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If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Beijing Enterprises Holdings Limited, you should at once hand this circular, together with the enclosed proxy form, to the purchaser(s) or transferee(s) or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 392)

REVISION OF ANNUAL CAPS CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE DEPOSIT SERVICES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders



Euto Capital Partners Limited

Capitalised terms used on this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A notice convening an EGM of the Company to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 November 2021 at 3:00 p.m. is set out on pages 46 to 47 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.behl.com.hk).

Whether or not you are able to attend the EGM, please complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Please see pages 1 to 2 of this circular for the precautionary measures which will be implemented at the EGM, including:

- (1) Compulsory temperature checks
- (2) Wearing of surgical face mask
- (3) No provision/distribution of refreshments, drinks or corporate gifts

Attendee who does not comply with the precautionary measures referred to in (1) to (2) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

11 November 2021

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PRECAUTIONARY MEASURES FOR THE EGM

With the pandemic of the COVID-19 and the requirements for the prevention and control of its spreading, to safeguard the health and safety of Shareholders who might be attending the EGM in person, staff and other stakeholders of the Company, the Company will implement the following precautionary measures at the EGM.

Voting by proxy in advance of the EGM: for the prevention and control of the spreading of the COVID-19, and for the health and safety of Shareholders, the Company would like to encourage Shareholders to exercise their rights to vote at the EGM by appointing the Chairman of the EGM as their proxy instead of attending the EGM in person. Shareholders are reminded that physical attendance at the EGM is not necessary for the purpose of exercising Shareholders' rights. **Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.**

The deadline to submit completed proxy forms is 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completed proxy forms must be returned to the Company's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Questions prior to the EGM: registered Shareholders can send their questions relevant to the proposed resolutions in writing to the Company's registered office or by email to mailbox@behl.com.hk 48 hours before holding of the EGM. The Company will endeavour to respond to all questions at the EGM. Any unanswered question will be responded to after the EGM as appropriate.

Shareholders are strongly encouraged to cast their votes by submitting a proxy form appointing the Chairman of the EGM as their proxy.

To safeguard the health and safety of Shareholders who might be attending the EGM in person, **the Company will also implement the following measures at the EGM:**

- (1) Compulsory temperature checks will be carried out on every attendee at the main entrance of the EGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms will be denied entry into the EGM venue and be requested to leave the EGM venue.
- (2) Every attendee will be required to wear a surgical face mask throughout the EGM and keep a safe distance from other attendees. Please note that no masks will be provided at the EGM venue and attendees should wear their own masks.
- (3) No refreshments or drinks or corporate gifts will be provided or distributed to attendees at the EGM.

PRECAUTIONARY MEASURES FOR THE EGM

In addition, attendees are requested to observe and practise good personal hygiene at all times. To the extent permitted by law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.behl.com.hk) for future announcements and updates on the EGM arrangements.

If Shareholders have any questions relating to the EGM, please contact the Company's Share Registrar as follows:

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2810 8185

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 1 September 2021 in respect of the continuing connected transactions in relation to, among other things, the 2021 Supplemental Agreement and the Revised Annual Caps
“associate”	has the meaning ascribed to it under the Listing Rules
“BE Group”	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a company incorporated in the PRC with limited liability and is the ultimate controlling shareholder of the Company
“BE Group Finance”	Beijing Enterprises Group Finance Co., Ltd., a company incorporated in the PRC with limited liability and is an associate of BE Group
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”	Beijing Enterprises Holdings Limited, 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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services to be provided by BE Group Finance to the Group under the 2020 Deposit Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 November 2021 at 3:00 p.m. to consider and, if appropriate, approve the 2021 Supplemental Agreement and the transactions contemplated thereunder and the Revised Annual Caps, including any adjournment thereof

DEFINITIONS

“Existing Annual Caps”	HK\$2.23 billion, being the maximum amounts of daily outstanding deposits balance placed by the Group with BE Group Finance (including the corresponding interest accrued thereon) on any given day during the term of the 2020 Deposit Agreement
“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
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps)
“Independent Financial Adviser” or “Euto Capital”	Euto Capital Partners Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps)
“Independent Shareholder(s)”	the Shareholders who do not have a material interest in the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps)
“Latest Practicable Date”	5 November 2021, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Previous Announcement”	the announcement of the Company dated 20 December 2019 in respect of the continuing connected transactions in relation to, among other things, the 2020 Deposit Agreement and the Existing Annual Caps
“Revised Annual Caps”	HK\$8.15 billion, being the revised annual caps proposed in the 2021 Supplemental Agreement and has the meaning ascribed to it under the paragraph headed “Revised Annual Caps” of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share(s)”	ordinary share(s) in the capital of the Company
“Share Registrar”	the share registrar of the Company, Tricor Tengis Limited, of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“2017 Deposit Agreement and its Supplementary Agreement”	(i) the deposit services agreement entered into between the Company and BE Group Finance on 30 December 2016 for a term of three years from 1 January 2017 to 31 December 2019; and (ii) the supplementary agreement to the 2017 Deposit Agreement entered into between the Company and BE Group Finance on 19 October 2017, pursuant to which, the annual cap during the remaining term of the 2017 Deposit Agreement changed from HK\$2.20 billion to HK\$2.90 billion.
“2020 Deposit Agreement”	the deposit services agreement entered into between the Company and BE Group Finance on 20 December 2019 for the period from 1 January 2020 to 31 December 2022

DEFINITIONS

“2021 Supplemental Agreement” the supplemental agreement dated 1 September 2021 entered into between the Company and BE Group Finance to amend and supplement the 2020 Deposit Agreement, pursuant to which, the annual cap during the remaining term of the 2020 Deposit Agreement was proposed to change from HK\$2.23 billion to HK\$8.15 billion

“%” per cent

* *For identification purposes only*

LETTER FROM THE BOARD



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 392)

Executive Directors:

Mr. Li Yongcheng (*Chairman*)
Mr. Jiang Xinhao (*Vice Chairman*)
Mr. Zhao Xiaodong (*Vice Chairman*)
Mr. Dai Xiaofeng
Mr. Xiong Bin (*Chief Executive Officer*)
Mr. Tam Chun Fai (*Company Secretary*)

Registered office:

66th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Wu Jiesi
Mr. Lam Hoi Ham
Dr. Yu Sun Say

11 November 2021

To the Shareholders

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS
CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE DEPOSIT SERVICES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice to convene the EGM to approve, among other things, the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps).

LETTER FROM THE BOARD

2. BACKGROUND

Reference is made to the Previous Announcement.

On 20 December 2019, the Company entered into the 2020 Deposit Agreement with BE Group Finance, pursuant to which, among others, (i) the term of the Deposit Services commenced from 1 January 2020 to 31 December 2022; and (ii) the annual caps under the 2020 Deposit Agreement were fixed at HK\$2.23 billion for the financial year ending 31 December 2020, 2021 and 2022, respectively. Save as the aforesaid, all other terms and conditions as set out in the 2020 Deposit Agreement were substantially the same as those under the 2017 Deposit Agreement and its Supplementary Agreement.

Set out below are the key terms of the 2020 Deposit Agreement:

- Date:** 20 December 2019
- Parties:** (i) the Company; and
(ii) BE Group Finance.
- Term:** From 1 January 2020 to 31 December 2022 (both days inclusive), which may be renewed by the Company and BE Group Finance by agreement in writing.
- Deposit interests:** The rate at which interest will accrue on any deposit placed by the Group with BE Group Finance under the 2020 Deposit Agreement will not be lower than the following:
- (a) the benchmark interest rate prescribed by the People's Bank of China for the same type of deposits of the same period;
 - (b) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits of the same period; and
 - (c) the interest rates offered by BE Group Finance to other members of BE Group for the same type of deposits of the same period.

