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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 CONNECTED TRANSACTION
LICENCE AGREEMENT

THE LICENCE AGREEMENT

On 27 February 2020, the Company as licensee entered into the Licence Agreement with BEWG as licensor in relation to the licence to occupy and use the Licensed Area, the details of which are set out more particularly below. Prior to entering into the Licence Agreement, on 17 April 2019, BE City, a wholly-owned subsidiary of the Company as tenant, entered into the Tenancy Agreement with BEWC, a wholly-owned subsidiary of BEWG as landlord in relation to the tenancy of the Beijing Property.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, BEWG is interested in 1,009,600,000 Shares, representing approximately 28.04% of the total issued share capital of the Company. Accordingly, BEWG is a substantial shareholder of the Company and hence is a connected person of the Company under the Listing Rules. As such, the transaction contemplated under the Licence Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Licence Agreement and the Tenancy Agreement were entered into by the Group with BEWG and its subsidiaries, the transactions contemplated under the Licence Agreement and the Tenancy Agreement are required to be aggregated in the calculation of the percentage ratios to determine the classification of the connected transactions under Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the licence under the Licence Agreement, when aggregated with the Tenancy Agreement, are more than 0.1% but all of them are less than 5%, the transaction contemplated under the Licence Agreement is subject to reporting and announcement requirements but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE LICENCE AGREEMENT

On 27 February 2020, the Company as licensee entered into the Licence Agreement with BEWG as licensor pursuant to which the Company will occupy and use the Licensed Area from 1 March 2020 to 31 October 2022 or the date on which BEWG ceases to be a tenant of the Hong Kong Property under the terms of the Lease, whichever is earlier.

LICENCE FEE

The Company will pay BEWG a monthly fee in the amount of HK\$88,385 on the first day of each calendar month, being the sum of:

- (i) HK\$65,620, representing the rent payable by BEWG for the Licensed Area under the Lease;
- (ii) HK\$9,843, representing the service charges (inclusive of the management fees, air-conditioning charges and internal office cleaning charges) payable by BEWG for the Licensed Area under the Lease;
- (iii) HK\$3,320, representing the coolant fees for the air-conditioning system payable by BEWG for the Licensed Area under the Lease; and
- (iv) HK\$9,602, representing the government rates of the Hong Kong Property payable by BEWG for the Licensed Area under the Lease.

The licence fee was determined after arm's length negotiations between the parties with reference to the actual amount payable by BEWG apportioned on a pro-rata basis with reference to the total floor area of the Licensed Area and the total floor area of the Hong Kong Property under the Lease.

The Group will use its internal resources to fund the above payments.

THE TENANCY AGREEMENT

On 17 April 2019, BE City, a wholly-owned subsidiary of the Company as tenant entered into the Tenancy Agreement with BEWC, a wholly-owned subsidiary of BEWG as landlord pursuant to which BE City will occupy and use the Beijing Property from 1 January 2019 to 31 December 2021 (both days inclusive). The monthly rent of the Beijing Property is RMB160,000 and is payable by BE City to BEWC quarterly.

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 (i) construction of water treatment plants, and provision of construction services for comprehensive renovation projects in the PRC, Malaysia and Australia; (ii) provision of sewage and reclaimed water treatment and seawater desalination services in the PRC, the Republic of Singapore, Portuguese Republic, Australia and New Zealand; (iii) distribution and sale of piped water in the PRC, Portuguese Republic and Australia; (iv) 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 (v) the licensing of technical know-how related to sewage treatment in the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE LICENCE AGREEMENT

The Hong Kong Property is the principal place of business of BEWG in Hong Kong. The Company considered that locating its office in the Hong Kong headquarters of BEWG in the Hong Kong Property will further enhance the corporate image and branding under the “Beijing Enterprises” group.

Having taken into account that the amount payable under the Licence Agreement was determined on the basis of the total floor area occupied by the Company over the total floor area of the Hong Kong Property, the Directors (including the independent non-executive Directors) consider that the Licence Agreement was entered into after arm’s length negotiations and on normal commercial terms, and the terms of the Licence Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Licence Agreement or is required to abstain from voting on the board resolutions for approval of the same.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, BEWG is interested in 1,009,600,000 Shares, representing approximately 28.04% of the total issued share capital of the Company. Accordingly, BEWG is a substantial shareholder of the Company and hence is a connected person of the Company under the Listing Rules. As such, the transaction contemplated under the Licence Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Company will recognize the value of the right-of-use assets on its balance sheet in connection with the licence under the Licence Agreement. Accordingly, the transaction contemplated under the Licence Agreement will be regarded as acquisitions of asset by the Company for the purpose of the Listing Rules.

As the Licence Agreement and the Tenancy Agreement were entered into by the Group with BEWG and its subsidiaries, the transactions contemplated under the Licence Agreement and the Tenancy Agreement are required to be aggregated in the calculation of the percentage ratios to determine the classification of the connected transactions under Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the licence under the Licence Agreement, when aggregated with the Tenancy Agreement, are more than 0.1% but all of them are less than 5%, the transaction contemplated under the Licence Agreement is subject to reporting and announcement requirements but is exempted from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Agreements”	The Licence Agreement and the Tenancy Agreement
“BEWC”	Beijing Enterprises Water (China) Investment Co., Ltd.* 北控水務(中國)投資有限公司, a wholly-owned subsidiary of BEWG established in the PRC
“BEWG”	Beijing Enterprises Water Group Limited, a company incorporated in the Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 371)

“BE City”	Beijing Enterprises City (Beijing) Environmental Technology Co., Ltd.* 北控城市(北京)環境科技有限公司, a wholly-owned subsidiary of the Company established in the PRC
“Beijing Property”	a total floor area of 1,826 square metres within the 5th to 8th floors, Building 101, BaiZiWan East Lane, Chaoyang District, Beijing
“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
“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
“Hong Kong Property”	Units nos. 6705-6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong with a total floor area of 6,769 square feet leased by BEWG from independent third parties
“Lease”	the tenancy agreement of the Hong Kong Property between the landlords of the Hong Kong Property and BEWG as tenant
“Licence Agreement”	the agreement dated 27 February 2020 entered into between BEWG and the Company in relation to the licence to occupy and use the Licensed Area
“Licensed Area”	a total floor area of 965 square feet within the Hong Kong Property or such other space be approximately 14.3% of the total floor area within the Hong Kong Property to be designated by BEWG in writing from time to time

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	a tenancy agreement dated 17 April 2019 entered into between BE City as tenant and BEWC as landlord in relation to the Beijing Property
“%”	per cent.

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

Hong Kong, 27 February 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhao Kexi, Mr. Zhang Hailin and Mr. Huang Zhiwan; 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*