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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)

CONTINUING CONNECTED TRANSACTIONS MARKET EXPANSION SERVICES FRAMEWORK AGREEMENT

CONTINUING CONNECTED TRANSACTIONS

The Board is pleased to announce that on 23 December 2024, BE Environmental (an indirect wholly-owned subsidiary of the Company) and BEWG (China) Investment (a wholly-owned subsidiary of BEWG, a controlling Shareholder) entered into the Market Expansion Services Framework Agreement, pursuant to which BEWG (China) Investment and its associates agreed to provide market expansion services for sanitation and other urban services projects to BE Environmental, for the Term commencing retrospectively from 1 January 2024 to 31 December 2024 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, BEWG is interested in 1,478,312,777 Shares, representing approximately 41.56% of the total issued share capital of the Company. Accordingly, BEWG is a controlling Shareholder and hence is a connected person of the Company under the Listing Rules.

As at the date of this announcement, BEWG (China) Investment is a wholly-owned subsidiary of BEWG and therefore BEWG (China) Investment is an associate of BEWG, and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Market Expansion Services Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Market Expansion Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Market Expansion Services Framework 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.

Further, as the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction amount under the Market Expansion Services Framework Agreement for the period from 1 January 2024 to the date of the announcement is less than 0.1%, such transactions are fully exempt in accordance with Rule 14A.76(1)(a) of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 23 December 2024, BE Environmental (an indirect wholly-owned subsidiary of the Company) and BEWG (China) Investment (a wholly-owned subsidiary of BEWG, a controlling Shareholder) entered into the Market Expansion Services Framework Agreement, pursuant to which BEWG (China) Investment and its associates agreed to provide market expansion services for sanitation and other urban services projects to BE Environmental, for the Term commencing retrospectively from 1 January 2024 to 31 December 2024 (both days inclusive).

THE MARKET EXPANSION SERVICES FRAMEWORK AGREEMENT

The principal terms of the Market Expansion Services Framework Agreement are set out below:

Date	23 December 2024
Parties	(i) BE Environmental; and (ii) BEWG (China) Investment.
Term	Retrospectively from 1 January 2024 to 31 December 2024 (both days inclusive).
Subject matter	BEWG (China) Investment is mainly responsible for: (i) identifying potential needs and market opportunities for customers from its customer base, collecting and collating project information for BE Environmental; (ii) setting up a marketing and sales team to negotiate co-operations in local urban services with the above customers and potential project stakeholders and to market BE Environmental, and continuously communicating with customers to gain their support; (iii) organising visits, meetings and other interactions with potential project owners, following up on key points in the project process and co-planning with BE Environmental; (iv) identifying customers' pain points, leveraging the business and commercial synergies, and supporting BE Environmental in the preparation of project marketing plans, integrated solutions, and other information required for pre-bid negotiations; (v) assisting BE Environmental in bidding and negotiation to maximise project revenue, and providing commercial and technical support accordingly; and (vi) delegating specific market expansion services to its associates in designated regions.

BE Environmental is mainly responsible for:

- (i) providing ongoing trainings to BEWG (China) Investment’s marketing and sales staff on updates of products and solutions;
- (ii) assigning relevant personnel to co-operate with BEWG (China) Investment in collecting and liaising with BEWG (China) Investment for the required information and provide BEWG (China) Investment with relevant information and materials;
- (iii) identifying customers’ feedback from BEWG (China) Investment and jointly developing marketing solutions accordingly; and
- (iv) paying the Market Expansion Services Fee to BEWG (China) Investment and/or its associates pursuant to the Market Expansion Services Framework Agreement.

Pricing and pricing basis

In view of the costs of manpower, time and resources invested upfront by BEWG (China) Investment in providing market expansion services for BE Environmental under the Market Expansion Services Framework Agreement, both parties agree that the market expansion services fee (the “**Market Expansion Services Fee**”) comprising the Basic Services Fee and the Performance Services Fee shall be payable by BE Environmental to BEWG (China) Investment as follows:

(i) Basic Services Fee

The aggregated basic services fee shall be RMB9.6 million (the “**Basic Services Fee**”).