For details of the internal control to ensure the interest rates on deposits placed by the Group with BE Group Finance follow the above, please refer to the section headed "6. INTERNAL CONTROLS AND RISK MANAGEMENT MEASURES"

LETTER FROM THE BOARD

Existing Annual Caps: The cumulative daily outstanding deposits balance placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the 2020 Deposit Agreement will not exceed HK\$2.23 billion for each of the three financial years ending 31 December 2020, 2021 and 2022, respectively.

3. THE 2021 SUPPLEMENTAL AGREEMENT AND REVISION OF THE EXISTING ANNUAL CAPS

On 1 September 2021, the Company entered into the 2021 Supplemental Agreement with BE Group Finance, pursuant to which the parties to the 2020 Deposit Agreement agreed to revise the annual caps in relation to the provision of the Deposit Services for the remaining term of the 2020 Deposit Agreement. Save as the aforesaid, all other terms and conditions as set out in the 2021 Supplemental Agreement were substantially the same as those under the 2020 Deposit Agreement.

Set out below are the key terms of the 2021 Supplemental Agreement:

Date: 1 September 2021

Parties: (i) the Company; and
(ii) BE Group Finance.

Term: The 2021 Supplemental Agreement shall be effective from the date of obtaining Independent Shareholders' approval at the EGM.

There is no change on the term of Deposit Services as set out under the 2020 Deposit Agreement (i.e. From 1 January 2020 to 31 December 2022 (both days inclusive), which may be renewed by the Company and BE Group Finance by agreement in writing)

Revised Annual Caps: The Existing Annual Caps for the remaining term of the 2020 Deposit Agreement are revised as follows:

For the financial year ending 31 December 2021 HK\$8.15 billion

For the financial year ending 31 December 2022 HK\$8.15 billion

LETTER FROM THE BOARD

The Revised Annual Caps were determined based on the following factors:

- i) *The historical maximum daily balance of deposit placed by the Company with BE Group Finance.* The Directors have taken into consideration the historical maximum cumulative daily balance of deposit placed by the Company with BE Group Finance for the year ended 31 December 2020 (i.e. HK\$2.877 billion) and the six months ended 30 June 2021 (i.e. HK\$2.229 billion) as set out in the table under the section headed “4. HISTORICAL DEPOSITS BALANCES”, it is concluded that the Existing Annual Caps have been almost utilised; and
- ii) *The latest Group’s cash and cash equivalents balance and the Group’s budgeted available cash resources.* As disclosed in the interim report of the Company for the six months ended 30 June 2021, the cash and cash equivalents balance of the Group was approximately HK\$32.54 billion. Further, it is anticipated by the Directors after preparation of the budgeted cash flow for the eighteen months ending 31 December 2022, having taken into consideration, among others, (i) the Group’s operating activities which would generate positive cash flow; (ii) the proceeds from the Group’s loan refinancing by way of renewing its existing banking facilities; and (iii) the possible cash outflow used by the Group during the upcoming period, that there shall be an increase in the available cash resources which may lead to an increase in demand for the Deposit Services.

After considering the aforesaid factors, it is proposed that the Revised Annual Caps shall be increased to HK\$8.15 billion for the financial years ending 31 December 2021 and 2022.

LETTER FROM THE BOARD

4. HISTORICAL DEPOSIT BALANCES

The maximum amounts of daily outstanding deposits placed by the Group with BE Group Finance (including any interest accrued thereon) for the financial year ended 31 December 2020 and the 6 months period ended 30 June 2021 and the Existing Annual Caps for each of the corresponding periods were as follows:

		For the financial year ended 31 December 2020 (audited) <i>approximately</i>	For the 6 months ended 30 June 2021 (unaudited) <i>approximately</i>
Historical outstanding balance of the cumulative deposit placed by the Company with BE Group Finance		HK\$2.229 billion	HK\$2.227 billion
Maximum amounts of cumulative daily outstanding deposits balance for the year/period ended	(a)	HK\$2.877 billion	HK\$2.229 billion
The Existing Annual Caps	(b)	HK\$2.23 billion	HK\$2.23 billion
Utilisation rate (%)	(a)/(b)	129.01	99.96

As set out in the table above, the maximum amounts of cumulative daily outstanding deposits placed by the Group with BE Group Finance during the year 2020 (including any interest accrued thereon) was approximately HK\$2.877 billion, which exceeded the Existing Annual Caps of HK\$2.23 billion. The rationale behind was that as at 1 January 2020, the annual caps under the 2017 Deposit Agreement and its Supplementary Agreement of HK\$2.9 billion had been revised to the Existing Annual Caps of HK\$2.23 billion, HK\$2.877 billion was the cumulative deposits balance placed by the Group with BE Group Finance as at 31 December 2019 which was not able to adjust timely on 1 January 2020 due to public holiday. On 2 January 2020, such exceeding of annual caps had been resolved. As at 2 January 2020, the cumulative deposits outstanding balance placed by the Group with BE Group Finance was approximately HK\$2.22 billion. Save as the aforesaid, the Existing Annual Caps have not been exceeded.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE 2021 SUPPLEMENTAL AGREEMENT AND THE REVISED ANNUAL CAPS

Compared to diversifying investments and distributing deposits with several financial institutions, the Company has a strong position to bargain for a more competitive interest rate if the investments are centralized and deposited with one or two selected financial institutions with an expectation of better return. As at the Latest Practicable Date, under the same conditions, the deposit interest rate provided by BE Group Finance shall not be lower than the quoted interest rate of commercial banks.

The Board noticed that, as of 30 June 2021, the transaction amount of the Deposit Services under the 2020 Deposit Agreement had reached approximately HK\$2.227 billion, representing approximately 99.87% of the Existing Annual Caps. In addition, in view of the continuous development of the Group's business and operational scale, it is expected that the Group will continue and deploy more Deposit Services. Hence, the transaction amount of the Deposit Services may exceed the previous estimation. The Board decided to adopt the Revised Annual Caps for the remaining terms of the 2020 Deposit Agreement so as to provide a better cash resources management of the Group.

As disclosed in the Previous Announcement, the Deposit Services are conducted on normal commercial terms and the deposit interest rates offered by BE Group Finance to the Group will be equal to or more favourable to the Group than those offered by commercial banks in Hong Kong and the PRC to the Group for comparable deposits. Also, the Group expects to be in a better position to manage the security of its funds since BE Group Finance is not considered to be exposed to any significant capital risk.

The Directors believe that BE Group Finance is well-positioned to serve the financial needs of the Group because BE Group Finance has a thorough understanding of its operations and development needs, together with the favourable deposit interest rates as mentioned above, it is expected that the transactions contemplated under the 2020 Deposit Agreement and the 2021 Supplemental Agreement would be cost-efficient, expedient and beneficial for the Group. In addition, BE Group Finance is regulated by the CBIRC and is subject to the rules and requirements of such regulatory authority, together with the control as set out under the section headed "6. INTERNAL CONTROL AND RISK MANAGEMENT MEASURES", which reduce capital risks exposed to the Group in receiving the Deposit Services from BE Group Finance.

As executive Director Mr. Dai Xiaofeng also acts as director of BE Group Finance, he has abstained from voting (by way of absence from the Board meeting held to pass the relevant board resolutions) on the relevant board resolutions of the Company for good corporate governance. Save as disclosed above (i.e. except Mr. Dai Xiaofeng), none of the Directors (i.e. none of the remaining eight Directors, whether present at or absent from the Board meeting) has material interest in the 2021 Supplemental Agreement and has abstained from voting on the relevant board resolutions of the Company.

