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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)

CONNECTED TRANSACTION

FURTHER ACQUISITION OF EQUITY INTERESTS IN WUHAN ZHENGYE DONGFANG CONSTRUCTION INVESTMENT CO., LTD.*

EQUITY TRANSFER AGREEMENT AND EQUITY TRANSFER SUPPLEMENTAL AGREEMENT

The Board is pleased to announce that on 23 November 2020, BEWG (China) Investment, YEE and Vendor entered into the Equity Transfer Agreement and Equity Transfer Supplemental Agreement, pursuant to which BEWG (China) Investment and YEE have conditionally agreed to purchase, and Vendor has conditionally agreed to sell, 4.83% and 24.17% equity interests in the Target Company respectively for the consideration of RMB24,973,300 (equivalent to approximately HK\$29,459,000) and RMB124,946,700 (equivalent to approximately HK\$147,391,000) respectively.

The consideration payable by BEWG (China) Investment in the amount of RMB24,973,300 (equivalent to approximately HK\$29,459,000) shall be represented the first part of the consideration in the amount of RMB5,653,300 (equivalent to approximately HK\$6,669,000) to Vendor and the second part of the consideration in the amount of approximately RMB19,320,000 (equivalent to approximately HK\$22,790,000) for the outstanding registered capital to be injected into the Target Company as and when such payment of outstanding registered capital is required in accordance with the relevant agreement and articles of association of Target Company.

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 a substantial shareholder of the Company. As CTG beneficially owns not less than 30% equity interest in YEE, YEE is an associate of CTG. Therefore, YEE is a connected person of the Company as defined under the Listing Rules. Accordingly, the Equity Transfer Agreement and Equity Transfer Supplemental Agreement and the transactions contemplated thereunder constitute connected transaction of the Company under the Listing Rules.

References are made to the First Previous Announcement, the Second Previous Announcement, the Third Previous Announcement, the Fourth Previous Announcement and the Fifth Previous Announcement in relation to the connected transactions therein. 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. The entering into Equity Transfer Agreement and Equity Transfer Supplemental Agreement 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 exceeds 0.1% but all are less than 5%, the entering into Equity Transfer Agreement and Equity Transfer Supplemental Agreement and 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 is pleased to announce that on 23 November 2020, BEWG (China) Investment, YEE and Vendor entered into the Equity Transfer Agreement and Equity Transfer Supplemental Agreement, pursuant to which BEWG (China) Investment and YEE have conditionally agreed to purchase, and Vendor has conditionally agreed to sell, 4.83% and 24.17% equity interests in the Target Company respectively for the consideration of RMB24,973,300 (equivalent to approximately HK\$29,459,000) and RMB124,946,700 (equivalent to approximately HK\$147,391,000) respectively.

EQUITY TRANSFER AGREEMENT AND EQUITY TRANSFER SUPPLEMENTAL AGREEMENT

Date

23 November 2020

Parties

- (1) Purchasers : BEWG (China) Investment (as the purchaser of the 4.83% equity interests in the Target Company)
- YEE (as the purchaser of the 24.17% equity interests in the Target Company)
- (2) Vendor : Beijing Orient Landscape Environmental Co., Ltd.* (北京東方園林環境股份有限公司) (as the seller of its 29% equity interests in the Target Company)

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Vendor and its ultimate beneficial owner(s) is an independent third party of the Company and its connected persons as at the date of this announcement.

Assets to be acquired

Subject to the terms of the Equity Transfer Agreement and Equity Transfer Supplemental Agreement, BEWG (China) Investment has conditionally agreed to purchase, and Vendor has conditionally agreed to sell, 4.83% equity interests in the Target Company for the consideration of RMB24,973,300 (equivalent to approximately HK\$29,459,000).

