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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)

ADOPTION OF SHARE AWARD SCHEME

The Board is pleased to announce that the Company has adopted the Scheme on the Adoption Date.

Pursuant to the Scheme Rules, existing Shares will be acquired by the independent Trustee through on-market transactions at the cost of the Company and be held in trust for the Selected Participants until each Vesting Date.

The maximum aggregate number of Shares which can be held by the Trustee under the Scheme at any single point in time shall not exceed two per cent (2%) of the total issued share capital of the Company from time to time. The maximum number of existing Shares which may be awarded to a Selected Participant under the Scheme in any 12-month period shall not exceed one per cent (1%) of the total issued share capital of the Company from time to time. If the Selected Participant is a director of the Company, the maximum number of existing Shares which may be awarded to him/her under the Scheme in any 12-month period shall not exceed one tenth of one per cent (0.1%) of the total issued share capital of the Company from time to time.

The Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

The Board is pleased to announce that the Company has adopted the Scheme on the Adoption Date. A summary of the principal terms of the Scheme is set out below.

Purposes and Objectives

Its purposes and objectives are to recognise the contributions by certain employees, directors and consultants of the Group and encourage them for the continual operation and development of the Group, and attract excellent talent for further development of the Group.

Administration

The Scheme shall be subject to the administration of the Board, the Remuneration Committee and the Trustee in accordance with the Scheme Rules and, where applicable, the Trust Deed.

Duration

Until and unless any extension or early termination pursuant to the Scheme Rules, the Scheme shall be valid and effective for a term of five years commencing on the Adoption Date and ending on the expiry of the Trust Period which may be extended by the Board at its absolute discretion.

Maximum Limit

The maximum aggregate number of Shares which can be held by the Trustee under the Scheme at any single point in time shall not exceed two per cent (2%) of the total issued share capital of the Company from time to time.

The maximum number of existing Shares which may be awarded to a Selected Participant under the Scheme in any 12-month period shall not exceed one per cent (1%) of the total issued share capital of the Company from time to time.

If the Selected Participant is a director of the Company, the maximum number of existing Shares which may be awarded to him/her under the Scheme in any 12-month period shall not exceed one tenth of one per cent (0.1%) of the total issued share capital of the Company from time to time.

Operation

Pursuant to the Scheme Rules, the Board or person(s) to which the Board has delegated its authority may from time to time select any Selected Participant(s) and determine the number of Shares to be awarded to the Selected Participant(s) and/or the sum for the purchase of the existing awarded Shares and/or allocation of awarded Shares. The Remuneration Committee shall review and consider the selection of Selected Participant(s) and the number of Shares to be awarded to the Selected Participant(s) and/or the sum determined for the purchase and/or allocation of awarded Shares by the Board or person(s) to which the Board has delegated its authority, and make recommendations (if any) to the Board. Any Remuneration Committee member who is a proposed recipient of the grant of an award shall abstain from the recommendation process. The Board shall take into account any recommendations provided by the Remuneration Committee.

The Company shall cause to pay the Trustee the sum for the purchase of the existing awarded Shares and the related expenses. The Trustee shall purchase the existing Shares from the market and shall hold such Shares until they are vested in accordance with the Scheme Rules.

When the Selected Participant has satisfied all vesting conditions specified by the Board and/or the Remuneration Committee and become entitled to the Shares forming the subject of the award, the Trustee shall transfer the relevant vested awarded Shares to that Selected Participant.

The grant of an award to any director or connected person of the Company shall be subject to the prior approval of the independent non-executive directors of the Company. Any independent non-executive director of the Company who is a proposed recipient of the grant of an award shall abstain from the approval process.

Any grant of an award to connected persons of the Company will constitute a connected transaction of the Company upon granting of such an award, and shall therefore be subject to compliance with Chapter 14A of the Listing Rules (unless an exemption applies).

Restrictions

No award shall be made to Selected Participants and no instructions shall be given to the Trustee with respect to a grant of an award under the Scheme:

- (a) where any director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations from time to time;
- (b) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results;
- (c) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results;
- (d) in any circumstances where the requisite approval from any applicable regulatory authorities has not been granted;
- (e) in any circumstances that any Group Company will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of the award or the Scheme, unless the Board determines otherwise;
- (f) where the award would result in a breach by any Group Company or its directors of any applicable securities laws, rules or regulations in any jurisdiction; or
- (g) where the grant of award would result in a breach of the Scheme limit.

Vesting and Lapse

Awarded Shares are subject to a vesting scale in tranches of 80% on the first and the remaining 20% on the second anniversary date of the Reference Date. Vesting of the existing Shares will be conditional on (i) the Selected Participant remaining as an Eligible Person until and on each of the relevant Vesting Dates and his/ her execution of the relevant documents to effect the transfer from the Trustee and/or (ii) such other terms or conditions the Board or the Remuneration Committee considers fit.

An award shall automatically lapse if:

- (a) a Selected Participant ceases to be employed by the Group Company by reason of resignation or termination of the Selected Participant's employment contract, or ceases to provide services to the Group;
- (b) the Subsidiary or the Associated Company by which a Selected Participant is employed ceases to be a subsidiary or associated company of the Company (as the case may be); or

- (c) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company),

save that in the case when a Selected Participant dies, or a Selected Participant retires at his/her normal retirement date or earlier or later by agreement prior to a Vesting Date, all the awarded Shares shall be deemed to be vested on the day immediately prior to his/her death or retirement. In case there is no claim of the vested interests by the personal representative of the deceased Selected Participant within two years of the death of the Selected Participant (or such longer period as the Trustee and the Board shall agree from time to time) or the Trust Period (whichever is shorter), such vested interests shall be forfeited and cease to be transferable and shall be held as Returned Shares for the purposes of the Scheme.

