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**北京控股環境集團有限公司**  
**BEIJING ENTERPRISES ENVIRONMENT GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 154)**

## **CONNECTED TRANSACTIONS IN RELATION TO THE SUPPLY CONTRACT AND THE TECHNICAL SERVICES CONTRACT**

### **SUPPLY CONTRACT**

On 3 September 2021 (after trading hour), the Purchaser and the Vendor entered into the Supply Contract, pursuant to which the Purchaser agreed to purchase the Equipment (which is required for the household waste incineration power generation plant to be built by the Purchaser).

### **TECHNICAL SERVICES CONTRACT**

On 3 September 2021 (after trading hour), the Purchaser and the Vendor entered into the Technical Services Contract, pursuant to which the Vendor agreed to provide the technical consultancy services to the Purchaser in relation to the procurement of the Equipment Without Fixed Price under the Supply Contract.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, the Purchaser is an indirect non-wholly-owned subsidiary of BEHL and BEHL is the controlling Shareholder. Accordingly, the Purchaser is a connected person of the Company and the transactions contemplated under the Supply Contract and Technical Service Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Supply Contract and the Technical Services Contract calculated on an aggregate basis pursuant to Rule 14A.81 of the Listing Rules is more than 5%, the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder constituted connected transactions of the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **SUPPLY CONTRACT**

On 3 September 2021 (after trading hour), the Purchaser and the Vendor entered into the Supply Contract, pursuant to which the Purchaser agreed to purchase the Equipment (which is required for the household waste incineration power generation plant to be built by the Purchaser).

The principal terms of the Supply Contract are set out below:

Date: 3 September 2021

Parties: (1) the Purchaser; and

(2) the Vendor.

Subject matter: The procurement of the Equipment (including the Equipment Without Fixed Price) comprising products, machineries, spare parts and/or other instruction manual, blueprint and specific tools, and the provision of the following ancillary services:

- (i) foundation design services (if necessary);
- (ii) transportation and insurance arrangement;
- (iii) installation, testing, debugging and guidance services;
- (iv) technical trainings;
- (v) warranty;
- (vi) provision of comprehensive handling and maintenance manual for each of the Equipment; and
- (vii) liaison with the design institute designated by the Purchaser.

Contract Price: RMB151,085,840.71 (equivalent to approximately HK\$182,031,133) (exclusive of value-added-tax), consist of

- (i) Fixed Price of RMB123,544,778.76 (equivalent to approximately HK\$148,849,131); and
- (ii) Provisional Contract Price of RMB27,541,061.95 (equivalent to approximately HK\$33,182,002), subject to finalisation of the actual costs to be incurred by the Vendor for the procurement of the Equipment Without Fixed Price.

The final Provisional Contract Price is subject to a price ceiling of 8% over the Provisional Contract Price (i.e. RMB29,744,346.91 or equivalent to approximately HK\$35,836,562).

The Fixed Price was determined after arm's length negotiation between the Purchase and the Vendor based on the cost to be incurred by the Vendor for the procurement of the Equipment and provision of ancillary services plus a reasonable profit margin.

The Provisional Contract Price was determined after arm's length negotiation between the Purchase and the Vendor based on the estimated costs to be incurred by the Vendor for the procurement of the Equipment Without Fixed Price.

Payment terms:

The Fixed Price shall be paid in cash by the Purchaser in the following manner:

- (1) 15% of the Fixed Price shall be payable upon entering into of the Supply Contract;
- (2) 80% of the Fixed Price shall be payable according to the progress of Equipment delivery/installation and ancillary services provision; and
- (3) 5% of the Fixed Price shall be payable upon (a) the expiry of the agreed warranty period and the Purchaser issued the final acceptance certificate; or (b) 32 months after delivery of the Equipment to designated location, whichever is earlier.

The Provisional Contract Price shall be paid by the Purchaser in the following manner:

- (1) 50% of the Provisional Contract Price shall be payable upon the entering into the Provisional Equipment Agreement(s) by the Vendor;
- (2) 45% of the Provisional Contract Price shall be payable according to the progress of Equipment Without Fixed Price delivery/installation and ancillary services provision; and
- (3) 5% of the Provisional Contract Price shall be payable upon (a) the expiry of the agreed warranty period and the Purchaser issued the final acceptance certificate; or (b) 32 months after delivery of the Equipment Without Fixed Price to designated location, whichever is earlier.

Condition precedent:

The Supply Contract is conditional upon the approval by the Independent Shareholders by 31 October 2021, or such other date as mutually agreed by both the Vendor and the Purchaser.

Other terms:

The Supply Contract includes other general terms such as testing and examination, transportation and insurance, guarantee, indemnity, delay compensation, confidentiality, intelligent property ownership, breach obligation.

The delivery of the Equipment is scheduled to take place within 4 to 11 months upon fulfilment of the condition precedent to the Supply Contract.

## TECHNICAL SERVICES CONTRACT

On 3 September 2021 (after trading hour), the Purchaser and the Vendor entered into the Technical Services Contract, pursuant to which the Vendor agreed to provide the technical consultancy services to the Purchaser in relation to the procurement of the Equipment Without Fixed Price under the Supply Contract.

The principal terms of the Technical Services Contract are set out below:

Date: 3 September 2021

Parties: (1) the Purchaser; and

(2) the Vendor.

