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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)**

**CONNECTED TRANSACTION  
CONSTRUCTION CONTRACT FOR WATER SUPPLY PIPELINES  
INSTALLATION PROJECT**

**BACKGROUND**

On 13 December 2023 (after trading hours), the Company entered into the Construction Contract with Zhiyuan Real Estate, pursuant to which, the Company agreed to provide water supply pipelines installation services to Zhiyuan Real Estate with a construction period of 60 days in 2023.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Zhiyuan Real Estate is directly held as to 100% by Liangjiang New Town Construction Investment, which in turn is held as to 72.17% by Luzhou Construction Investment, which in turn is directly held as to 37.8% by Xinglu Investment, the Controlling Shareholder of the Company. The remaining equity interests of Luzhou Construction Investment are held as to 55.98% 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 6.22% by Sichuan Provincial Finance Department\* (四川省財政廳), respectively. Accordingly, Zhiyuan Real Estate is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the transactions contemplated under the Construction Contract entered into between it and the Company constitute connected transactions of the Company.

**I. CONSTRUCTION CONTRACT**

On 13 December 2023 (after trading hours), the Company entered into the Construction Contract with Zhiyuan Real Estate, the main terms of which are set out below:

<b>Date:</b>	13 December 2023 (after trading hours)
<b>Parties:</b>	(1) the Company; and  (2) Zhiyuan Real Estate (a connected person).
<b>Project:</b>	The project under the Construction Contract is Chengtou • Yuelaicheng Phase IV Water Supply Pipelines Installation Project (城投•悅來城四期給水管道安裝工程), which is located in Changshi New Town, Naxi District, Luzhou City.
<b>Scope of Construction Services:</b>	The tap water pipelines installation services that the Company agreed to provide to Zhiyuan Real Estate under the Construction Contract include:  (1) the installation of water pipelines from the municipal water transporting and distributing principal main pipelines (市政輸配水主管) to the pipelines before the commercials balance meters (貿易結算水表); and  (2) the installation of commercials balance meters.
<b>Construction Period:</b>	60 days starting from the date notified by Zhiyuan Real Estate in writing after its prepayment of 80% of construction service fee in accordance with the Construction Contract.
<b>Construction Service Fee and Payment Terms:</b>	The final construction service fee under the Construction Contract was estimated to be RMB3,154,882 (tax inclusive) and shall be determined by Zhiyuan Real Estate and the Company based on the final mapping report (終測繪報告) and the actual costs and expenses listed in the cost and expenses sheet (費用核定單).  Payments shall be made in the following manners:  (1) approximately RMB2,523,906, representing 80% of the highest estimated construction service fee, shall be paid by Zhiyuan Real Estate as a prepayment within five (5) business days after signing the Construction Contract; and

- (2) RMB630,976, being the balance of the final construction service fee, shall be paid by Zhiyuan Real Estate after the completion of the substantial construction works and before the issuance of the commercials balance meters installation order by the Company.

**Period of Warranty:**

2 years commencing from the examination and acceptance date of construction work of the project under the Construction Contract.

**Pricing Policy:**

The construction service fee was determined by the Company and Zhiyuan Real Estate in accordance with the pricing standard set out in the Company's internal pricing document (Lu Shui Gu Fen [2022] No. 142) which was made based on the documents published by the governmental authorities from time to time, including but not limited to the Notice on Cleaning Up and Standardizing the Charges for Urban Water Supply, Power Supply, Gas Supply and Heating Industry and Promoting the High Quality Development of the Industries (Guobanhan [2020] No. 129) (關於清理規範城鎮供水供電供氣供暖行業收費促進行業高質量發展意見的通知(國辦函[2020]129號)) issued by General Office of the State Council of the People's Republic of China (國務院辦公廳), the Notice of the Implementation Plan of Sichuan Province on Cleaning Up and Standardizing Charges for Urban Water Supply, Power Supply, Gas Supply and Heating Industry and Promoting High Quality Development (Chuanfagaijiage [2021] No. 354) (四川省清理規範城鎮供水供電供氣供暖行業收費促進高質量發展實施方案的通知(川發改價格[2021]354號)) issued by Sichuan Province Development and Reform Commission (四川省發展和改革委員會), the Notice on Forwarding Relaxation of the Price Control of Installation, Inspection and Repairment for Utilities Projects (Chuanfagaijiage [2016] No. 71) (關於轉發放開水電氣工程安裝及檢查維修價格的通知(川發改價格[2016]71號)) issued by Luzhou City Development and Reform Commission (瀘州市發展和改革委員會), and the Sichuan Province Quota of Project Quantities Detailed Pricing List for Engineering Construction (2020 version) (四川省建設工程工程量清單計價定額(2020年版)) issued by Sichuan Province Housing and Urban Rural Development Department (四川省住房和城鄉建設廳) with their respective ancillary documents or applicable versions.

