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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  
SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE INVOLVING  
CONNECTED PERSON**

On 18 January 2019, the Company entered into the Subscription Agreement with BEECL. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and BEECL has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price.

The total number of Subscription Shares represents:

- (i) approximately 1.36% of the total number of issued Shares as at the date of this announcement; and
- (ii) approximately 1.34% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the total number of issued Shares between the date of this announcement and the allotment and issue of the Subscription Shares).

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

The gross proceeds of the Subscription will be approximately HK\$548.0 million. The net proceeds, after deduction of all relevant expenses incidental to the Subscription are estimated to be approximately HK\$547.5 million and the net subscription price per Share is HK\$4.29. It is proposed that the proceeds from the Subscription will be used for repayment of debts.

The Subscription is conditional upon, among others, (i) the Independent Shareholders at the SGM granting approval of the Subscription Agreement and the transactions contemplated thereunder, including the Specific Mandate; and (ii) the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

### **Implications under the Listing Rules**

BEECL is a controlling shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **GENERAL**

At the SGM, the Company will seek approval from the Independent Shareholders for the Subscription Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, save for BEECL and its associates, no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder. As such, save for BEECL and its associates, no other Shareholder is required to abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder.

The Company will appoint the Independent Financial Adviser as soon as practicable to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details regarding the Subscription Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in relation to the Subscription; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription; (iv) a notice of the SGM; and (v) other information as required under the Listing

Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched to the Shareholders on or before 13 February 2019.

**Shareholders and potential investors of the Company should note that the Subscription is subject to the fulfilment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed to completion, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.**

## **THE SUBSCRIPTION**

On 18 January 2019, the Company entered into the Subscription Agreement with BEECL. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and BEECL has conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price.

### **The Subscription Agreement**

**Date:** 18 January 2019

#### **Parties**

**Issuer:** the Company

**Subscriber:** BEECL

### **Subscription Shares**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and BEECL has conditionally agreed to subscribe for, 127,747,714 new Shares at the Subscription Price.

As at the date of this announcement, the Company has a total number of 9,412,988,721 Shares. The total number of Subscription Shares represents:

- (i) approximately 1.36% of the total number of issued Shares as at the date of this announcement; and
- (ii) approximately 1.34% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the total number of issued Shares between the date of this announcement and the allotment and issue of the Subscription Shares).

Based on the closing price of the Shares of HK\$4.29 per Share on 18 January 2019, the Subscription Shares have a market value of approximately HK\$548.0 million. The aggregate nominal value of the Subscription Shares is approximately HK\$12.8 million.

### **Subscription Price**

The Subscription Price of HK\$4.29 per Subscription Share represents:

- (a) the equivalence to the closing price of HK\$4.29 per Share as quoted on the Stock Exchange on 18 January 2019, being the date on which the terms of the Subscription was fixed;
- (b) a premium of approximately 0.23% over the closing price of HK\$4.28 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 1.27% over the average closing price per Share of HK\$4.236 for the last five consecutive trading days up to and including the Last Trading Day; and
- (d) a premium of approximately 3.80% over the average closing price per Share of HK\$4.133 for the last ten consecutive trading days up to and including the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and BEECL with reference to the recent trading performance of the Shares and the business prospects of the Group. The Directors (excluding the independent non-executive Directors, who will give their view on the Subscription Agreement and the transactions contemplated thereunder after taking into account the advice of the Independent Financial Adviser) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable, in normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

### **Lock-up undertaking**

BEECL undertakes to and covenants with the Company that, unless in compliance with the requirements of the Listing Rules, BEECL shall not, in the period commencing on the completion date of the Subscription and ending on the date which is 90 days following the completion date of the Subscription, dispose of, or enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Subscription Shares.

## **Conditions to Subscription**

Completion of the Subscription is conditional upon:

- (a) the passing of the resolution(s) at the SGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to the Directors to allot and issue the Subscription Shares;
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in all of the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of the definite share certificate(s) representing allotment of the Subscription Shares to BEECL or its nominee(s)); and
- (c) in addition to condition (b) above, the Company having obtained each necessary consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver (including but not limited to those provided by the Hong Kong Securities and Futures Commission, the Stock Exchange or any other third party (if applicable)) in relation to the Subscription Agreement and/or the transactions contemplated hereunder, and such consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver not having been revoked or withdrawn.

