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Beijing Enterprises Urban Resources Group Limited

北控城市資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3718)

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

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On 13 May 2022, Hubei Pingfu (an indirect wholly-owned subsidiary of the Company) and Kunming Wuhua entered into the Procurement Agreement, pursuant to which Kunming Wuhua agreed to procure electric trike vehicles and consumables in relation to environmental hygiene services from Hubei Pingfu, for the Term.

On 13 May 2022, BE Environmental (an indirect wholly-owned subsidiary of the Company) and Kunming Wuhua entered into the Vehicle and Equipment Leasing Framework Agreement, pursuant to which Kunming Wuhua agreed to lease vehicles and equipment to BE Environmental and its subsidiaries, for the Term.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BEWG is interested in 1,589,856,000 Shares, representing approximately 44.16% of the total issued share capital of the Company. Accordingly, BEWG is a controlling shareholder of the Company and hence is a connected person of the Company under the Listing Rules.

As at the date of this announcement, Kunming Wuhua is indirectly owned as to 70% by BEWG and therefore Kunming Wuhua is an associate of BEWG, a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under each of the Procurement Agreement and the Vehicle and Equipment Leasing Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined under the Listing Rules) for the annual caps under the Procurement Agreement and the Vehicle and Equipment Leasing Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Procurement Agreement and the Vehicle and Equipment Leasing Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempted from circular and the independent Shareholders' approval requirements under the Listing Rules.

1. THE PROCUREMENT AGREEMENT

Date	13 May 2022
Parties	(1) Hubei Pingfu (2) Kunming Wuhua
Term	From 13 May 2022 to 31 December 2024
Subject matter	The procurement of electric trike vehicles and consumables in relation to environmental hygiene services including lubricating oil, electric trike vehicles, plastic trash cans, labor protection supplies and tires, by Kunming Wuhua from Hubei Pingfu.
Pricing	The prices under the Procurement Agreement were negotiated on an arm's length basis with reference to (i) the historical unit price of electric trike vehicles and consumables; and (ii) the unit price of electric trike vehicles and consumables provided by other independent third party service providers.

Payment terms	Kunming Wuhua shall, within 15 days from the issue of invoice, pay 95% of the price under the Procurement Agreement to Hubei Pingfu, and pay 5% of the remaining price to Hubei Pingfu within 15 days after the first anniversary of the receipt of the electric trike vehicles and consumables. The payment terms are on normal commercial terms that are no less favourable to the Company than those available to/from independent third parties.
Historical transaction amounts	The historical transaction amounts paid by Kunming Wuhua to Hubei Pingfu for the years ended 31 December 2019, 2020 and 2021 were approximately RMB0.75 million, RMB1.63 million and RMB2.24 million (equivalent to approximately HK\$0.86 million, HK\$1.83 million and HK\$2.70 million). For the four months ended 30 April 2022, there were no transaction recorded between Kunming Wuhua and Hubei Pingfu in relation to the procurement of electric trike vehicles and consumables.
Estimated annual caps	The Directors estimate that the annual caps for the transactions under the Procurement Agreement will be RMB8.2 million, RMB6.1 million and RMB6.1 million for each of the years ending 31 December 2022, 2023 and 2024, respectively.
Basis for determination of annual caps	In determining the annual caps, the Directors have taken into consideration to (i) the historical transaction amounts as set out above; (ii) the projected procurement amount to be purchased by Kunming Wuhua for the three years ending 31 December 2024; and (iii) the unit price of electric trike vehicles and consumables provided by other independent third party service providers.

2. THE VEHICLE AND EQUIPMENT LEASING FRAMEWORK AGREEMENT

Date	13 May 2022
Parties	(1) BE Environmental (2) Kunming Wuhua
Term	From 13 May 2022 to 31 December 2024
Subject matter	The leasing of vehicles and equipment by Kunming Wuhua to BE Environmental and its subsidiaries.
Pricing	The fees under the Vehicle and Equipment Leasing Framework Agreement was negotiated on an arm's length basis with reference to (i) the historical leasing fees of the vehicle and equipment charged by Kunming Wuhua and (ii) the prevailing market lease prices of the same or substantially similar vehicles and equipment offered by independent third parties.
Payment terms	The fees incurred under the Vehicle and Equipment Leasing Framework Agreement shall be fully paid by BE Environmental to Kunming Wuhua within 7 working days from the issue of invoice. The fees will be computed based on the leasing fee per vehicle and equipment times the number of the vehicles and equipment times the actual usage in days. The payment terms are on normal commercial terms that are no less favourable to the Company than those available to/from independent third parties. The Group will satisfy the above payment by its internal resources.
Historical transaction amounts	The historical transaction amounts paid by BE Environmental to Kunming Wuhua for the years ended 31 December 2019, 2020, 2021 and the four months ended 30 April 2022 were approximately nil, nil, RMB1.31 million and RMB0.88 million (equivalent to approximately nil, nil, HK\$1.58 million and HK\$1.06 million), respectively.

Estimated annual caps The Directors estimate that the annual caps for the transactions under the Vehicle and Equipment Leasing Framework Agreement will be RMB4.00 million, RMB3.10 million and RMB3.10 million for each of the years ending 31 December 2022, 2023 and 2024, respectively.

Basis for determination of annual caps In determining the annual caps, the Directors have taken into consideration to (i) the historical transaction amounts as set out above; (ii) the projected usage of the vehicles and equipment by BE Environmental and its subsidiaries for the three years ending 31 December 2024; and (iii) the leasing fee per vehicle with reference to other environmental hygiene services projects of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Procurement Agreement

The Group is principally engaged in the provision of environmental hygiene services, hazardous waste treatment services and waste electrical and electronic equipment treatment services and therefore could obtain competitive price on purchasing electric trike vehicles and consumables in relation to environmental hygiene services. The Directors are of the view that the entering into of the Procurement Agreement is commercially beneficial to the Group.

