THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Luzhou Xinglu Water (Group) Co., Ltd.***, you should at once hand this circular, together with the accompanying form of proxy and reply slip to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2025
2025 ANNUAL REPORT
DIVIDEND DISTRIBUTION FOR THE YEAR 2025
APPOINTMENT OF AUDITOR FOR THE YEAR 2026
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO SLUDGE DISPOSAL SERVICES
AND
NOTICE OF 2025 ANNUAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

紅日资本有限公司
RED SUN CAPITAL LIMITED

Notice of convening the AGM to be held at the meeting room of 3rd Floor, 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the PRC at 9:30 a.m. on Friday, 26 June 2026 is set out on pages 41 to 43 of this circular. Form of proxy for use at the AGM are also enclosed with this circular. If you intend to attend the AGM by proxy, you are required to complete and return the enclosed form(s) of proxy in accordance with the instructions printed thereon to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in respect of H Shareholders), or to the office of the Board at 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the PRC (in respect of Domestic Shareholders) as soon as possible but in any event by not later than 24 hours before the time appointed for holding of the AGM (i.e. not later than 9:30 a.m. on Thursday, 25 June 2026) or any adjournment thereof. Completion and return of the form(s) of proxy shall not preclude you from attending and voting in person at the AGM or any adjourned meeting(s) if you so wish.

* *For identification purposes only*

26 May 2026

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Unless the context otherwise requires, the following expressions in this circular shall have the meanings set out below:

"2025 Annual Report"	the annual report of the Company for the financial year ended 31 December 2025, which has been despatched to the Shareholders
"AGM"	the 2025 annual general meeting of the Company to be held at the meeting room of 3rd Floor, 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the PRC at 9:30 a.m. on Friday, 26 June 2026 or any adjournment thereof
"Articles of Association"	the articles of the Company as amended, modified or otherwise supplemented from time to time
"Board"	the board of Directors of the Company
"Chairman"	the chairman of the Board of the Company who acts as the chairman at the AGM
"Company"	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 with limited liability incorporated in the PRC, whose H Shares are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	the ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB by PRC nationals and/or PRC legal entities
"Domestic Shareholder(s)"	the holder(s) of Domestic Shares
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign invested ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK$ and listed on the Stock Exchange
"H Shareholder(s)"	the holder(s) of H Shares
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"PRC"	the People's Republic of China, for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	an independent board committee comprising Ms. Ma Hua, Mr. Fu Ji and Mr. Liang Youguo, all being the independent Directors, which is formed to advise the Independent Shareholders on the Sludge Disposal Service Contract and the transactions contemplated thereunder
"Independent Financial Adviser"	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Sludge Disposal Service Contract and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders who are not interested or involved in the Sludge Disposal Service Contract of Xinglu Environmental Protection and the transactions contemplated thereunder
"Independent Third Party(ies)"	person(s) or company(ies) which is(are) not a connected person(s) (as defined in the Listing Rules) of the Company
"Latest Practicable Date"	20 May 2026, being the latest practicable date for ascertaining certain information contained in this circular
"Xinglu Wastewater Treatment"	Luzhou Xinglu Wastewater Treatment Co., Ltd.*(瀘州市興瀘污水處理有限公司), a limited liability company incorporated on 11 December 2000 and a non-wholly owned subsidiary of the Company

"Xinglu Environmental Protection"	Luzhou Xinglu Environmental Protection Development Co., Ltd.* (瀘州市興瀘環保發展有限公司), a limited liability company incorporated on 7 November 2012 and a wholly-owned subsidiary of Luzhou Xinglu Environment
"Sludge Disposal Service Contract"	the sludge disposal service contract entered into between Xinglu Wastewater Treatment and Xinglu Environmental Protection on 31 March 2026
"Previous Service Contract"	the sludge disposal service contract entered into between Xinglu Wastewater Treatment and Xinglu Environmental Protection on 7 May 2025 with a contractual term from 28 June 2025 to 27 June 2026
"Luzhou Xinglu Environment"	Luzhou Xinglu Environment Group Co., Ltd. *(瀘州市興瀘環境集團股份有限公司), a joint stock company with limited liability incorporated in the PRC on 26 July 2019 and a wholly owned subsidiary of Xinglu Assets, the controlling shareholder of the Company, which is directly and indirectly owned as to a total of 100% by Xinglu Assets as at the Latest Practicable Date, and is therefore a connected person (as defined in the Listing Rules) of the Company
"Xinglu Assets"	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, a limited liability company incorporated in the PRC on 4 September 2014, and owned as to 100% by Xinglu Investment
"Xinglu Equity Fund"	Luzhou Xinglu Equity Investment Fund Management Co., Ltd.* (瀘州市興瀘股權投資基金管理有限公司),a limited liability company incorporated in the PRC on 5 August 2016, and owned as to 100% by Xinglu Assets
"Xinglu Investment"	Luzhou City Xinglu Investment Group Co., Ltd.*(瀘州市興瀘投資集團有限公司), the beneficial owner of the Company and Xinglu Assets, a limited liability company incorporated in the PRC on 28 January 2003 and owned as to 90% by the State-owned Assets Supervision and Administration Commission of Luzhou(瀘州市國有資產監督管理委員會)
"Tianhong Partnership"	Luzhou Tianhong Phase I Industrial Investment Development Partnership (Limited Partnership)*(瀘州市天泓一期產業投資發展合夥企業(有限合夥)), a limited liability partnership incorporated in PRC on 14 December 2021, and owned as to 99.5% by Xinglu Assets and 0.5% by Xinglu Equity Fund

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)

Executive Directors:
Mr. Chen Qinan (陳棋楠先生) *(Chairman of the Board and general manager)*
Mr. Xu Guanghua (徐光華先生)

Non-executive Directors:
Mr. Xu Fei (徐飛先生)
Ms. Zhang Guanghui (張光惠女士)
Ms. Hu Fenfen (胡芬芬女士)

Independent non-executive Directors:
Ms. Ma Hua (馬樺女士)
Mr. Fu Ji (傅驥先生)
Mr. Liang Youguo (梁有國先生)

Registered office:
16 Baizi Road
Jiangyang District, Luzhou
Sichuan Province
PRC

Principal place of business in Hong Kong:
40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

26 May 2026

To the Shareholders,

Dear Sir/Madam,

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2025
2025 ANNUAL REPORT
DIVIDEND DISTRIBUTION FOR THE YEAR 2025
APPOINTMENT OF AUDITOR FOR THE YEAR 2026
CONTINUING CONNECTED TRANSACTIONS
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AND
NOTICE OF 2025 ANNUAL GENERAL MEETING

* *For identification purposes only*

INTRODUCTION

The purpose of this circular is to give you notice of the AGM and to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against or abstain from voting on the resolutions to be proposed at the AGM as described below.

At the AGM, ordinary resolutions will be proposed to consider and approve (i) the report of the Board for the year 2025; (ii) the 2025 Annual Report; (iii) the dividend distribution for the year 2025; (iv) the appointment of auditor for the year 2026; and (v) continuing connected transactions in relation to sludge disposal services.

REPORT OF THE BOARD FOR THE YEAR 2025

An ordinary resolution will be proposed at the AGM to approve the report of the Board for the year 2025. Please refer to the Directors' Report as set out in the 2025 Annual Report.

2025 ANNUAL REPORT

An ordinary resolution will be proposed at the AGM to approve the 2025 Annual Report. Please refer to the 2025 Annual Report published on the websites of the Stock Exchange and the Company on 24 April 2026.

DIVIDEND DISTRIBUTION FOR THE YEAR 2025

The Board proposed to distribute final dividends of RMB0.04 per Share (tax inclusive) for the year ended 31 December 2025, with the total amount being approximately RMB34.39 million. The proposed distribution of the final dividends are subject to the approval of the Shareholders at the AGM. Upon approval at the AGM, the final dividends will be paid on or before Friday, 31 July 2026 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 15 July 2026 (the "**Record Date**").

