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*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 371)**

## **CONNECTED TRANSACTION**

### **IN RELATION TO DEEMED ACQUISITION OF EQUITY INTEREST IN CHANGSHA THREE GORGES BEIJING ENTERPRISES WATER GROUP INVESTMENT CO., LTD. AND FURTHER ACQUISITION OF EQUITY INTEREST IN A JOINT VENTURE IN LIUYANG CITY OF HUNAN PROVINCE**

The Board announces that on 17 October 2022, BEWG (China) Investment (a wholly-owned subsidiary of the Company) entered into the Withdrawal Agreement with YEE regarding the withdrawal of investments by YEE in relation to, among others, an investment, construction, operation and maintenance of sewage treatment plants and networks integration PPP Project (Phase II) in Liuyang City of Hunan Province, the PRC.

#### **DEEMED ACQUISITION OF EQUITY INTEREST IN CTGBE INVESTMENT**

Pursuant to the Withdrawal Agreement, YEE is no longer responsible to bear and contribute in the registered capital of CTGBE Investment by reducing the registered capital of CTGBE Investment from RMB500,000,000 (equivalent to HK\$552,120,000) to RMB245,000,000 (equivalent to HK\$270,539,000) whereas BEWG (China) Investment will continue to inject and contribute in the amount of RMB245,000,000 (equivalent to HK\$270,539,000) as a total registered capital of CTGBE Investment. BEWG (China) Investment shall hold 100% equity interest of CTGBE Investment as a result of the capital reduction and there is a deemed acquisition of equity interest in CTGBE Investment.

Upon completion of Deemed Acquisition, CTGBE Investment will become a wholly-owned subsidiary of the Company and the name of CTGBE Investment will be changed accordingly.

## **FURTHER ACQUISITION OF EQUITY INTEREST IN THE JOINT VENTURE IN LIUYANG CITY OF HUNAN PROVINCE**

Pursuant to the Withdrawal Agreement, YEE is also no longer responsible to bear and contribute in the registered capital of the Joint Venture while BEWG (China) Investment will take over YEE's equity interest in the Joint Venture by way of capital injection. There is a further acquisition of equity interest in the Joint Venture.

Subject to obtained from the relevant governmental authorities the permit to the Withdrawal Agreement, the registered capital of the Joint Venture shall be RMB150,000,000 (equivalent to approximately HK\$165,636,000). BEWG (China) Investment will inject RMB450,000 (equivalent to approximately HK\$497,000) and CBECB will inject RMB150,000 (equivalent to approximately HK\$166,000) in cash respectively, representing 0.3% and 0.1% of the registered capital of the Joint Venture respectively. The other parties of the Joint Venture namely, CTGBE Investment and Liuyang Water Conservancy, each will inject RMB119,400,000 (equivalent to approximately HK\$131,846,000) and RMB30,000,000 (equivalent to approximately HK\$33,127,000) in cash, representing 79.6% and 20% of the registered capital of the Joint Venture respectively.

Upon completion of Further Acquisition, the accounts of Joint Venture will be consolidated in the accounts of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CTG is a connected person of the Company under the Listing Rules by virtue of being the substantial shareholder of the Company. CTG beneficially owns not less than 30% equity interest in each of YEE and CBECB, therefore YEE and CBECB are associates of CTG. Thus, each of the Deemed Acquisition and Further Acquisition contemplated thereunder constitutes connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios of each of the Deemed Acquisition and Further Acquisition exceeds 0.1% but all are less than 5%, each of the connection transactions is only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

References are made to the connected transactions as stipulated in the First Previous Announcement and the Second Previous Announcement. Capitalised terms used herein shall have the same meanings as those defined in the Previous Announcements unless stated otherwise herein.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and related as if they were one transaction if they were all completed within a 12-month period or were all otherwise related. Among others, the Deemed Acquisition and Further Acquisition together with the connected transactions as stipulated in the Previous Announcements are related and to be completed within a 12-month period. Accordingly, these transactions shall be aggregated and treated as if they were one transaction, and the aggregate figures of the Aggregate Transactions shall be used for calculating the applicable percentage ratios. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the aggregated amounts under the Aggregate Transactions exceeds 0.1% but all are less than 5%, the Aggregate Transactions together with the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board announces that on 17 October 2022, BEWG (China) Investment (a wholly-owned subsidiary of the Company) entered into the Withdrawal Agreement with YEE regarding the withdrawal of investments by YEE in relation to, among others, an investment, construction, operation and maintenance of sewage treatment plants and networks integration PPP Project (Phase II) in Liuyang City of Hunan Province, the PRC.