LETTER FROM THE BOARD

Having considered the above, the Directors (including the members of the Independent Board Committee after taking the advice of the Independent Financial Adviser, but excluding executive Director Mr. Dai Xiaofeng who also acts as director of BE Group Finance and therefore has abstained from voting on the relevant board resolutions of the Company for good corporate governance) are of the opinion that, the terms of the 2021 Supplemental Agreement and the Revised Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

6. INTERNAL CONTROLS AND RISK MANAGEMENT MEASURES

The Company will adopt the following internal control and risk management control measures on the Deposit Services:

1. the Group utilises the services of BE Group Finance on a voluntary, non-exclusive basis and is not obliged to engage BE Group Finance for the Deposit Services. BE Group Finance is merely one of the financial institutions which provide services to the Group;
2. before placing a deposit with BE Group Finance, the treasury department of the Group will check the interest rates offered by BE Group Finance against those provided by at least two to three major independent commercial banks that have established business relationship with the Group through phone or email, with the aim to ensure that the deposit interest rate is not lower than the then applicable interest rate for the same deposit services from other independent domestic commercial banks in the PRC and Hong Kong;
3. in order to ensure that the deposit terms offered by BE Group Finance are not less favorable than those offered to other members of BE Group, the treasury department of the Company or relevant subsidiaries will consult with BE Group Finance to obtain relevant information under the same conditions including deposit rates, scale and period of the same type;
4. the treasury department of the Group will report to the management of the Company who will take the best interest rates between BE Group Finance and the commercial banks;
5. the treasury department of the Group will closely monitor the aggregate amounts of deposits placed with BE Group Finance to ensure that the total balance is less than the Revised Annual Caps at all times;
6. the treasury department of the Group will report the total balance to the management of the Company in a monthly manner;

LETTER FROM THE BOARD

7. the treasury department of the Group will request BE Group Finance to provide it with sufficient information on various financial indicators and annual financial statements so that the Company is able to monitor and review the financial conditions of BE Group Finance;
8. the Group may at any time request for the deposited fund to be withdrawn from BE Group Finance, partially or fully, at the Group's discretion, to ensure the liquidity and safety of the deposited fund; and
9. the Group, as a shareholder of BE Group Finance, has assigned four directors to BE Group Finance, in order to monitor, inspect, and control the risk management measures of BE Group Finance from time to time.

BE Group Finance will perform the following capital risk control obligations for deposit services:

1. BE Group Finance is a domestic non-banking financial institution under the supervision of the CBIRC. Competent authority delegated by CBIRC conducts daily supervision on BE Group Finance and conducts on-site and off-site inspections. BE Group Finance ensures that it is in strict compliance with the risk control indicators and risk monitoring indicators issued by the CBIRC;
2. The personnel assigned by BE Group Finance to undertake the duty of financial services shall possess experiences in financial services and a sense of responsibility and diligently perform their duties. To ensure the security of the payment and settlement of the Group, BE Group Finance shall establish a mature and efficient online banking system, and strictly execute the operation procedure and control the risk arising out of the information technology;
3. BE Group Finance shall not accept the Group to provide entrusted loans and entrusted wealth management to other related members through BE Group Finance;
4. BE Group Finance shall establish a sound internal control system on the basis of business operation, a risk management system covering the entire process and contingency plans devised for diverse risks to ensure security of the deposits placed by the Group and effectively guard against the risks;
5. BE Group Finance shall establish a model of fund pooling and usage suitable for the Group, in order to ascertain the transaction caps for connected parties, fulfill the relevant regulatory requirements and prevent the compliance risk of the Company;

LETTER FROM THE BOARD

6. BE Group Finance shall monitor the aggregate amounts of deposits placed by the Group with BE Group Finance to ensure the total balance is less than the Revised Annual Caps at all times. In the event of the deposits placed by the Group with BE Group Finance exceeding the limit, BE Group Finance shall promptly notify the Company and cooperate with the Company to transfer the over-limit deposits to the designated bank account of the Group.
7. BE Group Finance will notify the Company on any judicial, legal or regulatory procedures or investigations having material effect on its financial conditions. If the Company considers that any material adverse changes have occurred in the financial conditions of BE Group Finance, the Company will adopt appropriate measures to safeguard the interests of the Company.

7. INFORMATION ON THE GROUP AND BE GROUP FINANCE

The Group

The Group is an integrated public utilities operator with principal activities focusing on gas, water and environment, solid waste treatment and beer business.

The Company's ultimate controlling shareholder, BE Group, is ultimately and beneficially owned by the People's Government of Beijing Municipality (北京市人民政府).

BE Group Finance

BE Group Finance is a company established in the PRC with limited liability and a non-bank financial institution established and commenced business in 2013 with the approval granted by CBIRC. BE Group Finance acts as a platform for members of BE Group (including the Group) for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services, etc.

BE Group Finance is held as to approximately 44.79% in aggregate by the Group, 6.69% by Beijing Enterprises Water Group Limited (an associate of the Company) and 48.52% in aggregate by BE Group (the ultimate controlling shareholder of the Company) and its subsidiaries excluding the Group and Beijing Enterprises Water Group Limited. BE Group Finance's ultimate controlling shareholder, BE Group, is ultimately and beneficially owned by the People's Government of Beijing Municipality (北京市人民政府).

8. IMPLICATIONS UNDER THE LISTING RULES

As the Company's ultimate controlling shareholder, BE Group, beneficially owns not less than 30% equity interest in BE Group Finance, BE Group Finance is an associate of BE Group and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the 2021 Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable ratios (except for the profits ratio which is not applicable) in respect of the Revised Annual Caps under the 2021 Supplemental Agreement exceeds 5%, the transactions contemplated thereunder constitutes non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

9. GENERAL

The Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders, after taking the advice of the Independent Financial Adviser, (i) as to whether the 2021 Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole; and (ii) on how to vote at the EGM.

Euto Capital Partners Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Supplemental Agreement and the transactions contemplated thereunder.

10. EGM

A notice convening the EGM to be held at 66/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 November 2021 at 3:00 p.m., is set out on pages 46 to 47 of this circular. The EGM will be held for the Independent Shareholders to consider and, if thought fit, pass the resolution to approve, among other things, the 2021 Supplemental Agreement and the transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, please complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

As BE Group is considered to have a material interest in the 2021 Supplemental Agreement and the transactions contemplated thereunder, BE Group (together with its associates) shall abstain from voting at the EGM on the proposed resolutions to approve, among other things, the 2021 Supplemental Agreement and the transactions contemplated thereunder. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, BE Group (including its associates) controls or is entitled to control over the entire voting right in respect of 786,358,788 Shares (representing approximately 62.31% of the issued share capital of the Company). Therefore, a total of 786,358,788 Shares (representing approximately 62.31% of the issued share capital of the Company) shall abstain from voting at the EGM. There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon BE Group (including its associates); and (ii) no obligation or entitlement of BE Group (including its associates) as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

11. RECOMMENDATIONS

The Board (including the members of the Independent Board Committee after taking the advice of the Independent Financial Adviser, but excluding executive Director Mr. Dai Xiaofeng who also acts as director of BE Group Finance and therefore has abstained from voting on the relevant board resolutions of the Company for good corporate governance) are of the opinion that the 2021 Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

12. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 39 of this circular and the information set out in the appendix of this circular.

