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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 AND EXEMPTED CONTINUING CONNECTED TRANSACTIONS

EXEMPTED CONNECTED TRANSACTION

On 30 December 2021, BE City (an indirect wholly-owned subsidiary of the Company) as tenant, entered into the Tenancy Agreement with BEWC as landlord, pursuant to which BE City will occupy and use the Beijing Property during the Term.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

On 30 December 2021, BE Quannan (an indirect wholly-owned subsidiary of the Company) and Quannan BE Well-Point entered into the Technical Service Agreement, pursuant to which Quannan BE Well-Point agreed to provide technical services including landfill services and relevant maintenance of landfill facilities to BE Quannan at Quannan county, Jiangxi province, for the Term.

On 30 December 2021, Guigang Sanitation (an indirect wholly-owned subsidiary of the Company) and Guigang Environmental Protection entered into the Framework Operating and Management Agreement, pursuant to which Guigang Sanitation agreed to provide operating and management services to Guigang Environmental Protection in relation to the domestic waste treatment and transfer in certain areas of Guigang city, Guangxi Zhuang autonomous region, for the Term.

LISTING RULES IMPLICATIONS

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. BEWC is a wholly-owned subsidiary of BEWG, accordingly, BEWC is a connected person of the Company under the Listing Rules and the transaction contemplated under the Tenancy Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Company will recognize a right-of-use asset in the amount of approximately RMB5.3 million on its balance sheet in connection with the Tenancy Agreement. Accordingly, the transaction contemplated under the Tenancy Agreement will be regarded as an acquisition of asset by the Company for the purpose of the Listing Rules.

As at the date of this announcement, Quannan BE Well-Point is indirectly owned as to 35.6% by BEWG and therefore Quannan BE Well-Point is an associate of BEWG, a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Technical Service Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Guigang Environmental Protection is indirectly owned as to 54.5% by BEWG and therefore Guigang Environmental Protection is an associate of BEWG, a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Framework Operating and Management Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under the Listing Rules) for the Tenancy Agreement, and the annual caps under the Technical Service Agreement and Framework Operating and Management Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreement, Technical Service Agreement and Framework Operating and Management 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.

BACKGROUND

References are made to the prospectus of the Company dated 30 December 2019 in connection with, among others, the Existing Technical Service Agreement and the Existing Framework Operating and Management Agreement and the announcement of the Company dated 27 February 2020 in connection with, among others, the Existing Tenancy Agreement. As the Existing Tenancy Agreement, Existing Technical Service Agreement and Existing Framework Operating and Management Agreement will expire on 31 December 2021 and the Company is expected to carry on the transactions contemplated thereunder upon their expiry, the Company has entered into the following agreements:

1. THE TENANCY AGREEMENT

Date	30 December 2021
Parties	(1) BE City (as tenant) (2) BEWC (as landlord)
Term	From 1 January 2022 to 31 December 2024
Property	A total floor area of 1,826 square metres within the 5th to 8th floors, Building 101, BaiZiWan East Lane, Chaoyang District, Beijing.
Usage	Office premise of the Company's headquarters in Beijing.
Rent	Monthly rent of RMB160,000 payable by BE City to BEWC quarterly. The Group will satisfy the rental payment by its internal resources.
Pricing	The monthly rent was determined after arm's length negotiations between the parties with reference to the (i) historical rent paid by BE City to BEWC; and (ii) prevailing property market conditions.

2. THE TECHNICAL SERVICE AGREEMENT

Date	30 December 2021
Parties	(1) BE Quannan (2) Quannan BE Well-Point
Term	From 1 January 2022 to 31 December 2024
Subject matter	The provision of technical services including landfill services and relevant maintenance of landfill facilities at Quannan county, Jiangxi province by Quannan BE Well-Point to BE Quannan.
Pricing	The fees under the Technical Service Agreement was negotiated on an arm's length basis with reference to (i) the historical unit price of landfill services provided by Quannan BE Well-Point to BE Quannan; and (ii) the unit price of landfill services provided by other independent third party service providers.
Payment terms	Quannan BE Well-Point shall, before the 5th day of each month, issue the payment notice in respect of the fees incurred under the Technical Service Agreement in the previous month to BE Quannan. BE Quannan shall within ten (10) working days after the receipt of the relevant payment notice, arrange payment to an account designated by Quannan BE Well-Point, failing which BE Quannan shall pay a penalty of 0.05% of the total outstanding payment for each day during the overdue period. The payment terms are based 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	<p>The existing annual caps under the Existing Technical Service Agreement for the year ended 31 December 2019, 2020 and 2021 are RMB4.2 million, RMB4.5 million and RMB4.5 million, respectively.</p> <p>The historical transaction amounts paid by the Group to Quannan BE Well-Point for the two years ended 31 December 2019 and 2020 and the eleven months ended 30 November 2021 were approximately RMB3.1 million, RMB3.3 million and RMB2.9 million, respectively.</p>

Estimated annual caps The Directors estimate that the annual caps for the transactions under the Technical Service Agreement will be RMB4 million, RMB4 million and RMB4 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 capacity of landfill services to be provided by Quannan BE Well-Point for the three years ending 31 December 2024; and (iii) the unit price of landfill services provided by other independent third party service providers.