Consideration and payment

The total consideration under the Equity Transfer Agreement and Equity Transfer Supplemental Agreement payable by BEWG (China) Investment is RMB24,973,300 (equivalent to approximately HK\$29,459,000), which will be paid in cash. The first part of the consideration in the amount of RMB5,653,300 (equivalent to approximately HK\$6,669,000) shall be paid by BEWG (China) Investment to Vendor and the second part of the consideration in the amount of approximately RMB19,320,000 (equivalent to approximately HK\$22,790,000) shall be the outstanding registered capital to be injected by BEWG (China) Investment into the Target Company as and when such payment of outstanding registered capital is required in accordance with the relevant agreement and articles of association of Target Company.

The first part of the consideration payable by BEWG (China) Investment to Vendor pursuant to the Equity Transfer Agreement and Equity Transfer Supplemental Agreement is RMB5,653,300 (equivalent to approximately HK\$6,669,000), which will be paid by BEWG (China) Investment in cash in the following four installments.

- (1) the first installment in the amount of RMB1,449,990 (equivalent to approximately HK\$1,711,000) to be payable within 20 business days after the effective date of the Equity Transfer Agreement;
- (2) the second installment in the amount of RMB246,000 (equivalent to approximately HK\$290,000) to be payable within 20 business days after the effective date of the Equity Transfer Supplemental Agreement;
- (3) the third installment in the amount of RMB3,383,310 (equivalent to approximately HK\$3,991,000) to be payable within 20 business days after the completion of the registration on the change of shareholding of the Target Company; and
- (4) the fourth installment in the amount of RMB574,000 (equivalent to approximately HK\$677,000) to be payable within 20 business days after completion of the registration on the change of shareholding of the Target Company.

The first part and second part of the consideration under the Equity Transfer Agreement and Equity Transfer Supplemental Agreement shall be funded by internal resources of the Group.

Basis of consideration

The consideration under the Equity Transfer Agreement and Equity Transfer Supplemental Agreement was determined after arm's length negotiations between Vendor and BEWG (China) Investment on normal commercial terms and by reference to the valuation of the Target Company as at 31 July 2019 prepared by an independent valuer.

Conditions precedent of equity transfer under Equity Transfer Agreement and Equity Transfer Supplemental Agreement

Completion of the Equity Transfer Agreement and Equity Transfer Supplemental Agreement is conditional upon, among others, the fulfillment (or waiver) of the following conditions:

- (1) having obtained all relevant approval and authorisation from Vendor for the equity transfer under the Equity Transfer Agreement and Equity Transfer Supplemental Agreement in accordance with the relevant requirements of laws and articles of association of Vendor;

- (2) having obtained all relevant approval and authorization from BEWG (China) Investment and YEE for the equity transfer under the Equity Transfer Agreement and Equity Transfer Supplemental Agreement in accordance with relevant requirements of laws and their respective articles of associations; and
- (3) having obtained all approvals by Vendor from the relevant authorities in connection with the equity transfer under the Equity Transfer Agreement and Equity Transfer Supplemental Agreement.

Completion of equity transfer under Equity Transfer Agreement and Equity Transfer Supplemental Agreement

Within 8 business days after receipt of the first installment of the consideration, Vendor shall procure the Target Company to complete the registration on the change of shareholding of the Target Company. Completion will take place after obtaining approval from relevant regulatory authority on registration on the change of shareholding for the equity transfer.

Upon completion of the Equity Transfer Agreement and Equity Transfer Supplemental Agreement, BEWG (China) Investment will hold 10% equity interests in aggregate in the Target Company and the Target Company will be accounted as an associate of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of the PRC on 30 December 2015. Upon completion of equity transfer under the equity transfer agreement as stipulated in the Second Previous Announcement, the Target Company is owned as to 5.17% by BEWG (China) Investment, 25.83% by YEE, 20% by CITIC Zhengye Investment Development Co., Ltd.* (中信正業投資發展有限公司), 29% by Vendor, 10% by Wuhan Lingang City Construction Investment Co., Ltd.* (武漢臨港城鎮建設投資有限公司) and 10% by Wuhan Xinzhou Water Construction Engineering Co., Ltd.* (武漢市新洲區水工建築工程公司) respectively. The Target Company owns Wuhan Xinzhou PPP projects in Wuhan. The Wuhan Xinzhou PPP projects include sewage lifting pumping station projects, Yanjia lake comprehensive improvement project, Chaibo lake pumping station reconstruction project, Wuhan Xingang Gulong industrial park sewage treatment plant and tailwater discharge project, Yangda Road widening and reconstruction project, Yangda Road open drainage and landscape engineering project.