On behalf of the Board
Beijing Enterprises Holdings Limited
Li Yongcheng
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 392)

11 November 2021

To the Independent Shareholders,

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS
CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE DEPOSIT SERVICES**

We refer to the circular (the “**Circular**”) dated 11 November 2021 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the 2021 Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole, and to advise the Independent Shareholders how to vote at the EGM.

Euto Capital Partners Limited has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. Details of the advice from Euto Capital Partners Limited are contained in its letter set out on pages 20 to 39 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the 2021 Supplemental Agreement and the advice from the Independent Financial Adviser, we consider that the terms of the 2021 Supplemental Agreement and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interest of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the 2021 Supplemental Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of
the Independent Board Committee

Mr. Wu Jiesi

*Independent non-executive
Director*

Mr. Lam Hoi Ham

*Independent non-executive
Director*

Dr. Yu Sun Say

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Euto Capital Partners Limited
Room 2418, Wing On Centre,
111 Connaught Road Central,
Hong Kong

T +852 3106 2393
F +852 3582 4722
www.eutocapital.com

11 November 2021

*To the Independent Board Committee and
the Independent Shareholders of
Beijing Enterprises Holdings Limited*

Dear Sirs and Madams,

REVISION OF ANNUAL CAPS CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE DEPOSIT SERVICES

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) (the “**Transaction**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 11 November 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular.

1. Background of the Transaction

Reference is made to the Letter and the Previous Announcement.

1.1 The 2020 Deposit Agreement

On 20 December 2019, the Company entered into the 2020 Deposit Agreement with BE Group Finance, pursuant to which, among others, (i) the term of the Deposit Services commenced from 1 January 2020 to 31 December 2022; and (ii) the annual caps under the 2020 Deposit Agreement were fixed at HK\$2.23 billion for the financial year ending 31 December 2020, 2021 and 2022, respectively. Save as the aforesaid, all other terms and conditions as set out in the 2020 Deposit Agreement were substantially the same as those under the 2017 Deposit Agreement and its Supplementary Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 The 2021 Supplemental Agreement

On 1 September 2021, the Company entered into the 2021 Supplemental Agreement with BE Group Finance, pursuant to which the parties to the 2020 Deposit Agreement agreed to revise the annual caps in relation to the provision of the Deposit Services for the remaining term of the 2020 Deposit Agreement. Save as the aforesaid, all other terms and conditions as set out in the 2021 Supplemental Agreement were substantially the same as those under the 2020 Deposit Agreement.

2. Implications under the Listing Rules

As at the Latest Practicable Date, BE Group beneficially owns not less than 30% equity interest in BE Group Finance, therefore BE Group Finance is an associate of BE Group under the Listing Rules.

BE Group, which is the ultimate controlling shareholder of the Company, is a connected person of the Group, and hence BE Group Finance, being an associate of BE Group, is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2021 Supplemental Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable ratios (except for the profits ratio which is not applicable) in respect of the Revised Annual Caps under the 2021 Supplemental Agreement exceeds 5%, the transactions contemplated thereunder constitutes non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Wu Jiesi, Mr. Lam Hoi Ham and Dr. Yu Sun Say, has been established to consider and advise the Independent Shareholders as to whether the terms of the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and to advise the Shareholders on how to vote.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps) are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

OUR INDEPENDENCE

We, Euto Capital Partners Limited (“**Euto Capital**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Company pursuant to the Listing Rules.

Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance (“**SFO**”) to carry out Type 6 (advising on corporate finance) regulated activity. Euto Capital has been participated in and completed various independent financial advisory transactions since 2015. Mr. Manfred Shiu (“**Mr. Shiu**”) and Mr. Felix Huen (“**Mr. Huen**”) are the persons jointly signing off the opinion letter from Euto Capital contained in the Circular. Mr. Shiu has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2009, while Mr. Huen has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2019. Each of Mr. Shiu and Mr. Huen was participated in and completed various independent financial advisory transactions in Hong Kong.

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Euto Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Euto Capital’s independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are not associated with and have no significant connection financial or otherwise, with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Euto Capital did not provide any service to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the 2021 Supplemental Agreement and the Revised Annual Caps.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2021 Supplemental Agreement and the transactions contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transaction, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the 2021 Supplemental Agreement and the transactions contemplated thereunder (including the Revised Annual Caps), except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Transaction

On 1 September 2021, the Company entered into the 2021 Supplemental Agreement with BE Group Finance.

1.1 Information of the Company and the Group

The Company is a company incorporated in Hong Kong with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the holding company of the Group.

BE Group, which is the ultimate controlling Shareholder, is beneficially owned by the People's Government of Beijing Municipality (北京市人民政府).

(a) Principal business of the Group

The Group is an integrated public utilities operator with principal activities focusing on gas, water and environment, solid waste treatment and beer business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial position of the Group

Set out below is a summary of the Group’s (i) audited consolidated financial position as at 31 December 2020 and (ii) unaudited financial position as at 30 June 2021 as extracted from the announcement of interim results of the Company for the six months ended 30 June 2021 (the “**2021 Interim Results**”).

	As at 31 December 2020	As at 30 June 2021
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Audited)	(Unaudited)
Non-current assets	158,007,702	164,852,868
Current assets		
– Inventories	5,143,960	5,279,382
– Receivables under service concession arrangements	110,388	114,945
– Receivable under a finance lease	98,535	99,210
– Trade receivables	6,770,865	8,229,228
– Prepayments, other receivables and other assets	4,743,928	5,349,249
– Other tax recoverables	531,641	588,279
– Financial assets at fair value through profit or loss	238,095	506,024
– Restricted cash and pledged deposits	36,879	36,167
– Cash and cash equivalents	<u>29,122,428</u>	<u>32,536,230</u>
Total current assets	46,796,719	52,738,714
Total assets	204,804,421	217,591,582

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2020 HK\$'000 (Audited)	As at 30 June 2021 HK\$'000 (Unaudited)
Current liabilities		
– Trade and bills payables	4,700,433	5,229,534
– Other payables, accruals and contract liabilities	24,321,243	26,956,277
– Provision for major overhauls and onerous contracts	53,723	52,248
– Income tax payables	958,514	938,345
– Other tax payables	367,672	572,534
– Bank and other borrowings	15,398,065	7,475,472
– Guaranteed bonds and notes	4,611,320	17,413,538
– Lease liabilities	<u>117,114</u>	<u>119,476</u>
Total current liabilities	50,528,084	58,757,424
Net current liabilities	3,731,365	6,018,710
Total assets less current liabilities	154,276,337	158,834,158
Non-current liabilities		
– Bank and other borrowings	21,770,556	28,459,811
– Guaranteed bonds and notes	26,861,083	18,148,851
– Lease liabilities	608,805	517,879
– Defined benefit obligations	2,591,259	2,487,213
– Provision for major overhauls and onerous contracts	410,290	401,487
– Other non-current liabilities	1,954,380	1,914,893
– Deferred tax liabilities	<u>2,654,242</u>	<u>2,590,847</u>
Total non-current liabilities	56,850,615	54,520,981
Total liabilities	107,378,699	113,278,405
Net assets	97,425,722	104,313,177

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the table above, we noted that the total cash and cash equivalent of the Group as at 30 June 2021 was approximately HK\$32.57 billion, representing an increase of approximately 11.7% when compared to that as at 31 December 2020 of approximately HK\$29.12 billion. As disclosed in the 2021 Interim Results, such increase was mainly due to (i) the cash proceeds arising from the issuance of green bonds of EUR 400 million at the end of the period and (ii) the increase in cash flows generated from the Group's operating activities of approximately HK\$2.18 billion during the 6 months ended 30 June 2021.

