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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**

### **LOAN AGREEMENT**

The Board announces that on 30 November 2020, Linyi Bei Kong (a subsidiary of the Company), as borrower, entered into the Linyi Loan Agreement with ABC, Linyi sub-branch, as lender, pursuant to which ABC, Linyi sub-branch has agreed to grant the Loan Facility in a principal amount of RMB150 million (equivalent to approximately HK\$176.8 million) to Linyi Bei Kong. The Loan Facility shall be secured by the pledge of security given by Linyi Bei Kong and the guarantee will be given by BEWG (China) Investment (a wholly-owned subsidiary of the Company) in favour of ABC, Linyi sub-branch.

### **IMPLICATIONS UNDER THE LISTING RULES**

ABC Financial is a connected person of the Company under the Listing Rules by virtue of being the substantial shareholders of various subsidiaries of the Company. As ABC beneficially owns 100% equity interest in ABC Financial, ABC is an associate of ABC Financial, therefore, the entering into the Linyi Loan Agreement and the Linyi Pledge Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Linyi Loan Agreement and the Linyi Pledge Agreement together with the Previous Loan Agreements and the Previous Pledge Agreement were made with ABC, Linyi sub-branch and its other two sub-branches within a 12-month period prior to the date of the Linyi Loan Agreement and Linyi Pledge Agreement, the Linyi Loan Agreement and the Linyi Pledge Agreement will be aggregated with the Previous Loan Agreements and the Previous Pledge Agreement 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 in respect of the Linyi Loan Agreement together with the Linyi Pledge Agreement in aggregate with the Previous Loan Agreements and the Previous Pledge Agreement exceed 1% but less than 5%, the entering into the Linyi Loan Agreement constitutes a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **LINYI LOAN AGREEMENT**

The Board announces that on 30 November 2020, Linyi Bei Kong (a subsidiary of the Company), as borrower, entered into the Linyi Loan Agreement with ABC, Linyi sub-branch, as lender, pursuant to which ABC, Linyi sub-branch has agreed to grant the Loan Facility in a principal amount of RMB150 million (equivalent to approximately HK\$176.8 million) to Linyi Bei Kong. The Loan Facility shall be secured by the pledge of security given by Linyi Bei Kong under the Linyi Pledge Agreement and the guarantee will be given by BEWG (China) Investment (a wholly-owned subsidiary of the Company) in favour of ABC, Linyi sub-branch.

ABC Financial is a connected person of the Company under the Listing Rules by virtue of being the substantial shareholders of various subsidiaries of the Company. As ABC beneficially owns 100% equity interest in ABC Financial, ABC is an associate of ABC Financial, therefore, the entering into the Linyi Loan Agreement and the Linyi Pledge Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Linyi Loan Agreement and the Linyi Pledge Agreement together with the Previous Loan Agreements and the Previous Pledge Agreement were made with ABC, Linyi sub-branch and its other two sub-branches within a 12-month period prior to the date of the Linyi Loan Agreement and the Linyi Pledge Agreement, the Linyi Loan Agreement and the Linyi Pledge Agreement will be aggregated with the Previous Loan Agreements and the Previous Pledge Agreement as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

The principal terms and conditions of the Linyi Loan Agreement are set out as follows:

Date of Linyi Loan Agreement	30 November 2020
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Parties: (1) ABC, Linyi sub-branch, as lender  
(2) Linyi Bei Kong, as borrower

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, ABC Financial is a connected person of the Company under the Listing Rules by virtue of being the substantial shareholders of various subsidiaries of the Company. As ABC beneficially owns 100% equity interest in ABC Financial, ABC is an associate of ABC Financial. The ultimate beneficial owner of ABC is the State Council of the PRC\* (中國國務院).

Principal amount of the Loan Facility RMB150 million (equivalent to approximately HK\$176.8 million)

Term: fifteen (15) years from the date of drawdown

Interest rate: The 5-year loan prime rate (currently 4.65% per annum) published by the National Interbank Funding Centre on the date preceding the drawdown date minus 0.6%

Interest payment period: on quarterly basis

Security: (i) Pledge of expected earnings from Linyi Liuqing River No. 2 sewage treatment plant expansion and supporting pipeline network PPP project, pursuant to the Linyi Pledge Agreement dated 30 November 2020. Based on the book value of the assets is estimated to be RMB66,041,000 (equivalent to approximately HK\$77,842,000); and  
(ii) guarantee will be given by BEWG (China) Investment with respect to the payment obligations of Linyi Bei Kong under Linyi Loan Agreement, pursuant to a Linyi Guarantee Agreement to be executed by BEWG (China) Investment in favour Linyi sub-branch of ABC

Purpose: for financing Linyi Liuqing River No. 2 sewage treatment plant expansion and supporting pipeline network PPP project

## **PREVIOUS LOAN AGREEMENTS**

Prior to the entering into of the Linyi Loan Agreement, Chifeng Bei Kong and Yutai Bei Kong as borrowers, have entered into the Previous Loan Agreements with ABC, Chifeng sub-branch and Yutai sub-branch, respectively for four secured loans in an aggregate original principal amount of RMB128,730,000 (equivalent to approximately HK\$151,733,000).

