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(Incorporated in Bermuda with limited liability)

(Stock Code: 371)

CONNECTED TRANSACTION

LOAN AGREEMENT

BEIKONG HANGZHOU LOAN AGREEMENT

On 18 May 2023, Beikong Hangzhou (a non-wholly owned subsidiary of the Company), as borrower, entered into Beikong Hangzhou Loan Agreement with BG Finance, as lender, pursuant to which BG Finance has agreed to grant the Loan Facility in a principal amount of RMB140,000,000 (equivalent to approximately HK\$157,330,000) to Beikong Hangzhou. The Loan Facility shall be secured by the pledge of security given by Beikong Hangzhou under Beikong Hangzhou Pledge Agreement in favour of BG Finance.

IMPLICATIONS UNDER LISTING RULES

Each of BEGCL and BEHL is a connected person of the Company under the Listing Rules by virtue of each being a controlling shareholder of the Company. As each of BEGCL and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BEGCL and BEHL, therefore, the entering into of the Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

References are made to the announcements dated 26 August 2022 and 7 December 2022 regarding connected transactions in relation to the entering into Previous Finance Lease Agreements, Previous Loan Agreement, Previous Pledge Agreement and Previous Shareholders Agreement as stipulated therein.

As each of Beikong Hangzhou Loan Agreement together with Previous Finance Lease Agreements, Previous Loan Agreement, Previous Shareholders Agreement and Beikong Hangzhou Pledge Agreement and Previous Pledge Agreement were made with BG Finance or a subsidiary of BEGCL within a 12-month period prior to the date of each of Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement, each of Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement will be aggregated with Previous Finance Lease Agreements, Previous Loan Agreement, Previous Shareholders Agreement and Previous Pledge Agreement, respectively as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios calculated, pursuant to Rule 14.07 of the Listing Rules, with reference to each of Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement on a stand-alone basis, and with reference to Beikong Hangzhou Loan Agreement together with Previous Finance Lease Agreements, Previous Loan Agreement and Previous Shareholders Agreement and Beikong Hangzhou Pledge Agreement and Previous Pledge Agreement on an aggregated basis, exceed 0.1% but less than 5%, the entering into Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement constitute connected transactions of the Company subject to the announcement and reporting requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

BEIKONG HANGZHOU LOAN AGREEMENT

On 18 May 2023, Beikong Hangzhou (a non-wholly owned subsidiary of the Company), as borrower, entered into Beikong Hangzhou Loan Agreement with BG Finance, as lender, pursuant to which BG Finance has agreed to grant the Loan Facility in a principal amount of RMB140,000,000 (equivalent to approximately HK\$157,330,000) to Beikong Hangzhou. The Loan Facility shall be secured by the pledge of security given by Beikong Hangzhou under Beikong Hangzhou Pledge Agreement in favour of BG Finance.

The principal terms and conditions of Beikong Hangzhou Loan Agreement are set out as follows:

Date of Beikong Hangzhou Loan Agreement: 18 May 2023

Parties: (1) BG Finance, as lender
(2) Beikong Hangzhou, as borrower

Principal amount of the Loan Facility:	RMB140,000,000 (equivalent to approximately HK\$157,330,000)
Term:	Fifteen (15) years from the date of drawdown
Interest rate:	The applicable interest rate is a floating interest rate equivalent to the relevant loan prime rate for a period longer than 5 years (currently 4.30%) announced by the National Interbank Funding Centre on the date immediately preceding the drawdown date minus 0.8%. It shall be adjusted for each 12 months with reference to the then latest loan prime rate for a period longer than 5 years.
Interest payment period:	on quarterly basis
Security:	Pledge of the earning right for equipment installation project based on a scale of 75,000 tons per day for the construction of the second stage of the fourth phase of Yuhang project, pursuant to Beikong Hangzhou Pledge Agreement dated 18 May 2023. The maximum liability of such right to be guaranteed by the earning right of the aforesaid project is approximately RMB140,000,000 (equivalent to approximately HK\$157,330,000).
Purpose:	for financing the construction of the second stage of the fourth phase of Yuhang project

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of BEGCL and BEHL is a connected person of the Company under the Listing Rules by virtue of each being a controlling shareholder of the Company. As each of BEGCL and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BEGCL and BEHL. The ultimate controlling shareholder of BG Finance is BEGCL and ultimate beneficial owner of BEGCL is the People's Government of Beijing Municipality.

