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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 AND CONTINUING CONNECTED TRANSACTIONS SLUDGE DISPOSAL SERVICES

BACKGROUND

On 31 March 2026 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into the sludge disposal Service Contract (the "**Service Contract**") with Xinglu Environmental Protection, pursuant to which, Xinglu Environmental Protection agreed to provide sludge disposal services to Xinglu Wastewater Treatment.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinglu Environmental Protection is a wholly-owned subsidiary of Luzhou Xinglu Environment. Luzhou Xinglu Environment is directly held as to 38.35% by Xinglu Investment, the beneficial owner of Xinglu Assets, the Controlling Shareholder of the Company, and indirectly held as to 36.65% through Tianhong Partnership, and the remaining equity is directly held as to 5% by Chongqing Derun Environment and indirectly held as to 8.8% through Chongqing Sanfeng Environment. Accordingly, Xinglu Environmental Protection is a connected person of the Company as defined under Chapter 14A of the Listing Rules and the transactions contemplated under the Service Contract constitute continuing connected transactions of the Company.

Pursuant to the Listing Rules, as the highest applicable percentage ratio (on an annual basis) in respect of the transactions contemplated under the Service Contract is higher than 5% but less than 25% and the absolute amount exceeds HK$10 million, pursuant to Chapter 14A of the Listing Rules, the transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements. The transactions also constitute discloseable transactions under Chapter 14 of the Listing Rules.

GENERAL

A general meeting will be convened for the independent Shareholders to consider and, if thought fit, approve the transactions contemplated under the Service Contract. Xinglu Assets and its associates who have a material interest in the transactions contemplated under the Service Contract will be required to abstain from voting on the resolution to approve the Service Contract and the transactions contemplated thereunder at the general meeting.

The independent board committee comprising all the independent non-executive Directors has been established to advise the independent Shareholders on, among other things, the terms of the Service Contract and how to vote on the resolution in respect of the Service Contract at the general meeting. The Independent Financial Adviser has been appointed to advise the independent board committee and the independent Shareholders in this regard.

A circular containing, among other things, further details of the Service Contract, a letter from the independent board committee and a letter from the Independent Financial Adviser to the independent board committee and the independent Shareholders will be published and/or despatched to the Shareholders on or before 26 May 2026, to allow the Company sufficient time to prepare the relevant information to be included in the circular.

I. BACKGROUND

On 31 March 2026 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into the Sludge Disposal Service Contract with Xinglu Environmental Protection, pursuant to which, Xinglu Environmental Protection agreed to provide sludge disposal services to Xinglu Wastewater Treatment, the principal terms of which are set out below:

Date:	31 March 2026 (after trading hours)
Parties:	(1) Xinglu Wastewater Treatment; and (2) Xinglu Environmental Protection.
Subject Matter:	Provision of disposal services by Xinglu Environmental Protection for the sludge generated during the production process for Xinglu Wastewater Treatment.
Term and Service Fee:	One year from the date of the Service Contract signing and becoming effective.

The disposal service fee under the Service Contract shall not exceed RMB33,410,000 (tax inclusive) in total, which was determined by both parties based on the agreed unit price of the sludge disposal service fee and the volume of sludge disposed.

Payment Method: Xinglu Environmental Protection shall provide to Xinglu Wastewater Treatment on a quarterly basis a statement of the sludge disposal service fee for the previous quarter (including but not limited to payment instructions, daily accounts for sludge disposal and official invoices), and Xinglu Wastewater Treatment shall make payment within 25 working days upon receipt of the payment information by way of bank transfer.

Pricing Policy: When determining the service fee under the Service Contract, Xinglu Environmental Protection calculated based on the actual quantity of sludge disposed per month and the agreed unit price for the disposal, and in the ordinary and usual course of business and on normal commercial terms according to a pre-determined formula, and such terms and conditions were negotiated on an arm's length basis.