On 22 June 2020, Chifeng Bei Kong, a non-wholly owned subsidiary of the Company and ABC, Chifeng sub-branch, entered into the First Previous Loan Agreement for the principal amount of RMB19.5 million (equivalent to approximately HK\$23.0 million) at the interest rate of the 5-year loan prime rate published by the National Interbank Funding Centre on the date preceding the drawdown date plus 0.25%.

On 1 July 2020, Yutai Bei Kong, a wholly-owned subsidiary of the Company and ABC, Yutai sub-branch, entered into the Second Previous Loan Agreement for the principal amount of RMB84 million (equivalent to approximately HK\$99.0 million) at the interest rate of the 5-year loan prime rate published by the National Interbank Funding Centre on the date preceding the drawdown date minus 0.27%.

On 1 September 2020, Chifeng Bei Kong, a non-wholly owned subsidiary of the Company and ABC, Chifeng sub-branch, entered into the Third Previous Loan Agreement for the principal amount of RMB19.36 million (equivalent to approximately HK\$22.82 million) at the interest rate of the 5-year loan prime rate published by the National Interbank Funding Centre on the date preceding the drawdown date plus 0.25%.

On 28 October 2020, Chifeng Bei Kong, a non-wholly owned subsidiary of the Company and ABC, Chifeng sub-branch, entered into the Fourth Previous Loan Agreement for the principal amount of RMB5.87 million (equivalent to approximately HK\$6.92 million) at the interest rate of the 5-year loan prime rate published by the National Interbank Funding Centre on the date preceding the drawdown date plus 0.25%.

## **PREVIOUS PLEDGE AGREEMENT**

On 1 July 2020, pursuant to the Previous Pledge Agreement, Yutai Bei Kong agreed to pledge the right to charge the sewage treatment fees for the phase 1 of the sewage treatment and supporting works in Xicheng District, Yutai province, the PRC to ABC, Yutai sub-branch. Based on the project cash flow evaluated by ABC, Yutai sub-branch, the value of the pledge assets is estimated to be RMB227,448,000 (equivalent to approximately HK\$268,091,000).

## **REASONS FOR AND THE BENEFITS OF ENTERING INTO LINYI LOAN AGREEMENT**

The Group will use the proceeds from financing for the construction expenditure of the Linyi Liuqing River No. 2 sewage treatment plant expansion and supporting pipeline network PPP project. This financing will optimize the asset-liability structure of the project and improve the return level of the project's own capital.

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

The Directors (including the independent non-executive Directors), having considered the terms and conditions of the Linyi Loan Agreement and the Linyi Pledge Agreement, are of the view that its terms and conditions are on normal commercial terms and in the ordinary and usual course of business, 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 Linyi Loan Agreement and the Linyi Pledge Agreement and therefore none of them is required to abstain from voting on the Board resolution for considering and approving the Linyi Loan Agreement and the Linyi Pledge Agreement.

## **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.

Linyi Bei Kong is a company incorporated in the PRC with limited liability and is held as to 99% by Beijing Enterprises Water Qingdao Environmental Investment Company Limited, 0.99% by BEWG (China) Investment and 0.01% by Linyi Municipal Group Co., Ltd.\* (臨沂市政集團有限公司). To the best knowledge of the Director, and having made all reasonable enquiries, the ultimate beneficial owners of Linyi Municipal Group Co., Ltd. is Mr. Pang Yu Kun (龐玉坤), a third party independent of the Company and its connected persons and does not have any business relationship or arrangement with the Company and its connected persons other than those by virtue of his interest in Linyi Bei Kong. Both Beijing Enterprises Water Qingdao Environmental Investment Company Limited and BEWG (China) Investment are wholly-owned subsidiaries of the Company. The principal activities of Linyi Bei Kong are sewage purification treatment and recycling.

### **INFORMATION OF ABC**

ABC is 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: 601288) and the Stock Exchange (Stock Code: 1288), respectively. The principal activities of ABC and its subsidiaries include RMB and foreign currency deposits, loans, clearing and settlement services, assets custodian services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators. The ultimate beneficial owner of ABC is the State Council of the PRC\* (中國國務院).

