

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**北京控股有限公司**  
**BEIJING ENTERPRISES HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

*(website: [www.behl.com.hk](http://www.behl.com.hk))*

**(Stock code: 392)**

## **ANNOUNCEMENT**

This announcement is made by Beijing Enterprises Holdings Limited (the “**Company**”) in compliance with the disclosure requirement under Rule 13.09 of the Listing Rules.

On 26 September 2012, the Company, along with other Vendors entered into the Master Agreement with the Purchasers, pursuant to which the Company itself and, through BE Water (Beijing) and BEH Environment Technology, agreed to transfer, and the Purchasers agreed to acquire (i) the Future Income in relation to the Beijing Water Plant; (ii) the entire equity interests in BE Water (Weifang); (iii) the entire beneficial shareholding interests in BE Water (BVI); and (iv) 90% equity interests in BE Water (Hainan), subject to satisfaction of certain conditions precedent as set out therein.

As consideration for the Proposed Asset Injection, there shall be payable to BE Environmental, a wholly-owned subsidiary of the Company, by issue and allotment of a total of 658,357,748 Consideration Shares at HK\$1.62 per Share (equivalent to a total value of HK\$1,066,539,552) to BE Environmental and on such terms and conditions as discussed below. As consideration for the Proposed BE Water (Hainan) Transfer, there shall be payable to BE Environmental, by issue and allotment of 118,453,090 Consideration Shares at HK\$1.62 per Share (equivalent to a total value of HK\$191,894,006) to BE Environmental and on such terms and conditions as discussed below.

Prior to the Completion, BE Environmental and parties acting in concert with it are interested in 3,047,556,993 BE Water Shares, representing approximately 44.11% of the issued share capital of BE Water as at the date of this announcement. In the event that there is Completion of the Proposed Asset Injection, the shareholding of BE Environmental and parties acting in concert with it will increase from 3,047,556,993 BE Water Shares, representing approximately 44.11% of the entire issued share capital of BE Water as at the date of this announcement to a total of 3,705,914,741 BE Water Shares, representing approximately 48.97% of the entire issued share capital of BE Water as enlarged by the issue of the Consideration Shares in respect of the Proposed Asset Injection. In the event that there is Completion of the Proposed Asset Injection and Proposed BE Water (Hainan) Transfer, the shareholding of BE Environmental and parties acting in concert with it will increase from 3,047,556,993 BE Water Shares, representing approximately 44.11% of the entire issued share capital of BE Water as at the date of this announcement to a total of 3,824,367,831 BE Water Shares, representing approximately 49.76% of the entire issued share capital of BE Water as enlarged by the issue of the Consideration Shares in respect of the Proposed Asset Injection and the Proposed BE Water (Hainan) Transfer. The issuance of Consideration Shares by BE Water will trigger an obligation for BE Environmental (together with parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all of the BE Water Shares not already owned or agreed to be acquired by them. An application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent BE Water Shareholders at the BE Water SGM by way of poll. BE Environmental and parties acting in concert with it, together with other BE Water Shareholders (if any) who have been involved in or are interested in the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer and the Whitewash Waiver shall abstain from voting at the BE Water SGM in respect of the resolutions to approve the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer and the Whitewash Waiver. Completion of the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer and the transactions contemplated under the Master Agreement are conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent BE Water Shareholders at the BE Water SGM. If the Whitewash Waiver is not granted or is withdrawn or revoked by the Executive or is not approved by the Independent BE Water Shareholders, the Master Agreement will not become unconditional and the Proposed Asset Injection and Proposed BE Water (Hainan) Transfer will not proceed.

This announcement is made by the Company in compliance with the disclosure requirement under Rule 13.09 of the Listing Rules.