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 HK$. 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 dividends 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.

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 will 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 will 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.

APPOINTMENT OF AUDITOR FOR THE YEAR 2026

An ordinary resolution will be proposed at the AGM to approve the appointment of ShineWing Certified Public Accountants (Special General Partnership) ("**Shinewing**") as the auditor of the Company for the year 2026 for a term of office until the conclusion of the next AGM of the Company, and authorise the Board to fix its remuneration.

In respect of the review of the Company's consolidated financial statements as at 30 June 2026 and for the first half of 2026, and the audit of the consolidated financial statements as at 31 December 2026 and for the full year 2026, the estimated audit fees payable to Shinewing are RMB1.608 million (including taxes payable by Shinewing in accordance with relevant laws and regulations, and expenses incurred by Shinewing in providing its services).

The estimated audit fees were determined following full consideration and arm's-length negotiations between the Company and Shinewing, taking into account the scale, nature and complexity of the Group's business operations, the anticipated scope of the audit, the audit timetable, and the level and composition of professional staff to be deployed. The estimated audit fees are also based on the following assumptions: that there will be no material changes in the Group's operating conditions, accounting policies or regulatory environment during the financial year, and that the Company will provide adequate assistance and information in a timely manner as reasonably required for the audit.

Unless there are material changes to the aforementioned basis or assumptions, the final audit fees are not expected to differ materially from the initially disclosed estimated amount. Should any material changes occur, the Company will make further disclosures in due course.

SLUDGE DISPOSAL SERVICES CONTINUING CONNECTED TRANSACTIONS

On 31 March 2026 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into the Sludge Disposal Service Contract (the "**Service Contract**") with Xinglu Environmental Protection, pursuant to which, Xinglu Environmental Protection agreed to provide sludge disposal services to Xinglu Wastewater Treatment, the principal terms of which are set out below:

Date:	31 March 2026 (after trading hours)
Parties:	(1) Xinglu Wastewater Treatment; and (2) Xinglu Environmental Protection
Subject Matter:	Provision of disposal services by Xinglu Environmental Protection for the sludge generated during the production process for Xinglu Wastewater Treatment.
Term and Service Fee:	One year from the date of the contract signing and becoming effective, following the expiry of the Previous Service Contract and the approval at the AGM (i.e. from 28 June 2026 to 27 June 2027). The disposal service fee under the Service Contract shall not exceed RMB33,410,000 (tax inclusive) in total, which was determined by both parties based on the agreed unit price of the sludge disposal service fee and the volume of sludge disposed.
Payment Method:	Xinglu Environmental Protection shall provide to Xinglu Wastewater Treatment on a quarterly basis a statement of the sludge disposal service fee for the previous quarter (including but not limited to payment instructions, daily accounts for sludge disposal and official invoices), and Xinglu Wastewater Treatment shall make payment within 25 working days upon receipt of the payment notice by way of bank transfer.

Pricing Policy: When determining the service fee under the Service Contract, Xinglu Environmental Protection calculated based on the actual quantity of sludge disposed per month and the agreed unit price for the disposal, and in the ordinary and usual course of business and on normal commercial terms according to a pre-determined formula, and such terms and conditions were negotiated on an arm's length basis.

In determining the unit price of the sludge disposal services, reference was made to similar service contracts offered by three independent third-party service providers, with unit prices ranging from RMB408 to RMB515 per tonne ("**Independent Third Party Service Fee Range**"). The Company primarily considered the Independent Third Party Service Fee Range, but also considered factors such as service operating costs, treatment process efficiency, and market prices. The unit price for sludge disposal services was determined through fair negotiations to be RMB399 per tonne. The Directors believe that the unit price per tonne agreed upon under the Service Contract is slightly lower than the Independent Third Party Service Fee Range, and therefore is no less favorable to the Company than the historical transaction unit prices charged by independent third-party service providers, is fair and reasonable, and is in the interests of all shareholders as a whole.

Historical Information: The table below sets out the actual transaction amounts (namely sludge disposal service fees) paid by the Group to Xinglu Environmental Protection for the years ended 31 December 2024 and 2025 and the period from 1 January to 31 March 2026 respectively:

	For the year ended 31 December 2024 *(RMB'0,000)*	**For the year ended 31 December 2025** *(RMB'0,000)*	**From 1 January to 31 March 2026** *(RMB'0,000)*
Actual transaction amount	1,097	2,115	619

Annual caps:

The annual caps for the transactions under the Service Contract, which are calculated based on the expected maximum sludge treatment volume determined by the aforementioned pricing policy. The table below sets out the annual caps for the transactions contemplated under the Service Contract and the Previous Service Contract and the aggregated annual caps for the years ended 31 December 2026 and 2027:

Annual caps	**For the year ending 31 December 2026** *(RMB'0,000)*	**For the year ending 31 December 2027** *(RMB'0,000)*
	(28 June to 31 December 2026)	(1 January to 27 June 2027)
Service Contract	1,670	1,671
	(1 January 2026 to 27 June 2026)	
Previous Service Contract	1,650	
Combined annual cap	3,320	1,671

Expected maximum sludge treatment volume:

Given that the Service Contract will take effect upon approval by the relevant Shareholders at the AGM, the 2026 annual cap must cover transactions under the Previous Service Contract from 1 January to 27 June 2026, as well as transactions under the Service Contract to be signed on this occasion from 28 June to 31 December 2026; the 2027 annual cap will cover transactions from 1 January to 27 June 2027. Based on the Company's historical sludge generation data for the past three years (i.e., 2023, 2024, and 2025), and taking into account sufficient flexibility to address fluctuations that may arise from factors such as manufacturing, agriculture, other household activities, and influent water quality, the expected maximum sludge treatment volume for the full year of 2026 is approximately 83,000 tonnes, and the maximum sludge treatment volume for the first six months of 2027 is estimated to be approximately 41,000 tonnes.

Internal Control Measures:

In order to ensure the terms of the Service Contract are on normal commercial terms and fair and reasonable to the Company and the Shareholders and are no more favorable than those offered by the Group to Independent Third Parties, the Company has formulated the following internal control policies and adopted the following internal control measures:

(i) prior to the signing of the Service Contract, Xinglu Wastewater Treatment approved the Service Contract in accordance with the provisions of the relevant contract management system of the Company. The legal department of the Company assessed and analysed whether the Service Contract constitutes a connected transaction in accordance with the relevant provisions of the Listing Rules and, after confirming that it is a continuing connected transaction, Xinglu Wastewater Treatment submitted the Service Contract to the Board of Directors for consideration and approval. The Directors of the Company considered that although the unit price per tonne under the Service Contract has increased compared with the previous year, such increase is attributable to rising energy costs, inflation and higher operating costs such as service fees, and the unit price is no less favourable than the historical transaction unit price charged by independent third-party service providers to ensure that it is fair and reasonable and is in the interests of all Shareholders as a whole. Accordingly, the Board considered and approved the Service Contract and recommended the same for the approval by the Shareholders at the AGM;

(ii) the legal department and finance department of the Company will closely monitor the transactions under the Service Contract, which will be specifically responsible by the legal department to arrange specialized personnel to establish related transaction management accounts, and track and monitor the performance of transactions during the effective period of the contract, including quarterly sludge treatment volume, fee amount and payment, etc., so as to ensure that the transaction amounts will not exceed the annual caps for the Service Contract;

(iii) if the estimated transaction amount is expected to exceed the annual cap, the legal department will discuss with the Company's management to consider whether it is necessary to amend the annual cap based on the estimated transaction amount, and any such amendment will be subject to the approval of the Board and independent Shareholders (if any adjustment is made to the annual cap, the Company will re-comply with the relevant requirements of Rule 14A.54 of the Listing Rules);

(iv) the legal department of the Company will conduct regular checks to review and assess whether the transactions contemplated under the Service Contract are conducted on normal commercial terms, in accordance with the terms set out in the Service Contract, and whether the service fees and relevant contract terms are in the interest of the Company and the Shareholders as a whole;

(v) the Company's external auditors will conduct an annual review of the transactions under the Service Contract to ensure that the transaction amounts are within the annual caps and the transactions are in accordance with the terms set out in the Service Contract; and

(vi) the independent non-executive Directors of the Company will conduct regular reviews of the status of the transactions under the Service Contract to ensure that the Company has complied with its internal approval process, the terms of the Service Contract and the relevant requirements under the Listing Rules.