REASONS FOR AND BENEFITS OF BEIKONG HANGZHOU LOAN AGREEMENT

The Group will use the proceeds from Loan Facility to finance the construction of the second stage of the fourth phase of Yuhang project. The Loan Facility will bring more capital to the Group, enhance the capital capacity of the Group and conductively upgrade the Group's competitiveness and sustainability for healthy development.

The terms of Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement were determined between the parties after arm's length negotiations having taken account of the prevailing market interest rates and practices.

The Directors (including the independent non-executive Directors), having considered the terms and conditions of Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement, are on normal commercial terms in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has a material interest in Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement, no Directors are required to abstain from voting on the relevant Board resolutions for approving Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement.

INFORMATION OF THE GROUP

The Company is a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange. 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 and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the PRC, Malaysia, Australia and Republic of Botswana; provision of sewage and reclaimed water treatment services in the PRC, the Republic of Singapore, the Portuguese Republic, Australia and New Zealand; distribution and sale of piped water in the PRC, the 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; the licensing of technical know-how related to sewage treatment in the PRC; and provision of environmental hygiene services and hazardous waste treatment services in the PRC.

INFORMATION OF THE BORROWER

Beikong Hangzhou is a company incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of the Company. Beikong Hangzhou is held as to 99.724% equity interest by the Company, 0.092% equity interest by China Railway No. 4 Engineering Group Co., Ltd.* (中鐵四局集團有限公司), 0.092% equity interest by Shanghai Municipal Engineering Design Institute (Group) Co., Ltd.* (上海市政工程設計研究總院(集團)有限公司) and 0.092% equity interest by PowerChina Huadong Engineering Corporation* (中國電建集團華東勘測設計研究有限公司). To the best knowledge of the Director, and having made all reasonable enquiries, the ultimate beneficial owner of China Railway No. 4 Engineering Group Co., Ltd.* (中鐵四局集團有限公司) is China Railway Group Limited (中國中鐵股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601390.SH). The ultimate beneficial owner of Shanghai Municipal Engineering Design Institute (Group) Co., Ltd.* (上海市政工程設計研究總院(集團)有限公司) is Shanghai Construction Group Co., Ltd.* (上海建工集團股份有限公司), the shares of which are listed on the Shanghai Stock

Exchange (Stock Code: 600170.SH). The ultimate beneficial owner of PowerChina Huadong Engineering Corporation* (中國電建集團華東勘測設計研究有限公司) is Power Construction Corporation of China, Ltd.* (中國電力建設股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601669.SH). The ultimate beneficial owners are third parties independent of the Company and its connected persons and do not have any business relationship or arrangement with the Company and its connected persons other than those by virtue of their interest in Beikong Hangzhou. The principal activities of Beikong Hangzhou are mainly engaged in water environmental comprehensive renovation engineering, environmental engineering, water engineering, sewage treatment, water environmental renovation.

INFORMATION OF THE BG FINANCE

BG Finance is incorporated in the PRC with limited liability. To the best of directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of the announcement, BG Finance is held by BEGCL, Beijing Gas Group Company Limited* (北京市燃氣集團有限責任公司), Beijing Yanjing Brewery Co., Ltd.* (北京燕京啤酒股份有限公司), BEHL, the Company, Beijing Holdings Jingtai Investment Management Co., Ltd.* (北京北控京泰投資管理有限公司) and Beijing General Municipal Engineering Design & Research Institute Co., Ltd.* (北京市市政工程設計研究總院有限公司) as to approximately 35.14%, 24.80%, 11.08%, 8.91%, 6.69%, 6.69% and 6.69% equity interests respectively.