## **THE WITHDRAWAL AGREEMENT**

### **Date**

17 October 2022

### **Parties to the Withdrawal Agreement**

- (1) YEE
- (2) BEWG (China) Investment

As at the date of this announcement, CTG is a connected person of the Company under the Listing Rules by virtue of being the substantial shareholder of the Company. CTG beneficially owns not less than 30% equity interest in each of YEE and CBECB, therefore YEE and CBECB are associates of CTG. The ultimate beneficial owner of CTG is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC\* (中國國務院國有資產監督管理委員會).

## DEEMED ACQUISITION OF EQUITY INTEREST IN CTGBE INVESTMENT

The original joint venture partners of CTGBE Investment, namely YEE and BEWG (China) Investment entered into a joint venture agreement on 11 September 2019. Under a joint venture agreement, the registered capital of CTGBE Investment shall be RMB500,000,000 (equivalent to approximately HK\$552,120,000). YEE will inject RMB255,000,000 (equivalent to approximately HK\$281,581,000) and BEWG (China) Investment will inject RMB245,000,000 (equivalent to approximately HK\$270,539,000) in cash respectively, representing 51% and 49% of the registered capital of CTGBE Investment respectively.

Pursuant to the Withdrawal Agreement, YEE is no longer responsible to bear and contribute in the registered capital of CTGBE Investment by reducing the registered capital of CTGBE Investment from RMB500,000,000 (equivalent to HK\$552,120,000) to RMB245,000,000 (equivalent to HK\$270,539,000) whereas BEWG (China) Investment will continue to inject and contribute in the amount of RMB245,000,000 (equivalent to HK\$270,539,000) as a total registered capital of CTGBE Investment. 10% of the registered capital of CTGBE Investment shall be paid on or before 30 November 2022 and the remaining registered capital shall be paid subject to the funding requirements for the ongoing project investment on or before 31 August 2050. BEWG (China) Investment shall hold 100% equity interest of CTGBE Investment as a result of the capital reduction and there is a deemed acquisition of equity interest in CTGBE Investment.

The capital contribution of BEWG (China) Investment in CTGBE Investment will be paid in cash and funded by internal resources.

Upon completion of Deemed Acquisition, CTGBE Investment will become a wholly-owned subsidiary of the Company and the name of CTGBE Investment will be changed accordingly.

### Financial information of the CTGBE Investment

Set out below is a summary of certain unaudited financial information of CTGBE Investment for the two years ended 31 December 2020 and 31 December 2021 prepared in accordance with the generally accepted accounting principles of the PRC:

	<b><u>For the year ended 31 December</u></b>	
	<b>2020</b>	<b>2021</b>
Net profit (before taxation and extraordinary items)	Nil	Nil
Net profit (after taxation and extraordinary items)	Nil	Nil

The unaudited net asset value of CTGBE Investment was RMB nil as at 31 August 2022.

## **FURTHER ACQUISITION OF EQUITY INTEREST IN THE JOINT VENTURE IN LIUYANG CITY OF HUNAN PROVINCE**

The original joint venture partners of the Joint Venture, namely CTGBE Investment, Liuyang Water Conservancy, YEE, BEWG (China) Investment and CBECB entered into a joint venture agreement on 7 February 2022. Under a joint venture agreement, the registered capital of the Joint Venture shall be RMB150,000,000 (equivalent to approximately HK\$165,636,000). BEWG (China) Investment will inject RMB150,000 (equivalent to approximately HK\$166,000) and CBECB will inject RMB150,000 (equivalent to approximately HK\$166,000) in cash respectively, both representing 0.1% of the registered capital of the Joint Venture. The other parties of the Joint Venture namely, CTGBE Investment, Liuyang Water Conservancy and YEE, each will inject RMB119,400,000 (equivalent to approximately HK\$131,846,000), RMB30,000,000 (equivalent to approximately HK\$33,127,000) and RMB300,000 (equivalent to approximately HK\$331,000) in cash respectively, representing 79.6%, 20% and 0.2% of the registered capital of the Joint Venture respectively. As at the date of this announcement, the Joint Venture has not yet been formed.