Based on the market expansion performance target agreed by both parties (being annualised contract value of RMB560 million), the Basic Services Fee is determined in accordance with the business market expansion experience of BE Environmental to cover the fixed costs of the market expansion services provided by the BEWG (China) Investment, including but not limited to costs incurred for segmentation research and key customer scanning, market development, channel construction, customer linkage, lead mapping, professional team formation and capacity building.

(ii) Performance Services Fee

BE Environmental and BEWG (China) Investment will check the overall calculation of the Performance Services Fee, subject to written confirmation by both BE Environmental and BEWG (China) Investment. The actual Performance Services Fee earned by BEWG (China) Investment relates to the annual market expansion services performance (“**Annual Performance**”), which is the sum of the annualised contract value of each project concluded through the provision of market expansion services by BEWG (China) Investment and its associates, as shown in the formula below (the “**Performance Services Fee**”):

Annual Performance (RMB/million) = Σ Annualised contract value of projects for which BEWG (China) Investment has completed market expansion services (RMB/million)

The Performance Services Fee under different Annual Performance scenarios is calculated according to the following table:

Annual Performance	Performance Services Fee
Annual Performance \leq RMB180 million	0
RMB180 million $<$ Annual Performance \leq RMB420 million	(Annual Performance – RMB180 million) \times 2%
Annual Performance $>$ RMB420 million	RMB4.8 million + (Annual Performance – RMB420 million) \times 3%

The pricing basis of the Market Expansion Services Fee is determined after arm's length negotiations between BE Environmental and BEWG (China) Investment, taking into account market competition and demand, relevant terms not less favorable to BE Environmental as compared with those available to independent third parties and connected persons of BEWG (China) Investment and having considered BEWG (China) Investment's resource capabilities and the long-term cooperation between both parties.

Payment terms

BE Environmental shall pay the Market Expansion Services Fee by two instalments:

- (i) the Basic Services Fee shall be paid within 10 working days after the entering into of the individual agreements between BE Environmental and BEWG (China) Investment and/or its associates; and
- (ii) the Performance Services Fee shall be paid within 10 working days after the written confirmation by both BE Environmental and BEWG (China) Investment on the allocation amount as determined by BEWG (China) Investment and its associates in accordance with their actual Annual Performance by 31 December 2024. By 10 January 2025, the parties shall calculate the Annual Performance of the market expansion services completed by BEWG (China) Investment and its associates for the period from 1 January 2024 to 31 December 2024.

Historical transaction amount

The historical transaction amount of the market expansion services transactions contemplated under the Market Expansion Services Framework Agreement for the six months ended 30 June 2024 is approximately RMB1,773,000, being the Basic Services Fee incurred.

Estimated annual cap The amount of the Market Expansion Services Fee in respect of the market expansion services provided by BEWG (China) Investment to BE Environmental during the Term shall not exceed RMB18.6 million.

Basis for determination of annual cap The estimated annual cap for the Term is derived from the market expansion performance target on annualised contract value of RMB560 million based on the calculation method set out in “Pricing and pricing basis” above.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MARKET EXPANSION SERVICES FRAMEWORK AGREEMENT

BEWG, as a leading enterprise in the domestic municipal environmental protection field, has nationwide customer resources, market network and strong marketing capabilities. Due to the strong correlation between the customer base of BEWG’s business and BE Environmental’s business, as well as the similarity of project planning and workflow, the business expansion of BE Environmental by BEWG and/or its subsidiaries will have greater synergistic advantages, which will help BE Environmental’s business in order acquisition and maintenance of customer relationship, and continue to expand its market share.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Market Expansion Services Framework Agreement is 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 Market Expansion Services Framework Agreement and is required to abstain from voting on the Board resolution approving 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’s collaborative development department and other relevant management personnel will obtain at least three 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 monthly review to ensure the continuing connected transactions are within the annual caps.

- (c) The Company will conduct 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 will review the transactions contemplated under the continuing connected transactions of the Company pursuant to Listing Rule 14A.55, 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.

