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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)**

## **DISCLOSEABLE TRANSACTION**

### **CAPITAL INJECTION AGREEMENT**

#### **CAPITAL INJECTION AGREEMENT**

On 22 December 2020, Monico, BEWG (China) Investment, China Field, Chinese Profit, Great Favour, Able Sound, Target Company, all are wholly-owned subsidiaries of the Company, entered into the Capital Injection Agreement with Ping An Cornerstone II, pursuant to which Ping An Cornerstone II agreed to make cash contributions of RMB2,000,000,000 (equivalent to approximately HK\$2,372,085,000) to the Target Company to increase its registered capital and capital reserve. Monico and BEWG (China) Investment also agreed to make cash contributions of RMB5,053,376,000 (equivalent to approximately HK\$ 5,993,519,000) and RMB2,306,624,000 (equivalent to approximately HK\$2,735,754,000), respectively to the Target Company to increase its registered capital and capital reserve.

The Target Company is currently an indirect wholly-owned subsidiary of the Company. Upon completion of the Capital Injections, the Target Company will be held as to 42.35%, 26.78%, 14.55%, 13.79%, 1.58%, 0.78% and 0.17% by Monico, BEWG (China) Investment, Ping An Cornerstone II, China Field, Chinese Profit, Great Favour and Able Sound respectively. The Target Company will continue to be accounted as a subsidiary of the Company.

#### **LISTING RULES IMPLICATIONS**

##### **Capital Injection Agreement**

Upon completion of the Capital Injections, the Company's equity interest in the Target Company will be diluted. The subsidiaries of the Company are deemed to have made disposal of interest in the Target Company under Rule 14.29 of the Listing Rules. As one

or more applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of Deemed Disposal exceed 5% but are less than 25%, the Capital Injection Agreement constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **Option to purchase the Equity Interest**

The grant of the Option to purchase the Equity Interest by BEWG (China) Investment would be treated as notifiable transactions and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. According to Rule 14.75(1) of the Listing Rules, on the grant of the Option to purchase the Equity Interest (the exercise of which is at the discretion of BEWG (China) Investment), only the premium will be taken into consideration for calculating the percentage ratios. As nil premium is payable on the grant of the Option to purchase the Equity Interest, such grant will not constitute notifiable transaction of the Company.

The Company will comply with the applicable Listing Rules on any exercise of the Option to purchase the Equity Interest.

## **CAPITAL INJECTION AGREEMENT**

On 22 December 2020, Monico, BEWG (China) Investment, China Field, Chinese Profit, Great Favour, Able Sound, Target Company, all are wholly-owned subsidiaries of the Company, entered into the Capital Injection Agreement with Ping An Cornerstone II, pursuant to which Ping An Cornerstone II agreed to make cash contributions of RMB2,000,000,000 (equivalent to approximately HK\$2,372,085,000) to the Target Company to increase its registered capital and capital reserve. Monico and BEWG (China) Investment also agreed to make cash contributions of RMB5,053,376,000 (equivalent to approximately HK\$5,993,519,000) and RMB2,306,624,000 (equivalent to approximately HK\$2,735,754,000), respectively to the Target Company to increase its registered capital and capital reserve.

#### **Date**

22 December 2020

#### **Parties**

- (1) Monico
- (2) BEWG (China) Investment
- (3) Ping An Cornerstone II
- (4) China Field
- (5) Chinese Profit
- (6) Great Favour
- (7) Able Sound
- (8) Target Company

Pursuant to the Capital Injection Agreement, Ping An Cornerstone II, Monico and BEWG (China) Investment will make cash contribution to Target Company to increase its registered capital and capital reserve.

The following table illustrates the shareholding structure of the Target Company (i) as at the date of this announcement and (ii) immediately following completion of the Capital Injections.