Information about the Parties and the Group:

Xinglu Environmental Protection is a limited liability company incorporated in the PRC on 7 November 2012 and is principally engaged in the business of ecological protection and environmental governance (solid waste and hazardous waste treatment), whose ultimate beneficial owner, Xinglu Investment, is primarily engaged in investment and asset management, project management, and investment and financial consulting, among other activities.

Xinglu Wastewater is a limited liability company incorporated in the PRC on 11 December 2000 and a non-wholly owned subsidiary of the Company. It is principally engaged in sewage treatment and related infrastructure construction services.

The Group is mainly engaged in the provision of tap water supply and related installation and maintenance services and wastewater treatment and related infrastructure construction services.

Reasons for and Benefit of Entering into the Service Contract:

Xinglu Environmental Protection is currently the only organisation in the Luzhou region that can implement incineration method for sludge disposal. According to the relevant requirements of Luzhou City on implementing the ecological environment protection in Sichuan Province, Xinglu Wastewater Treatment's entrustment of sludge disposal to Xinglu Environmental Protection will more effectively prevent the safety and environmental protection risks of Xinglu Wastewater Treatment in the production and operation process.

The Directors (including the independent non-executive Directors) are of the view that the terms of transactions under the Service Contract are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Service Contract and the transactions contemplated thereunder have been considered and approved by the Board. None of the Directors had material interest in the Service Contract and the transactions contemplated thereunder and hence no Director had abstained from voting on the relevant resolutions of the Board approving the same.

Listing Rules Implications:

As of the Latest Practicable Date, Xinglu Environmental Protection was 100% owned by Luzhou Xinglu Environment, which in turn was 38.35% directly owned by Xinglu Assets, the controlling shareholder of the Company), and 61.65% indirectly owned by Xinglu Assets through Tianhong Partnership. Tianhong Partnership was 99.5% owned by Xinglu Assets and 0.5% owned by Xinglu Equity Fund, which was 100% owned by Xinglu Assets. Xinglu Assets was 100% owned by Xinglu Investment. Therefore, the ultimate beneficial owner of Tianhong Partnership was Xinglu Investment. Thus, pursuant to Chapter 14A of the Listing Rules, Xinglu Environmental Protection is a connected person of the Company, and the transactions contemplated under the Service Contract constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of the transactions contemplated under the Service Contract (other than profit ratio) are more than 5% but less than 25%, and the absolute amount exceeds HK$10 million, the transactions thereunder are subject to the reporting, announcement, circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Shareholders Abstained from Voting: Xinglu Assets and Luzhou Infrastructure, being the connected persons of the Company and having a material interest in the Sludge Disposal Service Contract, controlled or are entitled to exercise control over the voting rights in respect of 574,363,690 Domestic Shares of the Company, representing approximately 66.8% of total issued shares of the Company as at the Latest Practicable Date. In accordance with the Listing Rules, they will abstain from voting at the AGM on the resolution to consider and approve the continuing connected transactions in relation to sludge disposal services.

Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholder has any material interest in the Service Contract, and therefore no other Shareholder is required to abstain from voting at the AGM in respect of the resolution approving the aforesaid matters.

ANNUAL GENERAL MEETING

The AGM will be held at 9:30 a.m. on Friday, 26 June 2026 at the meeting room of 3rd Floor, 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the PRC. The notice of the AGM is set out on pages 41 to 43 of this circular. The form of proxy and reply slip for the AGM are enclosed herewith.

If you intend to attend the AGM by proxy, you are required to complete and return as soon as possible the enclosed form of proxy in accordance with the instructions indicated thereon. The form of proxy for H Shareholders should be returned to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and the form of proxy for Domestic Shareholders should be returned to the office of the Board at 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the PRC by no later than 24 hours before the time appointed for convening the AGM (i.e. not later than 9:30 a.m. on Thursday, 25 June 2026) or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM, or any adjourned meeting, in person if you so wish.

If you intend to attend the AGM in person, you are required to complete and return the reply slip to the Company's H share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) or to the office of the Board at 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the PRC (for Domestic Shareholders) on or before Monday, 22 June 2026 for the Company to assess whether or not it is necessary to announce the notice of AGM again.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, 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. Shareholders whose names appeared on the register of members of the Company on Tuesday, 23 June 2026 (i.e. the record date for the AGM) will be entitled to attend and vote at the AGM. 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 office of the Board at 41 Qianjiang Road (Section 1), 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 which are 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 office of the Board in the PRC at 41 Qianjiang Road (Section 1), 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 the necessary announcement in a timely manner.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, the resolutions to be proposed at the AGM as set out in the notice of the AGM contained in this circular must be taken by poll. The chairman of the AGM will therefore demand a poll for every such resolution put to vote at the AGM. On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share registered in his or her name in the register of members. A Shareholder entitled to more than one vote need not use all his or her votes or cast all the votes he or she uses in the same way.

RECOMMENDATION

The Board considers that all resolutions set out in the notice of the AGM for Shareholders' consideration and approval are in the best interests of the Company and its Shareholders. As such, the Board recommends the Shareholders to vote in favor of the resolutions set out in the notice of the AGM which are to be proposed at the AGM.

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

* *For identification purposes only*

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)

26 May 2026

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO SLUDGE DISPOSAL SERVICES AND NOTICE OF 2025 ANNUAL GENERAL MEETING

We refer to the circular issued by the Company dated 26 May 2026 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, the terms defined in the Circular shall have the same meanings herein.

We have also been appointed by the Board to advise the Independent Shareholders as to whether (i) the Sludge Disposal Service Contract is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and (ii) the terms of the Sludge Disposal Service Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Red Sun Capital has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sludge Disposal Service Contract. The text of the letter from the Independent Financial Adviser containing their recommendations and the principal factors they have taken into account in arriving at their recommendations are set out from pages 18 to 33 of the Circular.

Having taken into account the terms of the Sludge Disposal Service Contract and the advice of the Independent Financial Adviser, we are of the opinion that (i) the Sludge Disposal Service Contract is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that (ii) the terms of the Sludge Disposal Service Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the AGM to approve the Sludge Disposal Service Contract and the transactions contemplated thereunder.

For and on behalf of the
Independent Board Committee
Ma Hua Fu Ji Liang Youguo
Independent Non-Executive Directors

Luzhou, Sichuan Province, the PRC

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Set out below is the full text of the letter from Red Sun Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Service Contract and the Proposed Annual Caps, for the purpose of inclusion in this circular.

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26 May 2026

To: The Independent Board Committee and the Independent Shareholders of Luzhou Xinglu Water (Group) Co., Ltd.

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO SLUDGE DISPOSAL SERVICES

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Service Contract and the transactions contemplated thereunder (the "**Continuing Connected Transactions**") (including the proposed annual caps for the years ending 31 December 2026 and 2027 (the "**Proposed Annual Caps**")), details of which are contained in the letter from the Board (the "**Letter from the Board**") as set out in the circular to the Shareholders dated 26 May 2026 (the "**Circular**"), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Proposed Annual Caps. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

Reference is made to the announcement dated 31 March 2026 in relation to the Service Contract and the transactions contemplated thereunder. On 31 March 2026 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into the sludge disposal service contract (i.e. the Service Contract) with Xinglu Environmental Protection, pursuant to which, Xinglu Environmental Protection agreed to provide sludge disposal services to Xinglu Wastewater Treatment.