On 22 December 2010, the Board announced, among other things, that the Company had entered into an exclusivity agreement with BE Water in respect of the Proposed Asset Injection (including the Proposed BE Water (Hainan) Transfer) (the “**2010 Announcement**”) pursuant to which the Company undertook to enter into further exclusive negotiations with BE Water and allow BE Water to conduct due diligence on the Subject Assets (including BE Water (Hainan)) during the exclusivity period as stipulated therein in order to provide BE Water with information on which negotiations with the Company on the terms of a formal agreement can be based (the “**Exclusivity Agreement**”). Subject to the Company and BE Water reaching agreement as to other terms of the formal agreement, it was stipulated in the Exclusivity Agreement that the consideration for the Proposed Asset Injection (including the Proposed BE Water (Hainan) Transfer) shall be satisfied by way of the issue of Consideration Shares with an issue price of approximately HK\$1.9788 per BE Water Share which was equivalent to a discount of 15% to the theoretical ex-entitlement price per BE Water Share of approximately HK\$2.328 per BE Water Share pursuant to the open offer of new BE Water Shares conducted by BE Water which was completed on 15 March 2011 (the “**Open Offer**”). Save for the elements of exclusivity, due diligence undertakings, the consideration settlement mechanism and certain confidentiality undertakings, the Exclusivity Agreement did not constitute binding obligations of the Company and BE Water regarding the Proposed Asset Injection (including the Proposed BE Water (Hainan) Transfer) and the Exclusivity Agreement did not address all of the terms of the Proposed Asset Injection (including the Proposed BE Water (Hainan) Transfer), which would only be addressed after all due diligence has been completed. The Exclusivity Agreement was approved by the Independent BE Water Shareholders at a special general meeting of the BE Water held on 17 February 2011.

On 18 July 2012, the Company and BE Water had further entered into the framework agreement in respect of the Proposed Asset Injection (including the Proposed BE Water (Hainan) Transfer) (the “**Framework Agreement**”). The Framework Agreement is not legally binding upon the parties thereto save and except for the proposed Issue Price and the provision in the Framework Agreement requiring the Company and BE Water to use reasonable endeavours to complete all matters of due diligence in respect of the Proposed Asset Injection (including the Proposed BE Water (Hainan) Transfer) and to procure the entering into of a formal agreement as soon as possible. Whereas the businesses of the subject assets of the Proposed Asset Injection (including the Proposed BE Water (Hainan) transfer) were broadly stated in the 2010 Announcement as comprising water supply, sewage treatment and waste treatment, the parties agreed pursuant to the Framework Agreement that the

businesses of the Subject Assets (including BE Water (Hainan)) would primarily involve operation and construction of water supply and sewage treatment plants. Furthermore, as stated in the circular of BE Water dated 26 January 2011, the consideration for the purchase of the Subject Assets (including BE Water (Hainan)) by BE Water would be by way of the issue of Consideration Shares and that the price of Consideration Shares shall be approximately HK\$1.9788 per BE Water Share based on the theoretical ex-entitlement price per BE Water Share pursuant to the Open Offer conducted in early 2011. Pursuant to the Framework Agreement, it was contemplated that the issue price of Consideration Shares would be fixed at HK\$1.62 per BE Water Share (representing a premium of approximately 20% to the closing price of HK\$1.35 per BE Water Share as quoted on the Stock Exchange for the last trading day of the BE Water Shares on the Stock Exchange prior to the publication of the announcement of BE Water on 18 July 2012). The Issue Price was negotiated on an arm's length basis between the Company and BE Water and determined with reference to the current state of the global economy and changes in market conditions together with movements in the trading price per BE Water Share on the Stock Exchange since the date of the Exclusivity Agreement and the Open Offer in early 2011.

## **THE MASTER AGREEMENT**

Following on from the Framework Agreement, on 26 September 2012, the Company, along with other Vendors entered into the Master Agreement with the Purchasers, pursuant to which the Company itself and, through BE Water (Beijing) and BEH Environment Technology, agreed to transfer, and the Purchasers agreed to acquire (i) the Future Income in relation to the Beijing Water Plant; (ii) the entire equity interests in BE Water (Weifang); (iii) the entire beneficial shareholding interests in BE Water (BVI); and (iv) 90% equity interests in BE Water (Hainan), with completion of such transfers to be subject to satisfaction of certain conditions precedent as set out therein.