Shareholders	As at the date of this announcement		Immediately following completion of the Capital Injections	
	Registered capital (RMB)	Approximate %	Registered Capital (RMB)	Approximate %
Monico	73,158,000	17.51	554,725,458	42.35
BEWG (China) Investment	131,000,000	31.34	350,812,469	26.78
Ping An Cornerstone II	-	-	190,592,372	14.55
China Field	180,616,071	43.21	180,616,071	13.79
Chinese Profit	20,701,000	4.95	20,701,000	1.58
Great Favour	10,244,000	2.45	10,244,000	0.78
Able Sound	2,250,000	0.54	2,250,000	0.17
<b>Total:</b>	<b>417,969,071</b>	<b>100</b>	<b>1,309,941,370</b>	<b>100</b>

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Ping An Cornerstone II and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## TERMS OF THE CAPITAL INJECTION AGREEMENT

The principal terms of each of the Capital Injection Agreement are summarized as follows:

### *Basis of determining the amount of the Capital Injections*

The consideration under the Capital Injection Agreement was determined after arm's length negotiation between the parties with reference to (i) the amount of Capital Injections proposed by Ping An Cornerstone II, Monico and BEWG (China) Investment (ii) the operating conditions, financial position and business performance of the Target Company and its subsidiaries, (iii) the business prospect of the Target Company and its subsidiaries, and (iv) the valuation of the Target Company and its subsidiaries as at 31 December 2019 appraised by the independent valuer.

### ***Conditions Precedent to the Capital Injections***

The Capital Injections shall be subject to the fulfilment and/or waiver of the following conditions precedent, among others, under the Capital Injection Agreement:

- (1) All relevant agreements and legal documents for the transactions being executed.
- (2) All permits, consents and approvals that are required for the Capital Injection having been obtained.
- (3) All representations and warranties given by the Original shareholders and the Target Company under the Capital Injection Agreement has remained true, complete and accurate up to the date of letter confirming the fulfillment of all conditions precedent.
- (4) There has not been no material change to the financial conditions of the Target Company from the signing date of the Capital Injection Agreement up to the date of letter confirming fulfillment of all conditions precedent.
- (5) The Original Shareholders and the Target Company have provided stamped letter confirming fulfillment of all conditions precedent.

### ***Payment of consideration of Capital Injections***

The Ping An Cornerstone II Capital Injection shall be paid by Ping An Cornerstone II in cash in one lump sum after all conditions precedent above be fulfilled or waived by Ping An Cornerstone II on or before the date stated on payment notice issued by the Target Company.

Monico Capital Injection and BEWG (China) Investment Capital Injection shall be paid in cash by installments upon request of the Target Company.

### **COMPLETION OF THE CAPITAL INJECTIONS**

After the Capital Injection Agreement has been signed by all parties and within the agreed period after Ping An Cornerstone II Capital Injection was paid, the Target Company shall apply for, and complete, all requisite registration and filing procedures with the State Administration for Industry and Commerce of the PRC.

### ***Option to Purchase the Equity Interest***

After the completion of the Capital Injections, BEWG (China) Investment is entitled at its discretion to acquire the Equity Interest in the Target Company. In the event of any of the following “specific circumstances” occurs, amongst others, BEWG (China) Investment shall have the Option to purchase the Equity Interest (at its discretion) from Ping An Cornerstone II upon the terms of the Capital Injection Agreement, including but not limited to:

- (1) The Target Company is unable to complete a qualified listing of its shares within 12 months before the latest date for exercise of Option. Latest date for such exercise of Option is the expiry date of the tenth year after the payment of Ping An Cornerstone II Capital Injection made by Ping An Cornerstone II or any other dates agreed by the parties to Capital Injection Agreement.
- (2) The performance commitment of the Target Company have not been met the requirements as stipulated in the Capital Injection Agreement and the Original Shareholders are unable to resolve this specific circumstance within the grace period to be given by Ping An Cornerstone II.
- (3) The distributable profits of the Target Company have not been met the requirements as stipulated in the Capital Injection Agreement and the Original Shareholders are unable to resolve this specific circumstance within the grace period to be given by Ping An Cornerstone II.
- (4) By the end of the fifth financial year after the payment of Ping An Cornerstone II Capital Injection and every financial year thereafter, the audited net asset value attributable to the owners of the shareholders of the Target Company is less than the agreed net asset value as stipulated in the Capital Injection Agreement for that particular financial year and no waiver have been obtained from Ping An Cornerstone II.
- (5) Every two financial years after the payment of Ping An Cornerstone II Capital Injection, the Target Company shall prepare valuation reports by an independent valuer. Such valuation of Target Company is less than the agreed valuation as stipulated in the Capital Injection Agreement and no waiver have been obtained from Ping An Cornerstone II.