As further set out in the table above, we noted that the Group recorded an unaudited consolidated net current liabilities of approximately HK\$6.02 billion as at 30 June 2021. As advised by the Management, such net liabilities was mainly due to recognition of (i) trade and bills payables increased by approximately HK\$529.10 million; (ii) other payables, accruals and contract liabilities increased by approximately HK\$2.64 billion; and (iii) guaranteed bonds and notes increased by approximately HK\$12.80 billion.

We understand that such financial position of the Group indicated a material uncertainty that may cast significant doubt on the Group's ability to continue as going concern; however, we have considered, among others, (i) the continuous profit performance of the Group for the recent years; (ii) the listed investments of the Group which is able to realised within a short period of time for liquidity and satisfy the Group's repayment obligation as and when they fall due; and (iii) the refinancing of existing indebtedness by way of renewing the bank facilities based on the historical practice, we concur with the Directors that there is no liquidity pressure on the Group to meet its liabilities position.

Further, we have also reviewed the cash flow forecast of the Group for the 18 months ended 31 December 2022 (the "**Forecast**"). Based on the Forecast, we noticed that assuming (i) the Group's operation could generate sufficient positive cash flow; and (ii) the renewal of certain Group's existing banking facilities, there is no liquidity problem faced by the Group and the Group should have sufficient cash resources available for either investment(s) for variable return and/or Deposit Services for fixed return.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

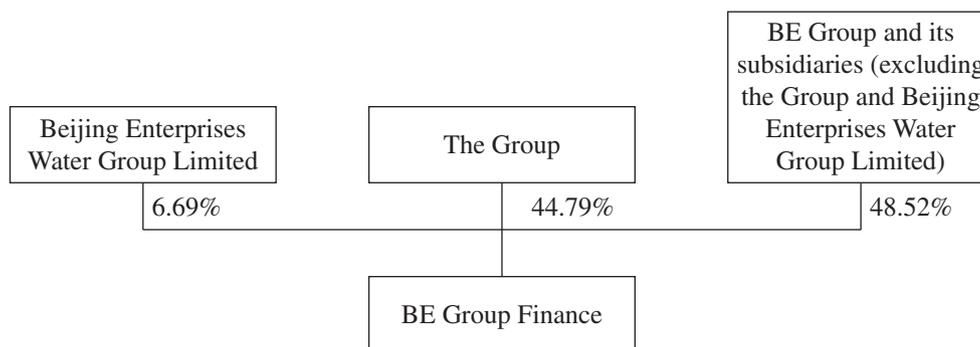
1.2 Information of the BE Group Finance

Set out below is the information of the BE Group Finance which includes, among others, (a) shareholding structure of the BE Group Finance; (b) principal activities of BE Group Finance; and (c) regulatory environment of BE Group Finance.

(a) *Shareholding structure of the BE Group Finance*

BE Group Finance is a company established in the PRC with limited liability. As at the Latest Practicable Date, BE Group Finance is held as to approximately 44.79% in aggregate by the Group, 6.69% by Beijing Enterprises Water Group Limited (an associated company of the Company) and 48.52% in aggregate by BE Group (the ultimate controlling shareholder of the Company) and its subsidiaries excluding the Group and Beijing Enterprises Water Group Limited.

Set out below is the chart illustrating the shareholding structure of BE Group Finance:



(b) *Principal activities of BE Group Finance*

BE Group Finance is a non-bank financial institution established and commenced business in 2013 with the approval granted by China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (“CBIRC”).

As at the Latest Practicable Date, BE Group Finance acts as a platform for members of BE Group (including the Group) for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services, etc.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Regulatory environment of BE Group Finance

As per the aforesaid, BE Group Finance is a non-bank financial institution in the PRC. Based on the existing regulatory environment of the PRC banking industry, the operations of BE Group Finance is supervised and regulated by CBIRC.

As advised by the Directors, up to the Latest Practicable Date, to the best of the Directors knowledge, information and belief, having made all reasonable enquiries, BE Group Finance complied with all risk monitoring indicators as imposed by CBIRC, and there is no record of non-compliance with relevant laws, rules and regulations of the PRC applicable to BE Group Finance.

2. Reasons for and benefits of entering into the 2021 Supplemental Agreement

As set out in the Letter, the Board noticed that, as of 30 June 2021, the transaction amount of the Deposit Services under the 2020 Deposit Agreement had reached approximately HK\$2.227 billion, representing approximately 99.87% of the Existing Annual Caps. In addition, in view of the continuous development of the Group's business and operational scale, it is expected that the Group will continue and deploy more Deposit Services. Hence, the transaction amount of the Deposit Services may exceed the previous estimation. The Board decided to adopt the Revised Annual Caps for the remaining terms of the 2020 Deposit Agreement so as to provide a better cash resources management of the Group.

As disclosed in the Previous Announcement, the Deposit Services are conducted on normal commercial terms and the deposit interest rates offered by BE Group Finance to the Group will be equal to or more favourable to the Group than those offered by commercial banks in Hong Kong and the PRC to the Group for comparable deposits. Also, the Group expects to be in a better position to manage the security of its funds since BE Group Finance is not considered to be exposed to any significant capital risk.

The Directors believe that BE Group Finance is well-positioned to serve the financial needs of the Group because BE Group Finance has a thorough understanding of its operations and development needs, together with the favourable deposit interest rates as mentioned above, it is expected that the transactions contemplated under the 2020 Deposit Agreement and the 2021 Supplemental Agreement would be cost-efficient, expedient and beneficial for the Group. In addition, BE Group Finance is regulated by the CBIRC and is subject to the rules and requirements of such regulatory authority, which reduce capital risks exposed to the Group in receiving the Deposit Services from BE Group Finance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, the Directors (excluding the independent non-executive Directors who will express their views after taking into account the advice of the Independent Financial Adviser) are of the opinion that, the terms of the 2021 Supplemental Agreement and the Revised Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In order to assess and conclude whether the entering into of the 2021 Supplemental Agreement is in the interest of the Company and the Shareholders as a whole, we have taken into consideration the following factors:

(a) *The relationship between the Company and BE Group Finance*

BE Group Finance has been providing the Deposit Services to the Group since 2014, which has developed a deep understanding of the capital needs and business model of the Group. In view of the stability and reliability of the Deposit Services offered in previous years, we concur that BE Group Finance is well-positioned to serve the financial needs of the Group, and it is expected to be cost-efficient, expedient and beneficial for the Group to use the Deposit Services.

(b) *The internal control and risk management measures adopted by BE Group Finance*

As mentioned above, BE Group Finance is a non-banking financial institution under the supervision of the CBIRC. Competent authority delegated by the CBIRC conducts daily supervision on it, including on-site and off-site inspections. BE Group Finance shall ensure that it is in strict compliance with the risk control indicators and risk monitoring indicators issued by the CBIRC. In any event the major regulatory indicators of BE Group Finance are found to be non-complied with relevant regulatory requirements and may lead to material risks, the Group will be entitled to discontinue its business with BE Group Finance.

In addition, BE Group Finance shall comply with the regulations of applicable laws, provisions and requirements of the CBIRC, which include the Administrative Measures for Enterprise Group Finance Companies (企業集團財務公司管理辦法) (the “**Administrative Measures**”). The Company may only conduct business with BE Group Finance on condition that the risk is confirmed to be controllable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our review on the Administrative Measures, BE Group Finance shall meet the following requirements in respect of asset-liability ratio:

- (a) the capital adequacy ratio (資本充足率) is not less than 10%;
- (b) the balance of the inter-bank borrowing funds (拆入資金比例) shall not exceed the total capital;
- (c) the balance of guarantees (擔保比例) shall not exceed the total capital;
- (d) the ratio of short-term securities investment and long-term investments to total capital (短期證券投資及長期投資比例) shall not be more than 70%; and
- (e) the self-owned fixed assets to total capital ratio (自有固定資產比例) is not more than 20%.