As of the Latest Practicable Date, Xinglu Environmental Protection was 100% owned by Luzhou Xinglu Environment, which in turn was 38.35% directly owned by Assets, the controlling shareholder of the Company), and 61.65% indirectly owned by Xinglu Assets through Tianhong Partnership. Tianhong Partnership was 99.5% owned by Xinglu Assets and 0.5% owned by Xinglu Equity Fund, which was 100% owned by Xinglu Assets. Xinglu Assets was 100% owned by Xinglu Investment. Therefore, the ultimate beneficial owner of Tianhong Partnership was Xinglu Investment. Thus, pursuant to Chapter 14A of the Listing Rules, Xinglu Environmental Protection is a connected person of the Company, and the transactions contemplated under the Service Contract constitute continuing connected transactions of the Company.

As the applicable percentage ratios in respect of the transactions contemplated under the Service Contract (other than profit ratio) are more than 5% but less than 25%, and the absolute amount exceeds HK$10 million, the transactions thereunder are subject to the reporting, announcement, circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

II. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Ma Hua, Mr. Fu Ji and Mr. Liang Youguo has been established to advise the Independent Shareholders in relation to the Service Contract and the transactions contemplated thereunder (including the Proposed Annual Caps). Red Sun Capital Limited has been appointed by the Board with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Our appointment has been approved by the Independent Board Committee. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Service Contract and the transactions contemplated thereunder, including the Proposed Annual Caps, as to whether (i) the terms thereunder are on normal commercial terms and fair and reasonable; and (ii) the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote in respect of the relevant resolution to approve the transactions contemplated under the Service Contract, including the Proposed Annual Caps, at the AGM.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, Xinglu Environmental Protection and their respective shareholders, directors or chief executives, or any of their respective associates. Accordingly, we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the Service Contract.

Save for this appointment and our appointment as the independent financial adviser in respect of (i) the continuing connected transactions in relation to sludge disposal services, details of which are set out in the circular of the Company dated 7 June 2024; (ii) the continuing connected transactions in relation to sludge disposal services, details of which are set out in the circular of the Company dated 27 May 2025; and (iii) a private letter to the independent non-executive directors of the Company on the terms of continuing connected transactions in relation to sludge disposal services in January 2026, Red Sun Capital has not acted as an independent financial adviser to the Company under the Listing Rules in the past two years.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser and the engagement as stated above as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant from the Group to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group, the connected parties and their respective shareholders and management contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the "**Management**") and/or the Directors.

We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely and wholly responsible, were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be so as at the Latest Practicable Date.

We have assumed that all the opinions, beliefs and representations for matters relating to the Group and Xinglu Environmental Protection made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. The Company and/or the Management and/or the Directors confirmed that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have been provided with sufficient information and documents to enable us to reach an informed view and the Company has assured us no material information has been withheld from us to allow us to reasonably rely on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions, beliefs and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

We have not, however, carried out any independent verification nor have we conducted any independent investigation into information provided by the Directors and the Management, background, business or affairs or future prospects of the Group, Xinglu Environmental Protection and, where applicable, their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Service Contract and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 Background information of the Group

The Group is principally engaged in tap water supply and wastewater treatment.

1.2 Overview of the historical financial information of the Group

With a view to provide background information on the historical financial performance of the Group, we set out the following financial information of the Group as extracted and summarised from the annual report of the Group for the year ended 31 December 2025 (the "**2025 Annual Report**").

Summary of the Group's consolidated balance sheet

	As at 31 December	
	2025	2024
	RMB'000	*RMB'000*
Current assets	**1,623,862**	1,444,270
– Monetary funds	**605,986**	447,179
– Accounts receivable	**752,333**	697,661
Non-current assets	**5,578,081**	5,743,806
– Fixed assets	**3,714,018**	3,738,536
– Intangible assets	**1,542,988**	1,512,274
Current liabilities	**1,770,501**	1,521,227
– Short-term borrowings	**483,255**	119,374
– Accounts payable	**387,065**	430,247
– Non-current liabilities due within one year	**407,078**	504,327
Non-current liabilities	**2,217,697**	2,518,366
– Long-term borrowings	**1,266,466**	1,410,549
Total shareholders' equity attributable to the parent company	**3,002,496**	2,929,363

Note: for the avoidance of doubt, only selected major asset and liability balances are disclosed in the table above

Financial position as at 31 December 2025 compared to 31 December 2024

We noted from the 2025 Annual Report that as at 31 December 2025, the Group's total assets amounted to approximately RMB7,201.9 million, representing an increase of approximately RMB13.9 million as compared to approximately RMB7,188.1 million as at 31 December 2024, which mainly comprised (i) fixed assets of approximately RMB3,714.0 million; (ii) intangible assets of approximately RMB1,543.0 million; (iii) accounts receivable of approximately RMB752.3 million; and (iv) monetary funds of approximately RMB606.0 million.

The Group's total liabilities amounted to approximately RMB3,988.2 million as at 31 December 2025, representing a decrease of approximately RMB51.4 million as compared to approximately RMB4,039.6 million as at 31 December 2024, which mainly comprised (i) long-term borrowings of approximately RMB1,266.4 million; (ii) short-term borrowings of approximately RMB483.3 million; (iii) non-current liabilities due within one year of approximately RMB407.1 million; and (iv) accounts payable of approximately RMB387.1 million.

As at 31 December 2025, the total shareholders' equity attributable to the parent company amounted to approximately RMB3,002.5 million, as compared to approximately RMB2,929.4 million as at 31 December 2024.

Summary of the Group's consolidated income statement

	Year ended 31 December	
	2025	2024
	RMB'000	*RMB'000*
Total operating revenue	**1,236,777**	1,330,267
– 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
Total operating costs	**1,074,847**	1,118,733
Operating profit	**153,691**	226,227
Profit before tax	**154,588**	227,865
Income tax expense	**38,326**	37,930
Net profit attributable to owners of the parent company	**109,193**	177,238

*Financial performance for the years ended 31 December 2025 ("**FY2025**") and 31 December 2024 ("**FY2024**")*

As set out in the 2025 Annual Report, the Group recorded total operating revenue of approximately RMB1,236.8 million for FY2025, representing a decrease of approximately RMB93.5 million or approximately 7.0% compared to approximately RMB1,330.3 million for FY2024. The decrease was mainly due to the decline in engineering installation revenue and the elimination of the secondary water supply service fee. The total operating revenue of the Group was mainly generated from (i) water supply business amounted to approximately RMB406.7 million, which is largely stable as compared to approximately RMB414.1 million for FY2024; (ii) wastewater treatment business amounted to approximately RMB715.1 million, representing a slight increase of approximately RMB55.1 million or approximately 8.3% compared to approximately RMB660.0 million for FY2024; and (iii) engineering business amounted to approximately RMB103.4 million, representing a decrease of approximately RMB135.4 million or approximately 56.7% compared to approximately RMB238.9 million for FY2024 which was mainly due to the decrease in installation projects for newly built residential units and the cancellation of centralised pipeline network construction fees.

The total operating costs of the Group decreased of approximately 3.9% from approximately RMB1,118.7 million for FY2024 to approximately RMB1,074.8 million for FY2025 and the operating profit of the Group decreased of approximately 32.1% form approximately RMB226.2 million for FY2024 to approximately RMB153.7 million for FY2025.

The Group recorded profit before tax and net profit attributable to owners of the parent company of approximately RMB154.6 million and approximately RMB109.2 million for FY2025, respectively.

2. Information about the parties

2.1 Xinglu Wastewater Treatment

Xinglu Wastewater Treatment is a limited liability company incorporated in the PRC on 11 December 2000 and a non-wholly owned subsidiary of the Company, which is principally engaged in sewage treatment and related infrastructure construction services.

2.2 Xinglu Environmental Protection

Xinglu Environmental Protection is a limited liability company incorporated in the PRC on 7 November 2012 and is principally engaged in the business of ecological protection and environmental governance (solid waste and hazardous waste treatment), and Xinglu Investment, its ultimate beneficial owner, is principally engaged in investment and asset management, project management and investment and financial consulting business, among other activities.