The Vehicle and Equipment Leasing Framework Agreement

The vehicles under the Vehicle and Equipment Leasing Framework Agreement are non-electric vehicles which do not fit the business needs of Kunming Wuhua and therefore become idle. The Directors are of the view that the entering into of the Vehicle and Equipment Leasing Framework Agreement is beneficial to the Group as the price charged by Kunming Wuhua is more competitive compared with the prices quoted by other independent third parties.

In light of the above reasons, the Directors (including the independent non-executive Directors) were of the view that the Procurement Agreement and the Vehicle and Equipment Leasing Framework Agreement are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transactions under the Procurement Agreement and the Vehicle and Equipment Leasing Framework Agreement or is required to abstain from voting for the Board resolutions to approve the same.

INTERNAL CONTROL POLICY FOR CONTINUING CONNECTED TRANSACTIONS

In order to ensure that the continuing connected transactions of the Group are being conducted in a fair and reasonable manner, and are in line with the prevailing market rates, the Group adopts the following internal control methods and procedures:

- (a) The relevant management personnel of the Company will conduct regular checks on a quarterly basis to review and assess whether the transactions contemplated under the relevant continuing connected transaction are being conducted in accordance with the terms of the relevant agreement and they will also regularly, on a quarterly basis, update the market price for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the pricing policy of the Group. To determine the prevailing market rate, the Group will obtain quotations from independent suppliers of similar services to set the reference market price. If there is no quotations or information to determine the prevailing market rate, the Group will determine the prevailing market rate by reference to the average price of similar services previously purchased/provided by the Group, and on normal commercial terms which are no less favourable than that are available from independent third parties.
- (b) The Company will conduct regular quarterly review to ensure the continuing connected transactions are within the annual caps.
- (c) The Company will conduct periodic half-yearly reviews of the continuing connected transactions of the Company, to consider the (i) effective implementation of the pricing policies and the payment methods, evaluation of balances of annual caps; and (ii) management weaknesses, and recommendation of improvement measures to ensure that the internal control measures in respect of the continuing connected transactions remain complete and effective and where any weaknesses are identified, the Company will take measures to address them as soon as practicable.

- (d) The independent non-executive Directors of the Company will review the transactions contemplated under the continuing connected transactions of the Company pursuant to Listing Rule 14A.55, and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the Group; on normal commercial terms or better; and according to the agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent auditor of the Group will also conduct an annual review on the pricing terms and annual caps of the continuing connected transactions.

INFORMATION OF THE PARTIES TO THE AGREEMENTS

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of environmental hygiene services, hazardous waste treatment services and waste electrical and electronic equipment treatment services.

BEWG is an investment holding company. BEWG and its subsidiaries are 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, 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 licensing of technical know-how related to sewage treatment in the PRC.

Kunming Wuhua is a limited liability company established in the PRC. It is indirectly owned as to 70% by BEWG and is principally engaged in cleaning, collection and transportation of urban household waste in the PRC.

Hubei Pingfu is a limited liability company established in the PRC. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in procurement of vehicles and consumables in relation to environmental hygiene services.

BE Environmental is a limited liability company established in the PRC. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding and the provision of business management service in the PRC.

LISTING RULES IMPLICATIONS

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DEFINITION

In this announcement, the following expressions will have the meanings set out below unless the context requires otherwise:

“BE Environmental”	Beijing Enterprises Urban Environmental Services Group Limited* 北控城市環境服務集團有限公司, an indirect wholly-owned subsidiary of the Company established in the PRC
“BEWG”	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)
“Board”	the board of Directors

“Company”	Beijing Enterprises Urban Resources Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 3718)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Pingfu”	Hubei Pingfu Environmental Technology Limited* 湖北平福環境科技有限公司, an indirect wholly-owned subsidiary of the Company established in the PRC
“Kunming Wuhua”	Kunming Wuhua Beijing Enterprises Environmental Industry Development Company Limited* 昆明五華北控環境產業發展有限公司, a 70% owned indirect non-wholly subsidiary of BEWG established in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Procurement Agreement”	a procurement agreement dated 13 May 2022 entered into between Hubei Pingfu and Kunming Wuhua in relation to the procurement of electric trike vehicles and consumables in relation to environmental hygiene services including lubricating oil, electric trike vehicles, plastic trash cans, labor protection supplies and tires, by Kunming Wuhua from Hubei Pingfu during the Term
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	shareholders of the Company
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	from 13 May 2022 to 31 December 2024
“Vehicle and Equipment Leasing Framework Agreement”	A vehicle and equipment leasing framework agreement dated 13 May 2022 entered into between BE Environmental and Kunming Wuhua in relation to the leasing of vehicles and equipment by Kunming Wuhua to BE Environmental and its subsidiaries during the Term
“%”	per cent.

By Order of the Board
Beijing Enterprises Urban Resources Group Limited
Zhao Kexi
Executive Director and Chief Executive Officer

Hong Kong, 13 May 2022

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Kexi (Chief Executive Officer) and Mr. Zhou Chen; the non-executive directors of the Company are Mr. Zhou Min (Chairman), Mr. Li Haifeng and Mr. Li Li and the independent non-executive directors of the Company are Mr. Orr Ka Yeung, Kevin, Mr. Wu Tak Kong and Dr. Du Huanzheng.

* *For identification purpose only*