BG Finance is held as to 44.79% equity interests in aggregate by BEHL and its subsidiaries and as to 48.52% equity interests in aggregate by BEGCL and its subsidiaries excluding BEHL and its subsidiaries and the Company. According, each of BEGCL and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BEGCL and BEHL. The ultimate beneficial owner of BG Finance is the People's Government of Beijing Municipality* (北京市人民政府).

The establishment of BG Finance as a non-bank financial services institute has been approved by China Banking and Insurance Regulatory Commission. BG Finance acts as a platform of BEGCL for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services, etc.

IMPLICATIONS UNDER THE LISTING RULES

Each of BEGCL and BEHL is a connected person of the Company under the Listing Rules by virtue of each being a controlling shareholder of the Company. As each of BEGCL and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BEGCL and BEHL, therefore, the entering into of the Jinan Beikong Finance Lease Agreement, Pucheng Gerui Finance Lease Agreement, Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

References are made to the announcements dated 26 August 2022 and 7 December 2022 regarding connected transactions in relation to the entering into Previous Finance Lease Agreements, Previous Loan Agreement, Previous Pledge Agreement and Previous Shareholders Agreement as stipulated therein.

As each of Beikong Hangzhou Loan Agreement together with Previous Finance Lease Agreements, Previous Loan Agreement, Previous Shareholders Agreement and Beikong Hangzhou Pledge Agreement and Previous Pledge Agreement were made with BG Finance or a subsidiary of BEGCL within a 12-month period prior to the date of each of Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement, each of Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement will be aggregated with Previous Finance Lease Agreements, Previous Loan Agreement, Previous Shareholders Agreement and Previous Pledge Agreement, respectively as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios calculated, pursuant to Rule 14.07 of the Listing Rules, with reference to each of Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement on a stand-alone basis, and with reference to Beikong Hangzhou Loan Agreement together with Previous Finance Lease Agreements, Previous Loan Agreement and Previous Shareholders Agreement and Beikong Hangzhou Pledge Agreement and Previous Pledge Agreement on an aggregated basis, exceed 0.1% but less than 5%, the entering into Beikong Hangzhou Loan Agreement and Beikong Hangzhou Pledge Agreement constitute connected transactions of the Company subject to the announcement and reporting requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

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| “associates” | has the meaning ascribed to it under the Listing Rules; |
| “BEGCL” | Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a company incorporated in the PRC with limited liability and is a controlling shareholder of the Company; |
| “BEHL” | Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 392) and is a controlling shareholder of the Company; |

“BEWG (China) Investment”	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 with limited liability and is a wholly-owned subsidiary of the Company;
“BG Finance”	Beijing Enterprises Group Finance Co., Ltd.* (北京控股集團財務有限公司), a company incorporated in the PRC with limited liability. BG Finance is held by BEGCL, Beijing Gas Group Company Limited* (北京市燃氣集團有限責任公司), Beijing Yanjing Brewery Co., Ltd.* (北京燕京啤酒股份有限公司), BEHL, the Company, Beijing Holdings Jingtai Investment Management Co., Ltd.* (北京北控京泰投資管理有限公司), Beijing General Municipal Engineering Design & Research Institute Co., Ltd.* (北京市市政工程設計研究總院有限公司) as to approximately 35.14%, 24.80%, 11.08%, 8.91%, 6.69%, 6.69% and 6.69% equity interests respectively;
“Board”	the board of directors of the Company;
“Company”	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);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Beikong Hangzhou”	Beikong (Hangzhou) Environmental Engineering Co. Ltd.* (北控(杭州)環境工程有限公司), a company incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of the Company;
“Beikong Hangzhou Loan Agreement”	the loan agreement dated 18 May 2023 entered into between Beikong Hangzhou and BG Finance;