3. Reasons for and benefits of the Service Contract

As set out in the Letter from the Board, Xinglu Environmental Protection is currently the only organisation in the Luzhou region that can implement incineration method for sludge disposal. According to the relevant requirements of Luzhou City on the implementation of the ecological environment protection in Sichuan Province, Xinglu Wastewater Treatment's entrustment of sludge disposal to Xinglu Environmental Protection will more effectively manage the safety and environmental protection risks of Xinglu Wastewater Treatment in the production and operation process.

Having considered the Company's reasons for and benefits of the Service Contract as set out above together with factors, including, among others,

(i) the principal business activities of the Group, namely, tap water supply and wastewater treatment;

(ii) Xinglu Wastewater Treatment is principally engaged in sewage treatment and related infrastructure construction services;

(iii) Xinglu Environmental Protection is currently the only approved organisation in the Luzhou region that can implement incineration method and has sufficient capacity to cater for the Group's sludge disposal needs; and

(iv) the Service Contract, if approved, will facilitate the sludge disposal services to be carried out in an efficient and effective manner without the need for the Company to seek Independent Shareholders' approval for transactions with Xinglu Environmental Protection on a transaction-by-transaction basis,

we concur with the Directors' view that the Service Contract are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. Principle terms of the Service Contract

Date: 31 March 2026 (after trading hours)

Parties: (1) Xinglu Wastewater Treatment; and

(2) Xinglu Environmental Protection.

Subject Matter: Provision of disposal services by Xinglu Environmental Protection for the sludge generated during the production process for Xinglu Wastewater Treatment.

Term and Service Fee: One year from the date of the Service Contract signing and becoming effective, following the expiry of the Previous Service Contract and the approval at the AGM (i.e. from 28 June 2026 to 27 June 2027).

The disposal service fee under the Service Contract shall not exceed RMB33,410,000 (tax inclusive), which was determined by both parties based on the agreed unit price of the sludge disposal service fee and the volume of sludge disposed.

Payment Method: Xinglu Environmental Protection shall provide to Xinglu Wastewater Treatment on a quarterly basis a statement of the sludge disposal service fee for the previous quarter (including but not limited to payment instructions, daily accounts for sludge disposal and official invoices), and Xinglu Wastewater Treatment shall make payment within 25 working days upon receipt of the payment information by way of bank transfer.

Pricing Policy: When determining the service fee under the Service Contract, Xinglu Environmental Protection calculated based on the actual quantity of sludge disposed per month and the agreed unit price for the disposal, and in the ordinary and usual course of business and on normal commercial terms according to a pre-determined formula, and such terms and conditions were negotiated on an arm's length basis.

In determining the unit price of the sludge disposal services, reference was made to similar service contracts offered by three independent third-party service providers, with unit prices ranging from RMB408 to RMB515 per tonne. The Company primarily considered the Independent Third Party Service Fee Range, but also considered factors such as service operating costs, treatment process efficiency, and market prices. The unit price for sludge disposal services was determined through fair negotiations to be RMB399 per tonne. The Directors believe that the unit price per tonne agreed upon under the Service Contract is slightly lower than the Independent Third Party Service Fee Range, and therefore is no less favorable to the Company than the historical transaction unit prices charged by independent third-party service providers, is fair and reasonable, and is in the interests of all shareholders as a whole.

For other terms of the Service Contract, please refer to the Letter from the Board.

5. Our analysis on the principal terms of the Service Contract and work performed on the internal control procedures

With a view to assess the fairness and reasonableness of the principal terms of the Service Contract, we have carried out the following work and analysis.

5.1 Our analysis on the pricing policy for the Service Contract

We noted from the pricing policy under the Service Contract that the service fee was calculated based on the actual quantity of sludge disposed per quarter and the agreed unit price for the disposal, and such terms and conditions were negotiated on an arm's length basis.

As advised by the Management and set out in the Letter from the Board, Xinglu Environmental Protection is currently the only approved organisation in the Luzhou region that can implement incineration method and the respective capacities of other service providers in the Luzhou City is not sufficient to handle the total volume of sludge under the required disposal services during the production process for Xinglu Wastewater Treatment. Meanwhile, the Management has also considered service providers in other nearby cities that may be able to offer similar services. However, additional costs might incur due to higher logistics demand and transportation costs. Nonetheless, according to government directives titled List of Rectification Tasks for the Third Round Provincial-level Ecological and Environmental Protection Inspection in Luzhou City*(瀘州市第三輪省級生態環境保護督察整改任務清單)[1], the Luzhou City government targets to achieve a standardized disposal rate of 90% through sludge incineration and building material utilization throughout Luzhou City and combat disorderly trans-regional transfer of sludge.

In addition, we have obtained a list of service providers and the relevant sludge tonnage for sludge disposal service provided to the Group for the year ended 31 December 2025 and for the three months ended 31 March 2026 and noted that (i) the Group engaged service providers for disposal services of approximately 79,000 tonnes of sludge for the year ended 31 December 2025; (ii) over 67,000 tonnes of such disposal services, representing approximately 85% of the sludge disposal service, were provided by Xinglu Environmental Protection for the year ended 31 December 2025; and (iii) the Group engaged service providers for disposal services of approximately 19,000 tonnes for the three months ended 31 March 2026 and over 97% of such disposal services were provided by Xinglu Environmental Protection.

[1] List of Rectification Tasks for the Third Round Provincial-level Ecological and Environmental Protection Inspection in Luzhou City*(瀘州市第三輪省級生態環境保護督察整改任務清單) publish by The People's Government of Luzhou Municipality (Source: https://www.luzhou.gov.cn/xw/gsgg/zfgs/content_1021048)

With a view to assess the fairness and reasonableness of the proposed unit price of RMB399 per tonne, we have obtained three contracts entered into between independent third parties (the "**I3P Comparable Transactions**") that are effective in 2026. Similar to the disposal of sludge services to be provided by Xinglu Environmental Protection under the Service Contract, the relevant service providers of I3P Comparable Transactions have sufficient capacity and adopt incineration or similar method and did not use the landfill approach to dispose the subject sludge, which is in accordance with the latest PRC government policy in the subject nearby region.

We have reviewed the sludge disposal service fee per tonne under the I3P Comparable Transactions charged by independent third parties and noted that the corresponding sludge disposal service fee ranged from approximately RMB408 per tonne to RMB515 per tonne (the "**I3P Service Fee Range**"). We noted that the unit price for sludge disposal services of RMB399 per tonne for the provision of sludge disposal services by Xinglu Environmental Protection is slightly lower than the I3P Service Fee Range of the I3P Comparable Transactions. On this basis, the proposed unit price is not less favourable to the Company than the comparable transacted unit price per tonne under the I3P Comparable Transactions, and thus is considered to be fair and reasonable.

5.2 Our analysis on the payment terms for the Service Contract

For our assessment on the reasonableness of the payment terms, it is noted that the payment terms of I3P Comparable Transactions ranged from 15 business days from the relevant invoice date/payment notice which was billed each month to 30 business days from the relevant invoice date/payment notice which was billed each quarter.

We noted that (i) the service fee under the Service Contract calculated based on the actual quantity of sludge disposed per quarter; and (ii) the payment terms offered by the Xinglu Environmental Protection to Xinglu Wastewater Treatment is 25 business days upon receipt of the payment notice. On this basis, the payment terms under the Service Contract are not less favourable than the payments terms with independent third parties for similar services.

