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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  
IN RELATION TO THE SUBSCRIPTION OF THE REGISTERED  
CAPITAL OF BEIJING ENTERPRISES GROUP FINANCE CO., LTD.**

On 28 February 2017, the Company agreed to subscribe by way of cash for the registered capital of BG Finance. The Company shall pay to BG Finance an amount of RMB150,000,000 (equivalent to approximately HK\$169,530,000), of which RMB134,330,000 (equivalent to approximately HK\$151,820,000) will be injected into BG Finance as registered capital and RMB15,670,000 (equivalent to approximately HK\$17,710,000) will be its capital reserve, being the consideration of the Capital Subscription, which will be funded by the internal resources of the Group. Following the Capital Subscription, the Group will hold 6.69% equity interest of the enlarged registered capital of BG Finance.

Each of BEGCL and BEHL is a connected person of the Company under the Listing Rules by virtue of each being a controlling shareholder of the Company. Beijing Gas and Yanjing are associates of BEHL. BG Finance is currently directly held by BEGCL, Beijing Gas and Yanjing as to 41%, 39% and 20% equity interest respectively. Hence, BG Finance is an associate of each of BEGCL and BEHL. Following the Capital Subscription, BEGCL, Beijing Gas, Yanjing, BEHL, BHL, Jing Yi, the Company and Municipal Institute will hold 28.45%, 24.80%, 11.08%, 8.91%, 6.69%, 6.69%, 6.69% and 6.69% equity interest in BG Finance respectively and, therefore, each of BEGCL, Beijing Gas and Yanjing will be a substantial shareholder of BG Finance. As such, the Capital Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Capital Subscription are more than 0.1% but less than 5%, such connected transaction is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

## CAPITAL SUBSCRIPTION

On 28 February 2017, the Company agreed to subscribe by way of cash for the registered capital of BG Finance. The Company shall pay to BG Finance an amount of RMB150,000,000 (equivalent to approximately HK\$169,530,000), of which RMB134,330,000 (equivalent to approximately HK\$151,820,000) will be injected into BG Finance as its registered capital and RMB15,670,000 (equivalent to approximately HK\$17,710,000) will be its capital reserve, being the consideration of the Capital Subscription, which will be funded by the internal resources of the Group. Following the Capital Subscription, the Group will hold 6.69% equity interest of the enlarged registered capital of BG Finance.

### Shareholding structure of BG Finance before and after the Capital Increase:

Shareholders	Registered capital before Capital Increase <i>(RMB 100 million)</i>	Percentage of equity interest before Capital Increase	Approximate amount of registered capital after Capital Increase <i>(RMB 100 million)</i>	Percentage of equity interest after Capital Increase
BEGCL	3.28	41.00%	5.7159	28.45%
Beijing Gas	3.12	39.00%	4.9827	24.80%
Yanjing	1.60	20.00%	2.2269	11.08%
BEHL			1.7911	8.91%
BHL			1.3433	6.69%
Jing Yi			1.3433	6.69%
The Company			1.3433	6.69%
Municipal Institute			1.3433	6.69%
<b>Total</b>	<b>8.00</b>	<b>100.00%</b>	<b>20.0898</b>	<b>100.00%</b>

### Consideration

Consideration for Capital Subscription is RMB150,000,000 (equivalent to approximately HK\$169,530,000) payable in full by the Company within 10 business days from the day that BG Finance confirmed by a written notice stating that all conditions precedent are satisfied and requested for the payment of Capital Increase. The consideration was arrived at after arm's length negotiation between the Group and BG Finance principally based on its potential development prospect.

The consideration for the Capital Subscription to be made by the Company shall be satisfied by the internal resources of the Group.

### **Financial Information of BG Finance**

Set out below is a summary of certain consolidated audited financial information of BG Finance for the two years ended 31 December 2014 and 31 December 2015 prepared in accordance with the generally accepted accounting principles of the PRC.