3. THE FRAMEWORK OPERATING AND MANAGEMENT AGREEMENT

Date 30 December 2021

Parties (1) Guigang Sanitation
(2) Guigang Environmental Protection

Term From 1 January 2022 to 31 December 2024

Subject matter The provision of operating and management services in relation to the domestic waste treatment and transfer in certain areas of Guigang city, Guangxi Zhuang autonomous region by Guigang Sanitation to Guigang Environmental Protection.

Pricing The fees under the Framework Operating and Management Agreement was negotiated on an arm's length basis with reference to (i) the historical unit price of the domestic waste to be treated and transferred by Guigang Sanitation and (ii) the prevailing market prices of the same or substantially similar services offered by independent third parties.

Payment terms	<p>The fees incurred under the Framework Operating and Management Agreement in the previous month shall be paid by Guigang Environmental Protection to Guigang Sanitation on a monthly basis before the 28th day of each month. The fees will be computed based on the transportation cost of compressed domestic waste per unit times the actual volume of the compressed domestic waste. The current transportation cost of compressed domestic waste per unit is approximately RMB98 per ton and is subject to adjustments as agreed between the parties by entering into separate individual operating and management agreements from time to time.</p> <p>The payment terms are on normal commercial terms that are no less favourable to the Company than those available to/from independent third parties.</p>
Historical transaction amounts	<p>The existing annual caps under the Existing Framework Operating and Management Agreement for the year ended 31 December 2019, 2020 and 2021 are RMB11.2 million, RMB15.3 million and RMB15.7 million, respectively.</p> <p>The historical transaction amounts paid by Guigang Environmental Protection to the Group for the two years ended 31 December 2019 and 2020 and the eleven months ended 30 November 2021 were approximately RMB9.3 million, RMB13.6 million and RMB14.1 million, respectively.</p>
Estimated annual caps	<p>The Directors estimate that the annual caps for the transactions under the Framework Operating and Management Agreement will be RMB20.2 million, RMB21.2 million and RMB22.2 million for each of the years ending 31 December 2022, 2023 and 2024, respectively.</p>
Basis for determination of annual caps	<p>In determining the annual caps, the Directors have taken into consideration to (i) the historical transaction amounts as set out above; (ii) the projected volume of domestic waste to be treated and transferred by Guigang Sanitation for the three years ending 31 December 2024; and (iii) the unit price of the transportation cost of compressed domestic waste to be treated and transferred by Guigang Sanitation with reference to other environmental hygiene services projects of the Group.</p>

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS

The Tenancy Agreement

BE City has been leasing the Beijing Property from BEWC since 1 January 2019 under the Existing Tenancy Agreement which will expire on 31 December 2021. The Directors are of the view that the entering into of the Tenancy Agreement will enable the Group to maintain stability in operations and minimize the administrative time and cost for finding and relocating to new premises, considering the significant office space needed by the Group.

The Technical Service Agreement

The Group is principally engaged in the provision of environmental hygiene services and hazardous waste treatment services. Quannan BE Well-Point is an experienced landfill service provider in the PRC with landfill facility adjacent to an environmental hygiene service project of the Group. Quannan BE Well-Point is able to provide one-stop service (including cleaning, collection, transportation and landfill of waste), and the price charged by Quannan BE Well-Point is competitive compared with the prices quoted by other independent third parties. The Directors are of the view that the entering into of the Technical Service Agreement will enable the Group to optimize its strategic, financial and operational leverage.

The Framework Operating and Management Agreement

Guigang Sanitation had been entrusted by Guigang Environmental Protection to provide domestic waste treatment and transfer services directly to the local government of Guigang city from 2014 to 31 March 2019. Taking into account Guigang Sanitation's service history with the local government of Guigang city and its extensive experience in the waste treatment industry, Guigang Sanitation and Guigang Environmental Protection entered into the Existing Framework Operating and Management Agreement on 1 April 2019, which is expiring on 31 December 2021. The operating and maintenance requirements of the local government could be best satisfied if Guigang Sanitation continues to provide the operating and management services. The Directors are of the view that the entering into of the Framework Operating and Management Agreement is in the ordinary and usual course of business of the Group and will provide a stable stream of revenue to the Group.