As consideration for the Proposed Asset Injection, there shall be payable to BE Environmental, by issue and allotment of a total of 658,357,748 Consideration Shares at HK\$1.62 per BE Water Share (equivalent to a total value of HK\$1,066,539,552) to BE Environmental and on such terms and conditions as discussed below. As consideration for the Proposed BE Water (Hainan) Transfer, there shall be payable to BE Environmental, by issue and allotment of 118,453,090 Consideration Shares at HK\$1.62 per BE Water Share (equivalent to a total value of HK\$191,894,006) to BE Environmental and on such terms and conditions as discussed below.

The respective Completion of each of the Proposed Asset Injection and the Proposed BE Water (Hainan) Transfer under the Master Agreement is subject to the fulfillment or the waiver (as the case may be) of the following conditions (of which, conditions precedent (1) to (7) shall apply to the Proposed Asset Injection and conditions precedent (1) to (8) shall apply to the Proposed BE Water (Hainan) Transfer):

- (1) the Purchasers having completed the due diligence investigation (including but not limited to legal, financial and business aspects) on the Target Companies, its subsidiaries and affiliated companies, BE Water (Hainan) and the Target Asset, and the Purchasers consider that the results of the due diligence investigation are acceptable and fully satisfactory in all respects;
- (2) the warranties given by each party under the Master Agreement remaining true and accurate in all material respects;
- (3) the compliance with and performance of the respective obligations and undertakings of BE Water and each party to the Master Agreement prior to Completion;
- (4) the despatch of the circular of BE Water in relation to the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer, and the transactions contemplated under the Master Agreement and the Whitewash Waiver to all BE Water Shareholders;
- (5) the obtaining of specific approval of the Independent BE Water Shareholders by way of poll at the BE Water SGM for the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer, and the transactions contemplated under the Master Agreement and the granting of the Whitewash Waiver;
- (6) the granting by the Executive, and not having withdrawn or revoked such grant, of the Whitewash Waiver, and the fulfillment of all conditions, if any, attached thereto;
- (7) the grant or the agreement to grant (subject to allotment) by the Listing Committee of the Stock Exchange, and not having withdrawn or revoked such grant, the listing of and permission to deal in all the Consideration Shares, either unconditionally or subject to such conditions as are accepted by the Company, by no later than the first day of their dealings; and
- (8) in respect of the Proposed BE Water (Hainan) Transfer only, 海口市水務局 (Haikou Water Authority) and 海口長豐水務投資有限公司 (Haikou Zhangfeng Water Investment Co. Ltd.\*) (as further described below) approving the proposed transfer of 90% equity interests in BE Water (Hainan).

None of conditions precedent (4) to (8) are waivable by the any party to the Master Agreement pursuant to the terms of the Master Agreement. If any of the conditions has not been fulfilled or waived (as the case may be) by the parties pursuant to the Master Agreement on or before 30 May 2013, or such other date as all parties may agree, either party shall be entitled to rescind the Master Agreement whereupon the provisions of the Master Agreement shall from such date have no further force and effect and no party to the Master Agreement shall have any liability hereunder (without prejudice to the rights of the parties in respect of any antecedent breaches).

### **Completion**

The respective Completion of each of the Proposed Asset Injection and the Proposed BE Water (Hainan) Transfer shall take place within five business days after all the conditions (as applicable) as set out above have been fulfilled or waived (as the case may be) or such later date as may be agreed between the parties. The respective Completion of each of the Proposed Asset Injection and the Proposed BE Water (Hainan) Transfer is not inter-conditional with each other.

### **Consideration**

The consideration of HK\$1,066,539,552 in respect of the Proposed Asset Injection is comprised of:-

- (1) RMB804,000,000 (equivalent to approximately HK\$982,692,872) as consideration for acquiring the Future Income, which was determined after arm's length negotiation between the Purchasers and the Vendors on the basis of a discounted cash flow forecast performed on the Future Income in relation to the Beijing Water Plant in the coming six financial years until 2018 (as further detailed in the section of this announcement headed "Information on the Subject Assets and BE Water (Hainan) — Target Asset");
- (2) RMB6,600,000 (equivalent to HK\$8,066,881) as consideration for acquiring the entire equity interests in BE Water (Weifang), which was determined after arm's length negotiation between the Purchasers and the Vendors by reference to the earnings capability, growth prospects and financial and operating performance of BE Water (Weifang); and
- (3) HK\$75,779,799 as consideration for acquiring the entire shareholding interests in BE Water (BVI) which was determined after arm's length negotiation between the Purchasers and the Vendors by reference to the growth prospects, financial and operating performance of BE Water (BVI), and the net asset value of BE Water (BVI) as at 31 December 2011.