Financial information of the Target Company

Set out below is a summary of certain audited financial information of the Target Company for the two years ended 31 December 2018 and 31 December 2019 prepared in accordance with the generally accepted accounting principles of the PRC:

	<u>For the year ended 31 December</u>	
	2018	2019
Net profit (before taxation)	RMB15,452,408 (equivalent to approximately HK\$18,228,000)	RMB31,016,364 (equivalent to approximately HK\$36,588,000)
Net profit (after taxation)	RMB12,563,216 (equivalent to approximately HK\$14,820,000)	RMB23,262,273 (equivalent to approximately HK\$27,441,000)

The audited net asset value of the Target Company was approximately RMB208,876,899 (equivalent to approximately HK\$246,398,000) as at 30 June 2020.

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 and Australia; 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 is an investment holding company wholly-owned by the Company.

INFORMATION OF YEE

YEE is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of CTG. CTG is a connected person of the Company under the Listing Rules by virtue of being the substantial shareholder of the Company. As CTG beneficially owns not less than 30% equity interest in YEE, YEE is an associate 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).

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.

INFORMATION OF VENDOR

Vendor is a limited liability company incorporated under the laws of the PRC and is a company listed on the Shenzhen Stock Exchange (stock code: 002310). Vendor mainly engages in three core businesses namely environmental protection, ecology and circular economy. The ultimate beneficial owner of Vendor is the State-owned Assets Supervision and Administration Commission of Chaoyang district People's Government of Beijing Municipality * (北京市朝陽區人民政府國有資產監督管理委員會).

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT AND EQUITY TRANSFER SUPPLEMENTAL AGREEMENT

Wuhan is not only an important developed city in the Yangtze River Basin, but also an important node city in the protection of the Yangtze River. The acquisition of equity interests in the Target Company with CTG again will deepen the Group to participate in the water environmental business and further promote the business development of the Company along the Yangtze River and improve the development quality of the Company.

The terms of the Equity Transfer Agreement and Equity Transfer Supplemental Agreement was determined after arm's length negotiation between the parties. The Directors (including the independent non-executive Directors), having considered the terms and conditions of the Equity Transfer Agreement and Equity Transfer Supplemental Agreement, are of the view that its terms and conditions are on normal commercial terms, which are 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 the transaction and therefore none of them is required to abstain from voting on the Board resolutions for considering and approving the Equity Transfer Agreement and Equity Transfer Supplemental Agreement.

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 a substantial shareholder of the Company. As CTG beneficially owns not less than 30% equity interest in YEE, YEE is an associate of CTG. Therefore, YEE is a connected person of the Company as defined under the Listing Rules. Accordingly, the Equity Transfer Agreement and Equity Transfer Supplemental Agreement and the transactions contemplated thereunder constitute connected transaction of the Company under the Listing Rules.

