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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 (1) PROPERTY AND CLEANING SERVICE CONTRACT AND (2) CANTEEN OUTSOURCING SERVICE CONTRACT

PROPERTY AND CLEANING SERVICE CONTRACT

On 16 August 2024 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into a property and cleaning service contract (the "**Property Service Contract**") with Xinglu Property Management, pursuant to which, Xinglu Property Management agreed to provide property management services (including order maintenance, cleaning and janitorial services, landscaping maintenance and canteen services) to eight wastewater treatment plants of Xinglu Wastewater Treatment for a term of one year.

CANTEEN OUTSOURCING SERVICE CONTRACT

On 16 August 2024 (after trading hours), the Company entered into a canteen business outsourcing service contract (the "**Canteen Outsourcing Service Contract**") (collectively with the Property Service Contract, the "**Service Contracts**") with Xinglu Property Management, pursuant to which, Xinglu Property Management agreed to provide the Company with canteen management services (including the provision of special technical and service personnel required for the catering of the Group's canteens to carry out labor services) 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 Service Contracts constitute continuing connected transactions of the Company.

Pursuant to Rules 14.07 and 14A.81 of the Listing Rules, as the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Service Contracts are more than 0.1% but less than 5% calculated based on the historical aggregate transaction amount in the past 12 months, the transactions contemplated under the Service Contracts are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. BACKGROUND

On 16 August 2024 (after trading hours), Xinglu Wastewater Treatment, a non-wholly owned subsidiary of the Company, entered into the Property Service Contract with Xinglu Property Management, and the Company entered into the Canteen Outsourcing Service Contract with Xinglu Property Management.

1. PROPERTY SERVICE CONTRACT

The principal terms of Property Service Contract are set out below:

Date: 16 August 2024 (after trading hours)

Parties:

(1) Xinglu Wastewater Treatment; and

(2) Xinglu Property Management.

Subject Matter: Xinglu Property Management provides the property management services to the following eight wastewater treatment plants of Xinglu Wastewater Treatment:

(i) Chengnan Wastewater Treatment Plant (including the integrated office building of Xinglu Wastewater Treatment);

(ii) Chengdong Wastewater Treatment Plant;

(iii) Yaerdang Wastewater Treatment Plant;

(iv) Erdaoxi Wastewater Treatment Plant;

(v) Naxi Wastewater Treatment Plant;

(vi) Lu County Wastewater Treatment Plant;

(vii) Xuyong Wastewater Treatment Plant; and

(viii) Gulin Wastewater Treatment Plant.

Term: One year from 26 August 2024 to 25 August 2025.

Service Fee and Payment Term: The property service fee under the Property Service Contract shall be RMB3,726,776.64 per annum (tax inclusive), which includes staff wages and benefits, administrative expenses, greening fees, cleaning supplies expenses, equipment maintenance expenses and taxes, and shall be paid by Xinglu Wastewater Treatment on a quarterly basis.

Pricing Policy: The terms of the Property Service Contract were determined based on arm's length negotiation after public tender assessment and with reference to the historical service fee rates of Xinglu Property Management provided to Xinglu Wastewater Treatment, 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.

2. CANTEEN OUTSOURCING SERVICE CONTRACT

The principal terms of the Canteen Outsourcing Service Contract are set out below:

Date: 16 August 2024 (after trading hours)

Parties:

(1) The Company; and

(2) Xinglu Property Management.

Subject Matter:	Xinglu Property Management provides the Company's staff canteen with the necessary special technical and service personnel to carry out labor services.
Term:	One year from 16 August 2024 to 15 August 2025.
Service Fee and Payment Term:	The service fee under the Canteen Outsourcing Service Contract shall be RMB0.384 million per annum (tax inclusive), which includes staff salaries and benefits, administrative expenses, equipment maintenance expenses and taxes, and shall be paid by the Company on a monthly basis. Xinglu Property Management warrants that the aforementioned service fee is not more than that it charges any other Independent Third Parties for services of similar nature.
Pricing Policy:	The terms of the Canteen Outsourcing Service Contract were determined based on arm's length negotiation after comparison and assessment and with reference to 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:

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

III. ANNUAL CAPS

When calculating the annual caps, we evenly distributed the transaction amounts under the Property Service Contract and the Canteen Outsourcing Service Contract respectively 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 under the Previous Service Agreements.

The table below sets out the annual caps for the transactions contemplated under the Previous Service Agreement and Service Contracts and the aggregate annual cap for the two 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**
Annual caps	**2024**	**2025**	**2026**
	(RMB in million)	*(RMB in million)*	*(RMB in million)*
Property Service Contract	1.242	2.485	–
Canteen Outsourcing Service Contract	0.16	0.224	–
Annual cap under the Previous Service Agreements	3.359	0.529	0.13
Aggregate Annual Cap	4.761	3.238	0.13

IV. INTERNAL CONTROL MEASURES FOR SERVICE CONTRACTS

In order to ensure the terms of Service Contracts 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 Service Contracts to ensure that the transaction amounts will not exceed the annual caps for the Service Contracts;

(ii) the legal department of the Company will conduct regular checks to review and assess whether the transactions contemplated under Service Contracts are conducted on normal commercial terms, in accordance with the terms set out in the Service Contracts 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 Service Contracts to ensure that the transaction amounts are within the annual cap and the transactions are in accordance with the terms set out in the Service Contracts; and

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

V. INFORMATION ABOUT XINGLU PROPERTY MANAGEMENT, XINGLU WASTEWATER TREATMENT 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 Investment, the ultimate beneficial owner of Xinglu Assets, is a limited liability company established 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.

Xinglu Wastewater Treatment is 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. BENEFIT OF AND REASONS FOR ENTERING INTO THE SERVICE CONTRACTS

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 Service Contracts 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 Service Contracts 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 Contracts and the transactions contemplated thereunder have been considered and approved by the Board. None of the Directors have material interest in the Service Contracts 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 under Chapter 14A of the Listing Rules and the transactions contemplated under the Service Contracts entered into between it and the Group constitute continuing connected transactions of the Company.

Pursuant to Rules 14.07 and 14A.81 of the Listing Rules, as the transactions contemplated under the Service Contracts are more than 0.1% but less than 5% calculated based on the historical aggregate transaction amount in the past 12 months, the transactions contemplated under the Service Contracts are subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A 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
"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 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
"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
"Previous Service Agreements"	the property service agreement entered into between Xinglu Wastewater Treatment and Xinglu Property Management on 26 August 2022 and the property and cleaning service agreement entered into between Xinghe Water Environment and Xinglu Property Management on 27 March 2024
"RMB"	Renminbi, the lawful currency of the PRC
"Service Contracts"	the property service contract entered into between Xinglu Wastewater Treatment and Xinglu Property Management on 16 August 2024 and the canteen outsourcing service contract entered into between the Company and Xinglu Property Management on 16 August 2024
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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 on 4 September 2014 and owned as to 100% by Xinglu Investment
"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 established 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 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 on 26 August 2005 and a wholly owned subsidiary of Controlling Shareholder of the Company
"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 established on 11 December 2000 and a non-wholly owned subsidiary of the Company
"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 on 29 August 2018 and a non-wholly owned subsidiary of the Company

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

Luzhou, the PRC
16 August 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*