The governmental and Company's pricing standards provide predetermined mechanism for calculation of construction service fees detailing the fees to be charged for each category of service and the applicable formula for calculation of fees in different scenarios under each category. While determining the construction service fee under the Zhiyuan Real Estate Construction Contract, the Company and Zhiyuan Real Estate calculated in accordance with the predetermined formulae based on the actual construction area of the project, the specific number of the users, the types of the construction materials and their respective market prices, and in ordinary and usual course of business and on normal commercial terms, and such terms and conditions were negotiated on an arm's length basis and are not more favorable than those offered by the Group to Independent Third Parties.

## **II. INFORMATION OF THE PARTIES**

Zhiyuan Real Estate is a limited liability company established in the PRC on 21 March 2017, and it is mainly engaged in real estate development and operation, real estate marketing planning and property management business. Zhiyuan Real Estate is held as to 100% by Liangjiang New Town Construction Investment, which in turn is held as to 72.17% by Luzhou Construction Investment, which in turn is held as to 37.8% by Xinglu Investment, the Controlling Shareholder of the Company. The remaining equity interests of Luzhou Construction Investment are held as to 55.98% 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 6.22% by Sichuan Provincial Finance Department\* (四川省財政廳), respectively.

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. REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT**

The Company has been providing installation and maintenance services in its ordinary and usual course of business to companies in Luzhou City, and therefore, the Company is familiar with the requirements and the specifications for the installation and maintenance services required by local government and enterprises. The Directors believe that entering into the Construction Contract is beneficial for the long-term business relationship between the Company and Xinglu Investment and its controlled companies. By entering into the Construction Contract, the Group can further expand its principal business. The Directors are of the view that entering into the Construction Contract is in line with the Group's goal to enhance the Company's position in the industry and its influence in the region.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions under the Construction 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 its Shareholders as a whole.

The Construction Contract and the transactions contemplated thereunder have been approved by the Board. None of the Directors has material interest in the Construction Contract and the transactions contemplated thereunder and hence no Director is required to abstain from voting on the relevant resolution of the Board approving the same.

#### **IV. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Zhiyuan Real Estate is held as to 100% by Liangjiang New Town Construction Investment, which in turn is held as to 72.17% by Luzhou Construction Investment, which in turn is held as to 37.8% by Xinglu Investment, the Controlling Shareholder of the Company. The remaining equity interests of Luzhou Construction Investment are held as to 55.98% 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 6.22% by Sichuan Provincial Finance Department\* (四川省財政廳), respectively. Accordingly, Zhiyuan Real Estate is a connected person of the Company pursuant to Chapter 14A of the Listing Rules and the transactions contemplated under the Construction Contract entered into between it and the Company constitute connected transactions of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were all otherwise related. Accordingly, the transactions between the Company with Zhiyuan Real Estate shall be aggregated with the transactions contemplated under the Construction Contract and treated as if they were one transaction, and the aggregate figures of the transactions shall be used for calculating the applicable percentage ratios.

As the applicable percentage ratios in respect of the transactions contemplated under the Construction Contract are more than 0.1% but less than 5%, and the absolute amount exceeds HK\$3 million, the transactions contemplated under the Construction Contract are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to the Listing Rules.

#### **V. DEFINITIONS**

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

“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
“Board”	the board of Directors of the Company
“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
“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
“Zhiyuan Real Estate”	Luzhou Zhiyuan Real Estate Development Co., Ltd.* (瀘州致遠房地產開發有限公司), a limited liability company established in the PRC on 21 March 2017
“Liangjiang New Town Construction Investment”	Luzhou Liangjiang New Town Construction Investment Co., Ltd.* (瀘州兩江新城建設投資有限公司), a limited liability company established in the PRC on 26 November 2014
“Luzhou Construction Investment”	Luzhou Construction Investment Group Co., Ltd.* (瀘州市城市建設投資集團有限公司), a limited liability company established in the PRC on 2 June 2015
“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 limited liability company established in the PRC on 28 January 2003 and owned 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)

“Listing Rules”	the Listing Rules of 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 the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Construction Contract”	the construction contract for water supply pipelines installation project entered into between the Company and Zhiyuan Real Estate on 13 December 2023
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Luzhou, Sichuan Province, the PRC  
13 December 2023

*As at the date of this announcement, the Board comprises of (i) three executive directors, namely Mr. Zhang Qi, 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*