5.3 Our work performed on the internal control procedures for the Service Contract

We noted that the Group has adopted the following internal control measures to ensure that the terms of the continuing connected transactions under the Service Contract are fair and reasonable:

(i) prior to the signing of the Service Contract, Xinglu Wastewater Treatment approved the Service Contract in accordance with the provisions of the relevant contract management system of the Company. The legal department of the Company assessed and analysed whether the Service Contract constitutes a connected transaction in accordance with the relevant provisions of the Listing Rules and, after confirming that it is a continuing connected transaction, Xinglu Wastewater Treatment submitted the Service Contract to the Board of Directors for consideration and approval. The Directors considered that although the unit price per tonne under the Service Contract has increased compared with the previous year, such increase is attributable to rising energy costs, inflation and higher operating costs such as service fees, and the unit price is no less favourable than the historical transaction unit price charged by independent third-party service providers to ensure that it is fair and reasonable and is in the interests of all Shareholders as a whole. Accordingly, the Board considered and approved the Service Contract and recommended the same for the approval by the Shareholders at the AGM;

(ii) the legal department and finance department of the Company will closely monitor the transactions under the Service Contract, which will be specifically responsible by the legal department to arrange specialized personnel to establish related transaction management accounts, and track and monitor the performance of transactions during the effective period of the contract, including quarterly sludge treatment volume, fee amount and payment, etc., so as to ensure that the transaction amounts will not exceed the annual caps for the Service Contract;

(iii) if the estimated transaction amount is expected to exceed the annual cap, the legal department will discuss with the Company's management to consider whether it is necessary to amend the annual cap based on the estimated transaction amount, and any such amendment will be subject to the approval of the Board and Independent Shareholders (if any adjustment is made to the annual cap, the Company will re-comply with the relevant requirements of Rule 14A.54 of the Listing Rules);

(iv) the legal department of the Company will conduct regular checks to review and assess whether the transactions contemplated under the Service Contract are conducted on normal commercial terms, in accordance with the terms set out in the Service Contract, and whether the service fees and relevant contract terms are in the interests of the Company and the Shareholders as a whole;

(v) the Company's external auditors will conduct an annual review of the transactions under the Service Contract to ensure that the transaction amounts are within the annual caps and the transactions are in accordance with the terms set out in the Service Contract; and

(vi) the independent non-executive Directors of the Company will conduct regular reviews of the status of the transactions under the Service Contract to ensure that the Company has complied with its internal approval process, the terms of the Service Contract and the relevant requirements under the Listing Rules.

In this connection, we have conducted the following work, including,

(i) obtained and reviewed the relevant documents and approval record by authorised personnel, including of the relevant department, the general manager and the chairman of the board of Xinglu Wastewater Treatment for the procurement of services in relation to the Service Contract;

(ii) obtained and reviewed the approval record by the executive Directors of the Company for the Service Contract;

(iii) obtained the relevant internal policies, including, the management of connected transactions guidelines*(關聯交易管理工作實施細則)adopted by the Company setting out that the legal department and finance department of the Company will monitor the connected transactions to ensure that the transaction amounts will not exceed the respective annual caps;

(iv) reviewed the report prepared by the Company's external auditors setting out that they have conducted an annual review of the continuing connected transactions for the year ended 31 December 2025 to ensure that the transaction amounts are within the respective annual caps and the transactions are in accordance with the terms set out in the respective agreement(s); and

(v) reviewed the supporting documents and the 2025 Annual Report and noted that the Company's independent non-executive Directors have reviewed the relevant historical continuing connected transactions and did not note that there were any material deviations or non-compliance of the terms of the relevant agreement governing the continuing connected transactions.

Based on the documents reviewed and as confirmed by the Management, we are of the view that the abovementioned relevant internal control procedures are in place and have been carried out by the Company and that the effective implementation of such internal control procedures shall ensure the reasonableness of the relevant transactions.

5.4 Our findings

Having considered the work performed by us as set out above, in particular, our work performed on the principal terms of the Service Contract, including our analysis on the pricing policies, payment terms and internal control procedures in connection with the Continuing Connected Transactions, we considered that the terms of the Service Contract, which are subject to the relevant internal control procedures, to be fair and reasonable and in the interests of the Shareholders as a whole.

6. Basis and rationale for determining the Proposed Annual Caps

As set out in the Letter from the Board, the Proposed Annual Caps for the transactions under the Service Contract are calculated based on the expected maximum sludge treatment volume determined by the aforementioned pricing policy.

Our analysis on the Proposed Annual Caps

The Proposed Annual Caps under the Service Contract for the two years ending 31 December 2026 and 2027 is set out as follows:

	For the year ending 31 December	
	2026	**2027**
	RMB'000	*RMB'000*
Proposed Annual Caps		
Service Contract *(Note)*	16,700 (the "**2026 Annual Cap**")	16,710 (the "**2027 Annual Cap**")
Annual cap under Previous Service Contract	16,500	
Combined annual cap	33,200	16,710

Note: The existing annual cap of RMB16.5 million for the year ending 31 December 2026 and the Proposed Annual Cap of RMB16.7 million for the year ending 31 December 2027 are intended to cover transactions for a period of approximately six months, respectively.

As set out in the Letter from the Board, in view of the fact that the Service Contract will take effect upon approval by the relevant Shareholders at the AGM, the 2026 Annual Cap is required to cover the transactions under Previous Service Contracts from 1 January to 27 June 2026, as well as transactions under this signed service contract from 28 June to 31 December 2026, and the 2027 Annual Cap will cover transactions from 1 January to 27 June 2027.

With a view to assess the fairness and reasonableness of the basis of the Proposed Annual Caps, we have obtained and reviewed a schedule prepared by the Management setting out the basis of the Proposed Annual Caps which was mainly attributable to, among others, (i) the wastewater treatment plants operated by the Group in Luzhou (the "**Wastewater Treatment Plants**") of which would require the disposal services under the Service Contract; (ii) the estimated tonnage of sludge to be produced by each of the Wastewater Treatment Plants that would require the disposal services under the Service Contract during the term of the Service Contract; and (iii) the estimated transaction amount by taking into account the agreed unit price per tonne and the tonnage of sludge under (ii) above.

Utilisation of the historical annual caps

We noted from the Letter from the Board that the historical transaction amount for the year ended 31 December 2025 and the three months ended 31 March 2026 ("**2026Q1**") was approximately RMB21.2 million and RMB6.2 million, representing an utilisation rate of approximately 64.1% and 37.5% to the respective annual caps, respectively. For illustration purposes only, if we extrapolate the transaction amount recorded for 2026Q1 into a period of six months, the calculated utilisation of the existing annual cap of RMB16.5 million would be approximately 75.0%. This is attributable to the fact that the existing annual cap of RMB16.5 million was originally designed for the Group's usage up to the first six months of 2026. As advised by the Management, the tonnage of sludge that required disposal services in a given year may fluctuate from time to time attributable to the volume of wastewater treated, which may be affected by, among others, level of precipitation, population in the catchment area, residential and industrial activities during the period.

Our analysis on the 2026 Annual Cap and 2027 Annual Cap

We have considered that (i) the Service Contract shall become effective after the relevant Independent Shareholders' approval has been obtained, on this basis, the 2026 Annual Cap shall cover transactions for a period of around six months. In this connection, the 2027 Annual Cap shall also cover transactions for a period of around six months given the term of the Service Contract is one year; (ii) the aggregate sludge tonnage of the Group that required disposal services (included sludge disposal services from connected and independent third party service providers) was approximately 19,000 tonnes for 2026Q1 and the annualised estimate sludge tonnage of the Group that required disposal services would be approximately 76,000 tonnes. Based on the rate of service fee per tonne of RMB399, the total transaction amount for a calendar year would amount to approximately RMB30.3 million which is broadly in line with the combined annual cap for 2026 of RMB33.2 million; and (iii) based on the aggregate sludge tonnage of the Group that required disposal services of approximately 19,000 tonnes, we extrapolated the estimated total sludge for the first half of the year to be produced and treated at approximately 38,000 tonnes. Based on the rate of service fee per tonne of RMB399, the total transaction amount for the first half of the calendar year would amount to approximately RMB15.2 million which is broadly in line with the 2027 Annual Cap of RMB16.7 million.