The Company regularly monitors the operation of BE Group Finance, such as the above asset-liability ratio requirements, by accessing the audited financial statements and other relevant operating data of BE Group Finance. To the best knowledge of the Company, BE Group Finance is in compliance with the applicable requirements as set out in the Administrative Measures. As at the 30 June 2021, for BE Group Finance, (a) the capital adequacy ratio is 18.29%; (b) the inter-bank borrowing funds ratio is 0%; (c) the guarantees ratio is 0%; (d) the short-term and long-term investment ratio is 63.86%; and (e) the self-owned fixed assets ratio is 0.22%.

In occurrence of any material events in BE Group Finance which may affect its normal operation, BE Group Finance shall inform the Group in a timely manner, and if necessary, the Group is entitled to terminate the business in BE Group Finance, and negotiate the subsequent matters with BE Group Finance. Based on the above-mentioned, we concur with the Directors that the capital safety at BE Group Finance could be ensured, controlled and monitored effectivity.

(c) *The deposit interest rate offered by BE Group Finance*

Pursuant to the 2020 Deposit Agreement, the deposit interest rate offered by BE Group Finance shall not be lower than (i) the benchmark interest rate prescribed by the People's Bank of China ("PBOC") for the same type of deposits of the same period; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits of the same period; and (iii) the interest rates offered by BE Group Finance to other members of BE Group for the same type of deposits of the same period. As advised by the Management, during the period from the commencement date of the term of the 2020 Deposit Agreement to the Latest Practicable Date, all deposits placed by the Group with BE Group Finance followed the aforesaid conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess and understand whether the deposit interest rate offered by BE Group Finance is favorable to the Group and followed the terms under the 2020 Deposit Agreement, we have based on the daily outstanding deposit balances summary selected 3 sample copies of deposit receipts issued by BE Group Finance which stated certain information, such as deposit amounts, interest rates and other terms of the Deposit Services. The samples were selected based on the highest outstanding deposit taken by the Group with BE Group Finance during the period from 1 January 2020 to 30 June 2021. Set out below is a summary of information as stated on the selected sample copies of deposit receipts:

Deposit receipt number	Deposit date (dd/mm/yy)	Deposit amount (CNY)	Period for the deposit		Benchmark interest rate prescribed by the PBOC during the relevant period (%)	Range of interest rate offered by the commercial banks in Hong Kong and/or the PRC (if applicable)
			Period for the deposit (days)	Interest rate (%)		
T01-0102000000202000501	06/08/2020	300,000,000	7	1.88785	1.35	1.10-1.55
T01-01020000002021000329	29/06/2021	100,000,000	7	2.025	1.35	2.011-2.025
T01-01020000002021000267	12/05/2021	100,000,000	7	2.025	1.35	2.011-2.025

We have compared, based on the information as listed on the above samples, and noted that the terms offered by BE Group Finance under the 2020 Deposit Agreement were more favourable than those offered by the commercial banks in Hong Kong and/or the PRC (if applicable) and the benchmark interest rate prescribed by the PBOC for the same type of deposits of the same period. Also, it is advised that the deposit rate offered by BE Group Finance to other members of the BE Group Finance is the same as that of the Group (including the above selected samples); we therefore concluded that the terms under the 2020 Deposit Agreement were followed.

(d) *The effectiveness of the Group's internal control measures over the Deposit Services taken by the Group*

As set out in the Letter, we understand that the Group has adopted the following internal control measures over the Deposit Services:

- (i) the Group utilises the services of BE Group Finance on a voluntary, non-exclusive basis and is not obliged to engage BE Group Finance for Deposit Services. The BE Group Finance is merely one of the financial institutions which provide services to the Group;
- (ii) before placing a deposit with BE Group Finance, the treasury department of the Group will check the interest rates offered by BE Group Finance against those provided by at least two to three major independent commercial banks that have established business relationship with the Group through phone or email, with the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

aim to ensure that the deposit interest rate is not lower than the applicable interest rate for the same deposit services from other independent domestic commercial banks in the PRC and Hong Kong;

- (iii) the treasury department of the Group will report to the management of the Company who will take the best interest rates between the BE Group Finance and the commercial banks;
- (iv) the treasury department of the Group will closely monitor the aggregate amounts of deposits placed with BE Group Finance to ensure that the total balance is less than the Revised Annual Caps at all times;
- (v) the treasury department of the Group will report the total balance to the management of the Company in a monthly manner;
- (vi) the treasury department of the Group will request BE Group Finance to provide it with sufficient information on various financial indicators and annual financial statements so that the Company is able to monitor and review the financial conditions of BE Group Finance; and
- (vii) the Group may at any time request for the deposited fund to be withdrawn from BE Group Finance, partially or fully, at the Group's discretion, to ensure the liquidity and safety of the deposited fund.

We understood from the Management that in order to secure the interests of the Shareholders, the Company had adopted the internal control measures of the Deposit Services mentioned above. We have discussed with the Management and understood that the staff of the treasury department of the Group is aware of and complies with all internal control measures when conducting the transactions contemplated under the 2020 Deposit Agreement. We have also reviewed the record of such internal control measures, including all monthly outstanding deposit balances in relation to the deposits placed by the Company with BE Group Finance, we note that on 1 January 2020, the cumulative daily outstanding deposits balance placed by the Group with BE Group Finance (including any interest accrued thereon) was approximately HK\$2.877 billion, which exceeded the Existing Annual Caps of HK\$2.23 billion. Based on this, we have further inquired the Management and understood that as at 1 January 2020, the annual caps under the 2017 Deposit Agreement and its Supplementary Agreement of HK\$2.9 billion had been revised to the Existing Annual Caps of HK\$2.23 billion, HK\$2.877 billion was the cumulative deposits outstanding balance placed by the Group with BE Group Finance as at 31 December 2019 which was not able to adjust timely on 1 January 2020 due to public holiday. On 2 January 2020, such exceeding of annual caps had been resolved. As at 2 January 2020, the cumulative deposits outstanding balance placed by the Group with BE Group Finance was approximately HK\$2.22 billion. Save as the aforesaid, the Existing Annual Caps has not been exceeded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our review, we concluded that the internal control measures are in place to assist the Company in monitoring, in a reasonable and effective manner, the transactions contemplated under the 2020 Deposit Agreement and the 2021 Supplemental Agreement.

Conclusion

After considered the above factors, we concur with the Directors that

- (i) the Group has to maintain deposits with financial institutions in Hong Kong and the PRC from time to time as part of its treasury activities;
- (ii) BE Group Finance has a good proven service record with the Group in terms of the Deposit Services;
- (iii) the Deposit Services have been conducted on normal commercial terms and the terms offered by BE Group Finance are equal to or favourable to the Group as compared to other financial institutions in Hong Kong and the PRC;
- (iv) the terms under 2020 Deposit Agreement and the 2021 Supplemental Agreement do not preclude the Group from taking the services of other financial institutions. In other words, there is no restriction on the Group to select other financial service providers in any event if the Management consider that it is fit and appropriate and in the interest of the Company as a whole; and
- (v) there is a sound internal control to ensure the compliance with applicable Listing Rules and the safeguard of the Group's interest.

