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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 31 October 2024 (after trading hours), the Company entered into the Construction Contract with Lingang Investments Group, pursuant to which, the Company agreed to provide water supply pipelines installation services to Lingang Investments Group with a construction period of 90 calendar days.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Lingang Investments Group is directly held as to 50.27% by Xinglu Investment, the Actual Controller of the Company, and is indirectly held as to 15.75% through Luzhou Construction Investment Group Co., Ltd.* (瀘州市城市建設投資集團有限公司). The remaining equity interests of Lingang Investments Group are held as to 10.94% by the Administration Committee of South Sichuan Port Area, China (Sichuan) Pilot Free Trade Zone* (中國(四川)自由貿易試驗區川南臨港片區管理委員會), as to 9.12% by Luzhou Longchi Investment Co., Ltd.* (瀘州市龍馳投資有限公司), as to 6.97% by Luzhou High-Tech Investment Group Co., Ltd.* (瀘州市高新投資集團有限公司), as to 6.16% by CDB Development Fund Co., Ltd. * (國開發基金有限公司), as to 0.71% 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 0.08% by Sichuan Provincial Finance Department* (四川省財政廳), respectively. Accordingly, Lingang Investments Group is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the transactions contemplated under the Construction Contract constitute connected transactions of the Company.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions contemplated under the Construction Contract are required to be aggregated with other transactions contemplated under the Previous Service Agreement.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Construction Contract and the Previous Service Agreement is more than 0.1% but less than 5% pursuant to Rule 14.07 of the Listing Rules and the absolute amount exceeds HK\$3 million, the transactions contemplated under the Construction Contract and the Previous Service Agreement are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. CONSTRUCTION CONTRACT

On 31 October 2024 (after trading hours), the Company entered into the Construction Contract with Lingang Investments Group.

The principal terms of the Construction Contract are set out below:

Date: 31 October 2024 (after trading hours)

Parties: (1) the Company; and
(2) Lingang Investments Group (a connected person).

Subject matter: The project under the Construction Contract is Hetang Sunshine (Southern District) project (Phase I) Water Supply Pipelines Installation Project (荷塘陽光 (南區)項目 (一期) 給水管道安裝工程), which is located in Longmatan District, Luzhou City, the PRC.

Scope of Construction Services: The tap water pipelines installation services that the Company agreed to provide to Lingang Investments Group 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.

Construction Period: 90 calendar days starting from the date notified by Lingang Investments Group in writing after its prepayment of 80% of construction service fee in accordance with the Construction Contract.

Construction Service Fee and Payment Terms: The construction service fee under the Construction Contract was approximately RMB4,059,196.79 (tax inclusive) and shall be determined by Lingang Investments Group and the Company based on the final mapping report (最終測繪報告) and the actual costs and expenses listed in the cost and expenses sheet (費用預核定單).

Payments shall be made in the following manners:

- (1) RMB3,247,357.43, representing 80% of the highest estimated construction service fee, shall be paid by Lingang Investments Group as a prepayment within five (5) business days after signing the Construction Contract; and
- (2) The balance shall be paid before the issuance of the commercials balance meters installation order by the Company.

Period of Warranty: Two (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 Lingang Investments Group 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. 19) (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]19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 of the Industries (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行業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 revised 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 Construction Contract, the Company and Lingang Investments Group 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. HISTORICAL FIGURES

The table below sets out the actual transaction amounts paid by Lingang Investments Group to the Group for the three years ended 31 December 2021, 2022 and 2023:

	For the year ended 31 December		
	2021	2022	2023
	(RMB in million)	(RMB in million)	(RMB in million)
Actual transaction amounts	1.67	7.70	0.0009

III. INFORMATION OF THE PARTIES

Lingang Investments Group is a limited liability company established in the PRC on 26 June 2013, and it is mainly engaged in investment and financing services, asset management and consulting, municipal public utilities engineering, housing construction engineering, landscape greening engineering, design and construction of electrical pipeline installation projects, project management services, real estate development and operation. Lingang Investments Group is directly held as to 50.27% by Xinglu Investment, the Actual Controller of the Company, and indirectly held as to 15.75% through Luzhou Construction Investment Group Co., Ltd.* (瀘州市城市建設投資集團有限公司). The remaining equity interests of Lingang Investments Group are held as to 10.94% by the Administration Committee of South Sichuan Port Area, China (Sichuan) Pilot Free Trade Zone* (中國(四川)自由貿易試驗區川南臨港片區管理委員會), as to 9.12% by Luzhou Longchi Investment Co., Ltd.* (瀘州市龍馳投資有限公司), as to 6.97% by Luzhou High-Tech Investment Group Co., Ltd.* (瀘州市高新投資集團有限公司), as to 6.16% by CDB Development Fund Co., Ltd.* (國開發發展基金有限公司), as to 0.71% 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 0.08% by Sichuan Provincial Finance Department* (四川省財政廳), respectively. Among them, the ultimate Actual Controller of both Luzhou Longchi Investment Co., Ltd. and Luzhou High-Tech Investment Group Co., Ltd. is the Luzhou State-owned Assets Supervision and Administration Commission, and the ultimate Actual Controller of CDB Development Fund Co., Ltd. is the Ministry of Finance of the PRC.

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.

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

The Company has been providing water supply pipeline 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 subsidiaries. By entering into the Construction Contract, the Group can further expand its principal business.

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.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Lingang Investments Group is directly held as to 50.27% by Xinglu Investment, the Actual Controller of the Company, and is indirectly held as to 15.75% through Luzhou Construction Investment Group Co., Ltd.* (瀘州市城市建設投資集團有限公司). The remaining equity interests of Lingang Investments Group are held as to 10.94% by the Administration Committee of South Sichuan Port Area, China (Sichuan) Pilot Free Trade Zone* (中國(四川)自由貿易試驗區川南臨港片區管理委員會), as to 9.12% by Luzhou Longchi Investment Co., Ltd.* (瀘州市龍馳投資有限公司), as to 6.97% by Luzhou High-Tech Investment Group Co., Ltd.* (瀘州市高新投資集團有限公司), as to 6.16% by CDB Development Fund Co., Ltd.* (國開發展基金有限公司), as to 0.71% 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 0.08% by Sichuan Provincial Finance Department* (四川省財政廳), respectively. Accordingly, Lingang Investments Group is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the transactions contemplated under the Construction Contract constitute connected transactions of the Company.

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VI. 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
“Actual Controller”	refers to a person who is not a shareholder of the Company, but is able to actually control the conduct of the Company through an investment relationship, agreement or other arrangement. As far as the Company is concerned, the actual controller is 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 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
“Lingang Investments Group”	Luzhou Lingang Investments Group Co., Ltd.* (瀘州臨港投資集團有限公司), a limited liability company established in the PRC on 26 June 2013
“Xinglu Investment”	Luzhou City Xinglu Investment Group Co., Ltd.* (瀘州市興瀘投資集團有限公司), the Actual Controller 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
“Previous Service Agreement”	the construction contract for water supply pipelines installation project entered into between the Company and Luzhou Zhiyuan Real Estate Development Co., Ltd.* (瀘州致遠房地產開發有限公司) on 13 December 2023
“Construction Contract”	the construction contract for water supply pipelines installation project entered into between the Company and Lingang Investments Group 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*