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**北控水務集團有限公司**  
BEIJING ENTERPRISES WATER GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 371)**

**SETTLEMENT AGREEMENT  
IN RELATION TO  
THE ACQUISITION OF  
CRYSTAL WATER AND CHINA WATER HOLDINGS**

References are made to the announcements of the Company dated 17 July 2013, 6 September 2013, 25 October 2013 and 27 January 2014 in respect of the Acquisition.

The Board wishes to announce that on 20 August 2014, the Company, the Vendor, Crystal Water and China Water Holdings entered into the Settlement Agreement to settle and discharge the respective parties' obligations and liabilities remaining under the Sale and Purchase Agreement and the Supplemental Agreement.

References are made to the announcements of the Company dated 17 July 2013, 6 September 2013, 25 October 2013 and 27 January 2014 (i.e. the Previous Announcements) in respect of the Acquisition. Unless the context otherwise requires, terms used in this announcement shall have the same meanings as those defined in the Previous Announcements.

As at the date of this announcement, following the completion of the transfer of the Sale Shares to the Company, there remained certain outstanding obligations of the Parties, including, amongst other things, certain obligations of the Vendor, the fulfilment of which would require the Company to allot and issue 33,223,537 Shares of the Consideration Shares to the Vendor as disclosed in the announcement of the Company dated 27 January 2014. In view of the foregoing, the Parties have, on

mutually acceptable terms, agreed to settle and discharge their respective obligations and liabilities remaining under the Sale and Purchase Agreement and the Supplemental Agreement on a no-fault basis and have entered into the Settlement Agreement on 20 August 2014.

The principal terms of the Settlement Agreement are as follows:

- (1) The Vendor agrees to pay to the Company in the following manner as full and final discharge of the Vendor's obligations under the Settlement Agreement, the Sale and Purchase Agreement and the Supplemental Agreement:
  - (i) the Final Consideration Payment Amount in the sum of US\$3,300,000 (equivalent to approximately HK\$25,575,000) in cash within 10 Business Days after the signing of the Settlement Agreement; and
  - (ii) the Other Amount in the sum of HK\$159,373,000 in cash within 15 Business Days after the signing of the Settlement Agreement.
- (2) Subject to and against the receipt of the Final Consideration Payment Amount and the Other Amount and the Stock Exchange granting the Listing Approval, the Company shall, within 5 Business Days immediately following the receipt of the Other Amount or the Listing Approval (whichever is later), allot and issue the Remaining Consideration Shares credited as fully paid to the Vendor.
- (3) In the event that the Stock Exchange does not grant the Listing Approval within 30 days after signing the Settlement Agreement (or such other period as may be agreed between the Company and the Vendor), the Company shall, within 2 Business Days following the expiry of such 30-day period, pay the Vendor the Other Amount that has previously been received by the Company, but the Vendor shall not be entitled to receive the Remaining Consideration Shares from the Company. The fulfillment of the Company's obligations under either item (2) or (3) above shall constitute full and final discharge of the Company's obligations under the Settlement Agreement, the Sale and Purchase Agreement and the Supplemental Agreement.

Upon fulfilment of the Vendor's obligations under the Settlement Agreement as set out in item (1) above, the Parties shall irrevocably and unconditionally release and discharge each other from all remaining obligations and liabilities under the Sale and Purchase Agreement and Supplemental Agreement, including the Company's obligations under the Sale and Purchase Agreement (as supplemented and amended by the Supplemental Agreement) to pay to the Vendor the remaining three instalments (as part of the Consideration and the Advanced Target Group Debt Payments after adjustments pursuant to the Supplemental Agreement) in an aggregate amount of RMB774,670,855 (equivalent to approximately HK\$976,085,277) as mentioned in the announcement of the Company dated 6 September 2013.

The Directors consider that the terms of the Settlement Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

An application will be made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Remaining Consideration Shares. Subject to obtaining the Listing Approval, the Remaining Consideration Shares shall be allotted and issued pursuant to the General Mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 23 May 2014 which may be utilized to allot and issue up to 1,731,123,131 Shares. No new Shares have been issued under the General Mandate since its grant and up to the date of this announcement.

**Shareholders and potential investors should note that the full and final settlement of the Sale and Purchase Agreement and the Supplemental Agreement is subject to the performance of the obligations of the Parties under the Settlement Agreement and they are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

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|----------------|--|
| “Acquisition”  | the acquisition of the entire issued share capital of each of Crystal Water and China Water Holdings pursuant to the Sale and Purchase Agreement as amended by the Supplemental Agreement; |
| “Business Day” | a day (not being a Saturday or Sunday) on which banks are open for general banking business in Hong Kong;  |

|                                      |  |
|--------------------------------------|--|
| “Final Consideration Payment Amount” | the amount of US\$3,300,000 (equivalent to approximately HK\$25,575,000) payable by the Vendor to the Company pursuant to the Settlement Agreement, which once paid by the Vendor and received by the Company shall not be refundable to the Vendor in any event;  |
| “General Mandate”                    | the general mandate granted to the Directors by the Shareholders at the annual general meeting held on 23 May 2014, among other things, to allot, issue or otherwise deal with additional Shares not exceeding 20% of the then issued share capital of the Company as at the date of the annual general meeting; |
| “Listing Approval”                   | the approval to be granted by the Stock Exchange to the Company for the listing of, and permission to deal in, the Remaining Consideration Shares on the Stock Exchange;   |
| “Other Amount”                       | the sum of HK\$159,373,000 payable by the Vendor to the Company pursuant to the Settlement Agreement;  |
| “Parties”                            | the parties to the Settlement Agreement, the Sale and Purchase Agreement and the Supplemental Agreement (i.e. the Company, the Vendor, Crystal Water and China Water Holdings);  |
| “Previous Announcements”             | the announcements of the Company dated 17 July 2013, 6 September 2013, 25 October 2013 and 27 January 2014;  |
| “Remaining Consideration Shares”     | the remaining 33,223,537 Shares of the Consideration Shares to be issued by the Company to the Vendor;   |
| “Settlement Agreement”               | the settlement agreement entered into amongst the Parties on 20 August 2014 to fully settle and discharge their respective obligations and liabilities remaining under the Sale and Purchase Agreement and the Supplemental Agreement; and   |
| “USD”                                | United States dollars, the lawful currency of the United States of America.  |

*For illustration purposes in this announcement, the conversion rates of RMB1: HK\$1.26 and US\$1: HK\$7.75 are adopted.*

By Order of the Board  
**Beijing Enterprises Water Group Limited**  
**Zhang Honghai**  
*Chairman*

Hong Kong, 20 August 2014

*As at the date of this announcement, the board of directors of the Company comprises eleven executive directors, namely Mr. Zhang Honghai (Chairman), Mr. E Meng (Vice Chairman), Mr. Jiang Xinhao, Mr. Hu Xiaoyong (Chief Executive Officer), Mr. Zhou Min, Mr. Li Haifeng, Mr. Zhang Tiefu, Ms. Qi Xiaohong, Mr. Ke Jian, Mr. Tung Woon Cheung Eric and Mr. Li Li, and six independent non-executive directors, namely Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Ms. Hang Shijun, Mr. Wang Kaijun and Mr. Yu Ning.*