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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 PROPERTY AND CLEANING SERVICE AGREEMENT**

### **BACKGROUND**

On 27 March 2024 (after trading hours), Xinghe Water Environment, a non-wholly owned subsidiary of the Company, entered into the Property and Cleaning Service Agreement with Xinglu Property Management, pursuant to which, Xinglu Property Management agreed to provide property management services and other related services to Hejiang Wastewater Treatment Plant\* (合江污水處理廠) (“**Hejiang Wastewater Plant**”) affiliated to Xinghe Water Environment.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinglu Property Management is an indirect 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 Property and Cleaning Service Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions contemplated under the Property and Cleaning Service Agreement are required to be aggregated with other transactions contemplated under the Previous Service Agreement. As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Property and Cleaning Service Agreement and the Previous Service Agreement, on an annual and aggregated basis, is more than 0.1% but less than 5%, the transactions thereunder are 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. INTRODUCTION

On 27 March 2024 (after trading hours), Xinghe Water Environment, a non-wholly owned subsidiary of the Company, entered into the Property and Cleaning Service Agreement with Xinglu Property Management, pursuant to which, Xinglu Property Management agreed to provide property management services and other related services to Hejiang Wastewater Treatment Plant.

## II. PROPERTY AND CLEANING SERVICE AGREEMENT

The principal terms of Property and Cleaning Service Agreement are set out below:

**Date:** 27 March 2024 (after trading hours)

**Parties:** (1) Xinghe Water Environment; and

(2) Xinglu Property Management

**Subject Matter:** Provision of the following services to the Hejiang Wastewater Treatment Plant: (i) guarding service and order maintenance of public areas, (ii) hygiene maintenance of public areas and periodic cleaning of the production areas, (iii) canteen services, and (iv) preparation for random inspections.

**Term:** Two (2) years from the date of contract signing.

**Service Fee and Payment Term:** The highest annual property service fee under the Property and Cleaning Service Agreement shall be approximately RMB529,000, which includes the staff wages and benefits, clothing fee and administrative expenses, profits, tax, insurance and other fees.

If there is a change in the area of the property service, an increase or decrease in the number of service personnel during the contract period, or Party A has matters outside the scope of the contract that need to be entrusted to Party B's service, resulting in an increase or decrease in the service fee, the parties shall negotiate and enter into a supplemental agreement separately.

Payment term: Payable on a quarterly basis.

**Pricing Policy:**

The contract terms were determined after arm's length negotiation with reference to the historical service fee rates provided by Xinglu Property Management to the Group, 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.

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.

**III. HISTORICAL FIGURES**

The table below sets out the actual transaction amounts, being the property management fees paid by the Group to Xinglu Property Management for the years ended 31 December 2021, 2022 and 2023:

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB in million)</i>	<i>(RMB in million)</i>	<i>(RMB in million)</i>
<b>Actual transaction amounts</b>	<u>3.896</u>	<u>3.599</u>	<u>4.094</u>

#### IV. ANNUAL CAPS

The table below sets out the annual caps for the transactions contemplated under the Property and Cleaning Service Agreement, the Previous Service Agreement and the aggregate annual cap for the two years ending 31 December 2024 and 2025 and the three months ending 26 March 2026:

<b>Annual caps</b>	<b>For the year ending 31 December 2024 <i>(RMB in million)</i></b>	<b>For the year ending 31 December 2025 <i>(RMB in million)</i></b>	<b>For the three months ending 26 March 2026 <i>(RMB in million)</i></b>
Annual cap under the Property and Cleaning Service Agreement	0.529	0.529	0.13
Annual cap under the Previous Service Agreement	<u>2.83</u>	<u>0.00</u>	<u>0.00</u>
<b>Aggregate Annual Cap</b>	<b><u>3.359</u></b>	<b><u>0.529</u></b>	<b><u>0.13</u></b>

#### V. INTERNAL CONTROL

In order to ensure the terms of Property and Cleaning Service 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 Property and Cleaning Service Agreement to ensure that the transaction 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 Property and Cleaning Service 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 Property and Cleaning Service Agreement to ensure that the transaction amounts are within the annual cap 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 Property and Cleaning Service 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, XINGHE WATER ENVIRONMENT AND THE GROUP**

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

Xinghe Water Environment is a non-wholly owned subsidiary of the Company and is primarily engaged in the investment and construction of wastewater treatment facilities, operation and management, project consulting, professional training, environmental protection equipment manufacturing, sales, installation, repairment and maintenance and water environment management.

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 PROPERTY AND CLEANING SERVICE 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 the Group. The Directors believe that entering into the Property and Cleaning Service 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 Property and Cleaning Service 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.

The Property and Cleaning Service Agreement has been approved by the Board. None of the Directors had material interest in the Property and Cleaning Service 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 Property and Cleaning Service Agreement constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions contemplated under the Property and Cleaning Service Agreement are required to be aggregated with other transactions contemplated under the Previous Service Agreement. As the highest applicable percentage ratio calculated with reference to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Property and Cleaning Service Agreement and the Previous Service Agreement, on an annual and aggregated basis, is more than 0.1% but less than 5%, the transactions thereunder are 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.

## 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

“Previous Service Agreement”	the property service agreement entered into between Xinglu Wastewater Treatment and Xinglu Property Management on 26 August 2022
“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
“Property and Cleaning Service Agreement”	the property and cleaning service agreement entered into between Xinghe Water Environment and Xinglu Property Management on 27 March 2024 (after trading hours)
“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
“Xinghe Water Environment”	Luzhou Xinghe Water Environment Governance Co., Ltd.* (瀘州市興合水環境治理有限公司), a limited liability company established in the PRC on 29 August 2018 and a non-wholly owned subsidiary of the Company
“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 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 10% by Sichuan Provincial Department of Finance* (四川省財政廳)

“Xinglu Property  
Management”

Luzhou Xinglu Property Management Co., Ltd.\* (瀘州興瀘物業管理有限公司), a limited liability company established in the PRC on 26 August 2005 and an indirect wholly owned subsidiary of Xinglu Investment

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

Luzhou, Sichuan Province, the PRC  
27 March 2024

*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*