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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)

INSIDE INFORMATION PROPOSED ISSUE OF CORPORATE BONDS

This announcement is made by the Company pursuant to the requirements of Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board hereby announces that, in order to optimize the Company's capital structure and improve the Company's overall competitiveness, on 12 October 2018, the Board has resolved to submit to the Shareholders for consideration and approval the proposed issue of the Corporate Bonds with an aggregate principal amount of not more than RMB700 million in accordance with the PRC Company Law, the PRC Securities Law and other relevant laws and regulations.

PROPOSED ISSUE OF CORPORATE BONDS

The proposed arrangements for the issue of the Corporate Bonds are as follows:

Issuer: Luzhou Xinglu Water (Group) Co., Ltd.*

Place of Issue: The PRC

Size of Issue:	The aggregate principal amount shall be of, or not more than, RMB700 million, in single or multiple tranches upon the approval by the China Securities Regulatory Commission. It was proposed that the Board or its authorized persons shall be granted the authority at the EGM to determine the specific issue size and issue method (including whether to issue in tranches and their respective issue size) of the Corporate Bonds according to the capital needs of the Company and the market conditions at the time of issue within the aforesaid scope.
Nominal Value and Issue Price:	Par value of RMB100 and issue at par.
Maturity and Type:	The maturity of the Corporate Bonds shall not exceed 10 years (10 years inclusive) with single or multiple maturity period(s). It was proposed that the Board or its authorized persons shall be granted the authority at the EGM to determine the specific maturity structures of the Corporate Bonds and the offer size for Corporate Bonds with different maturity structures according to the capital needs of the Company and the market conditions at the time of issue.
Coupon Rate and Way of Determination:	The Corporate Bonds are fixed interest bonds, the coupon rate of which will be determined through a book-building process. The Company shall, before issue of the Corporate Bonds, negotiate with the lead underwriter to determine whether there will be any coupon rate adjustment option or put-back option.
Repayment of Principal and Interest:	The Corporate Bonds will bear interest on an annual basis at simple rate rather than at compound rate. During the term of interest payment, interest will be paid annually and the total principal will be repaid in one lump sum on the maturity date together with the last interest payment.
Target Investors and Issue Method:	The Corporate Bonds shall be issued publicly to qualified investors holding securities accounts at China Securities Registration and Clearing Co., Ltd, Shanghai Branch. No priority placement will be offered to the existing Shareholders.

Guarantee:	The Corporate Bonds are not guaranteed.
Use of Proceeds:	After deducting the issue expenses, approximately RMB300 million out of the proceeds from the issue of the Corporate Bonds shall be used to repay the interest-bearing debts and the balance of the proceeds, if any, shall be used to replenish working capital of the Company.
Listing:	Upon completion of the issuance, the Company will apply for listing of the Corporate Bonds on the Shanghai Stock Exchange. It was proposed that the Board or its authorized persons shall be granted the authority at the EGM to deal with relevant matters pursuant to relevant regulations of the Shanghai Stock Exchange.
Source of Repayment:	The Corporate Bonds shall be repaid with revenue generating from the business operation of the Company and/or credit facilities granted by financial institutions, etc.

The Board resolutions on issue of the Corporate Bonds shall be effective for a term of 36 months commencing from the date of approval at the EGM.

The proposed issue of the Corporate Bonds is, if approved at the EGM, still subject to necessary approvals from the China Securities Regulatory Commission and/or other relevant regulatory authorities.

AUTHORIZATION TO THE BOARD OR ITS AUTHORIZED PERSONS TO DEAL WITH THE MATTERS RELATING TO THE ISSUE OF THE CORPORATE BONDS

In order to improve the efficiency to issue the Corporate Bonds, the Board has resolved to seek for Shareholders' approval at the EGM and authorize the Board or its authorized persons to deal with the matters relating to the issue of the Corporate Bonds. The authorization shall include but not limit to the following matters:

- (1) to formulate the specific issue plan and amend and adjust the issue terms of the Corporate Bonds in accordance with the relevant laws and regulations and the condition of the Company and the market, including but not limited to all matters in relation to the proposed issue of the Corporate Bonds such as the specific issue size, coupon rate, timing of the issue and listing place;

- (2) to determine and engage the professional advisers involved in the issue of the Corporate Bonds;
- (3) to select the bond trustee, formulate and execute the bond trustee management agreement and formulate the rules for the bondholders' meeting;
- (4) to handle matters in relation to the listing of the Corporate Bonds upon completion of the issue of the Corporate Bonds;
- (5) to execute contracts, agreements and documents in relation to the issue of the Corporate Bonds;
- (6) to be responsible for implementing the issue and the listing of the Corporate Bonds, including but not limited to the authorization, signing, execution, modification and completion of all the documents, contracts, agreements and indentures (including the prospectus, underwriting agreement, bond trustee management agreement, other announcements and legal documents) and to make appropriate information disclosure in accordance with the relevant laws, regulations and other regulatory documents;
- (7) save for matters which are subject to approval by the Shareholders at the general meeting in accordance with the requirements of relevant laws, regulations and the Articles of Association, to make corresponding adjustments to matters in relation to the issue of the Corporate Bonds based on the new policies and opinions issued by relevant regulatory authorities or new market conditions in case there is any change to the policies or the market conditions regarding the public issuance of the corporate bonds;
- (8) to determine whether the issue of the Corporate Bonds shall proceed based on actual circumstances in the event that there is any substantial change to the market environment or the policies and regulations;
- (9) to further improve the Company's assets and liabilities management and the liquidity management, ensuring the source of repayment and its emergency support;
- (10) to formulate the debt repayment guarantee mechanism and the dividend distribution limitation measures;
- (11) to deal with matters relating to the default liabilities of the Company; and
- (12) to determine and deal with any other matters relating to the issue and the listing of the Corporate Bonds.

The above authorization shall be effective from the date of the approval at the EGM till the date of completion of the aforesaid matters.

GENERAL

The EGM will be convened by the Company to approve the proposed issue of the Corporate Bonds. A circular containing, among other things, the details of the issue of the Corporate Bonds and the notice of the EGM will be dispatched to Shareholders in due course.

The proposed issue of the Corporate Bonds may or may not materialise. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“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
“Corporate Bonds”	the corporate bonds with an aggregate principal amount of, or not more than, RMB700 million as proposed under a public issuance by the Company
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company, at which, among other things, the proposed issue of the Corporate Bonds will be proposed to be approved by the Shareholders
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the 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 Stock Exchange

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on 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, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the H Shares and domestic shares 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, Sichuan Province, the PRC
12 October 2018

As at the date of this announcement, the Board comprises of (i) three executive Directors, namely Mr. Zhang Qi, Mr. Liao Xingyue and Mr. Wang Junhua; (ii) three non-executive Directors, namely Mr. Chen Bing, Ms. Xu Yan and Mr. Xie Xin; and (iii) three independent non-executive Directors, namely Mr. Gu Ming’an, Mr. Lin Bing and Mr. Cheng Hok Kai, Frederick.

* *For identification purposes only*