the PRC
27 March 2026

As at the date of this announcement, the Board comprises of (i) two executive Directors, namely 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*