If there occurs an event of change in Control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, the Board shall at its absolute discretion determine whether the Vesting Date of any awards will be accelerated, and if so, the accelerated Vesting Date.

The Trustee shall hold the Returned Shares for the benefit of all or one or more of the Eligible Persons and/or Selected Participants, as the Trustee in its absolute discretion shall at any time determine, after having taken into consideration recommendations of the Board.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any existing Shares held under the Trust.

The Board is of the view that not exercising the voting rights by the Trustee might help avoid potential misperception of the Company's influence over the Trustee's decision in casting the votes in respect of the Shares held under the Trust at general meetings.

Termination

The Scheme shall terminate on the earlier of the expiry of the Trust Period and such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of the Selected Participants.

Upon termination, all awarded Shares shall become vested on the Selected Participants to which they are referable on the date of termination subject to the receipt by the Trustee of the transfer documents duly executed by the Selected Participants within the stipulated period. Net sale proceeds (after making appropriate deductions) of the Returned Shares and such non-cash income together with the residual cash and such other funds remaining in the Trust shall be remitted to the Company after the sale.

Definitions

"Adoption Date"	17 December 2018, being the date on which the Board adopted the Scheme
"Associated Company"	<ul style="list-style-type: none">(i) any company in which a Group Company owns or controls directly or indirectly 20% or more of its voting rights;(ii) any company which is a controlling shareholder of the Company that owns or controls directly or indirectly 30% or more of its voting rights; and(iii) any company in which a controlling shareholder of the Company owns or controls directly or indirectly 20% or more of its voting rights
"Board"	the board of directors of the Company from time to time
"Company"	Beijing Enterprises Water Group Limited (Stock Code: 371), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Control"	has the meaning given to it in the Codes on Takeovers and Mergers and Share Buy-backs from time to time
"Eligible Person(s)"	any individual being an employee, director (including any executive, non-executive and independent non-executive director) or consultant of a Group Company
"Group"	the Company, its Subsidiaries and its Associated Companies
"Group Company"	any of the companies in the Group
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended and supplemented from time to time
"Reference Date"	the date of final approval by the Board of the number of awarded Shares and/or the total amount of awarded sums for the purchase and/or allocation of Shares to be awarded to the Selected Participant(s) in a single occasion pursuant to the Scheme or the date of an award by the Trustee pursuant to the Trust Deed or such earlier or later date as may be determined by the Board in respect of any award (as the case may be)

"Remuneration Committee"	the remuneration committee of the Company
"Returned Shares"	such awarded Shares which have failed to vest in accordance with the terms of the Scheme, or were forfeited in accordance with the terms of the Scheme, or such Shares which are deemed to be Returned Shares
"Scheme"	the "Share Award Scheme" constituted by the Scheme Rules, in its present form or as restated, supplemented or amended from time to time in accordance with the provisions of them
"Scheme Rules"	the rules relating to the Scheme adopted by the Company
"Selected Participant(s)"	any Eligible Person(s) selected by the Board or person(s) to which the Board has delegated its authority
"Shares"	ordinary shares in the capital of the Company
"Subsidiary"	a company which is for the time being and from time to time a subsidiary (within the meaning given under Part 1 Division 4 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere
"Trust"	the trust declared by the Trust Deed
"Trust Deed"	the trust deed dated 17 December 2018 entered into between the Company and the Trustee (as further restated, supplemented and amended from time to time)
"Trust Period"	such period as commences on the date of the Trust Deed and ends on the earliest to occur of the following dates:- (A) the date as notified by the Company to the Trustee in writing to be the date of termination of the Scheme pursuant to the Scheme Rules or if later, such other day on which the Trustee has completed, pursuant to the Scheme Rules and the Trust Deed, the vesting of the awarded Shares to the Selected Participants (or where applicable the personal representative(s)), the sale of any remaining Shares and non-cash assets in the trust fund and the remittance of all surplus trust fund to the Company; and

(B) such day (if any) as the Trustee may at its discretion appoint by deed (executed prior thereto and prior to the dates specified in paragraph (A) of this sub-clause as above) as the date of termination of the Trust Period

"Trustee" the trustee or trustees for the time being of the trusts declared in the Trust Deed, and initially, Acheson Limited

"Vesting Date(s)" the date or dates, as determined from time to time by the Board, on which the awarded Shares (or part thereof) is to be vested in the relevant Selected Participant in accordance with the Scheme

By Order of the Board
Beijing Enterprises Water Group Limited
Li Yongcheng
Chairman

Hong Kong, 17 December 2018

As at the date of this announcement, the Board of Directors of the Company comprises ten executive directors, namely Mr. Li Yongcheng (Chairman), Mr. E Meng (Vice Chairman), Mr. Jiang Xinhao, Mr. Zhou Min (Chief Executive Officer), Mr. Li Haifeng, Mr. Zhang Tiefu, Ms. Qi Xiaohong, Mr. Ke Jian, 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.