II. HISTORICAL FIGURES

The table below sets out the actual transaction amounts (namely sludge disposal service fees) paid by the Group to Xinglu Environmental Protection for the three years ended 31 December 2023, 2024 and 2025 respectively:

	For the year ended 31 December 2023	**For the year ended 31 December 2024**	**For the year ended 31 December 2025**
	(RMB'0,000)	*(RMB'0,000)*	*(RMB'0,000)*
Actual transaction amount	0	1,097	2,115

III. ANNUAL CAPS

The annual caps for the transactions under the Service Contract, which are calculated based on the expected maximum sludge treatment volume determined by the aforementioned pricing policy. The table below sets out the annual caps for the transactions contemplated under the Service Contract and the Previous Service Contract and the aggregated annual caps for the years ended 31 December 2026 and 2027:

Annual caps	**For the year ending 31 December 2026** *(RMB'0,000)*	**For the year ending 31 December 2027** *(RMB'0,000)*
Service Contract	1,670	1,671
Annual cap under Previous Service Contract	1,650	
Combined annual cap	3,320	1,671

IV. INTERNAL CONTROL MEASURES OF THE SERVICE CONTRACT

In order to ensure the terms of the 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) prior to the signing of the Service Contract, Xinglu Wastewater Treatment approved the Service Contract in accordance with the provisions of the relevant contract management system of the Company. The legal department of the Company assessed and analysed whether the Service Contract constitutes a connected transaction in accordance with the relevant provisions of the Listing Rules and, after confirming that it is a continuing connected transaction, Xinglu Wastewater Treatment submitted the Service Contract to the Board of Directors for consideration and approval. The Directors of the Company considered that although the unit price per tonne under the Service Contract has increased compared with the previous year, such increase is attributable to rising energy costs, inflation and higher operating costs such as service fees, and the unit price is no less favourable than the historical transaction unit price charged by independent third-party service providers to ensure that it is fair and reasonable and is in the interests of all Shareholders as a whole. Accordingly, the Board considered and approved the Service Contract and recommended the same for the approval by the Shareholders at the general meeting.

(ii) the legal department and finance department of the Company will closely monitor the transactions under the Service Contract, which will be specifically responsible by the legal department to arrange specialized personnel to establish related transaction management accounts, and track and monitor the performance of transactions during the effective period of the contract, including quarterly sludge treatment volume, fee amount and payment, etc., so as to ensure that the transaction amounts will not exceed the annual caps for the Service Contract;

(iii) if the estimated transaction amount is expected to exceed the annual cap, the legal department will discuss with the Company's management to consider whether it is necessary to amend the annual cap based on the estimated transaction amount, and any such amendment will be subject to the approval of the Board and independent Shareholders (if any adjustment is made to the annual cap, the Company will re-comply with the relevant requirements of Rule 14A.54 of the Listing Rules);

(iv) the legal department of the Company will conduct regular checks to review and assess whether the transactions contemplated under the Service Contract are conducted on normal commercial terms, in accordance with the terms set out in the Service Contract, and whether the service fees and relevant contract terms are in the interest of the Company and the Shareholders as a whole;

(v) the Company's external auditors will conduct an annual review of the transactions under the Service Contract to ensure that the transaction amounts are within the annual caps and the transactions are in accordance with the terms set out in the Service Contract; and

(vi) the independent non-executive Directors of the Company will conduct regular reviews of the status of the transactions under the Service Contract to ensure that the Company has complied with its internal approval process, the terms of the Service Contract and the relevant requirements under the Listing Rules.

V. INFORMATION ABOUT THE PARTIES AND THE GROUP

Xinglu Environmental Protection is a limited liability company incorporated in the PRC on 7 November 2012 and is principally engaged in the business of ecological protection and environmental governance (solid waste and hazardous waste treatment), and Xinglu Investment, its ultimate beneficial owner, is principally engaged in investment and asset management, project management and investment and financial consulting, etc.

Xinglu Wastewater Treatment is a limited liability company incorporated in the PRC on 11 December 2000 and a non-wholly owned subsidiary of the Company, which is principally engaged in sewage treatment and related infrastructure construction services.

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. REASONS FOR AND BENEFIT OF ENTERING INTO THE SERVICE CONTRACT

Xinglu Environmental Protection is currently the only organisation in the Luzhou region that can implement incineration method for sludge disposal. According to the relevant requirements of Luzhou City on implementing the ecological environment protection in Sichuan Province, Xinglu Wastewater Treatment's entrustment of sludge disposal to Xinglu Environmental Protection will more effectively prevent the safety and environmental protection risks of Xinglu Wastewater Treatment in the production and operation process.