The consideration of RMB157,000,000 (equivalent to approximately HK\$191,894,006) in respect of the Proposed BE Water (Hainan) Transfer was determined after arm's length negotiation between the Purchasers and the Vendors by reference to the earnings capability, growth prospects and financial and operating performance of BE Water (Hainan).

The Issue Price of HK\$1.62 per Consideration Share is determined after arm's length negotiations between the Purchasers and the Vendors with reference to the recent market price of the BE Water Shares. The Consideration Shares will rank *pari passu* in all respects with all other BE Water Shares in issue on the date of their allotment and issue, including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue. There is no restriction on the subsequent sale of the Consideration Shares by the Vendors and/or their nominee, BE Environmental.

## **WHITEWASH WAIVER**

Prior to the Completion, BE Environmental and parties acting in concert with it are interested in 3,047,556,993 BE Water Shares, representing approximately 44.11% of the issued share capital of BE Water as at the date of this announcement. In the event that there is Completion of the Proposed Asset Injection, the shareholding of BE Environmental and parties acting in concert with it will increase from 3,047,556,993 BE Water Shares, representing approximately 44.11% of the entire issued share capital of BE Water as at the date of this announcement to a total of 3,705,914,741 BE Water Shares, representing approximately 48.97% of the entire issued share capital of BE Water as enlarged by the issue of the Consideration Shares in respect of the Proposed Asset Injection. In the event that there is Completion of the Proposed Asset Injection and Proposed BE Water (Hainan) Transfer, the shareholding of BE Environmental and parties acting in concert with it will increase from 3,047,556,993 BE Water Shares, representing approximately 44.11% of the entire issued share capital of BE Water as at the date of this announcement to a total of 3,824,367,831 BE Water Shares, representing approximately 49.76% of the entire issued share capital of BE Water as enlarged by the issue of the Consideration Shares in respect of the Proposed Asset Injection and the Proposed BE Water (Hainan) Transfer. The issuance of Consideration Shares by BE Water will trigger an obligation for BE Environmental (together with parties acting in concert with it) to make a mandatory general offer under Rule 26 of the Takeovers Code for all of the BE Water Shares not already owned or agreed to be acquired by them. An application will be made to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent BE Water Shareholders at the BE Water SGM by way of poll. BE Environmental and parties

acting in concert with it, together with other BE Water Shareholders (if any) who have been involved in or are interested in the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer and the Whitewash Waiver shall abstain from voting at the BE Water SGM in respect of the resolutions to approve the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer and the Whitewash Waiver. Completion of the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer and the transactions contemplated under the Master Agreement are conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval of the Whitewash Waiver by the Independent BE Water Shareholders at the BE Water SGM. If the Whitewash Waiver is not granted or is withdrawn or revoked by the Executive or is not approved by the Independent BE Water Shareholders, the Master Agreement will not become unconditional and the Proposed Asset Injection and Proposed BE Water (Hainan) Transfer will not proceed.

## **INFORMATION ON THE SUBJECT ASSETS AND BE WATER (HAINAN)**

### *Target Asset*

The Beijing Water Plant is situated in the northern district of Beijing Municipality. By a concession agreement dated 13 July 1998 entered into between the Company and Beijing Municipal Water regarding the purchase of an operating concession right to operate the Beijing Water Plant (supplemental agreements have been further entered on 8 April 2011), Beijing Municipal Water granted an operation concession to the Company for a concession fee of RMB1,500 million to operate water purification business at the Beijing Water Plant for a term of 20 years expiring in 2018 (the “**Concession Agreement**”). Target Asset is the Future Income in relation to the Beijing Water Plant in the coming six financial years commencing from 1 January 2013 until 2018.