	<b><u>For the year ended 31 December</u></b>	
	<b>2015</b>	<b>2014</b>
	<b>Audited</b>	<b>Audited</b>
Net asset value	RMB845,196,000 (equivalent to approximately HK\$955,240,000)	RMB828,303,000 (equivalent to approximately HK\$936,147,000)
Profit before taxation	RMB59,543,000 (equivalent to approximately HK\$67,295,000)	RMB30,069,000 (equivalent to approximately HK\$33,984,000)
Profit after taxation	RMB38,206,000 (equivalent to approximately HK\$43,180,000)	RMB22,561,000 (equivalent to approximately HK\$25,498,000)

### **Conditions Precedent**

Capital Subscription is conditional upon, *inter alia*, the approval for the Capital Increase being obtained, and all necessary approval and permits from the relevant regulatory authorities being obtained by BE Finance.

The aforesaid conditions precedent shall be fulfilled or waived in any event not later than the six months after the signing of the Capital Increase Agreement or such other date as agreed by all parties.

The Company will be entitled to nominate one, out of eleven, person as a director of BG Finance after Capital Subscription.

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

BG Finance (as a financial service institution) acts as a platform to provide members companies of BEGCL with intra-group facilities through financial products including deposit-taking, money-lending and custodian services. After this Capital Increase, the capital strength and risk resistance capability as well as the financial service capability of BG Finance will be further improved. By accepting the financial services provided by BG Finance, the Group will broaden its financing channel, lower financing costs, improve funding efficiency and strengthen capital risk resistance ability in a better way. In addition, as a shareholder of BG Finance which has high capital adequacy ratio and relatively stable revenue, the Group will achieve a comparatively stable return on investment.

The Company's chairman of the Board, Mr. Li Yongcheng, vice chairman of the Board, Mr. E Meng, and executive Director, Mr. Jiang Xinhao, also act as directors of BEHL. Mr. Li Yongcheng also acts as director of BEGCL. Mr. Jiang Xinhao also acts as vice chairman and director of BG Finance and Beijing Gas respectively. Such Directors did not have any material interests in the Capital Subscription. Save as above, none of the Directors has material interest in the Capital Subscription, no Director has abstained from voting on the relevant board resolutions of the Company.

The Directors (including the independent non-executive Directors) consider that the Capital Subscription is conducted in the ordinary and usual course of business of the Group on normal commercial terms and believe that the terms of the Capital Subscription are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE COMPANY, BEGCL, BEHL, BEIJING GAS, YANJING, BHL, JING YI, MUNICIPAL INSTITUTE AND BG FINANCE**

### **The Company**

The Company is a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange. 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 and Malaysia and Republic of Singapore; provision of sewage and reclaimed water treatment services in the PRC and Portuguese Republic; distribution and sales of piped water in the PRC and Portuguese Republic; provision of technical and consultancy services that are related to sewage treatment and construction services for comprehensive renovation projects in the PRC; and the licensing of technical know-how that is related to sewage treatment in the PRC.

## **BEGCL**

BEGCL is a state-owned enterprise established in the PRC and is wholly owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality. BEGCL's principal activity is acting as an investment and financing platform for infrastructures and utilities in Beijing.

## **BEHL**

BEHL is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 392). BEHL and its subsidiaries are principally engaged in natural gas operations, brewery operations, sewage and water treatment operations, and solid waste treatment operations in the PRC.

## **Beijing Gas**

Beijing Gas is a company incorporated in the PRC with limited liability and is an indirect wholly owned subsidiary of BEHL. It is principally engaged in supplying and selling piped natural gas and related businesses in Beijing.

## **Yanjing**

Yanjing is a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000729). As at the date of this announcement, BEHL indirectly holds approximately 79.77% equity interest in Beijing Yanjing Brewery Investment Co., Ltd.\* (北京燕京啤酒投資有限公司, a company incorporated in the PRC with limited liability), which directly holds approximately 57.40% equity interest in Yanjing. Yanjing is an indirect non-wholly owned subsidiary of BEHL. It is principally engaged in beer brewing and production of beverages including mineral water, etc and sales of related products.

## **BHL**

BHL is a company incorporated in the PRC with limited liability and is a wholly owned subsidiary of BEGCL. It is principally engaged in investments and assets management in the PRC.

## **Jing Yi**

Jing Yi is a company incorporated in the PRC with limited liability and is a wholly owned subsidiary of BEGCL. It is principally engaged in design and sales of equipment and instruments in the PRC.