The Directors (including the independent non-executive Directors) are of the view that the terms of transactions under the 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 Service Contract and the transactions contemplated thereunder have been considered and approved by the Board. None of the Directors had material interest in the 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 Environmental Protection is 100% owned by Luzhou Xinglu Environment, which in turn is directly held as to 38.35% by Xinglu Investment, the beneficial owner of Xinglu Assets, the Controlling Shareholder of the Company and indirectly held as to 36.65% through Tianhong Partnership, and the remaining interests are directly held as to 5% by Chongqing Derun Environment and indirectly held as to 8.8% through Chongqing Sanfeng Environment, respectively. Accordingly, Xinglu Environmental Protection is a connected person of the Company and the transactions contemplated under the Service Contract constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Service Contract (other than profit ratio) are more than 5% but less than 25%, and the absolute amount exceeds HK$10 million, the transactions thereunder are subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The transactions also constitute discloseable transactions under Chapter 14 of the Listing Rules.

VIII. DEFINITIONS

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

"Board"	the board of Directors of the Company
"Chongqing Derun Environment"	Chongqing Derun Environment Co., Ltd.*(重慶德潤環境有限公司), a limited liability company incorporated in the PRC on 14 October 2014 and indirectly owned as to 54.9% by Chongqing State-owned Assets Supervision and Management Commission
"Chongqing Sanfeng Environment"	Chongqing Sanfeng Environment Group Co., Ltd.*(重慶三峰環境集團股份有限公司), a joint stock company with limited liability incorporated in the PRC on 4 December 2009, the shares of which are listed on the Shanghai Stock Exchange (stock code: 601827) and owned as to 32.99% by Chongqing State-owned Assets Supervision and Management Commission
"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
"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 Financial Adviser"	Red Sun Capital Limited, a licensed corporation engaged in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the appointed Independent Financial Adviser to provide advice to the independent board committee and the independent Shareholders regarding the Service Contract and the transactions contemplated thereunder
"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 Listing Rules of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Luzhou Xinglu Environment"	Luzhou Xinglu Environment Group Co., Ltd. *(瀘州興瀘環境集團股份有限公司), a joint stock company with limited liability incorporated in the PRC on 26 July 2019, directly held as to 38.35% by Xinglu Investment, the beneficial owner of Xinglu Assets, the Controlling Shareholder of the Company and indirectly held as to 36.65% through Tianhong Partnership
"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
"RMB"	Renminbi, the lawful currency of the PRC
"Previous Service Contract"	the sludge disposal service contract entered into between Xinglu Wastewater Treatment and Xinglu Environmental Protection on 7 May 2025
"Service Contract"	the sludge disposal service contract entered into between Xinglu Wastewater Treatment and Xinglu Environmental Protection on 31 March 2026
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Tianhong Partnership"	Luzhou Tianhong Phase I Industrial Investment Development Partnership (Limited Partnership)*(瀘州市天泓一期產業投資發展合夥企業(有限合夥)), a limited liability partnership incorporated in the PRC on 2 June 2015, the general partner of which is Luzhou Xinglu Equity Investment Fund Management Co., Ltd.(瀘州市興瀘股權投資基金管理有限公司), and is owned as to 100% by Xinglu Assets, the Controlling Shareholder 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 incorporated in the PRC on 4 September 2014, and owned as to 100% by Xinglu Investment
"Xinglu Environmental Protection"	Luzhou Xinglu Environmental Protection Development Co., Ltd.*(瀘州市興瀘環保發展有限公司), a limited liability company incorporated in the PRC on 7 November 2012 and a wholly-owned subsidiary of Luzhou Xinglu Environment
"Xinglu Investment"	Luzhou City Xinglu Investment Group Co., Ltd.*(瀘州市興瀘投資集團有限公司), the beneficial owner of Xinglu Assets, the Controlling Shareholder of the Company, a limited liability company incorporated 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)
"Xinglu Wastewater Treatment"	Luzhou Xinglu Wastewater Treatment Co., Ltd.*(瀘州市興瀘污水處理有限公司), a limited liability company incorporated in the PRC on 11 December 2000 and a non-wholly owned subsidiary of the Company

By order of the Board
Luzhou Xinglu Water (Group) Co., Ltd.*
Chen Qinan
Chairman

Luzhou, the PRC
31 March 2026

As at the date of this announcement, the Board comprises of (i) two executive directors, namely 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*