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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

DISPOSAL OF EQUITY INTEREST IN TARGET COMPANY IN SHISHOU CITY OF HUBEI PROVINCE

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 15 November 2021, CTGBE (a non-wholly owned subsidiary of the Company) as vendor entered into the Equity Transfer Agreement with YEE as purchaser, pursuant to which CTGBE has conditionally agreed to transfer and YEE has conditionally agreed to acquire the committed capital contribution to the Target Company in the amount of RMB1,000,000, representing 1% equity interest in the Target Company, at nil consideration.

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. 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 the transactions contemplated thereunder constitute connected transaction of the Company under the Listing Rules.

References are made to the Previous Announcements 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 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 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 15 November 2021, CTGBE (a non-wholly owned subsidiary of the Company) as vendor entered into the Equity Transfer Agreement with YEE as purchaser, pursuant to which CTGBE has conditionally agreed to transfer and YEE has conditionally agreed to acquire the committed capital contribution to the Target Company in the amount of RMB1,000,000, representing 1% equity interest in the Target Company, at nil consideration.

EQUITY TRANSFER AGREEMENT

Date

15 November 2021

Parties

- (1) Purchaser : YEE 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).

- (2) Vendor : CTGBE is held as to 51% by BEWG (China) Investment and 49% by YEE. CTGBE is a non-wholly owned subsidiary of the Company. BEWG (China) Investment is a wholly-owned subsidiary of the Company.

Assets to be disposed

Subject to the terms of the Equity Transfer Agreement, CTGBE has conditionally agreed to transfer and YEE has conditionally agreed to acquire the committed capital contribution to the Target Company in the amount of RMB1,000,000, representing 1% equity interest in the Target Company, at nil consideration.

The following table summarises the shareholding structure of Target Company before and after the completion of the Disposal:

| Name of Equityholders of Target Company | Before the Completion of Disposal | | After the Completion of Disposal | |
|---|------------------------------------|-------------------------|------------------------------------|-------------------------|
| | Amount of Registered Capital (RMB) | Shareholding Percentage | Amount of Registered Capital (RMB) | Shareholding Percentage |
| YEE | 77,000,000 | 77% | 78,000,000 | 78% |
| Shishou City Boya Urban Construction Investment Co. Ltd.* (石首市博雅城市建設投資有限公司) | 10,000,000 | 10% | 10,000,000 | 10% |
| CCCC Second Harbour Engineering Company Limited* (中交第二航務工程局有限公司) | 10,000,000 | 10% | 10,000,000 | 10% |
| CTGBE | 1,000,000 | 1% | 0 | 0% |
| Changjiang Survey, Planning, Design and Research Co., Ltd.* (長江勘測規劃設計研究有限責任公司) | 1,000,000 | 1% | 1,000,000 | 1% |
| China Water and Electric Development Co., Ltd.* (中國華水水電開發有限公司) | 1,000,000 | 1% | 1,000,000 | 1% |
| Total: | 100,000,000 | 100% | 100,000,000 | 100% |

Consideration

The consideration under the Equity Transfer Agreement payable by YEE is nil. Pursuant to the Equity Transfer Agreement, the parties shall bear taxes relating to the Disposal according to the laws.

Basis of consideration

The consideration under the Equity Transfer Agreement was determined after arm's length negotiations between YEE and CTGBE with reference to the facts that (i) CTGBE has not made any actual capital contribution to the Target Company and (ii) the Target Company was newly established and has not commenced operation.

Completion of equity transfer under Equity Transfer Agreement

Completion of the transaction shall take place upon the completion of change of shareholdings of the Target Company within three months after signing of the Equity Transfer Agreement.

Parties to Equity Transfer Agreement may agree to modify, vary, amend and supplement to the respective agreement when and where necessary.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of the PRC on 8 February 2021 and is owned as to 77% by YEE, 10% by Shishou City Boya Urban Construction Investment Co. Ltd.* (石首市博雅城市建設投資有限公司), 10% by CCCC Second Harbour Engineering Company Limited* (中交第二航務工程局有限公司), 1% by CTGBE, 1% by Changjiang Survey, Planning, Design and Research Co., Ltd.* (長江勘測規劃設計研究有限責任公司) and 1% by China Water and Electric Development Co., Ltd.* (中國華水水電開發有限公司) respectively. The Target Company is setting up for the purpose of investment, financing, construction, operation, management, maintenance and transfer of water environment comprehensive renovation (Phase I Engineering) PPP Project in the center district of Shishou City of Hubei Province, the PRC.

Financial information of the Target Company

Set out below is a summary of certain unaudited financial information of the Target Company for the period ended 31 August 2021 prepared in accordance with the generally accepted accounting principles of the PRC:

For the period from 8 February 2021
(date of incorporation) to
31 August 2021

| | |
|--|-----|
| Net profit (before taxation and extraordinary items) | Nil |
|--|-----|

| | |
|---|-----|
| Net profit (after taxation and extraordinary items) | Nil |
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The unaudited net asset value of Target Company (based on unaudited financial statements) of the Target Company was approximately RMB289,014,000 (equivalent to approximately HK\$351,475,000) as at 31 August 2021.

The original acquisition cost of 1% equity interest in the Target Company by CTGBE is nil.