Therefore, we are of the view that, the entering into of the 2021 Supplemental Agreement allows the Company to utilise the Deposit Services with additional capacities given (i) the Existing Annual Caps have been almost utilised; (ii) the terms offered by BE Group Finance are more favourable; and (iii) the control over the Deposit Services are well established, we conclude that the entering into of the 2021 Supplemental Agreement is in the interest of the Company and the Independent Shareholders as a whole.

3. Principal terms of the 2020 Deposit Agreement

Reference is made to the Previous Announcement.

On 20 December 2019, the Company entered into the 2020 Deposit Agreement with BE Group Finance, pursuant to which, among others, (i) the term of the Deposit Services commenced from 1 January 2020 to 31 December 2022; and (ii) the annual caps under the 2020 Deposit Agreement were fixed at HK\$2.23 billion for the financial year ending 31 December 2020, 2021 and 2022, respectively. Save as the aforesaid, all other terms and conditions as set out in the 2020 Deposit Agreement were substantially the same as those under the 2017 Deposit Agreement and its Supplementary Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the principal terms of the 2020 Deposit Agreement:

- Date:** 20 December 2019
- Parties:** (i) the Company; and
(ii) BE Group Finance.
- Term:** From 1 January 2020 to 31 December 2022 (both days inclusive), which may be renewed by the Company and BE Group Finance by agreement in writing upon the expiration of the 2020 Deposit Agreement.
- Deposit interests:** The rate at which interest will accrue on any deposit placed by the Group with BE Group Finance under the 2020 Deposit Agreement will not be lower than the following:
- (a) the benchmark interest rate prescribed by the PBOC for the same type of deposits of the same period;
 - (b) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits of the same period; and
 - (c) the interest rates offered by BE Group Finance to other members of BE Group for the same type of deposits of the same period.
- Existing Annual Caps:** The cumulative daily outstanding deposits balance placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the 2020 Deposit Agreement will not exceed HK\$2.23 billion for each of the three financial years ended 31 December 2020, 2021 and 2022, respectively.

4. Principal terms of the 2021 Supplemental Agreement

On 1 September 2021, the Company entered into the 2021 Supplemental Agreement with BE Group Finance, pursuant to which the parties to the 2020 Deposit Agreement agreed to revise the annual caps in relation to the provision of the Deposit Services for the remaining term of the 2020 Deposit Agreement. Save as the aforesaid, all other terms and conditions as set out in the 2021 Supplemental Agreement were substantially the same as those under the 2020 Deposit Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the principal terms of the 2021 Supplemental Agreement:

- Date:** 1 September 2021
- Parties:** (i) the Company; and
(ii) BE Group Finance.
- Term:** The 2021 Supplemental Agreement shall be effective from the date of obtaining Independent Shareholders' approval at the EGM (the "**Effective Date**").

There is no change on the term of Deposit Services as set out under the 2020 Deposit Agreement (i.e. From 1 January 2020 to 31 December 2022 (both days inclusive), which may be renewed by the Company and BE Group Finance by agreement in writing upon the expiration of the 2020 Deposit Agreement.)

- Revised Annual Caps** The cumulative daily outstanding deposits balance placed by the Group with BE Group Finance (including any interest accrued thereon) during the term of the 2020 Deposit Agreement will not exceed the following caps

For the financial year ending 31 December 2021 HK\$8.15 billion

For the financial year ending 31 December 2022 HK\$8.15 billion

As stated in the Letter, the Revised Annual Caps were determined taking into account (i) the historical maximum daily balance of deposit the Company placed with BE Group Finance, and (ii) the reference to the latest Group's cash and cash equivalents available. As at 30 June 2021, the amount of cash and bank balances of the Group was approximately HK\$32.5 billion.

5. Basis of the Revised Annual Caps

While determining the Revised Annual Caps, the Directors have considered factors, which include (i) the historical maximum amounts of daily outstanding deposits placed by the Group with BE Group Finance; and (ii) the Group's available cash resources as at the Latest Practicable Date.

In order to assess the fairness and reasonableness of the Revised Annual Caps, we have conducted the following workdone.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) Review on the historical record in connection with the Deposit Services

In order to evaluate the need to revise the Existing Annual Caps, we have discussed with the Management and conducted a review on (i) the historical outstanding balance of the deposit placed by the Company with BE Group Finance as at 31 December 2020 and 30 June 2021; (ii) the maximum amounts of daily outstanding deposits placed by the Group with BE Group Finance on any given day during each of the aforesaid period; and (iii) the utilization rates of the Existing Annual Caps for each of the aforesaid period.

		As at 30 June 2021	As at 31 December 2020
		<i>HK\$'billion</i> (unaudited)	<i>HK\$'billion</i> (audited)
Outstanding balance of the deposit placed by the Company with BE Group Finance as at the period/year end		2.227	2.229
Maximum amounts of daily outstanding deposits placed by the Group with BE Group Finance	(a)	2.229	2.877
Existing Annual Caps	(b)	2.23	2.23
Utilisation rate (%)	(a)/(b)	99.96	129.01

As shown in the table above, the maximum amounts of daily outstanding deposits placed by the Group with BE Group Finance (including any interest accrued thereon) was approximately HK\$2.88 billion during the year 2020, which exceeded the Existing Annual Caps of HK\$2.23 billion. As explained previously, as at 1 January 2020, the annual caps under the 2017 Deposit Agreement and its Supplementary Agreement of HK\$2.9 billion had been revised to the Existing Annual Caps of HK\$2.23 billion, HK\$2.877 billion was the cumulative deposits outstanding balance placed by the Group with BE Group Finance as at 31 December 2019 which was not able to adjust timely on 1 January 2020 due to public holiday. On 2 January 2020, such exceeding of annual caps had been resolved. As at 2 January 2020, the cumulative deposits outstanding balance placed by the Group with BE Group Finance was approximately HK\$2.22 billion. Save as the aforesaid, the Existing Annual Caps has not been exceeded.

Besides, each of the outstanding balance of the deposits placed by the Group with BE Group Finance as at 31 December 2020 and 30 June 2021 reached almost 100% of the Existing Annual Caps, therefore, we concur with the Directors that there is a need to revise the Existing Annual Caps for better treasury management.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Review on the Group's budgeted available cash resources for the Deposit Services

Apart from the above, we have discussed with the Management and reviewed the Forecast in order to assess the Group's available cash resources. We noted that while preparing the Forecast, the Directors assumed (i) the operating activities would generate positive cash flow to the Group as assumed based on past historical record and the Group's business plan; (ii) there are proceeds generated from renewal of existing Group's banking facilities which may have no material uncertainties; and (iii) there is no material unexpected expenses incurred during the Forecast period.

Based on the Forecast, despite the fact that the deposit rate offered by BE Group Finance is lower than the loan rate from bank facilities offered by external financial institution(s), assuming there would be an increase in cash inflows generated from the Group's operation activities, the Directors expect the Group's performance will continue to improve which will lead to extra idle cash. Also, the Group is not under any obligation to place deposits with BE Group Finance pursuant to the 2020 Deposit Agreement. It is advised that the setting of the Revised Annual Caps is to accommodate the idle cash generated from its operating activities and the possible drawn down of the loan facilities which could be temporarily deposited under the Deposit Services. Meanwhile, the Group will be entitled to withdraw its deposit placed with BE Group Finance in full or in part; hence, the Group may, at its sole discretion, finance its cash resources for any possible needs without any restrictions.