Furthermore, we noted that Xinglu Wastewater Treatment is principally engaged in sewage treatment and related infrastructure construction services. Given the importance of the provision of continuous sewage treatment services to the general public in a safe and environmental compliance manner, it is essential to ensure the Proposed Annual Caps have sufficient flexibilities to cater for ad hoc and/or unexpected increase in sludge disposal effectively in a time manner rather than the Group having to go through the administrative procedures to obtain further independent Shareholders' approval, which would be time consuming and burdensome.

On this basis, including, among others, our analysis of the 2026 Annual Cap and 2027 Annual Cap as well as our analysis on the historical utilisation rate and the reasons thereof, we are of the view that the basis of the 2026 Annual Cap and 2027 Annual Cap is reasonable, respectively.

VI. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

(i) the reasons for and benefits of the Service Contract;

(ii) the transactions contemplated under the Service Contract shall be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, to be governed by the relevant internal control procedures and in accordance with the pricing policies; and

(iii) the basis for determining the Proposed Annual Caps under the Service Contract is reasonable, details of which are set out under the section headed "6. Basis and rationale for determining the Proposed Annual Caps" in connection with the Service Contract in this letter above,

we are of the view that the transactions contemplated under the Service Contract, are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of the Service Contract, including the Proposed Annual Caps, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant ordinary resolution to approve the Service Contract (including the Proposed Annual Caps) at the AGM.

Yours faithfully
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 19 years of experience in the corporate finance industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Substantial shareholders' interests and short position in Shares and underlying Shares

As at the Latest Practicable Date, to the best knowledge of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares and/or debentures of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required by Section 336 of the SFO to be recorded in the register of the Company, or owned interests and short positions in more than 5% of any class of issued shares of the Company:

Name of Shareholder	Shareholding capacity	Class of Shares	Number of Shares [1]	Approximate percentage in class of Shares issued	Approximate percentage in total Shares issued
Xinglu Investment[2]	Interest in a controlled corporation	Domestic Shares	574,363,690(L)	89.08%	66.81%
Xinglu Assets [2]	Beneficial owner	Domestic Shares	511,654,127(L)	79.35%	59.51%
Luzhou Laojiao Group Co., Ltd.	Beneficial owner	Domestic Shares	70,406,310(L)	10.92%	8.19%
Luzhou Fundamental Infrastructure Construction Investment Co., Ltd. ("**Luzhou Infrastructure**") [2]	Beneficial owner	Domestic Shares	62,709,563(L)	9.73%	7.29%
Beijing Enterprises Water Group Limited [3]	Beneficial owner	H Shares	72,409,000(L)	33.69%	8.42%
Beijing Enterprises Environmental Construction Limited [3]	Interest in a controlled corporation	H Shares	72,409,000(L)	33.69%	8.42%
Beijing Enterprises Holdings Limited [3]	Interest in a controlled corporation	H Shares	72,409,000(L)	33.69%	8.42%
Beijing Enterprises Group (BVI) Company Limited [3]	Interest in a controlled corporation	H Shares	72,409,000(L)	33.69%	8.42%
Beijing Enterprises Group Company Limited [3]	Interest in a controlled corporation	H Shares	72,409,000(L)	33.69%	8.42%
Beijing Enterprises Investments Limited	Interest in a controlled corporation	H Shares	72,409,000(L)	33.69%	8.42%
Modern Orient Limited	Interest in a controlled corporation	H Shares	72,409,000(L)	33.69%	8.42%
Suntront Intelligence (Hong Kong) Co., Ltd. [4]	Beneficial owner	H Shares	21,169,000(L)	9.85%	2.46%

Name of Shareholder	Shareholding capacity	Class of Shares	Number of Shares [1]	Approximate percentage in class of Shares issued	Approximate percentage in total Shares issued
Suntront Tech Co., Ltd. [4]	Interest in a controlled corporation	H Shares	21,169,000(L)	9.85%	2.46%
Fei Zhanbo [4]	Interest in a controlled corporation	H Shares	21,169,000(L)	9.85%	2.46%
Sichuan Sans Venture Capital Co., Ltd. [5][7]	Beneficial owner	H Shares	19,247,000(L)	8.95%	2.24%
Sichuan Development Holding Co., Ltd. [5]	Interest in a controlled corporation	H Shares	19,247,000(L)	8.95%	2.24%
Luzhou Xiangyang Real Estate Development Co., Ltd. [6][7]	Beneficial owner	H Shares	10,727,000(L)	4.99%	1.25%
Luzhou Xiangyang Enterprise Group Co., Ltd. [6]	Interest in a controlled corporation	H Shares	10,727,000(L)	4.99%	1.25%
Yang Lunfen [7]	Beneficial owner	H Shares	10,336,000(L)	4.80%	1.20%
Wang Xiumei [7]	Beneficial owner	H Shares	9,790,000(L)	4.55%	1.14%
Yang Bin [7]	Beneficial owner	H Shares	10,544,000(L)	4.91%	1.23%
Hwabao Trust Co., Ltd. [7]	Trustee	H Shares	60,644,000(L)	28.21%	7.05%
Hwabao • Overseas Market Investment II (37-1 QDII Single Fund Trust) [7]	Trustee	H Shares	19,247,000(L)	8.95%	2.24%
Hwabao • Overseas Market Investment II (20-14 QDII Single Fund Trust [7]	Trustee	H Shares	10,727,000(L)	4.99%	1.25%
Hwabao • Overseas Market Investment II (37-3 QDII Single Fund Trust) [7]	Trustee	H Shares	10,336,000(L)	4.80%	1.20%
Hwabao • Overseas Market Investment II (37-4 QDII Single Fund Trust) [7]	Trustee	H Shares	9,790,000(L)	4.55%	1.14%
Hwabao • Overseas Market Investment II (20-15 QDII Single Fund Trust) [7]	Trustee	H Shares	10,544,000(L)	4.91%	1.23%

(1) As at the Latest Practicable Date, the Company had issued totally 859,710,000 Shares, including 644,770,000 Domestic Shares and 214,940,000 H Shares. (L) represents long position.

(2) Xinglu Investment has 100% interests in Xinglu Assets and 61.70% interests in Luzhou Infrastructure. Therefore, pursuant to the SFO, Xinglu Investment is deemed to be interested in the Domestic Shares held by Xinglu Assets and Luzhou Infrastructure.

(3) Beijing Enterprises Water Group Limited is held by Beijing Enterprises Environmental Construction Limited as to 41.13%, which is in turn wholly-owned by Beijing Enterprises Holdings Limited, which is held as to 41.13% by Beijing Enterprises Group (BVI) Company Limited, which is held as to 100% by Beijing Enterprises Group Company Limited. Therefore, pursuant to the SFO, all of Beijing Enterprises Environmental Construction Limited, Beijing Enterprises Holdings Limited, Beijing Enterprises Group (BVI) Company Limited and Beijing Enterprises Group Company Limited are deemed to be interested in H Shares held by Beijing Enterprises Water Group Limited.

(4) Suntront Tech Co., Ltd. has 100% interests in Suntront Intelligence (Hong Kong) Co., Ltd. Fei Zhanbo has 35.68% interests in Suntront Tech Co., Ltd. Therefore, pursuant to the SFO, Suntront Tech Co., Ltd. and Fei Zhanbo are deemed to be interested in H Shares held by Suntront Intelligence (Hong Kong) Co., Ltd.

(5) Sichuan Development Holding Co., Ltd. has 100% interests in Sichuan Development Asset Management Investment Management Co., Ltd., and Sichuan Development Asset Management Investment Management Co., Ltd. has 100% interests in Sichuan Sans Venture Capital Co., Ltd.. Therefore, pursuant to the SFO, Sichuan Development Holding Co., Ltd. is deemed to be interested in H Shares held by Sichuan Sans Venture Capital Co., Ltd.

(6) Luzhou Xiangyang Enterprises Group Limited has 55% interests in Luzhou Xiangyang Real Estate Development Co., Ltd.. Therefore, pursuant to the SFO, Luzhou Xiangyang Enterprises Group Limited is deemed to be interested in H Shares held by Luzhou Xiangyang Real Estate Development Co., Ltd.

