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(Incorporated in Bermuda with limited liability)

(Stock Code: 371)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO DEPOSIT SERVICES MASTER AGREEMENT

Reference is made to the announcement of the Company dated 23 December 2020 in relation to, inter alia, the 2021 Deposit Services Master Agreement entered into between the Company and BG Finance.

The Board announces that as the 2021 Deposit Services Master Agreement will expire on 31 December 2023, and in order to regulate such transactions that continue to take place, after 31 December 2023, the Company and BG Finance entered into the 2024 Deposit Services Master Agreement on 20 December 2023 whereby the Company and BG Finance continue to carry out the transactions of similar natures from time to time under the 2024 Deposit Services Master Agreement for three years from 1 January 2024 to 31 December 2026, with the terms and conditions substantially the same as those under the 2021 Deposit Services Master Agreement.

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 Deposit Services will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Deposit Services are more than 0.1% but less than 5%, the Deposit Services are subject to the announcement, reporting and annual review requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 23 December 2020 in relation to, inter alia, the 2021 Deposit Services Master Agreement entered into between the Company and BG Finance.

2024 DEPOSIT SERVICES MASTER AGREEMENT

The Board announces that as the 2021 Deposit Services Master Agreement will expire on 31 December 2023, and in order to regulate such transactions that continue to take place, after 31 December 2023, the Company and BG Finance entered into the 2024 Deposit Services Master Agreement on 20 December 2023 whereby the Company and BG Finance continue to carry out the transactions of similar natures from time to time under the 2024 Deposit Services Master Agreement for three years from 1 January 2024 to 31 December 2026, with the terms and conditions substantially the same as those under the 2021 Deposit Services Master Agreement.

Term

The term of the 2024 Deposit Services Master Agreement shall commence on 1 January 2024 and shall continue up to and including 31 December 2026. Subject to the Listing Rules and/or upon the expiration of the 2024 Deposit Services Master Agreement, it may be renewed, varied or modified by the Company and BG Finance by agreement in writing.

Deposit interests

The rate at which interest will accrue on any deposit placed by the Group with BG Finance under the 2024 Deposit Services Master Agreement will not be lower than the following:

- (a) the benchmark interest rate prescribed by the People's Bank of China for the same type of deposits at the same period;
- (b) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits at the same period; and
- (c) the interest rates offered by BG Finance to other members of BEGCL for the same type of deposits at the same period.

Annual caps

The cumulative daily outstanding deposits balance placed by the Group with BG Finance (including any interest accrued thereon) during the term of the 2024 Deposit Services Master Agreement will not exceed the following caps:

<u>For the financial year ending</u>	<u>Annual Cap</u>
31 December 2024	RMB710,000,000 (equivalent to approximately HK\$779,637,000)
31 December 2025	RMB710,000,000 (equivalent to approximately HK\$779,637,000)
31 December 2026	RMB710,000,000 (equivalent to approximately HK\$779,637,000)

In determining the above caps, the Directors have taken into account factors including the treasury policy and business needs of the Group and the counterparty limits for BG Finance.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group has to maintain deposits and other bank balances with financial institutions in Hong Kong and the PRC from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.

The Deposit Services will be conducted on normal commercial terms and the deposit interest rates offered by BG Finance to the Group will be equal to or more favourable to the Group than those offered by commercial banks in Hong Kong and the PRC to the Group for comparable deposits. The 2024 Deposit Services Master Agreement is therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expects to be in a better position to manage the security of its funds since BG Finance is not considered to be exposed to any significant capital risk.

For the avoidance of doubt, the 2024 Deposit Services Master Agreement does not preclude the Group from using the services of other financial institutions. The Group still has the freedom to select any major and independent commercial banks in Hong Kong and the PRC as its financial services providers as it thinks fit and appropriate for the benefit of the Group.

None of the Directors has a material interest in the 2024 Deposit Services Master Agreement and no Director has abstained from voting on the relevant board resolutions of the Company.

The Directors (including the independent non-executive Directors) consider that the 2024 Deposit Services Master Agreement is entered into in the ordinary and usual course of business of the Group on normal commercial terms and that the terms of the 2024 Deposit Services Master Agreement (together with the relevant annual caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND BG FINANCE

The Company

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. As at the date of this announcement, BEECL is a controlling shareholder of the Company, holding approximately 41.03% of the total share capital of the Company and is wholly-owned by BEHL. BEHL is principally engaged in gas operation, water operation, environmental operation as well as brewery operation in the PRC.

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, Australia and the 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 .

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 controlling shareholder of BG Finance is BEGCL and the ultimate beneficial owner of BEGCL is the People's Government of Beijing Municipality* (北京市人民政府) while The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality* (北京市人民政府國有資產監督管理委員會) has been performing ownership and control functions in respect of BEGCL with the authorisation of 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 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.

LISTING RULES IMPLICATIONS

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 Deposit Services will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the Deposit Services are more than 0.1% but less than 5%, the Deposit Services are subject to the announcement, reporting and annual review requirements but exempt from circular (including independent financial advice) and 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:

- “2021 Deposit Services Master Agreement” the deposit services master agreement dated 23 December 2020 entered into between the Company and BG Finance for a term of three years from 1 January 2021 to 31 December 2023;

- “2024 Deposit Services Master Agreement” the deposit services master agreement dated 20 December 2023 entered into between the Company and BG Finance for a term of three years from 1 January 2024 to 31 December 2026;

“associates”	has the meaning ascribed to it under the Listing Rules;
“BEECL”	Beijing Enterprises Environmental Construction Limited, being a controlling shareholder of the Company;
“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 the ultimate controlling shareholder of each of BEHL and 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;
“BG Finance”	Beijing Enterprises Group Finance Co., Ltd., a company incorporated in the PRC with limited liability and is an associate of each of BEGCL and BEHL. The Group holds 6.69% equity interest of BG Finance;
“Board”	the board of Directors;
“Company”	Beijing Enterprises Water Group Limited (Stock Code: 371), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Deposit Services”	the deposit services to be provided by BG Finance to the Group under the 2024 Deposit Services Master Agreement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of HK\$1:RMB0.91068. 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, 20 December 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. Guo Rui, Mr. Chau On Ta Yuen, Mr. Dai Xiaohu and Ms. Chan Siu Chee Sophia.

** For identification purpose only*