Given the Deposit Services provide the option, not an obligation, for the Group to deposit its cash with BE Group Finance under terms better than those offered by other commercial banks, we concur with the Directors that the Revised Annual Caps (i) set at a level with a certain degree of buffer in order to enable the Group with the flexibility to earn interest income through making deposits to BE Group Finance; (ii) are based on reasonable estimation after due and careful consideration and (iii) are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Conclusion

As disclosed in the 2021 Interim Results, the Group cash and cash equivalents balance increase from approximately HK\$29.12 billion as at 31 December 2020 to approximately HK\$32.54 billion as at 30 June 2021, primarily due to an increase in cash inflows from the Group's operating activities by approximately HK\$2.18 billion during the six months ended 30 June 2021. The Directors expect the Group's performance will continue to improve which will lead to extra idle cash. So far, the Group has almost utilised the Existing Annual Caps during the first half of 2021, based on this, we concur with the Directors that from a strategic standpoint, it would be in the interests of the Company to adjust the Caps and further its relationship with BE Group Finance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the strict compliance with the internal control measures by the Group; (ii) the terms offered by BE Group Finance which are more favourable than those offered by the other PRC commercial banks; and (iii) the long term relationship with BE Group Finance to ensure a smooth application procedures for the Deposit Services, we considered that the provision of the Deposit Services are in the interest of the Group as a whole.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the 2021 Supplemental Agreement are (i) in the ordinary and usual course of business of the Group, (ii) on normal commercial terms; (iii) fair and reasonable; and (iv) in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Felix Huen
Director

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Manfred Shiu
Director

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the “**Model Code**”) were as follows:

(i) Long positions in the Shares and underlying Shares

Name of Director	Number of Shares directly beneficially owned	Approximate percentage of the Company's total number of issued Shares
Jiang Xinhao	20,000	0.002%
Tam Chun Fai	2,000	0.000%

(ii) Long positions in the shares and underlying shares of the associated corporations of the Company

Name of Director	Name of the associated corporation of the Company	Number of ordinary shares of the associated corporation directly beneficially owned	Approximate percentage of the associated corporation's total number of issued shares
Tam Chun Fai	Beijing Enterprises Environment Group Limited	50,000	0.003%
Yu Sun Say	Beijing Enterprises Water Group Limited	100,000	0.001%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at the Latest Practicable Date, the interests and short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares and underlying Shares of the Company which were recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long Positions:

Name	Number of ordinary Shares held, capacity and nature of interest			Percentage of the Company's total number of issued Shares
	Directly beneficially owned	Others	Total	
Beijing Holdings Limited ("BHL")	4,391,000	–	4,391,000	0.35%
Modern Orient Limited ("MOL")	100,050,000	–	100,050,000	7.93%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000 ^(a)	263,780,288	20.90%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	518,187,500	263,780,288 ^(b)	781,967,788	61.96%
BE Group	–	786,358,788 ^(c)	786,358,788	62.31%

Notes:

- (a) The interest disclosed includes the shares owned by MOL. MOL is a wholly-owned subsidiary of BEIL. Accordingly, BEIL is deemed to be interested in the shares owned by MOL.
- (b) The interest disclosed includes the shares owned by BEIL and MOL. BEIL, the holding company of MOL, is held directly as to 72.72% by BE Group BVI. Accordingly, BE Group BVI is deemed to be interested in the shares owned by BEIL and MOL.
- (c) The interest disclosed includes the interest in shares held by BE Group BVI as detailed in note (b) and BHL. BE Group BVI and BHL are wholly-owned subsidiaries of BE Group. Accordingly, BE Group is deemed to be interested in the shares held by BE Group BVI, BEIL, MOL and BHL.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other interests and short positions in shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

4. DIRECTORS OR PROPOSED DIRECTORS BEING A DIRECTOR OR EMPLOYEE IN A COMPANY HAVING AN INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at the Latest Practicable Date, the following Directors were directors or employees of companies which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company having an interest in the Shares and underlying Shares	Position held within such company
Li Yongcheng	BE Group	Director
	MOL	Director
	BEIL	Director
	BE Group BVI	Director
Jiang Xinhao	BE Group	Vice General Manager
	MOL	Director
	BEIL	Director
	BE Group BVI	Director
Dai Xiaofeng	BE Group	Vice General Manager
	MOL	Director
	BEIL	Director
	BE Group BVI	Director
Xiong Bin	BE Group	Assistant to General Manager

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other Director who was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had any interest in any businesses which compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service agreement with the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

7. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group (other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group) or have any other conflicts of interest with the Group pursuant to the Listing Rules.

8. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, save as disclosed, none of the Directors had any direct or indirect interest in any asset which had, since 31 December 2020 (the date to which the latest published audited financial statements of the Group were made up), been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion which is contained in this circular.

Name	Qualification
Euto Capital Partners Limited	a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Euto Capital Partners Limited did not have (i) any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and (ii) any direct or indirect interest in any assets which had been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to or which were proposed to be acquired or disposed of by or leased to, any member of the Group.

Euto Capital Partners Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and reference to its name in the form and context in which it is included.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.behl.com.hk) from the date of this circular up to and including the date of the EGM:

- (a) the 2020 Deposit Agreement;
- (b) the 2021 Supplemental Agreement;
- (c) 2017 Deposit Agreement and its Supplementary Agreement;
- (d) the written consent referred in paragraph headed “10 Expert and Consent” of this appendix; and
- (e) this circular.

NOTICE OF THE EGM



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 392)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Beijing Enterprises Holdings Limited (the “Company”) will be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 November 2021 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as an ordinary resolution. Capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 11 November 2021, unless otherwise specified.

ORDINARY RESOLUTION

“THAT:

- (a) the 2021 Supplemental Agreement in relation to provision of the Deposit Services (details of the 2021 Supplemental Agreement are set out in the Company’s circular dated 11 November 2021 (the “Circular”), copies of the 2021 Supplemental Agreement and the Circular have been tabled at the meeting marked “A” and “B” respectively and signed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Revised Annual Caps be and hereby approved and confirmed; and
- (c) the directors of the Company, acting together, individually or by committee, be and are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as they may consider necessary, appropriate, desirable or expedient for implementation of or giving effect to the 2021 Supplemental Agreement, the Revised Annual Caps and any of the transactions contemplated thereunder.”

On behalf of the Board
Beijing Enterprises Holdings Limited
Li Yongcheng
Chairman

Hong Kong, 11 November 2021

NOTICE OF THE EGM

Notes:

1. For determining the entitlement of the shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 25 November 2021 to Tuesday, 30 November 2021 (both dates inclusive) during which period no transfer of the shares of the Company will be registered. In order to qualify for entitlement to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 24 November 2021.
2. A shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time fixed for holding the EGM. Forms of proxy returned electronically or by any other data transmission process will not be accepted.
4. If Typhoon Signal No. 8 or above, or "extreme conditions" caused by super typhoons, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.behl.com.hk) to notify shareholders of the date, time and place of the rescheduled meeting.

PRECAUTIONARY MEASURES FOR THE EGM

The following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature checks
- (2) Wearing of surgical face mask
- (3) No provision/distribution of refreshments, drinks or corporate gifts

Attendee who does not comply with the precautionary measures referred to in (1) to (2) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of shareholders, the Company would like to encourage its shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

As at the date of this notice, the board of directors of the Company comprises Mr. Li Yongcheng (Chairman), Mr. Jiang Xinhao (Vice Chairman), Mr. Zhao Xiaodong (Vice Chairman), Mr. Dai Xiaofeng, Mr. Xiong Bin (Chief Executive Officer) and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Lam Hoi Ham and Dr. Yu Sun Say as independent non-executive directors.