(7) Sichuan Sans Venture Capital Co., Ltd. holds a total of 19,247,000 H Shares through a trust named "Hwabao • Overseas Market Investment II (37-1 QDII Single Fund Trust)" managed by Hwabao Trust Co., Ltd.; Luzhou Xiangyang Real Estate Development Co., Ltd. holds a total of 10,727,000 H Shares through a trust named "Hwabao • Overseas Market Investment II (20-14 QDII Single Fund Trust)" managed by Hwabao Trust Co., Ltd.; Yang Lunfen holds a total of 10,336,000 H Shares through a trust named "Hwabao • Overseas Market Investment II (37-3 QDII Single Fund Trust)" managed by Hwabao Trust Co., Ltd.; Wang Xiumei holds a total of 9,790,000 H Shares through a trust named "Hwabao • Overseas Market Investment II (37-4 QDII Single Fund Trust)" managed by Hwabao Trust Co., Ltd.; and Yang Bin holds a total of 10,544,000 H Shares through a trust named "Hwabao • Overseas Market Investment II (20-15 QDII Single Fund Trust)" managed by Hwabao Trust Co., Ltd. Pursuant to the SFO, Hwabao Trust Co., Ltd., acting as the trustee for the above-mentioned trusts, is deemed to be interested in the aggregate 60,644,000 H Shares with interests owned by such trusts. None of the Hwabao • Overseas Market Investment II (37-1 QDII Single Fund Trust), Hwabao • Overseas Market Investment II (20-14 QDII Single Fund Trust), Hwabao • Overseas Market Investment II (37-3 QDII Single Fund Trust), Hwabao • Overseas Market Investment II (37-4 QDII Single Fund Trust) and Hwabao • Overseas Market Investment II (20-15 QDII Single Fund Trust) has any interests and/or short positions in the Company which are required to be notified to the Company or the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, to the best knowledge of the Company, as at the Latest Practicable Date, no person (other than the Directors and chief executives of the Company) informed the Company that they had interests and/or short positions in the Share and (in respect of positions held pursuant to equity derivatives) underlying Shares and/or debentures of the Company which were required to be notified to the Company or the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required by Section 336 of the SFO to be recorded in the register specified in the section.

(b) Interests and short positions of Directors and chief executive in the Shares, underlying Shares and debentures

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and/or short positions in the Shares, and (in respect of positions held pursuant to equity derivatives) underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or was required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or was required, pursuant to the Model Code to be notified to the Company and Hong Kong Stock Exchange.

(c) Other positions of Directors

As at the Latest Practicable Date, none of our Directors is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Group which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder of the Company under Rule 8.10 of the Listing Rules.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. EXPERT AND CONSENT

The following is the qualifications of the expert who has given an opinion or advice, which is contained or referred to in this circular:

Name	Qualifications
Red Sun Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Red Sun Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Red Sun Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, Red Sun Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 26 May 2026 in connection with their advice to the Independent Board Committee and the Independent Shareholders, and/or reference to its name and opinion in the form and context in which it appears.

8. LITIGATION

There was no litigation or claim of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

9. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be made available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (http://www.lzss.com) for a period of no less than 14 days from the date of this circular:

(a) the Articles of Association;

(b) the letter from the Independent Board Committee, the text of which is set out in the section headed "**Letter from the Independent Board Committee**" of this circular;

(c) the letter from the Independent Financial Adviser in respect of their advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "**Letter from the Independent Financial Adviser**" of this circular;

(d) the annual reports of the Company for each of the two financial years ended 31 December 2024 and 2025;

(e) the Sludge Disposal Service Contract;

(f) the written consent from Red Sun Capital referred to in the section headed "**7. Expert and Consent**" in this Appendix; and

(g) this circular.

11. MISCELLANEOUS

(a) The company secretary of the Company is Mr. Chen Yongzhong（陳永忠先生）.

(b) The office of the Company handling matters related to this AGM is located at 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the PRC. The principal place of business of the Company in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

(c) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at "www.lzss.com" and Hong Kong Exchanges and Clearing Limited at "http://www.hkexnews.hk". To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the Chinese version shall prevail.

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)

NOTICE OF 2025 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2025 AGM of Luzhou Xinglu Water (Group) Co., Ltd.* (the "**Company**") will be held at 9:30 a.m. on Friday, 26 June 2026 at the meeting room of 3rd Floor, 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the People's Republic of China (the "**PRC**") to consider and, if thought fit, approve the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the board of directors of the Company (the "**Board**") for the year ended 31 December 2025;

2. To consider and approve the annual report of the Company for the year ended 31 December 2025;

3. To consider and approve the dividend distribution of the Company for the year ended 31 December 2025;

4. To consider and approve the appointment of ShineWing Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year 2026 to hold office until the conclusion of the next AGM of the Company and to authorize the Board to fix its remuneration; and

5. To consider and approve the continuing connected transactions in relation to sludge disposal services.

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

Luzhou, Sichuan Province, the PRC
26 May 2026

* *For identification purposes only*

Notes:

1. Pursuant to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), voting on all resolutions at a AGM shall be by way of poll. The poll results of the AGM will be published on the websites of the Stock Exchange and the Company in accordance with the requirements of the Listing Rules.

2. For the purpose of ascertaining eligibility to attend and vote at the AGM, 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 registration for transfer of shares will be suspended. Shareholders who intend to attend and vote at the AGM shall deliver all transfer forms together with the relevant share certificates to the H share registrar of the Company, namely Computer share 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 office of the Board at 41 Qianjiang Road (Section 1), Jiangyang District, Luzhou, Sichuan Province, the PRC (in respect of Domestic Shareholders) no later than 4:30 p.m. on Monday, 22 June 2026.

3. Any shareholder of the Company (the "**Shareholder**") who is entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy needs not be a Shareholder. If the Shareholder appoints more than one proxy, his/her proxies may only vote by poll.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorized in writing. If the Shareholder is a legal entity, then the relevant appointing document must be either under seal or under the hand of its director or attorney duly authorized. If the instrument appointing a proxy is signed by a person duly authorized by the Shareholder, the powers of attorney or other instruments of authorization shall be notarized.

5. The form of proxy together with the power of attorney or other authorization documents, if any, must be delivered to the office of the Board of the Company (for Domestic Shareholders) or the Company's H share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited (for H Shareholders), not later than 24 hours before the time appointed for the holding of the AGM (i.e. not later than 9:30 a.m. on Thursday, 25 June 2026) or any adjourned meeting thereof (as the case may be) in order to be effective.

6. Any Shareholder who wishes to attend the AGM in person or by proxy is required to complete and return the reply slip to the office of the Board of the Company (for Domestic Shareholders) or to the Company's H share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), by hand or by post, on or before Monday, 22 June 2026.

7. The H share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited and its address and contact information are as follows:

   Shops 1712-1716, 17th Floor
   Hopewell Centre
   183 Queen's Road East
   Wanchai, Hong Kong

   Tel: +852 2862 8686
   Fax: +852 3186 2419

8. The address and contact information of the office of the Board of the Company are as follows:

   41 Qianjiang Road (Section 1)
   Jiangyang District, Luzhou
   Sichuan Province
   the PRC

   Contact person: Zhang Hailiang (張海良)
   Tel: +86 830 319 4768
   Fax: +86 830 258 0239

9. Pursuant to the articles of association of the Company, for joint registered Shareholders consisting of two or more persons, only the Shareholder whose name appears first on the register of members of the Company is entitled to receive this notice, attend the AGM and exercise the entire voting rights conferred by the relevant shares of the Company, and this notice shall be deemed to have served all such joint registered Shareholders.

10. The AGM is expected to last for no more than half a day. Shareholders who attend the AGM in person or their proxies shall be responsible for their own travelling and accommodation expenses. Shareholders or their proxies who attend the AGM must produce their identity documents for identification.

As at the date of this notice, 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*