Nil premium is payable for the grant of the Option to purchase the Equity Interest.

Upon the occurrence of any of the above “specific circumstances”, BEWG (China) Investment or its designated party may choose to exercise the Option to purchase the Equity Interest, and the price for exercising the Option to purchase the Equity Interest shall be calculated in accordance with the formula as stipulated in the Capital Injection Agreement.

#### ***Non-Exercise of Options to Purchase the Equity Interest***

Upon the occurrence of a “specific circumstance” but BEWG (China) Investment or its designated party has not exercised the Option to purchase the Equity Interest, Ping An Cornerstone II shall have the following rights, amongst others:

- (1) To request to amend the articles of association of the Target Company, such that Ping An Cornerstone II holds (i) two-thirds or more of the voting rights in the shareholders’ meeting of the Target Company; and (ii) two-thirds or more of the voting rights in the board of directors of the Target Company by adjusting the composition of the board of directors of the Target Company;

- (2) To exercise the drag-along right to sell the Equity Interest based on the fair value valuation issued by an independent valuer and provided that BEWG (China) Investment shall procure other Original Shareholders of the Target Company to use their best endeavours to assist Ping An Cornerstone II in exercising the drag-along right;
- (3) To request to increase the dividend ratio; and
- (4) To request Monico and BEWG (China) Investment to inject cash for their responsible part of unpaid capital injections.

The Company will comply with the applicable Listing Rules before Ping An Cornerstone II holds two-third or more of the voting rights in the shareholders' meeting and the board of directors of the Target Company.

If the Original Shareholders of the Target Company fail to fulfill the obligations as stipulated in the Capital Injection Agreement, the Company shall pay the outstanding amount for their unfulfilled obligations.

Parties to Capital Injection Agreement may agree to modify, vary, amend and supplement to the Capital Injection Agreement when and where necessary.

## **INFORMATION ON THE TARGET COMPANY AND EFFECTS OF THE DEEMED DISPOSAL ON THE GROUP**

The Target Company is a limited liability company incorporated under the laws of the PRC on 17 May 2001 and is a wholly-owned subsidiary of the Company. It is principally engaged in investment holding in respect of environmental protection engineering, municipal engineering and industrial water supply and drainage project investment, construction and operation management; environmental protection, municipal engineering design, consultancy and related technical services, research and development and production of environmental protection software; development and production of water supply and drainage treatment equipment and other environmental protection products; sales of our products and other environmentally related products. As at the date of this announcement, the Target Company is held as to 17.51%, 31.34%, 43.21%, 4.95%, 2.45% and 0.54% by Monico, BEWG (China) Investment, China Field, Chinese Profit, Great Favour and Able Sound respectively. Upon the Capital Injections, the Target Company will continue to be accounted as a subsidiary of the Company.

Based on the consolidated audited financial statements of the Target Company prepared under the PRC Generally Accepted Accounting Principles (the "PRC GAAP"), the audited net asset value of the Target Company and its subsidiaries as at 31 December 2019 is RMB10,028,724,000 (equivalent to approximately HK\$11,894,494,000).

Based on the consolidated audited financial statements of the Target Company and its subsidiaries prepared under the PRC GAAP, the audited net profit of the Target Company before and after taxation for the years ended 31 December 2019 and 2018 respectively are set out as follows:

	<b>For the financial year ended 31 December 2019</b>	<b>For the financial year ended 31 December 2018</b>
Net profit before taxation	RMB2,243,037,000 (equivalent to approximately HK\$2,660,338,000)	RMB1,459,028,000 (equivalent to approximately HK\$1,730,469,000)
Net profit after taxation	RMB1,858,593,000 (equivalent to approximately HK\$2,204,371,000)	RMB1,178,825,000 (equivalent to approximately HK\$1,398,137,000)

Based on the valuation report prepared by an independent valuer, the value of total shareholders' equity of Target Company as at 31 December 2019 was approximately RMB11,746,527,000 (equivalent to approximately HK\$13,931,882,000).