Pursuant to the Withdrawal Agreement, YEE is also no longer responsible to bear and contribute in the registered capital of the Joint Venture whereas BEWG (China) Investment will take over YEE's equity interest in the Joint Venture by way of capital injection. There is a further acquisition of equity interest in the Joint Venture.

Subject to obtained from the relevant governmental authorities the permit to the Withdrawal Agreement, the registered capital of the Joint Venture shall be remained RMB150,000,000 (equivalent to approximately HK\$165,636,000). The capital contribution from each party to the Joint Venture and the structure of the registered capital of the Joint Venture are as follows:

<b>Parties to the Joint Venture</b>	<b>Registered Capital Contribution (RMB)</b>	<b>Shareholding Percentage</b>
CTGBE Investment	119,400,000	79.6%
Liuyang Water Conservancy	30,000,000	20.0%
BEWG (China) Investment	450,000	0.3%
CBECB	150,000	0.1%
	<b>150,000,000</b>	<b>100.0%</b>

10% of the registered capital of the Joint Venture shall be paid within 30 days after establishment of the Joint Venture and 25% of the registered capital of the Joint Venture shall be paid in aggregate within 8 months after establishment of the Joint Venture. The remaining registered capital shall be paid on or before 31 July 2023.

The capital contribution of CTGBE Investment, BEWG (China) Investment and CBECB in the Joint Venture will be paid in cash and funded by internal resources.

Upon completion of Further Acquisition, the accounts of Joint Venture will be consolidated in the accounts of the Group.

The operative term of the Joint Venture is 35 years from the date of issuance of the business licence of the Joint Venture, subject to the approval of the Industrial and Commercial Registration Authority.

The Joint Venture will mainly be engaged in investment, construction, operation and maintenance of sewage treatment plants and networks integration PPP Project (Phase II) in Liuyang City of Hunan Province, the PRC.

The board of directors of the Joint Venture comprises 5 directors in which Liuyang Water Conservancy shall be entitled to nominate 1 director, CTGBE Investment, BEWG (China) Investment and CBECB together shall be entitled to nominate 4 directors in total.

Each party of the Joint Venture will be entitled to share the profits after transfer of 10% of the profit after tax to statutory reserves of the Joint Venture in proportion to its respective capital contribution in the Joint Venture. Such transfer to statutory reserve may be ended as and when the statutory reserves are accumulated to 50% of the registered capital of Joint Venture.

## **INFORMATION OF THE GROUP**

The Company is an investment company and the holding company of the Group. The Group is principally engaged in construction of sewage and reclaimed water treatment plants and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the PRC, Malaysia and Australia and Republic of Botswana; provision of sewage and reclaimed water treatment services in the PRC, the Republic of Singapore, Portuguese Republic, Australia and New Zealand; distribution and sale of piped water in the PRC, Portuguese Republic and Australia; provision of technical and consultancy services and sale of machineries related to sewage treatment and construction services for comprehensive renovation projects in the PRC and Australia; and the licensing of technical know-how related to sewage treatment in the PRC.

BEWG (China) Investment is a company incorporated in the PRC with limited liability and an investment holding subsidiary wholly-owned by the Company.

CBECB is a company incorporated in the PRC with limited liability and is held as to 51% equity interest by BEWG (China) Investment and 49% equity interest by YEE. CBECB is a non-wholly owned subsidiary of the Company. The principal activities of CBECB are sewage treatment and recycling; consultancy, design, construction and operation related to comprehensive renovation projects; operation of pollution renovation projects; operation of sludge treatment projects; operation and management of environmental protection facilities; construction of environmental protection facilities and pollution renovation project, operation management and maintenance management of utility tunnel in urban area.