Under the Concession Agreement, Beijing Municipal Water shall pay the Company the water purification fee in relation to the operation of the Beijing Water Plant. The Company is responsible for paying all state and local taxes in the PRC and operating costs in relation to the operation of the Beijing Water Plant. In accordance with the Master Agreement, the Company is responsible for paying any amount so received as water purification fee under the Concession Agreement to BE Water after deducting all state and local taxes in the PRC and operating costs in respect of the operation of the Beijing Water Plant in the coming six financial years commencing from 1 January 2013 until 2018. The annual amount of Future Income to be received by BE Water pursuant to the Master Agreement therefore is the water purification fee for that



particular financial year after deducting the state and local taxes in the PRC and operating costs in respect of the operation of the Beijing Water Plant in respect of that particular financial year. The Future Income shall be paid in cash during the second half of each coming six financial years until 2018.

In an attempt of the Beijing Municipal Government to further regulate arrangements and stipulate matters concerning the abovementioned water purification fee payable under the Concession Agreement, and requiring Beijing Municipal Water, as its subordinate regulatory authority, to observe such stipulated arrangements and matters, on the basis of the decisions of a meeting among the Beijing Municipal Government, Beijing Municipal Water and the Company on 29 June 2010, the Company would be entitled under the Concession Agreement to a non-guaranteed annual net income (that is, water purification fee less operating costs) after tax amount of RMB190 million (reduced from RMB 210 million) (the “**Meeting Decisions**”). According to BE Water’s PRC legal advisor, Haiwen & Partners, the Meeting Decisions are legally binding on Beijing Municipal Water under the current PRC legal regime. In accordance with the Meeting Decisions, the Future Income shall be RMB190 million annually in the coming six financial years until 2018. According to BE Water’s PRC legal advisor, the Meeting Decisions are government papers of the Beijing Municipal Government and the abovementioned stipulations thereunder are legally binding on Beijing Municipal Water under the current PRC legal regime and must be observed by Beijing Municipal Water as a subordinate regulatory authority of the Beijing Municipal Government. According to the Company’s PRC legal advisor, Haiwen & Partners, the Beijing Municipal Government may exercise its administrative powers to request Beijing Municipal Water to comply with the abovementioned stipulations under the Meeting Decisions. In addition, according to the information provided by the Company, the total annual net income (that is, water purification fee less operating costs) that the Company had been entitled for the operation of the Beijing Water Plant (after deduction of all state and local taxes in the PRC) since 1998 until 2011 had ranged from RMB190 million to RMB210 million per year as a result of the regulatory decisions of the Beijing Municipal Government as mentioned above.

**There is no adjustment mechanism in respect of any amount of Future Income receivable by BE Water from the Company under the Master Agreement, nor is there any guarantee provision by the Company. BE Water is not a party to the Meeting Decisions and the Future Income is not guaranteed by the Company under the Master Agreement. As there is no guarantee over any amount so receivable by the Company from Beijing Municipal Water as water purification fee in any particular year under the Concession Agreement, the Company has not provided any guarantee over any aspect of the Future Income under the Master Agreement and is only liable under the Master Agreement to pay to BE Water the**

**amount that it actually receives from Beijing Municipal Water as water purification fee under the Concession Agreement after deducting all state and local taxes in the PRC and operating costs in respect of the operation of the Beijing Water Plant in the coming six financial years commencing from 1 January 2013 until 2018.**

Based on the Meeting Decisions and information provided by the Company as mentioned above however, the board of BE Water expects the annual Future Income to remain constant and shall be at an annual amount of RMB190 million for the duration of the assignment of the Future Income by the Company under the Master Agreement. In addition, pursuant to the Master Agreement, the Company shall use all reasonable endeavours through the taking of all necessary pro-active actions as described below to avoid any delay and shortfall in the payment from Beijing Municipal Water and the onward remittance to BE Water and to conduct all liaison and take all necessary and timely steps in this regard. Pro-active actions, include seeking the assistance of the Beijing Municipal Government to request Beijing Municipal Water to comply with Meeting Decisions, and taking of action to seek enforcement of the obligations under the Concession Agreement and, apart from agreeing to provide BE Water with the information right to review all documentation between the Company and Beijing Municipal Water regarding the payment from Beijing Municipal Water under the Concession Agreement, to report to BE Water on the reason after enquiry for any such delay and shortfall and to take all necessary steps to ensure the timely payment of the Future Income. There are no other conditions attached to the Future Income.