As the Target Company will remain as subsidiary of the Company after the completion of the Capital Injection, no gain or loss arising from the deemed disposal will be recognised in consolidated income statement under the PRC GAAP and the Hong Kong Generally Accepted Accounting Principles (the "HKGAAP"). Based on the existing information available to the Company, the expected loss arising from the deemed disposal to be recognised by the Group in its consolidated statement of changes in equity are estimated at approximately HK\$203,067,000 under the HKGAAP. Under the PRC GAAP, the expected gain arising from the deemed disposal in the consolidated statement of changes in equity is HK\$530,890,000. The difference on the financial effect between the HKGAAP and the PRC GAAP is mainly due to the construction profit for Build-Operate-Transfer project recognized under the HKGAAP. Such profit has not been recognized under the PRC GAAP. The difference is a temporary timing difference which will be turnaround and does not affect the valuation of the Target Company.

The above calculation and accounting treatment are subject to review by the auditors of the Group. The above financial effect is calculated with reference to the net asset value of the Target Company as at 30 June 2020. The actual financial effect on the Group arising from the partial disposal to be recorded in the Group's consolidated accounts will be recalculated based on the net asset value of the Target Company as at the date to which completion accounts are drawn up.

## **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION AND THE USE OF PROCEEDS**

The Group will use the proceeds from the Capital Injections for repayment of debts. The leverage ratio of the Group will be effectively reduced, their financial expenses and funding costs effectively lessened, which are conducive to upgrading the Group's competitiveness and sustainability for healthy development.

The Capital Injections in the Target Company will bring more capital to the Group, enhance the capital capacity of the Group, provide improved asset-liability structure, decrease the Group's financial risks.

Following completion of the Capital Injections, the Target Company will continue to be subsidiary of the Company and the Group would remain in control of the future development of the Target Company. The exit arrangements under the Capital Injection Agreement provides BEWG (China) Investment (upon occurrence of certain specific circumstances) with Option to purchase the Equity Interest from Ping An Cornerstone II, which after all was established for the benefit of the Group. Should the Option to purchase the Equity Interest be exercised, the Group would again maintain greater control over the Target Company with more flexibility and provide the Group with the opportunities to further explore the business development without sharing potential economic return with other entities.

In consideration of the foregoing factors, the Directors believe the Capital Injections will have positive impact and benefit to future prospects of the Group. The Directors are of the view that the terms of the Capital Injection Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Capital Injection Agreement**

Upon completion of the Capital Injections, the Company's equity interest in the Target Company will be diluted. The subsidiaries of the Company is deemed to have made disposal of interest in the Target Company under Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of Deemed Disposal exceed 5% but are less than 25%, the Capital Injection Agreement constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **Options to purchase the Equity Interest**

The grant of the Option to purchase the Equity Interest by BEWG (China) Investment would be treated as notifiable transactions and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. According to Rule 14.75(1) of the Listing Rules, on the grant of the Option to purchase the Equity Interest (the exercise of which is at the discretion of BEWG (China) Investment), only the premium will be taken into consideration for calculating the percentage ratios. As nil premium is payable on the grant of the Option to purchase the Equity Interest, such grant will not constitute notifiable transaction of the Company.



The Company will comply with the applicable Listing Rules on any exercise of the Option to purchase the Equity Interest.

## **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, 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.

### **Monico**

Monico is a company incorporated in Hong Kong with limited liability which is an investment holding company and indirectly wholly-owned by the Company.

### **BEWG (China) Investment**

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

### **China Field**

China Field is a company incorporated in Hong Kong with limited liability which is an investment holding company and indirectly wholly-owned by the Company.

### **Chinese Profit**

Chinese Profit is a company incorporated in Hong Kong with limited liability and is indirectly wholly-owned by the Company. Chinese Profit is principally engaged in technological environmental businesses.

### **Great Favour**

Great Favour is a company incorporated in Hong Kong with limited liability and is indirectly wholly-owned by the Company. Great Favour is principally engaged in environmental and technological engineering management.