### **IMPLICATIONS UNDER THE LISTING RULES**

ABC Financial is a connected person of the Company under the Listing Rules by virtue of being the substantial shareholders of various subsidiaries of the Company. As ABC beneficially owns 100% equity interest in ABC Financial, ABC is an associate of ABC Financial, therefore, the entering into the Linyi Loan Agreement and the Linyi Pledge Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Linyi Loan Agreement and the Linyi Pledge Agreement together with the Previous Loan Agreements and the Previous Pledge Agreement were made with ABC, Linyi sub-branch and its other two sub-branches within a 12-month period prior to the date of the Linyi Loan Agreement and the Linyi Pledge Agreement, the Linyi Loan Agreement and the Linyi Pledge Agreement will be aggregated with the Previous Loan Agreements and Previous Pledge Agreement 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 in respect of the Linyi Loan Agreement and Linyi Pledge Agreement in aggregate with the Previous Loan Agreement and Previous Pledge Agreement exceed 1% but less than 5%, the entering into the Linyi Loan Agreement constitutes a connected transaction of the Company subject to the reporting and announcement requirements but exempt from the circular 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:

<b>“ABC”</b>	Agricultural Bank of China Limited (中國農業銀行股份有限公司), 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: 601288) and the Stock Exchange (Stock Code: 1288), respectively;
<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 limited liability company incorporated under the laws of the PRC and is a wholly-owned subsidiary of the Company;
<b>“Board”</b>	the board of directors of the Company;
<b>“Chifeng Bei Kong”</b>	Chifeng Bei Kong Sanzuodian Water Supply Co., Ltd.* (赤峰北控三座店供水有限公司), a company incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of the Company;
<b>“Chifeng sub-branch”</b>	Chifeng Songshan sub-branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司赤峰松山支行);
<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>“Directors”</b>	the directors of the Company;
<b>“First Previous Loan Agreement”</b>	the loan agreement dated 22 June 2020 entered into between Chifeng Bei Kong and ABC, Chifeng sub-branch, pursuant to which ABC, Chifeng sub-branch agreed to provide a loan to Chifeng Bei Kong in the principal amount of RMB19.5 million (equivalent to approximately HK\$23.0 million);
<b>“Fourth Previous Loan Agreement”</b>	the loan agreement dated 28 October 2020 entered into between Chifeng Bei Kong and ABC, Chifeng sub-branch, pursuant to which ABC, Chifeng sub-branch agreed to provide a loan to Chifeng Bei Kong in the principal amount of RMB5.87 million (equivalent to approximately HK\$6.92 million);
<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>“Linyi Bei Kong”</b>	Linyi Bei Kong Beicheng Water Co., Ltd.* (臨沂北控北城水務有限公司), a company incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of the Company;
<b>“Linyi Guarantee Agreement”</b>	the guarantee agreement to be entered into between BEWG (China) Investment and ABC, Linyi sub-branch;
<b>“Linyi Loan Agreement”</b>	the loan agreement dated 30 November 2020 entered into between Linyi Bei Kong and ABC, Linyi sub-branch;
<b>“Linyi Pledge Agreement”</b>	the equity pledge agreement dated 30 November 2020 entered into between Linyi Bei Kong and ABC, Linyi sub-branch;



<b>“Linyi sub-branch”</b>	Linyi Lanshan sub-branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司臨沂蘭山支行);
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>“Loan Facility”</b>	a loan facility in a principal amount of RMB150 million (equivalent to approximately HK\$176.8 million) granted by ABC, Linyi sub-branch to Linyi Bei Kong pursuant to the Linyi Loan 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>“Previous Loan Agreements”</b>	the First Previous Loan Agreement, the Second Previous Loan Agreement, the Third Previous Loan Agreement and the Fourth Previous Loan Agreement;
<b>“Previous Pledge Agreement”</b>	the equity pledge agreement dated 1 July 2020 entered into between Yutai Bei Kong and ABC, Yutai sub-branch;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“Second Previous Loan Agreement”</b>	the loan agreement dated 1 July 2020 entered into between Yutai Bei Kong and ABC, Yutai sub-branch, pursuant to which ABC, Yutai sub-branch agreed to provide a loan to Yutai Bei Kong in the principal amount of RMB84 million (equivalent to approximately HK\$99.0 million);
<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>“Third Previous Loan Agreement”</b>	the loan agreement dated 1 September 2020 entered into between Chifeng Bei Kong and ABC, Chifeng sub-branch, pursuant to which ABC, Chifeng sub-branch agreed to provide a loan to Chifeng Bei Kong in the principal amount of RMB19.36 million (equivalent to approximately HK\$22.82 million);

<b>“Yutai Bei Kong”</b>	Yutai Bei Kong Sewage Treatment Co., Ltd.* (魚台北控污水處理有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company;
<b>“Yutai sub-branch”</b>	Chifeng sub-branch of Agricultural Bank of China Limited (中國農業銀行股份有限公司魚台縣支行);
<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:RMB0.8484. 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, 30 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 Haiheng, Mr. Zhang Tiejun, 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*