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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)**

**DISCLOSEABLE TRANSACTION  
TRANSFER OF EQUITY INTEREST IN THE TARGET COMPANY**

**EQUITY TRANSFER AGREEMENT**

On 19 September 2023 (after trading hours), the Company entered into the Equity Transfer Agreement with Luzhou Junyuan, pursuant to which the Company has agreed to transfer, and Luzhou Junyuan has agreed to acquire, 6.43% equity interest in the Target Company at a consideration of approximately RMB52.8221 million.

**LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the Equity Transfer Agreement is greater than 5% but less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

**INTRODUCTION**

On 19 September 2023 (after trading hours), the Company entered into the Equity Transfer Agreement with Luzhou Junyuan, pursuant to which the Company has agreed to transfer, and Luzhou Junyuan has agreed to acquire, 6.43% equity interest in the Target Company at a consideration of RMB52.8221 million.

**EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are set out below:

Date: 19 September 2023 (after trading hours)

Parties: (a) Luzhou Xinglu Water (Group) Co., Ltd.\* (瀘州市興瀘水務(集團)股份有限公司) (as transferor); and

(b) Luzhou Junyuan Asset Management Co., Ltd.\* (瀘州君源資產管理有限公司) (as transferee)

Subject matter: 6.43% equity interest in Sichuan Xiangjiaba Irrigation Construction and Development Co., Ltd.\* (四川省向家壩灌區建設開發有限責任公司)

Consideration and payment terms: The consideration payable by the transferee under the Equity Transfer Agreement is RMB52.8221 million, which is determined with reference to the valuation of equity interest as stated in the valuation report issued by an independent valuer engaged by the Target Company on 31 December 2022 and the proportion of paid-in capital contribution.

The transferee shall pay the consideration to the Company in the following manner:

(a) first instalment of RMB41.6221 million (accounting for approximately 78.8% of the consideration) shall be paid in one lump sum by Luzhou Junyuan to the bank account designated by the Company within five (5) business days from the date of signing the Equity Transfer Agreement; and

(b) second instalment of the remaining sum of RMB11.2 million (accounting for approximately 21.2% of the consideration) shall be paid in full within one (1) year from the date of signing the Equity Transfer Agreement, with a guarantee provided by Luzhou Xing Yang Investment Group Limited\* (瀘州興陽投資集團有限公司), being the shareholder of Luzhou Junyuan, and the interest payable during the deferred payment period shall be calculated at the one-year loan prime rate as at the date of signing the Equity Transfer Agreement.

The transitional profit or loss of the Target Company's Xiangjiaba irrigation project during the construction period (from 1 January 2023 to the date of registration of change in equity interest in the Target Company) shall be attributable to Luzhou Junyuan. The Company shall assume the obligation of bona fide management of the Target Company, shareholders' equity and business assets of the Target Company under the Equity Transfer Agreement.

Upon the transfer of equity interest in the Target Company to Luzhou Junyuan, the creditor's rights and debts and the responsibility for the subscribed capital contribution originally assumed by the Company shall be assumed by Luzhou Junyuan accordingly.

Completion: The Company and Luzhou Junyuan shall complete the relevant registration procedures for change in equity interest in the Target Company within ten (10) business days from the payment of the first instalment.

## **FINANCIAL EFFECT OF THE TRANSFER OF EQUITY INTEREST IN THE TARGET COMPANY**

Upon completion, the Company will no longer hold any equity interest in the Target Company.

Taking into account (i) the consideration of the transfer of equity interest in the Target Company of RMB52.8221 million; and (ii) the audited total assets of the Target Company as at 31 December 2022 of approximately RMB4,682.3 million, it is expected that the Group will recognize a profit of RMB292,100 from the date of investment to the completion date of the transfer of equity interest in the Target Company. Proceeds arising from the transfer of equity interest in the Target Company will be used as general working capital.

The above estimates are for illustrative purposes only and do not represent the financial position of the Group after completion. The actual financial effect of the transfer of equity interest in the Target Company shall be determined with reference to the financial position of the Target Company as at the completion date.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a limited liability company established in the PRC in 2013. It is mainly engaged in irrigation services; water conservancy related consulting services; natural water collection and distribution; tap water production and supply; intelligent water system development; water resources management; water pollution control; land consolidation services; engineering management services; and tourism development project planning and consulting.

The audited total assets and net assets of the Target Company as at 31 December 2022 were approximately RMB4,682.3 million and RMB4,125.1 million, respectively. The audited profit of the Target Company for the year ended 31 December 2022 and the audited profit of the Target Company for the year ended 31 December 2021 are set out below:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	(Audited)	(Audited)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit before tax	6,507.6	8,989.2
Net profit for the year	5,294.0	4,646.2

The financial statements of the Target Company have not been consolidated into the financial statements of the Company. After completion of the transfer of equity interest in the Target Company, the Group will no longer hold any interest in the Target Company.

#### **INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT**

The Company is a joint stock company with limited liability established in the PRC in 2002 and restructured in 2015. It is mainly engaged in tap water supply services and wastewater treatment services in Luzhou area. Its ultimate beneficial owner is Luzhou State-owned Assets Supervision and Administration Commission.

Luzhou Junyuan is a limited liability company established in 2023. It is mainly engaged in asset management services for investment with its own funds. Its ultimate beneficial owners are the people's governments of Jiangyang District, Longmatan District, Hejiang County and Lu County of Luzhou City.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Luzhou Junyuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

The Directors believe that the entering into of the Equity Transfer Agreement would enable the Company to focus more on tap water production and supply and wastewater treatment businesses, improve the professional operation and maintenance management of the Company, and thus bring more stable benefits to the Shareholders.

The Directors (including the independent non-executive Directors) are of the view that the transaction under the Equity Transfer Agreement is fair and reasonable, on normal commercial terms, and in the ordinary and usual course of business of the Group which is in the interest of the Company and its Shareholders as a whole.

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

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the Equity Transfer Agreement is greater than 5% but less than 25%, the transaction contemplated thereunder constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“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 of Hong Kong Limited (stock code: 2281)
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement of Sichuan Xiangjiaba Irrigation Construction and Development Co., Ltd.* (四川省向家壩灌區建設開發有限責任公司) entered into between the Company and Luzhou Junyuan for the transfer of 6.43% equity interest in the Target Company
“Group”	the Company and its subsidiaries
“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
“Luzhou Junyuan”	Luzhou Junyuan Asset Management Co., Ltd.* (瀘州君源資產管理有限公司), a limited liability company established in the PRC on 20 July 2023
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Target Company”	Sichuan Xiangjiaba Irrigation Construction and Development Co., Ltd.* (四川省向家壩灌區建設開發有限責任公司), a limited liability company established in the PRC on 22 September 2013
“%”	per cent

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

Luzhou, Sichuan Province, the PRC  
19 September 2023

*As at the date of this announcement, the Board comprises of (i) three executive directors, namely Mr. Zhang Qi, Mr. Liao Xingyue and Mr. Xu Guanghua; (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*