*BE Water (Weifang)*

BE Water (Weifang) is a company established in the PRC on 28 November 2003 with limited liability which is wholly-owned by BE Water (Beijing), which in turn is an investment holding company owned by 北京北控制水有限公司 (Beijing Beikong Water Production Co., Ltd.\*), and ultimately owned by the Company. The principal businesses of BE Water (Weifang) includes centralised supply of drinking water; reuse of water; operation and management of water plant and sewage treatment plant; installation and maintenance of water facilities; sale of plumbing equipment; and sewage treatment services and utilisation. BE Water (Weifang) has a water supply project in Shandong under a concession agreement for a term of 21 years until 2025.

### *BE Water (Hainan)*

BE Water (Hainan) is a company incorporated in the PRC on 10 April 2008 with limited liability which 90% of its equity interest and shareholding is owned by BEH Environment Technology. The remaining 10% is held by 海口長豐水務投資有限公司 (Haikou Zhangfeng Water Investment Co. Ltd.\*), a company incorporated in the PRC and an Independent Third Party. The principal businesses of BE Water (Hainan) includes operations in water project investments, construction and management, waste treatment project (excluding dangerous wastes), environmental consultancy services and sales of equipment and device for environmental protections. BE Water (Hainan) has two sewage treatment projects in Hainan under a concession agreement for a term of 25 years until 2033.

### *BE Water (BVI)*

BE Water (BVI) is an investment holding company incorporated by the Company in the BVI on 6 December 2004, which, as at the date of this announcement, owns 50.5% shareholding of BJA Holdings with the remaining 49.5% held by Golden State Water Group Corporation, a company incorporated in the Cayman Islands and which it together with its ultimate shareholders are Independent Third Parties. BJA Holdings is a company incorporated in the BVI and is an investment holding company holding the entire issued share capital of Beikong Jinzhou Water (HK). Beikong Jinzhou Water (HK) is a company incorporated in Hong Kong and is itself an investment holding company. As at the date of this announcement, BJA Holdings is directly interested in 67% equity interests in Beijing Anling, with the remaining 33% equity interests in Beijing Anling being held directly by Beijing Municipal Water, which, together with its ultimate shareholders are Independent Third Parties. The principal business of Beijing Anling includes construction and operations in Phase A of No.10 water plant in Beijing; technical research and development, technical constancy and technical services of water treatment project.

## **REASONS FOR AND BENEFITS OF THE PROPOSED ASSET INJECTION AND THE PROPOSED BE WATER (HAINAN) TRANSFER**

The Company is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 392). The Group is principally engaged in natural gas operations, brewery operations, sewage and water treatment operations, and toll road operations in the PRC. As it is expected that the business of BE Water will keep growing, the Company considers that it is in the interests of the Group to invest in BE Water. The Directors believe that the Proposed Asset Injection and the Proposed BE Water (Hainan) Transfer will provide an opportunity to acquire further equity interests in BE Water.

## DEFINITIONS

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

- “acting in concert” has the meaning ascribed thereto in the Takeovers Code
- “associates” has the meaning ascribed to it in the Listing Rules
- “BE Environmental” Beijing Enterprises Environmental Construction Limited, a company incorporated in the BVI, which is wholly-owned by the Company which in turn is held directly as to 36.15% by Beijing Enterprises Group (BVI) Company Limited, which in turn is wholly-owned by 北京控股集團有限公司 (Beijing Enterprises Group Company Limited\*), a company established in the PRC and is wholly-owned, supervised and controlled by the State-owned Assets Supervision and Administrative Commission of People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
- “BE Water” Beijing Enterprises Water Group Limited (Stock code: 371), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
- “BE Water (Beijing)” 北京北控水務有限公司 (Beijing Enterprises Water Treatment Limited\*), a company incorporated in the PRC with limited liability and a subsidiary held as to 95% by 北京北控制水有限公司 (Beijing Beikong Water Production Co., Ltd.), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company and the remaining 5% held by 北控高科技發展有限公司 (Beijing Enterprises Holdings High-Tech Development Co., Ltd.\*) a company incorporated in the PRC with limited liability and an ultimate wholly-owned subsidiary of the Company
- “BE Water (BVI)” Beijing Enterprises Water Company Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company