“Beikong Hangzhou Pledge Agreement”	the maximum amount of accounts receivable (earnings right) pledge agreement dated 18 May 2023 entered into between Beikong Hangzhou as pledger and BG Finance as pledgee pursuant to which the pledger agreed to pledge the earning right for equipment installation projects based on a scale of 75,000 tons per day for the construction of the second stage of the fourth phase of Yuhang project to pledgee;
“First Finance Lease Agreement”	the finance lease agreement dated 26 August 2022 entered into between Jinan Beikong, as lessee, and BG Finance, as lessor, for the procurement and installation of ultrafiltration and reverse osmosis membrane process and pre-treatment equipment as stipulated in the finance lease agreement for a transfer consideration of RMB23,000,000 (equivalent to HK\$25,847,000), the details of which was set out in the announcement of the Company dated 26 August 2022;
“Foshan Beikong”	Foshan Beikong Water Quality Treatment Co., Ltd.* (佛山北控水質處理有限公司), a company incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Jinan Beikong”	Jinan Beikong Water Development Co., Ltd.* (濟南北控水務發展有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of the Stock Exchange;
“Loan Facility”	a loan facility in principal of RMB140,000,000 (equivalent to HKD157,330,000) granted by BG Finance to Beikong Hangzhou pursuant to Beikong Hangzhou Loan Agreement;
“PRC”	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);

“Previous Loan Agreement”	the fixed asset loan agreement dated 26 August 2022 entered into between Foshan Beikong as borrower and BG Finance as lender, pursuant to which lender agreed to provide a loan to borrower in the principal amount of RMB240,000,000 (equivalent to approximately HK\$269,708,000), the details of which was set out in the announcement of the Company dated 26 August 2022;
“Previous Finance Lease Agreements”	First Previous Finance Lease Agreement and Second Previous Finance Lease Agreement;
“Previous Shareholders Agreement”	the shareholders agreement dated 7 December 2022 entered into among China Tiegong Investment and Construction Co., Ltd.* (中國鐵工投資建設集團有限公司), Yingtan Xinda Engineering Management Co., Ltd.* (鷹潭市信達工程管理有限公司), BEWG (China) Investment, Yingtan Highway Engineering Co., Ltd.* (鷹潭公路工程有限公司), Beijing General Municipal Engineering Design & Research Institute Co., Ltd.* (北京市市政工程設計研究總院有限公司) and China Railway Municipal Environmental Construction Co., Ltd.* (中鐵市政環境建設有限公司) for the formation of a joint venture, the details of which was set out in the announcement of the Company dated 7 December 2022;
“Previous Pledge Agreement”	the maximum amount of accounts receivable (earning right) pledge agreement dated 26 August 2022 entered into between Foshan Beikong as pledger and BG Finance as pledgee pursuant to which the pledger agreed to pledge expected earnings right from Nanbian sewage treatment plant supporting pipeline network project, Fanhu sewage treatment plant and supporting pipeline network project and Leping Yong sewage interception project under “Three Old” redevelopment infrastructure construction to pledgee;
“Pucheng Gerui”	Pucheng Gerui Water Purification Co., Ltd.* (蒲城格瑞水質淨化有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;

“Second Finance Lease Agreement”	the finance lease agreement dated 26 August 2022 entered into between Pucheng Gerui, as lessee, and BG Finance, as lessor, for the Pucheng sewage treatment plant facilities as stipulated in the finance lease agreement for a transfer consideration of RMB49,000,000 (equivalent to HK\$55,065,000), the details of which was set out in the announcement of the Company dated 26 August 2022;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	percentage

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of HK\$1:RMB0.88985. 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, 18 May 2023

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 Dianchang and five independent non-executive directors, namely, Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Mr. Chau On Ta Yuen and Mr. Dai Xiaohu.

** For identification purpose only*