

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONNECTED TRANSACTION ACQUISITION OF LAND USE RIGHT

BACKGROUND

On 9 December 2021 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into the Land Use Right Transfer Agreement with Xinglu Investment, pursuant to which, Xinglu Investment agreed to transfer its land use right of the Target Land to Xinglu Wastewater Treatment at a consideration of RMB30,801,452.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinglu Investment is the Controlling Shareholder. Accordingly, Xinglu Investment is a connected person of the Company under the Listing Rules and the transaction contemplated under the Land Use Right Transfer Agreement constitute connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the transaction contemplated under the Land Use Right Transfer Agreement exceeds 0.1% but is less than 5%, the Land Use Right Transfer Agreement and the transaction contemplated thereunder shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

I. BACKGROUND

On 9 December 2021 (after trading hours), Xinglu Wastewater Treatment entered into the Land Use Right Transfer Agreement with Xinglu Investment, pursuant to which, Xinglu Investment agreed to transfer its land use right of the Target Land to Xinglu Wastewater Treatment.

The principal terms of the Land Use Right Transfer Agreement are set out below:

Date: 9 December 2021 (after trading hours)

Parties: (1) Xinglu Investment; and
(2) Xinglu Wastewater Treatment.

Information of the Target Land: The Target Land is located at Erdaoxi (二道溪), Longmatan District, Luzhou City, Sichuan Province, the PRC, with the land lot number of G-04-13 and a total site area of approximately 49,680 sq.m. The Land is permitted for public infrastructure use.

The Target Land was originally obtained by Xinglu Investment by way of government assignment (政府劃撥) at nil consideration.

Consideration and the payment: RMB30,801,452, which shall be fully paid by Xinglu Wastewater Treatment in cash within ten (10) working days from the effective date of the Land Use Right Transfer Agreement.

The consideration was determined after arm's length negotiations between the parties after taking into account the appraisal value of the Target Land of RMB30,801,452 based on the real estate valuation report issued by an independent valuer with 3 December 2021 as the benchmark date, the prevailing market conditions, location of the Target Land and the land price in the surrounding area.

The consideration will be funded from the internal resources of Xinglu Wastewater Treatment.

Delivery: Within ten (10) working days from the signing date of the Land Use Right Transfer Agreement, Xinglu Investment and Xinglu Wastewater Treatment shall go through the registration procedures for the change of the land use right of the Target Land with the competent authorities, and pay taxes in accordance with relevant regulations.

II. INFORMATION OF XINGLU INVESTMENT, XINGLU WASTEWATER TREATMENT AND THE GROUP

Xinglu Investment is directly held as to 90% by Luzhou State-owned Assets Supervision and Administration Commission (瀘州市國有資產監督管理委員會) and as to 10% by Sichuan Provincial Finance Department (四川省財政廳). Xinglu Investment is primarily engaged in investment and assets management.

Xinglu Wastewater Treatment is a limited liability company established in the PRC on 11 December 2000, which is directly owned as to 98% by the Company and 2% by Xinglu Investment as at the date of this announcement. Xinglu Wastewater Treatment is primarily engaged in the collection, treatment and reuse of domestic and industrial wastewater.

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.

III. BENEFITS OF AND REASONS FOR ENTERING INTO THE LAND USE RIGHT TRANSFER AGREEMENT

The Group has been providing municipal wastewater treatment and related infrastructure construction services in its ordinary and usual course of business in Luzhou City, Sichuan Province. As a long-term strategy, the Group intends to devote more resources on development of new wastewater treatment and related infrastructure in Luzhou area to seize further business opportunities in order to increase the return to the Shareholders. The Target Land is intended to be used for the expansion of the Group's wastewater treatment business, which could pave the way forward for the Group's further growth in the provision of wastewater treatment and other ancillary services.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transaction under the Land Use Right Transfer Agreement 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 its Shareholders as a whole.

The Land Use Right Transfer Agreement has been approved by the Board. None of the Directors has material interest in the Land Use Right Transfer Agreement and the transaction contemplated thereunder and hence no Director is required to abstain from voting on the relevant resolutions of the Board approving the same.

IV. LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinglu Investment is the Controlling Shareholder. Accordingly, Xinglu Investment is a connected person of the Company under the Listing Rules and the transaction contemplated under the Land Use Right Transfer Agreement constitute connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in respect of the transaction contemplated under the Land Use Right Transfer Agreement exceeds 0.1% but is less than 5%, the Land Use Right Transfer Agreement and the transaction contemplated thereunder shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to Rule 14A.76(2) of the Listing Rules.

V. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“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
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules, and in the context of this announcement, refers to the controlling shareholder of the Company, being Xinglu Investment
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the ordinary share(s) in issue in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land Use Right Transfer Agreement”	the state-owned construction land use right transfer agreement dated 9 December 2021 entered into between Xinglu Investment and Xinglu Wastewater Treatment
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq.m.”	square metres
“Target Land”	a parcel of land located at land lot number G-04-13 with a site area of approximately 49,680 sq. m. which is located at Erdaoxi (二道溪), Longmatan District, Luzhou City, Sichuan Province, the PRC
“Xinglu Investment”	Luzhou City Xinglu Investment Group Co., Ltd.* (瀘州市興瀘投資集團有限公司), the Controlling Shareholder of the Company, a PRC limited liability company established 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) and as to 10% by Sichuan Provincial Finance Department (四川省財政廳)
“Xinglu Wastewater Treatment”	Luzhou Xinglu Wastewater Treatment Co., Ltd.* (瀘州市興瀘污水處理有限公司), a PRC limited liability company established on 11 December 2000 and directly owned 98% by the Company and 2% by Xinglu Investment

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

Luzhou, Sichuan Province, the PRC
9 December 2021

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

* *For identification purposes only*