“BEWG (China)”	北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of BE Water
“BE Water (Hainan)”	北控水務集團(海南)有限公司 (Beijing Enterprises Water Group (Hainan) Company Limited*), a company incorporated in the PRC with limited liability which 90% of its equity interests are held by BEH Environment Technology
“BE Water (Weifang)”	濰坊北控水務有限公司 (Beijing Enterprises Water (Weifang) Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of BE Water (Beijing)
“BE Water Group”	BE Water and its subsidiaries
“BE Water SGM”	the special general meeting of BE Water to be convened and held for the BE Water Shareholders to consider and approve, among other matters, the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer, and the transactions contemplated under the Master Agreement (including the allotment and issue of the Consideration Shares) and the Whitewash Waiver, by way of poll
“BE Water Share(s)”	existing ordinary shares of HK\$0.10 each in the share capital of BE Water
“BE Water Shareholder(s)”	holder(s) of the BE Water Share(s)
“BEH Environment Technology”	北京北控環保工程技術有限公司 (Beijing Enterprises Holdings Environment Technology Co., Ltd.*), a company established in the PRC held as to 97.63% by the Company, 0.92% by Beijing Enterprises Environmental Engineering Company Limited, a company incorporated in the BVI and an ultimate wholly-owned subsidiary of the Company, and 1.45% by 北控高科技發展有限公司 (Beijing Enterprises Holdings High-Tech Development Co., Ltd*), a company established in the PRC and which is ultimately held as to 100% by the Company

“Beijing Anling”	北京安菱水務科技有限公司 (Beijing Anling Water Technology Company Limited*), a company incorporated in the PRC with limited liability on 26 March 2002, directly held as to 67% by BJA Holdings
“Beijing Municipal Water”	北京市自來水集團有限責任公司 (Beijing Municipal Water Group Co., Ltd.*) (formerly known as 北京市自來水公司 (Beijing Municipal Water Company), which is a state-owned enterprise incorporated in the PRC and administered by Beijing Public Utility Bureau, and which is an Independent Third Party
“Beijing Water Plant”	Phase 1 of No. 9 water treatment plant
“Beikong Jinzhou Water (HK)”	Beijing Enterprises Golden State Water (HK) Limited (北控金州水務(香港)有限公司), a company incorporated in Hong Kong on 3 December 2007 and is directly wholly-owned by BJA Holdings
“Board”	the board of Directors
“BJA Holdings”	BJA Holdings Company Ltd., a company incorporated in the BVI on 14 January 2005 and which is held as to 50.5% by BE Water (BVI)
“BVI”	the British Virgin Islands
“Company”	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 392) and the sole shareholder of BE Environmental
“Completion”	the completion of the Proposed Asset Injection and/or the Proposed BE Water (Hainan) Transfer
“Consideration”	a total of HK\$1,258,433,558 comprising, in respect of the Proposed Asset Injection, the aggregate consideration of HK\$1,066,539,552; and in respect of the Proposed BE Water (Hainan) Transfer, the aggregate consideration of HK\$191,084,006