If any of the above conditions is not fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse and all the rights and obligations under the Subscription Agreement shall cease, save for any rights or obligations which may accrue prior to the date of such lapse.

## **Completion of the Subscription**

Completion of the Subscription shall take place on the fifth (5th) Business Day following the fulfilment of all the conditions precedent under the Subscription Agreement, or such other later date as may be agreed by the Company and BEECL in writing.

On the date of completion of the Subscription, BEECL shall pay to the Company the total consideration of approximately HK\$548.0 million in cash for the subscription of the Subscription Shares and the Subscription Shares shall be allotted and issued to BEECL free from all encumbrances and ranking *pari passu* among themselves (and shall rank in full for dividends and other distributions declared or paid thereafter) and with the Shares then in issue.

## **Specific mandate to issue the Subscription Shares**

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the SGM.

## **INFORMATION OF THE COMPANY**

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 and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the PRC, Malaysia and Australia; 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.

## **INFORMATION OF BEECL**

BEECL is an investment company, a controlling shareholder of the Company and is wholly-owned by BEHL. BEHL is principally engaged in natural gas operations, brewery operations, water and environmental operations, as well as solid waste treatment operations in the PRC.

As at the date of this announcement, BEECL and parties acting in concert with it were interested in 3,993,859,356 Shares, representing 42.43% of the issued capital of the Company.

## **APPLICATION FOR LISTING**

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

## EFFECT ON THE SHAREHOLDING OF THE COMPANY

As at the date of this announcement, the Company had 9,412,988,721 Shares in issue.

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the date of completion of the Subscription (assuming no change in the issued share capital of the Company since the date of this announcement and up to the date of completion of the Subscription):

Shareholders	As at the date of this announcement		Immediately following the completion of the Subscription (assuming no change in the issued share capital of the Company since the date of this announcement and up to the date of completion of the Subscription)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
BEECL and parties acting in concert with it	3,993,859,356 (Note)	42.43	4,121,607,070	43.20
Public shareholders	<u>5,419,129,365</u>	<u>57.57</u>	<u>5,419,129,365</u>	<u>56.80</u>
Total	<u>9,412,988,721</u>	<u>100</u>	<u>9,540,736,435</u>	<u>100</u>

*Note: As at the date of this announcement, Beijing Enterprises Group Company Limited (“BEGCL”) is deemed to be interested in 3,993,859,356 shares as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:*

Name	Long positions in Shares
BEECL	3,993,859,356
BEHL	3,993,859,356
Beijing Enterprises Group (BVI) Company Limited (“BE Group (BVI)”)	3,993,859,356
BEGCL	3,993,859,356

*As at the date of this announcement, BEECL beneficially holds 3,993,859,356 Shares (representing approximately 42.43%) in the share capital of the Company. BEECL is a wholly-owned subsidiary of BEHL, which is in turn directly held as to approximately 41.06% by BE Group (BVI), which is in turn held as to 100% by BEGCL.*

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company conducted the following equity fund raising activities during the twelve months immediately preceding the date of this announcement:

Date of announcement	Completion date	Fund raising activities	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
24 January 2018	1 February 2018	Placing of new Shares under general mandate	HK\$2,614.7 million	<ul style="list-style-type: none"> <li>(i) approximately HK\$472.0 million for repayment of loans;</li> <li>(ii) approximately HK\$823.0 million for the construction of water plants in the PRC under “Build-Operate-Transfer (BOT)” projects;</li> <li>(iii) approximately HK\$250.0 million for the acquisition of concession rights of “Transfer-Operate-Transfer (TOT)” water projects in the PRC;</li> <li>(iv) approximately HK\$965.0 million for the construction of water environment comprehensive renovation projects in the PRC; and</li> <li>(v) approximately HK\$104.7 million as general working capital of the Group mainly for the payment of interest expenses, administrative expenses and operation expenses, including salaries and office rental expenses.</li> </ul>	<ul style="list-style-type: none"> <li>(i) HK\$513 million for repayment of loans;</li> <li>(ii) HK\$352 million for the construction of water plants in the PRC under BOT projects;</li> <li>(iii) HK\$954 million for the acquisition of concession rights of TOT water projects in the PRC;</li> <li>(iv) HK\$695.7 million for the construction of water environment comprehensive renovation projects in the PRC; and</li> <li>(v) HK\$100 million for general working capital of the Group.</li> </ul>
24 January 2018	4 April 2018	Subscription of new Shares under specific mandate	HK\$999.5 million	<ul style="list-style-type: none"> <li>(i) approximately HK\$715.5 million for repayment of loans;</li> <li>(ii) approximately HK\$105.0 million for the construction of water plants in the PRC Under BOT projects; and</li> <li>(iii) approximately HK\$179.0 million for the construction of water environment comprehensive renovation projects in the PRC.</li> </ul>	<ul style="list-style-type: none"> <li>(i) HK\$743 million for repayment of loans;</li> <li>(ii) HK\$68.5 million for the construction of water plants in the PRC under BOT projects; and</li> <li>(iii) HK\$188 million for the construction of water environment comprehensive renovation projects in the PRC.</li> </ul>



## **USE OF PROCEEDS**

The proceeds of the Subscription will be approximately HK\$548.0 million. The net proceeds, after deduction of all relevant expenses incidental to the Subscription are estimated to be approximately HK\$547.5 million and the net subscription price per Subscription Share is HK\$4.29. It is proposed that the proceeds from the Subscription will be used for repayment of debts.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTION**

The Subscription reflected the confidence and support for the development of the Company by BEHL, the controlling shareholder of the Company. The Subscription will accelerate the Company's growth by further strengthening the capital base and financial position of the Company and laying down a more solid foundation for the future business development, mergers and acquisitions.

None of the Directors has a material interest in the Subscription Agreement and the transactions contemplated thereunder and hence no Director has abstained from voting on the relevant board resolutions of the Company.

The Directors (excluding the independent non-executive Directors who will give their view on the Subscription and the transactions contemplated thereunder after taking into account the advice of the Independent Financial Adviser) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder, though not in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

BEECL is a controlling shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## GENERAL

At the SGM, the Company will seek approval from the Independent Shareholders for the Subscription Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, save for BEECL and its associates, no other Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder. As such, save for BEECL and its associates, no other Shareholder is required to abstain from voting on the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder.

The Company will appoint the Independent Financial Adviser as soon as practicable to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details regarding the Subscription Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in relation to the Subscription; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription; (iv) a notice of the SGM; and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the requirements of the Listing Rules. The circular is expected to be despatched to the Shareholders on or before 13 February 2019.

**Shareholders and potential investors of the Company should note that the Subscription is subject to the fulfilment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed to completion, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BEECL”	Beijing Enterprises Environmental Construction Limited, a controlling shareholder of the Company
“BEHL”	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 392), is a controlling shareholder of the Company
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and Sunday) on which commercial banks generally are open for business in Hong Kong
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	an independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholders other than those who have a material interest in the Subscription or are required by the Listing Rules to abstain from voting on the resolution approving the Subscription, the allotment and issue of the Subscription Shares and other transactions contemplated under the Subscription Agreement
“Last Trading Day”	17 January 2019, being the last full trading day for the Shares immediately before the date of the Subscription Agreement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling ninety (90) days after the date of the Subscription Agreement (or such later date as may be agreed between the parties)
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the SGM

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by BEECL pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement entered into between BEECL and the Company dated 18 January 2019 in relation to the Subscription
“Subscription Price”	HK\$4.29 per Subscription Share
“Subscription Shares”	127,747,714 Shares to be subscribed and allotted pursuant to the terms of the Subscription Agreement
“%”	per cent.

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

Hong Kong, 18 January 2019

*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.*