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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)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **XINGLU WASTEWATER TREATMENT PROPERTY SERVICES AGREEMENT**

#### **BACKGROUND**

On 26 August 2022 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into the Xinglu Wastewater Treatment Property Services Agreement with Xinglu Property Management, pursuant to which, Xinglu Property Management agreed to provide property management services to seven branches and one wastewater treatment plant of Xinglu Wastewater Treatment.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinglu Property Management is a wholly owned subsidiary of Xinglu Investment, the Controlling Shareholder. Accordingly, Xinglu Property Management is a connected person of the Company and the transactions contemplated under the Xinglu Wastewater Treatment Property Services Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the proposed annual cap for the Xinglu Wastewater Treatment Property Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Xinglu Wastewater Treatment Property Services Agreement are subject to reporting, announcement and annual review requirements but are exempt from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## I. INTRODUCTION

On 26 August 2022 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into the Xinglu Wastewater Treatment Property Services Agreement with Xinglu Property Management, pursuant to which, Xinglu Property Management agreed to provide property management services to seven branches and one wastewater treatment plant of Xinglu Wastewater Treatment.

## II. XINGLU WASTEWATER TREATMENT PROPERTY SERVICES AGREEMENT

The principal terms of Xinglu Wastewater Treatment Property Services Agreement are set out below:

**Date:** 26 August 2022 (after trading hours)

**Parties:** (1) Xinglu Wastewater Treatment; and  
(2) Xinglu Property Management

**Subject Matter:** Xinglu Property Management has agreed to provide property management services to the following seven branches and one wastewater treatment plant of Xinglu Wastewater Treatment:

- (i) Xinglu Wastewater Treatment Chengnan branch;
- (ii) Xinglu Wastewater Treatment Chengdong branch;
- (iii) Xinglu Wastewater Treatment Erdaoxi branch;
- (iv) Xinglu Wastewater Treatment Naxi branch;
- (v) Xinglu Wastewater Treatment Luxian branch;
- (vi) Xinglu Wastewater Treatment Gulin branch;
- (vii) Xinglu Wastewater Treatment Xuyong branch; and
- (viii) Yaerdang wastewater treatment plant\* (鴨兒函污水處理廠).

The property management services mainly include (i) order maintenance of public areas, (ii) registration and management of incoming and outgoing vehicles, visitors and bulky items, (iii) hygiene maintenance of public areas and periodic cleaning of the production areas, (iv) maintenance of lawn and trees in public green areas, (v) canteen services, and (vi) preparation for random inspections.

**Term:**

Two (2) years from 26 August 2022 to 25 August 2024

**Service Fee and Payment Term:**

The parties have agreed that the annual property service fee under the Xinglu Wastewater Treatment Property Services Agreement shall be approximately RMB3.89 million, which includes the staff wages and benefits, administrative expenses, greening fees, cleaning supplies expenses, maintenance equipment expenses and tax, and shall be paid by Xinglu Wastewater Treatment on a monthly basis.

Xinglu Property Management represents and warrants that the aforementioned property service fee is not more than that it charges any other Independent Third Party for services of similar nature.

**Pricing Policy:**

The contract terms were determined through public bidding with reference to the historical service fee rates provided by Xinglu Property Management to Xinglu Wastewater Treatment, the market service fee rates, the staff salary level in Luzhou area and the market prices and other contract terms for similar services, and shall be no less favourable than those for similar services provided by Independent Third Parties.

### III. HISTORICAL FIGURES

The table below sets out the actual transaction amounts, being the property management fees, paid by Xinglu Wastewater Treatment to Xinglu Property Management for the two years ended 31 December 2020 and 2021 and the five months ended 31 May 2022:

	<b>For the year ended 31 December 2020</b> <i>(RMB in million)</i>	<b>For the year ended 31 December 2021</b> <i>(RMB in million)</i>	<b>For the five months ended 31 May 2022</b> <i>(RMB in million)</i>
<b>Actual transaction amounts</b>	4.110	3.896	1.620

### IV. ANNUAL CAPS

The table below sets out the annual caps for the transactions between Xinglu Wastewater Treatment and Xinglu Property Management under the Xinglu Wastewater Treatment Property Services Agreement for two the years ending 31 December 2022 and 2023 and eight months ending 31 August 2024:

	<b>For the year ending 31 December 2022</b> <i>(RMB in million)</i>	<b>For the year ending 31 December 2023</b> <i>(RMB in million)</i>	<b>For the eight months ending 31 August 2024</b> <i>(RMB in million)</i>
<b>Annual caps</b>	4.000	4.000	2.800

### V. INTERNAL CONTROL

In order to ensure the terms of Xinglu Wastewater Treatment Property Services Agreement 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) the legal department and finance department of the Company will closely monitor the transactions under the Xinglu Wastewater Treatment Property Services Agreement to ensure that the transactions amounts will not exceed the annual caps for the agreement;
- (ii) the legal department of the Company will conduct regular random checks to review and assess whether the transactions contemplated under Xinglu Wastewater Treatment Property Services Agreement are conducted on normal commercial terms, in accordance with the terms set out in the agreement and whether the service fees and relevant contract terms are in the interest of the Company and the Shareholders as a whole;

- (iii) the Company's external auditors will conduct an annual review of the transactions under Xinglu Wastewater Treatment Property Services Agreement to ensure that the transactions amounts are within the annual caps and the transactions are in accordance with the terms set out in the agreement; and
- (iv) the Company's independent non-executive Directors will conduct regular reviews of the status of the transactions under Xinglu Wastewater Treatment Property Services Agreement to ensure that the Company has complied with its internal approval process, the terms of the agreement and the relevant requirements under the Listing Rules.

## **VI. INFORMATION ABOUT XINGLU PROPERTY MANAGEMENT, XINGLU WASTEWATER TREATMENT AND THE GROUP**

Xinglu Property Management is a limited liability company established in the PRC on 26 August 2005 and wholly-owned by Xinglu Investment, the Controlling Shareholder. Xinglu Property Management is primarily engaged in property management, parking lots management and domestic services.

Xinglu Wastewater Treatment is a non-wholly owned subsidiary of the Company and is primarily engaged in wastewater collection, treatment and reuse after its purification and sewage purification technology research and development, promotion and application and technical training, among others.

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.

## **VII. REASONS FOR ENTERING INTO THE XINGLU WASTEWATER TREATMENT PROPERTY SERVICES AGREEMENT**

Xinglu Property Management is specialized in property management and has been providing efficient property management service to the Group since April 2011. As a result of the long-term business relationship, Xinglu Property Management is familiar with the requirements and the specifications for the property management services required by Xinglu Wastewater Treatment. The Directors believe that entering into the Xinglu Wastewater Treatment Property Services Agreement is beneficial for the long-term business relationship with Xinglu Property Management.

The Directors (including the independent non-executive Directors) are of the view that the transactions under the Xinglu Wastewater Treatment Property Services 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 the Shareholders as a whole.

Xinglu Wastewater Treatment Property Services Agreement has been approved by the Board. None of the Directors had material interest in the Xinglu Wastewater Treatment Property Services Agreement and the transactions contemplated thereunder and hence no Director was required to abstain from voting on the relevant resolutions of the Board approving the same.

## VIII. LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinglu Property Management is a wholly owned subsidiary of Xinglu Investment, the Controlling Shareholder. Accordingly, Xinglu Property Management is a connected person of the Company and the transactions contemplated under the Xinglu Wastewater Treatment Property Services Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

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## IX. 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)
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	person(s) or company(ies) which is(are) not a connected person(s) (as defined in the Listing Rules) of the Company
“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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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)
“Xinglu Property Management”	Luzhou Xinglu Property Management Co., Ltd.* (瀘州興瀘物業管理有限公司), a PRC limited liability company established on 26 August 2005 and wholly owned by Xinglu Investment
“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 a non-wholly owned subsidiary of the Company
“Xinglu Wastewater Treatment Property Services Agreement”	the property services agreement entered into between Xinglu Wastewater Treatment and Xinglu Property Management on 26 August 2022 (after trading hours)

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

Luzhou, Sichuan Province, the PRC  
26 August 2022

*As at the date of this announcement, the Board comprises of (i) three executive Directors, namely Mr. Zhang Qi, Mr. Liao Xingyue and Ms. Huang Mei; (ii) three non-executive Directors, namely Mr. Chen Bing, Mr. Yu Long 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