### **Able Sound**

Able Sound is a company incorporated in Hong Kong with limited liability which is an investment holding company and indirectly wholly owned by the Company.

## INFORMATION OF PING AN CORNERSTONE II

Ping An Cornerstone II is an insurance private equity fund initiated and managed by Pingan Chuangying Capital Management Co., Ltd.\* (平安創贏資本管理有限公司). The Ping An Cornerstone II is held as to 99.997% and 0.003% by Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司) and by Ping An Trendwin Capital Management Co., Ltd. (平安創贏資本管理有限公司) respectively. Ping An Cornerstone II is principally engaged in equity investment. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the ultimate beneficial owner of Ping An Cornerstone II is Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company incorporated in the PRC and the A shares and H shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318) and the Stock Exchange (Stock Code: 2318), respectively.

## DEFINITIONS

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

<b>“Able Sound”</b>	Able Sound Investment Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of the Company
<b>“BEWG (China) Investment”</b>	Beijing Enterprises Water (China) Investment Co., Ltd.* (北控水務(中國)投資有限公司), a company incorporated in the PRC with limited liability and a directly wholly-owned subsidiary of the Company
<b>“BEWG (China) Investment Capital Injection”</b>	the capital injection of RMB2,306,624,000 (equivalent to approximately HK\$2,735,754,000) in cash by BEWG (China) Investment into the Target Company under the terms and conditions of the Capital Injection Agreement
<b>“Capital Injection Agreement”</b>	the capital injection agreement dated 22 December 2020 signed between Monico, BEWG (China) Investment, China Field, Chinese Profit, Great Favour, Able Sound, Target Company and Ping An Cornerstone II in relation to the Capital Injections, details of which are set out in the section headed “Capital Injection Agreement”
<b>“Capital Injections”</b>	Ping An Cornerstone II Capital Injection, Monico Capital Injection, and BEWG (China) Investment Capital Injection, together the “Capital Injections”

<b>“China Field”</b>	China Field Engineering Consultant Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of the Company
<b>“Chinese Profit”</b>	Chinese Profit Investment Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary 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>“Deemed Disposal”</b>	the deemed disposal through the dilution of the Company’s equity interests in the Target Company as a result of the Capital Injections pursuant to the Capital Injection Agreement
<b>“Directors”</b>	the directors of the Company
<b>“Equity Interest”</b>	14.55% of the equity interest in the Target Company to be held by Ping An Cornerstone II upon completion of the Capital Injections
<b>“Great Favour”</b>	Great Favour Limited, a company incorporated in Hong Kong with limited liability and is an indirectly wholly-owned subsidiary of the Company
<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>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Monico”</b>	Monico Investments Limited, a company incorporated in Hong Kong with limited liability and is an indirectly subsidiary of the Company
<b>“Monico Capital Injection”</b>	the capital injection of RMB5,053,376,000 (equivalent to approximately HK\$5,993,519,000) in cash by Monico into the Target Company under the terms and conditions of the Capital Injection Agreement

<b>“Options to purchase the Equity Interest”</b>	the rights granted to BEWG (China) Investment to purchase the Equity Interest from Ping An Cornerstone II at the exercise price pursuant to and subject to the terms and conditions Capital Injection Agreement under specific circumstances
<b>“Original Shareholder(s)”</b>	Monico, BEWG (China) Investment, China Field, Chinese Profit, Great Favour and Able Sound
<b>“Ping An Cornerstone II”</b>	Hangzhou Xiaoshan Ping An Cornerstone II Equity Investment Co., Ltd.* (杭州蕭山平安基石貳號股權投資有限公司), a company incorporated in the PRC with limited liability
<b>“Ping An Cornerstone II Capital Injection”</b>	the capital injection of RMB2,000,000,000 (equivalent to approximately HK\$2,372,085,000) in cash by Ping An Cornerstone II into the Target Company under the terms and conditions of the Capital Injection Agreement
<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>“Shareholder(s)”</b>	the shareholder(s) of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Target Company”</b>	BEWG Environmental Group Co., Ltd.* (北控中科成環保集團有限公司), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company as at the date of this announcement
<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:RMB0.84314. 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, 22 December 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*