References are made to the First Previous Announcement, the Second Previous Announcement, the Third Previous Announcement, the Fourth Previous Announcement and the Fifth Previous Announcement in relation to the connected transactions therein. 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. The entering into Equity Transfer Agreement and Equity Transfer Supplemental Agreement 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 exceeds 0.1% but all are less than 5%, the entering into Equity Transfer Agreement and Equity Transfer Supplemental Agreement and 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:

“Aggregate Transactions”	The entering into Equity Transfer Agreement and Equity Transfer Supplemental Agreement together with the connected transactions as stipulated in the Previous Announcements;
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“associate”	has the meaning ascribed to it under the Listing Rules;
“BEWG (China) Investment”	Beijing Enterprises Water Group (China) Investment Limited* 北控水務（中國）投資有限公司, a limited liability company incorporated under the laws of the PRC and is a wholly-owned subsidiary of the Company;
“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;
“CTG”	China Three Gorges Corporation, a limited liability company incorporated under the laws of the PRC and is a substantial shareholder of the Company as at the date of this announcement;
“Directors”	the directors of the Company;
“Equity Transfer Agreement and Equity Transfer Supplemental Agreement”	the Equity Transfer Agreement and Equity Transfer First Supplemental Agreement dated 23 November 2020 entered into between Vendor, BEWG (China) Investment and YEE in respect of the sale and purchase of 29% equity interest of the Target Company (as supplemented and amended from time to time);
“Fifth Previous Announcement”	the announcement of the Company dated 17 November 2020 in relation to, among others, the formation of a joint venture in Linxiang city of Hunan province, the PRC;
“First Previous Announcement”	the announcement of the Company dated 18 August 2020 in relation to, among others, the financial assistance to be provided as stipulated in the PPP Contract and formation of a joint venture in Luhe District of Nanjing city, the PRC;
“Fourth Previous Announcement”	the announcement of the Company dated 5 November 2020 in relation to, among others, the formation of a joint venture in Jiangjin District of Chongqing city, the PRC;

“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 of the Stock Exchange;
“PPP”	Public-private-partnership;
“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 Announcements”	the First Previous Announcement, the Second Previous Announcement, the Third Previous Announcement, the Fourth Previous Announcement and the Fifth Previous Announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Previous Announcement”	the announcement of the Company dated 20 October 2020 in relation to, among others, the acquisition of the Target Company with YEE from CITIC Zhengye Investment Development Co., Ltd.* (中信正業投資發展有限公司);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Wuhan Zhengye Dongfang Construction Investment Co., Ltd.* (武漢正業東方建設投資有限責任公司), a limited liability company incorporated under the laws of the PRC. Upon completion of equity transfer under the equity transfer agreement as stipulated in the Second Previous Announcement, the Target Company is owned as to 5.17% by BEWG (China) Investment, 25.83% by YEE, 20% by CITIC Zhengye Investment Development Co., Ltd.* (中信正業投資發展有限公司), 29% by the Vendor, 10% by Wuhan Lingang City Construction Investment Co., Ltd.* (武漢臨港城鎮建設投資有限公司) and 10% by Wuhan Xinzhou Water Construction Engineering Co., Ltd.* (武漢市新洲區水工建築工程公司);

“Third Previous Announcement”	the announcement of the Company dated 30 October 2020 in relation to, among others, the formation of a joint venture in Wuhan city, the PRC;
“Vendor”	Beijing Orient Landscape Environmental Co., Ltd.* (北京東方園林環境股份有限公司), a limited liability company incorporated under the laws of the PRC, which holds 29% equity interests in the Target Company as at the date of this announcement. The shares of Vendor are listed on the Shenzhen Stock Exchange;
“YEE”	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
“%”	percentage.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of HK\$1:RMB0.84772. 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
Li Yongcheng
Chairman

Hong Kong, 23 November 2020

As at the date of this announcement, the Board comprises nine executive directors, namely Mr. Li Yongcheng (Chairman), Mr. Jiang Xinhao, Mr. Zhou Min (Chief Executive Officer), Mr. Li Haifeng, Mr. Zhang Tiefu, Mr. Ke Jian, Ms. Sha Ning, Mr. Tung Woon Cheung Eric and Mr. Li Li, and five independent non-executive directors, namely Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Mr. Wang Kaijun and Dr. Lee Man Chun Raymond.

** For identification purpose only*