FINANCIAL EFFECTS OF THE DISPOSAL

As CTGBE has not made any actual capital contribution to the Target Company, the investment cost of CTGBE is nil as at the date of Equity Transfer Agreement. Given that the consideration under the Equity Transfer Agreement payable by YEE is nil, the Group will not record any gain or loss in its consolidated income statement upon completion of the Disposal.

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, Australia and New Zealand; 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.

CTGBE is a company incorporated in the PRC with limited liability and is held as to 51% by BEWG (China) Investment and 49% by YEE. CTGBE is a non-wholly owned subsidiary of the Company. The principal activities of CTGBE are sewage treatment and recycling; consultancy, design, construction and operation related to comprehensive renovation projects; operation of pollution renovation projects; operation of sludge treatment projects; operation and management of environmental protection facilities; construction of environmental protection facilities and pollution renovation project, operation management and maintenance management of urban comprehensive pipe gallery.

BEWG (China) Investment is a company incorporated in the PRC with limited liability and is wholly-owned by the Company. The principal activities of BEWG (China) Investment is investment holding.

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 savings, and clean energy, and operating state-owned assets companies in accordance with the law.

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

Being the largest water company in China, the Group fully exerts its professional capability, actively participates in the Yangtze River protection. On the basis of comprehensive consideration, the Group decided to sell the equity interest of the Target Company. The Disposal is conducive to optimizing the Group's resource integration, improving resource utilization efficiency, and coordinating the water environment treatment of the Yangtze River basin with the CTG. The Disposal complies with the relevant provisions of the joint venture terms. The Disposal will not affect other Yangtze River protection projects participated by the Group.

Mr. Zhao Feng, a non-executive Director, is the chairman of YEE and has abstained from voting on the relevant board resolutions of the Company approving the Equity Transfer Agreement. Save as above, none of the Directors has material interest in the Equity Transfer Agreement, no Director has abstained from voting on the relevant board resolutions of the Company.

The terms of the Equity Transfer Agreement was determined after arm's length negotiation between the parties. Other than Mr. Zhao Feng who has abstained from voting on the relevant board resolutions approving the Equity Transfer Agreement as referred to above, the Directors (including the independent non-executive Directors), having considered the terms and conditions of the Equity Transfer Agreement, are of the view that its terms and conditions are on normal commercial terms and in the ordinary and usual course of business of the Group, which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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. 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 the transactions contemplated thereunder constitute connected transaction of the Company under the Listing Rules.

References are made to the Previous Announcements 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 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 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:

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| “Aggregate Transactions” | The entering into Equity Transfer Agreement together with the connected transactions as stipulated in the Previous Announcements; |
| “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 company incorporated in 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 company incorporated in the PRC and is a substantial shareholder of the Company as at the date of this announcement; |

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| “CTGBE” | Changsha Three Gorges Beijing Enterprises Water Group Co., Ltd.* (長沙三峽北控水務有限公司), a company incorporated in the PRC with limited liability and is a non-wholly owned subsidiary of the Company; |
| “Directors” | the directors of the Company; |
| “Disposal” | the disposal of the 1% equity interest in the Target Company on the terms and subject to the conditions of the Equity Transfer Agreement; |
| “Equity Transfer Agreement” | the equity transfer agreement dated 15 November 2021 entered into between CTGBE and YEE in respect of the acquisition and transfer of 1% equity interest of the Target Company (as supplemented and amended from time to time); |
| “Fifth Previous Announcement” | the announcement of the Company dated 8 February 2021 in relation to, among others, the formation of the Target Company in Shishou city of Hubei province, the PRC; |
| “First Previous Announcement” | the announcement of the Company dated 17 November 2020 in relation to, among others, the formation of the Target Company in Linxiang city of Hunan province, the PRC;; |
| “Fourth Previous Announcement” | the announcement of the Company dated 25 January 2021 in relation to, among others, the formation of a joint venture in Yueyang city of Hunan province, the PRC the announcement of the Company dated 8 January 2021 in relation to, among others, the formation of a joint venture in the center district of Yuanjiang city of Hunan province, 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; |

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|---------------------------------------|---|
| “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 Announcement” | 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 23 November 2020 in relation to, among others, the acquisition of Wuhan Zhengye Dongfang Construction Investment Co., Ltd.* (武漢正業東方建設投資有限責任公司) with YEE from Beijing Orient Landscape Environmental Co., Ltd.* (北京東方園林環境股份有限公司) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules; |
| “Target Company” | Shishou City Three Gorges Phase I Water Environment Comprehensive Renovation Co., Ltd.* (石首市三峽一期水環境綜合治理有限責任公司) ; |
| “Third Previous Announcement” | the announcement of the Company dated 8 January 2021 in relation to, among others, the formation of a joint venture in the center district of Yuanjiang city of Hunan province, the PRC t; |
| “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:RMB0.82229. 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, 15 November 2021

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, one non-executive director, namely, Mr. Zhao Feng and five independent non-executive directors, namely, Mr. Shea Chun Lok Quadrant, Mr. Zhang Gaobo, Mr. Guo Rui, Mr. Wang Kaijun and Mr. Chau On Ta Yuen.

** For identification purpose only*