In light of the above reasons, the Directors (including the independent non-executive Directors) were of the view that the Tenancy Agreement, Technical Service Agreement and Framework Operating and Management 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 Tenancy Agreement, Technical Service Agreement and Framework Operating and Management 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 Rule 14A.55 of the Listing Rules, 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 (i) 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, New Zealand and the Republic of Botswana; (ii) provision of sewage and reclaimed water treatment services in the PRC, the Republic of Singapore, the 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) licensing of technical know-how related to sewage treatment in the PRC.

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

BE Quannan is a limited liability company established in the PRC. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of provision of environmental hygiene services.

Guigang Sanitation is a limited liability company established in the PRC. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of provision of environmental hygiene services.

BEWC is a limited liability company established in the PRC. It is a wholly-owned subsidiary of BEWG and is principally engaged in the business of investment holding and consultancy services.

Quannan BE Well-Point is a limited liability company established in the PRC. It is indirectly owned as to 35.6% by BEWG as the single largest shareholder and is principally engaged in the business of provision of landfill service.

Guigang Environmental Protection is a limited liability company established in the PRC. It is indirectly owned as to 54.5% by BEWG as the single largest shareholder and is principally engaged in the business of sewage treatment and water distribution.

LISTING RULES IMPLICATIONS

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. BEWC is a wholly-owned subsidiary of BEWG, accordingly, BEWC is a connected person of the Company under the Listing Rules and the transaction contemplated under the Tenancy Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

In accordance with HKFRS 16 “Leases”, the Company will recognize a right-of-use asset in the amount of approximately RMB5.3 million on its balance sheet in connection with the Tenancy Agreement. Accordingly, the transaction contemplated under the Tenancy Agreement will be regarded as an acquisition of asset by the Company for the purpose of the Listing Rules.

As at the date of this announcement, Quannan BE Well-Point is indirectly owned as to 35.6% by BEWG and therefore Quannan BE Well-Point is an associate of BEWG, a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Technical Service Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Guigang Environmental Protection is indirectly owned as to 54.5% by BEWG and therefore Guigang Environmental Protection is an associate of BEWG, a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Framework Operating and Management Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios (as defined under the Listing Rules) for the Tenancy Agreement, and the annual caps under the Technical Service Agreement and Framework Operating and Management Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Tenancy Agreement, Technical Service Agreement and Framework Operating and Management 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.

DEFINITION

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

“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 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, an indirect wholly-owned subsidiary of the Company established in the PRC
“BE Quannan”	Beijing Enterprises Urban Services (Quannan) Limited* 北控城市服務(全南)有限公司, an indirect 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

“Existing Framework Operating and Management Agreement”	the framework operating and management agreement dated 1 April 2019 entered into between Guigang Sanitation and Guigang Environmental Protection, details of which are set out in the prospectus of the Company dated 30 December 2019
“Existing Technical Service Agreement”	the technical service agreement dated 20 September 2019 entered into between BE Quannan and Quannan BE Well-Point, details of which are set out in the prospectus of the Company dated 30 December 2019
“Existing 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 for a term from 1 January 2019 to 31 December 2021
“Framework Operating and Management Agreement”	a framework operating and management agreement dated 30 December 2021 entered into between Guigang Environmental Protection and Guigang Sanitation in relation to the provision of operating and management services by Guigang Sanitation to Guigang Environmental Protection for the domestic waste treatment and transfer in certain areas of Guigang city, Guangxi Zhuang autonomous region during the Term
“Guigang Environmental Protection”	Guangxi Guigang Beijing Enterprises Water Environmental Protection Limited* 廣西貴港北控水務環保有限公司, a company established in the PRC and indirectly owned as to 54.5% by BEWG as the single largest shareholder
“Guigang Sanitation”	Guangxi Guigang Beijing Enterprises Water Environmental Sanitation Services Limited* 廣西貴港北控水務環衛服務有限公司, an indirect wholly-owned subsidiary of the Company established in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“Quannan BE Well-Point”	Quannan BE Well-Point Environmental Science & Technology Limited* 全南縣北控威保特環境科技有限公司, a company established in the PRC and indirectly owned as to 35.6% by BEWG as the single largest shareholder
“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
“Technical Service Agreement”	a technical service agreement dated 30 December 2021 entered into between BE Quannan and Quannan BE Well-Point in relation to the provision of technical services including landfill services and relevant maintenance of landfill facilities by Quannan BE Well-Point to BE Quannan at Quannan county, Jiangxi province during the Term
“Tenancy Agreement”	a tenancy agreement dated 30 December 2021 entered into between BE City as tenant and BEWC as landlord in relation to the Beijing Property for the Term
“Term”	from 1 January 2022 to 31 December 2024
“%”	per cent

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

Hong Kong, 30 December 2021

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