## **Municipal Institute**

Municipal Institute is a company incorporated in the PRC with limited liability and is a wholly owned subsidiary of BEGCL. It is principally engaged in the businesses such as comprehensive urban public utilities projects and urban planning design in the PRC.

## **BG Finance**

BG Finance is incorporated in the PRC with limited liability. As at the date of this announcement, BG Finance is directly held by BEGCL, Beijing Gas and Yanjing as to 41%, 39% and 20% equity interest respectively. Established as a non-bank financial institution approved by China Banking Regulatory Commission, BG Finance acts as a platform to provide members companies of BEGCL with intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

## **LISTING RULES IMPLICATIONS**

Each of BEGCL and BEHL is a connected person of the Company under the Listing Rules by virtue of each being a controlling shareholder of the Company. Beijing Gas and Yanjing are associates of BEHL. BG Finance is currently directly held by BEGCL, Beijing Gas and Yanjing as to 41%, 39% and 20% equity interest respectively. Hence, BG Finance is an associate of each of BEGCL and BEHL. Following the Capital Subscription, BEGCL, Beijing Gas, Yanjing, BEHL, BHL, Jing Yi, the Company and Municipal Institute will hold 28.45%, 24.80%, 11.08%, 8.91%, 6.69%, 6.69%, 6.69% and 6.69% equity interest in BG Finance respectively and, therefore, each of BEGCL, Beijing Gas and Yanjing will be a substantial shareholder of BG Finance. As such, the Capital Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Capital Subscription are more than 0.1% but less than 5%, such connected transaction is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, terms used hereunder shall have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules;
“BEGCL”	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a company incorporated in the PRC with limited liability, is a substantial 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 substantial shareholder of the Company;
“BG Finance”	Beijing Enterprises Group Finance Co., Ltd.* (北京控股集團財務有限公司) is a company incorporated in the PRC with limited liability. As at the date of this Announcement, BG Finance is directly held by BEGCL, Beijing Gas and Yanjing as to 41%, 39% and 20% ;
“Beijing Gas”	Beijing Gas Group Company Limited* (北京市燃氣集團有限責任公司), a company incorporated in the PRC with limited liability, is an indirect wholly owned subsidiary of BEHL;
“BHL”	Beijing Holdings Investment Management Co., Ltd.* (北京京泰投資管理中心), a company incorporated in the PRC with limited liability and is a subsidiary of BEGCL;
“Board”	the board of Directors;
“Capital Increase”	the proposed increase of the registered capital of BG Finance from RMB800 million to RMB2,008.98 million;
“Capital Increase Agreement”	the agreement dated 28 February 2017 entered into by BEGCL, Beijing Gas, Yanjing, BEHL, BHL, Jing Yi, the Company and Municipal Institute in relation to Capital Increase;

“Capital Subscription”	the subscription of 6.69% equity interest of the enlarged registered capital of BG Finance by the Company as described under the heading “CAPITAL SUBSCRIPTION” above;
“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”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	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 dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Jing Yi”	Beijing Instrument Industry Group Co., Ltd.* (北京京儀集團有限責任公司), a company incorporated in the PRC with limited liability and is a wholly owned subsidiary of BEGCL;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Municipal Institute”	Beijing General Municipal Engineering Design & Research Institute Co., Ltd.* (北京市市政工程設計研究總院有限公司), a company incorporated in the PRC with limited liability and is a wholly owned subsidiary of BEGCL;
“PRC”	the People’s Republic of China;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;



“Yanjing” Beijing Yanjing Brewery Co., Ltd.\* (北京燕京啤酒股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000729) and is an indirect non-wholly owned subsidiary of BEHL; and

“%” per cent.

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of HK\$1:RMB0.88480. No representation is made that any amounts in RMB has been or could be converted at the above rates or at any other rates.*

On Behalf of the Board  
**Beijing Enterprises Water Group Limited**  
**Li Yongcheng**  
Chairman

Hong Kong, 28 February 2017

*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, Ms. Hang Shijun and Mr. Wang Kaijun.*

*\* For identification purposes only*