“Consideration Shares”	a total of 776,810,838 new BE Water Shares at HK\$1.62 per BE Water Share (equivalent to a total value of HK\$1,258,433,558) to be allotted and issued to BE Environmental comprising, in respect of the Proposed Asset Injection, a total of 658,357,748 new BE Water Shares at HK\$1.62 per BE Water Share (equivalent to a total value of HK\$1,066,539,552) to be allotted and issued to BE Environmental as consideration for the Proposed Asset Injection; and in respect of the Proposed BE Water (Hainan) Transfer, a total of 118,453,090 new BE Water Shares at HK\$1.62 per BE Water Share (equivalent to a total value of HK\$191,084,006) to be allotted and issued to BE Environmental as consideration for the Proposed BE Water (Hainan) Transfer upon Completion and each a “Consideration Share”
“Director(s)”	the director(s) of the Company for the time being
“Executive”	the executive director of the Corporate Finance Division of the Securities and Futures Commission or any of his delegates
“Fortunate Sight”	Fortunate Sight Enterprises Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of BE Water
“Future Income”	the net amounts receivable by BE Water from the Company under the Master Agreement, which represent the amounts receivable by the Company from Beijing Municipal Water as water purification fee under the Concession Agreement, and after deducting all state and local taxes in the PRC and operating costs in respect of the operation of the Beijing Water Plant, in the coming six financial years commencing from 1 January 2013 until 2018, and according to the Meeting Decisions, shall be RMB190 million (equivalent to approximately HK\$232 million) on an annual basis
“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 BE Water Shareholders”	in respect of the ordinary resolutions to approve the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer, the Whitewash Waiver, and the transactions contemplated under the Master Agreement (including the allotment and issuance of the Consideration Shares), BE Water Shareholders other than (a) BE Environmental and parties acting in concert with it (that is, the Company and its subsidiaries and the directors of the Company), and (b) those others who have been involved in or are interested in the Proposed Asset Injection, the Proposed BE Water (Hainan) Transfer, the Whitewash Waiver and the transactions contemplated under the Master Agreement (including the allotment and issuance of the Consideration Shares)
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected person(s) of the Company and is/are not connected person(s) of the Company, and not acting in concert with any of them
“Issue Price”	HK\$1.62 per Consideration Share
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master sale and purchase agreement entered into between the Company, along with other Vendors, and the Purchasers on 26 September 2012 in relation to the Proposed Asset Injection and the Proposed BE Water (Hainan) Transfer
“PRC” or “China”	the People’s Republic of China
“Proposed Asset Injection”	the proposed transfers by the Vendors of, and the proposed acquisitions by the Purchasers of, the Subject Assets pursuant to the terms of the Master Agreement



“Proposed BE Water (Hainan) Transfer”	the proposed transfer by BEH Environment Technology of, and the proposed acquisition by BEWG (China) of, 90% equity interests in BE Water (Hainan) pursuant to the terms of the Master Agreement
“Purchasers”	collectively, BE Water, BEWG (China) and Fortunate Sight
“SFO”	the Securities and Futures Commission of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Assets”	collectively, the Target Asset and the Target Companies
“subsidiary”	has the same meaning ascribed thereto in section 2 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time) and “subsidiaries” shall be construed accordingly
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Asset”	the right of entitlement to the Future Income
“Target Companies”	collectively BE Water (Weifang) and BE Water (BVI)
“Vendors”	collectively, (1) the Company; (2) BE Water (Beijing); and (3) BEH Environment Technology
“Whitewash Waiver”	a waiver from the obligation of BE Environmental and parties acting in concert with it to make a mandatory general offer under Rule 26 of the Takeovers Code as a result of the Proposed Asset Injection and the Proposed BE Water (Hainan) under the Master Agreement pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code

By Order of the Board  
**Beijing Enterprises Holdings Limited**  
**Zhang Honghai**  
*Vice Chairman*

Hong Kong, 26 September 2012

*As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Dong (Chairman), Mr. Zhang Honghai, Mr. Lin Fusheng, Mr. Li Fucheng, Mr. Zhou Si, Mr. Hou Zibo, Mr. Guo Pujin, Mr. Liu Kai, Mr. Lei Zhengang, Mr. E Meng, Mr. Jiang Xinhao and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Robert A. Theleen, Mr. Lam Hoi Ham and Mr. Fu Tingmei as independent non-executive directors.*

*For the purpose of this announcement, the exchange rate of HK\$1.00 = RMB0.81816 has been used for currency translation, where applicable. Such exchange rate are for illustration purposes and do not constitute representations that any amount in RMB or HK\$ have been, could have been or may be converted at such rates.*

*\* For identification purpose only*