## **INFORMATION OF CTG GROUP**

YEE is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of CTG. The ultimate beneficial owner of YEE is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC\* (中國國務院國有資產監督管理委員會). Its principal activities are responsible for the construction of the Yangtze River Economic Belt and planning, design, investment, construction, operation, technology research and development, products and services related to ecology, environmental protection, energy saving, and clean energy, and operating state-owned assets companies in accordance with the law.

CTGBE Investment is a company incorporated in the PRC with limited liability and is held as to 51% equity interest by YEE and 49% equity interest by BEWG (China) Investment as at the date of this announcement. The ultimate beneficial owner of CTGBE Investment is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC\* (中國國務院國有資產監督管理委員會). The principal activities of CTGBE Investment are investment on environmental pollution renovation projects, investment consultancy excluding finance, securities and futures.

## **INFORMATION OF OTHER PARTIES TO THE JOINT VENTURE**

Liuyang Water Conservancy is a company incorporated in the PRC with limited liability. Liuyang Water Conservancy is wholly-owned by Liuyang City Urban and Rural Development Co., Ltd.\* (瀏陽市城鄉發展集團有限責任公司). The ultimate beneficial owner of Liuyang Water Conservancy is State-owned Assets Affairs Centre\* (瀏陽市國有資產事務中心). The principal activities of Liuyang Water Conservancy are construction of water conservancy projects, comprehensive utilization and development of water resources and construction of new countryside.

## **REASONS FOR AND THE BENEFITS OF DEEMED ACQUISITION AND FURTHER ACQUISITION**

Being the largest water company in China, the Group fully exerts its professional capability, actively participates in the Yangtze River protection. On the basis of comprehensive consideration, the Group decided to acquire the equity interest of CTGBE Investment and the Joint Venture. The Deemed Acquisition and Further Acquisition are conducive to optimizing the Group's resource integration, improving resource utilization efficiency, and flexibly using the Group's project resources in Changsha area to coordinate the water environment treatment of the Yangtze River. The Deemed Acquisition and Further Acquisition comply with the relevant provisions of the joint venture terms.

Mr. Wang Dianchang, a non-executive Director, is the chairman of YEE and has abstained from voting on the relevant board resolutions of the Company approving the Withdrawal Agreement. Save as above, none of the Directors has material interest in the Withdrawal Agreement, no Director has abstained from voting on the relevant board resolutions of the Company.

The terms of the Withdrawal Agreement were determined after arm's length negotiation between the parties to the Withdrawal Agreement. Other than Mr. Wang Dianchang who has abstained from voting on the relevant board resolutions approving the Withdrawal Agreement as referred to above, the Directors (including the independent non-executive Directors) consider that the entering into the Withdrawal Agreement is in the ordinary and usual course of business of the Group and the terms and conditions of the Withdrawal Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CTG is a connected person of the Company under the Listing Rules by virtue of being the substantial shareholder of the Company. CTG beneficially owns not less than 30% equity interest in each of YEE and CBECB, therefore YEE and CBECB are associates of CTG. Thus, each of the Deemed Acquisition and Further Acquisition contemplated thereunder constitutes connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios of each of the Deemed Acquisition and Further Acquisition exceeds 0.1% but all are less than 5%, each of the connection transactions is only subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

References are made to the connected transactions as stipulated in the First Previous Announcement and the Second Previous Announcement. Capitalised terms used herein shall have the same meanings as those defined in the Previous Announcements unless stated otherwise herein.



Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and related as if they were one transaction if they were all completed within a 12-month period or were all otherwise related. Among others, the Deemed Acquisition and Further Acquisition together with the connected transactions as stipulated in the Previous Announcements are related and to be completed within a 12-month period. Accordingly, these transactions shall be aggregated and treated as if they were one transaction, and the aggregate figures of the Aggregate Transactions shall be used for calculating the applicable percentage ratios. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the aggregated amounts under the Aggregate Transactions exceeds 0.1% but all are less than 5%, the Aggregate Transactions together with the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