In light of the above, the Directors (including the independent non-executive Directors) consider that the methods and procedures can ensure that the transactions contemplated under the Market Expansion Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

INFORMATION OF THE PARTIES INVOLVED

The Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 3718). The principal activity of the Company is investment holding. The Group is principally engaged in urban services, hazardous waste treatment business and waste electrical and electronic equipment treatment business in the PRC.

BEWG

BEWG is 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) and the immediate holding company of the Company. BEWG is an investment company and the holding company. BEWG and its subsidiaries are principally engaged in 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 and the Republic of Botswana; provision of sewage and reclaimed water treatment services in the PRC, the Republic of Singapore, the Portuguese Republic, Australia and New Zealand; distribution and sale of piped water in the PRC, the 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; licensing of technical know-how related to sewage treatment in the PRC; and provision of urban services and hazardous waste treatment services in the PRC.

BE Environmental

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

BEWG (China) Investment

BEWG (China) Investment is a company incorporated in the PRC with limited liability. It is a wholly-owned subsidiary of BEWG and is principally engaged in investment holding and consultancy services.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, BEWG is interested in 1,478,312,777 Shares, representing approximately 41.56% of the total issued share capital of the Company. Accordingly, BEWG is a controlling Shareholder and hence is a connected person of the Company under the Listing Rules.

As at the date of this announcement, BEWG (China) Investment is a wholly-owned subsidiary of BEWG and therefore BEWG (China) Investment is an associate of BEWG, and thus a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Market Expansion Services Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Market Expansion Services Framework Agreement exceeds 0.1% but is less than 5%, the transactions contemplated under the Market Expansion Services Framework 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.

Further, as the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction amount under the Market Expansion Services Framework Agreement for the period from 1 January 2024 to the date of the announcement is less than 0.1%, such transactions are fully exempt in accordance with Rule 14A.76(1)(a) of the Listing Rules.

DEFINITIONS

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

“Annual Performance”	has the meaning as ascribed to it in the section headed “THE MARKET EXPANSION SERVICES FRAMEWORK AGREEMENT” of this announcement
“Basic Services Fee”	has the meaning as ascribed to it in the section headed “THE MARKET EXPANSION SERVICES FRAMEWORK AGREEMENT” of this announcement
“BE Environmental”	Beijing Enterprises Urban Environmental Services Group Limited (北控城市環境服務集團有限公司), an indirect wholly-owned subsidiary of the Company established in the PRC

“BEWG”	Beijing Enterprises Water Group Limited (北控水務集團有限公司), 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) and the immediate holding company of the Company
“BEWG (China) Investment”	Beijing Enterprises Water Group (China) Investment Limited (北控水務(中國)投資有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of BEWG
“Board”	the board of Directors
“Company”	Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange (Stock Code: 3718)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning as 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 People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Market Expansion Services Fee”	has the meaning as ascribed to it in the section headed “THE MARKET EXPANSION SERVICES FRAMEWORK AGREEMENT” of this announcement
“Market Expansion Services Framework Agreement”	the market expansion services framework agreement dated 23 December 2024 entered into between BE Environmental and BEWG (China) Investment, pursuant to which BEWG (China) Investment and its associates agreed to provide market expansion services for sanitation and other urban services projects to BE Environmental, for the Term
“Performance Services Fee”	has the meaning as ascribed to it in the section headed “THE MARKET EXPANSION SERVICES FRAMEWORK AGREEMENT” of this announcement

“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau and Taiwan
“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 Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Term”	retrospectively from 1 January 2024 to 31 December 2024 (both days inclusive)
“%”	per cent

By order of the Board of
Beijing Enterprises Urban Resources Group Limited
Zhou Min
Chairman

Hong Kong, 23 December 2024

As at the date of this announcement, the executive Directors are Mr. Zhou Min (Chairman), Mr. Zhao Kexi (Chief Executive Officer), Mr. Li Haifeng, Mr. Li Li and Mr. Zhou Chen; and the independent non-executive Directors are Mr. Wu Tak Kong, Dr. Du Huanzheng and Ms. Judith Yu.