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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 MANAGEMENT SERVICE CONTRACT**

### **BACKGROUND**

#### **PROPERTY MANAGEMENT SERVICE CONTRACT**

On 31 October 2024 (after trading hours), the Company entered into the Property Management Service Contract with Xinglu Property Management, pursuant to which, Xinglu Property Management agreed to provide property management services to the Group's office premises, its affiliated water supply plants and other water supply facilities for a term of one year.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinglu Property Management is a wholly owned subsidiary of Xinglu Assets, the Controlling Shareholder of the Company. Accordingly, Xinglu Property Management is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the transactions contemplated under the Property Management Service Contract constitute continuing connected transactions of the Company.

Pursuant to Rules 14.07 and 14A.81 of the Listing Rules, the transactions contemplated under the Property Management Service Contract are required to be aggregated with other transactions contemplated under the Previous Service Agreements. 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 Management Service Contract and the Previous Service Agreements, on an annual and aggregated basis, is more than 0.1% but less than 5%, the transactions contemplated under the Property Management Service Contract are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

## I. BACKGROUND

On 31 October 2024 (after trading hours), the Company entered into the Property Management Service Contract with Xinglu Property Management, the principal terms of which are set out below:

**Date:** 31 October 2024 (after trading hours)

**Parties:** (1) The Company; and  
(2) Xinglu Property Management.

**Subject Matter:** Xinglu Property Management provides the property management services for the Company's office premises, the Group's water supply plants and other water supply facilities.

**Term:** One year from 31 October 2024 to 30 October 2025.

**Service Fee and Payment Term:** The property service fee under the Property Management Service Contract shall be approximately RMB1.46 million per annum (tax inclusive), which includes public hygiene services, cleaning and sanitation, garbage collection and removal, routine maintenance services for public landscaping, vegetation watering, pruning, spraying, management of ancillary facilities, etc. and taxes, and shall be paid by the Company on a quarterly basis.

**Pricing Policy:** The terms of the Property Management Service Contract were determined based on arm's length negotiation after open selection assessment and with reference to the historical service fee rates of Xinglu Property Management provided to the Group, the market service fee rates, the staff salary level in Luzhou area and the market prices for similar services, as well as the normal commercial terms in the ordinary and usual course of business, and shall be no less favourable than those for provision of similar services by Independent Third Parties.

## II. HISTORICAL FIGURES:

The table below sets out the actual transaction amounts paid by the Group to Xinglu Property Management for the three years ended 31 December 2021, 2022 and 2023 (i.e. management fees), respectively:

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

## III. ANNUAL CAPS

When calculating the annual caps, we evenly distributed the transaction amounts under the Property Management Service Contract to calculate monthly transaction amounts, and thereby set out the annual caps as of 31 December 2024 and 2025, and have combined these caps with the annual caps for the transactions contemplated under the Previous Service Agreements.

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

	For the year ending 31 December			For the three months ending 26 March 2026 (RMB in million)
	2024	2025		
	(RMB in million)	(RMB in million)	(RMB in million)	
Property Management Service Contract	0.25	1.22	0	
Annual cap under the Previous Service Agreements	<u>4.76</u>	<u>3.24</u>	<u>0.13</u>	
Aggregate Annual Cap	<u>5.01</u>	<u>4.46</u>	<u>0.13</u>	

#### **IV. INTERNAL CONTROL MEASURES FOR PROPERTY MANAGEMENT SERVICE CONTRACT**

In order to ensure the terms of Property Management Service Contract 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 Management Service Contract to ensure that the transaction amounts will not exceed the annual caps for the Property Management Service Contract;
- (ii) the legal department of the Company will conduct regular checks to review and assess whether the transactions contemplated under Property Management Service Contract are conducted on normal commercial terms, in accordance with the terms set out in the Property Management Service Contract 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 Management Service Contract to ensure that the transaction amounts are within the annual cap and the transactions are in accordance with the terms set out in the Property Management Service Contract; and
- (iv) the Company's independent non-executive Directors will conduct regular reviews of the status of the transactions under Property Management Service Contract to ensure that the Company has complied with its internal approval process, the terms of the Property Management Service Contract and the relevant requirements under the Listing Rules.

#### **V. INFORMATION ABOUT XINGLU PROPERTY MANAGEMENT AND THE GROUP**

Xinglu Property Management is a limited liability company established in the PRC on 26 August 2005 and is a wholly owned subsidiary of Xinglu Assets, the Controlling Shareholder of the Company. Xinglu Property Management is primarily engaged in property management, parking lots management and domestic services. Xinglu Assets is mainly engaged in investment and asset management business. Luzhou City Xinglu Investment Group Co., Ltd.\* (瀘州市興瀘投資集團有限公司), the ultimate beneficial owner of Xinglu Assets, is 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), which is principally engaged in investment and asset management, project management and investment and financial consulting business.

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.

## **VI. BENEFIT OF AND REASONS FOR ENTERING INTO THE PROPERTY MANAGEMENT SERVICE CONTRACT**

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 Management Service Contract 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 terms of transactions under the Property Management Service 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 the Shareholders as a whole.

The Property Management Service Contract and the transactions contemplated thereunder have been considered and approved by the Board. None of the Directors has material interest in the Property Management Service Contract and the transactions contemplated thereunder and hence no Director had abstained from voting on the relevant resolutions of the Board approving the same.

## **VII. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Xinglu Property Management is a wholly owned subsidiary of Xinglu Assets, the Controlling Shareholder of the Company. Accordingly, Xinglu Property Management is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the transactions contemplated under the Property Management Service Contract constitute continuing connected transactions of the Company.

Pursuant to Rules 14.07 and 14A.81 of the Listing Rules, the transactions contemplated under the Property Management Service Contract are required to be aggregated with other transactions contemplated under the Previous Service Agreements. 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 Management Service Contract and the Previous Service Agreements, on an annual and aggregated basis, is more than 0.1% but less than 5%, the transactions contemplated under the Property Management Service Contract are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

## IX. 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 Assets
“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 Main Board of 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
“Xinglu Assets”	Luzhou City Xinglu Assets Management Co., Ltd.* (瀘州市興瀘資產管理有限公司), the Controlling Shareholder of the Company, a limited liability company established in the PRC on 4 September 2014
“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 a wholly owned subsidiary of Controlling Shareholder of the Company

“Previous Service Agreements”	the property service agreement entered into between Luzhou Xinglu Wastewater Treatment Co., Ltd.* (瀘州市興瀘污水處理有限公司) and Xinglu Property Management on 26 August 2022, the property and cleaning service agreement entered into on 27 March 2024 by Luzhou Xinghe Water Environment Governance Co., Ltd.* (瀘州市興合水環境治理有限公司) and Xinglu Property Management and the property and cleaning service contract and the canteen outsourcing service contract entered into on 16 August 2024 by the Company and Xinglu Property Management
“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 Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Property Management Service Contract”	the property management service contract entered into between the Company and Xinglu Property Management on 31 October 2024
“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, the PRC  
31 October 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