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

<b>“Aggregate Transactions”</b>	Deemed Acquisition and Further Acquisition together with the connected transactions as stipulated in the Previous Announcements;
<b>“associate”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“BEWG (China) Investment”</b>	Beijing Enterprises Water Group (China) Investment Limited* (北控水務(中國)投資有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company;
<b>“Board”</b>	the board of directors of the Company;
<b>“Company”</b>	Beijing Enterprises Water Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 371);
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“CTG”</b>	China Three Gorges Corporation, a company incorporated in the PRC with limited liability and is a substantial shareholder of the Company as at the date of this announcement;

<b>“CBECEB”</b>	Changsha Beijing Enterprises Changbao Water Group Co., Ltd.* (長沙北控長保水務有限公司) (formerly known as Changsha Three Gorges Beijing Enterprises Water Group Co., Ltd.* (長沙三峽北控水務有限公司)), a company incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of the Company;
<b>“CTGBE Investment”</b>	Changsha Three Gorges Beijing Enterprises Water Group Investment Co., Ltd.* (長沙三峽北控水務投資有限公司), a company incorporated in the PRC with limited liability;
<b>“Deemed Acquisition”</b>	the deemed acquisition of 51% of equity interest in CTGBE Investment as provided under the Withdrawal Agreement;
<b>“Directors”</b>	the directors of the Company;
<b>“First Previous Announcement”</b>	the announcement of the Company dated 15 November 2021 in relation to, among others, the disposal of the equity interest in Shishou City Three Gorges Phase I Water Environment Comprehensive Renovation Co., Ltd.* (石首市三峽一期水環境綜合治理有限責任公司) to YEE;
<b>“Further Acquisition”</b>	the further acquisition of 0.2% of equity interest in the Joint Venture as provided under the Withdrawal Agreement;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“Joint Venture”</b>	the joint venture enterprise to be named as Liuyang Three Gorges Beijing Enterprises Water Group Co., Ltd.* (瀏陽三峽北控水務有限公司) subject to the approval of the local authorities, and set up between CTGBE Investment, Liuyang Water Conservancy, BEWG (China) Investment and CBECEB pursuant to the joint venture agreement dated 7 February 2022 and the Withdrawal Agreement;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Liuyang Water Conservancy”</b>	Liuyang City Water Conservancy Construction Investment Co., Ltd.* (瀏陽市水利建設投資有限公司), a company incorporated in the PRC with limited liability;

<b>“Previous Announcements”</b>	the First Previous Announcement and the Second Previous Announcement;
<b>“PPP”</b>	Public-private-partnership;
<b>“PPP Project”</b>	the sewage treatment plants and networks integration PPP Project (Phase II) in Liuyang City of Hunan Province, the PRC;
<b>“PRC”</b>	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan);
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Second Previous Announcement”</b>	the announcement of the Company dated 23 November 2021 in relation to, among others, the disposal of the equity interest in Linxiang City Three Gorges Water Environment Comprehensive Renovation Co., Ltd.* (臨湘市三峽水環境綜合治理有限責任公司) to YEE;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“substantial shareholder”</b>	has the meaning ascribed to it under the Listing Rules;
<b>“Withdrawal Agreement”</b>	a withdrawal agreement dated 17 October 2022 entered into between BEWG (China) Investment and YEE in relation to Deemed Acquisition and Further Acquisition;
<b>“YEE”</b>	Yangtze Ecology and Environment Co., Ltd.* (長江生態環保集團有限公司), a limited liability company incorporated under the laws of the PRC and is a wholly-owned subsidiary of CTG; and
<b>“%”</b>	percentage.

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of HK\$1:RMB0.90560. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.*

By order of the Board  
**Beijing Enterprises Water Group Limited**  
Xiong Bin  
Chairman

Hong Kong, 17 October 2022

*As at the date of this announcement, the Board comprises eight executive directors, namely, Mr. Xiong Bin (chairman), Mr. Jiang Xinhao, Mr. Zhou Min (chief executive officer), Mr. Li Haifeng, Mr. Ke Jian, Ms. Sha Ning, Mr. Tung Woon Cheung Eric and Mr. Li Li, one non-executive director, namely, Mr. Wang Diancheng and four independent non-executive directors, namely, Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui and Mr. Chau On Ta Yuen.*

*\* For identification purpose only*