Subject matter: The provision of technical consultancy services (the “**Services**”) in relation to:

- (i) the drafting of the Equipment Without Fixed Price sourcing documents;
- (ii) the arrangement and organisation of the sourcing procedures, including public tender and self-arranged purchase;
- (iii) the drafting of Provisional Equipment Agreement(s) and relevant technical agreements;
- (iv) the arrangement and organisation of the technical negotiation and technical conference, to resolve any technical issues raised;
- (v) assist in resolving issues raised during the procurement of the Equipment Without Fixed Price (if any), including but not limited to any substitution of materials, brandings, models and adjustment to any lead time;

- (vi) participate in the acceptance check upon delivery to assist the Purchaser in the identification and resolve of any issues raised during the test and debug process; and
- (vii) assist the Purchaser in resolving any issues raised during the warranty period.

Service Fee: RMB1,433,962.26 (equivalent to approximately HK\$1,727,665) (exclusive of value-added-tax)

The Service Fee was determined after arm's length negotiation between the Purchase and the Vendor based on the estimated cost to be incurred by the Vendor in providing the Services plus reasonable profit margin.

Payment terms: The Service Fee shall be paid in cash by the Purchaser in the following manner:

- (1) 10% of the Service Fee shall be payable upon entering into the Technical Services Contract;
- (2) 85% of the Service Fee shall be payable according to the progress of services provision; and
- (3) 5% of the Service Fee shall be payable upon the expiry of the agreed warranty period, being two years after the date of passing the Trial Operation where, no material defects were identified.

Condition precedent: The Technical Services Contract is conditional upon the approval by the Independent Shareholders by 31 October 2021, or such other date as mutually agreed by both the Vendor and the Purchaser.

Other terms: The Technical Services Contract includes other general terms such as confidentiality, intelligent property ownership, breach obligation.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLY CONTRACT AND THE TECHNICAL SERVICES CONTRACT**

The Group operates various operating segments including the solid waste treatment segment, comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity and steam generated from waste incineration. The Board believes that entering into the Supply Contract and the Technical Services Contract is conducted in the ordinary and usual course of the business of the Group and generate revenue for the Group to maximise return to the Company and the Shareholders.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice from Gram Capital) consider that the terms of the Supply Contract and the Technical Services Contract are on normal commercial terms and fair and reasonable and the entering into of the Supply Contract and the Technical Services Contract is in the interest of the Company and the Shareholders as a whole.

## **INFORMATION OF THE GROUP**

The Company is a company incorporated in Hong Kong with limited liability, the Shares are listed on the main board of the Stock Exchange (stock code: 154). The Company is an investment holding company and its subsidiaries are principally involved in the solid waste treatment business which comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity and steam generated from waste incineration. BEHL is an indirect controlling Shareholder and the ultimate holding company of the Company is BEGCL, which is a state-owned enterprise established in the PRC and is wholly-owned by the Beijing SASAC.

The Vendor is a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding and provision of waste treatment construction and related services.

## **INFORMATION OF BEHL AND THE PURCHASER**

BEHL is a company incorporated in Hong Kong with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 392). BEHL's group of companies is principally engaged in natural gas operations, brewery operations, water and environmental operations, as well as solid waste treatment operations in the PRC.



The Purchaser is a company incorporated in the PRC with limited liability and an indirectly non-wholly-owned subsidiary of BEHL. The Purchaser is principally engaged in the solid waste treatment business and is the licensed operator of Beihai Household Waste Incineration Power Generation Project\* (北海市生活垃圾焚燒發電項目) in Guangxi Zhuang Autonomous Region, the PRC.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, the Purchaser is an indirect non-wholly-owned subsidiary of BEHL and BEHL is the controlling Shareholder. Accordingly, the Purchaser is a connected person of the Company and the transactions contemplated under the Supply Contract and Technical Service Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Supply Contract and the Technical Services Contract calculated on an aggregate basis pursuant to Rule 14A.81 of the Listing Rules is more than 5%, the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder constituted connected transactions of the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EGM**

An EGM will be convened and held for the purpose of considering and, if thought fit, approving the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder. A circular containing further details of the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 27 September 2021.

BEHL and its associates shall abstain from voting on the proposed resolutions to approve the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder at the EGM. Saved as disclosed and to the best knowledge, information and belief of the Directors, no other Shareholder has material interest in the Supply Contract and the Technical Services Contract and is required to abstain from voting on the resolutions of the Company in approving the same at the EGM.

## **Independent Board Committee and Independent Financial Adviser**

The independent board committee comprising Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming, being all of the independent non-executive Directors, has been formed to advise the Independent Shareholders on the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **DEFINITION**

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| “associate(s)”        | has the meaning ascribed thereto under the Listing Rules;   |
| “BEGCL”               | Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a company established under the laws of the PRC with limited liability and the controlling shareholder of BEHL;  |
| “BEHL”                | Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability and the controlling Shareholder, the shares of which are listed on the main board of the Stock Exchange (stock code: 392); |
| “Beijing SASAC”       | the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality;  |
| “Board”               | the board of Directors;   |
| “Company”             | Beijing Enterprises Environment Group Limited (stock code: 154), a company incorporated in Hong Kong whose Shares are listed on the main board of the Stock Exchange;   |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules;   |

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| “Contract Price”                | the contract sum (exclusive of value-added-tax) under the Supply Contract, consist of the Fixed Price and the Provisional Contract Price, to be paid in cash by the Purchaser;   |
| “Directors”                     | the directors of the Company;  |
| “EGM”                           | the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, the Supply Contract and the Technical Services Contract;   |
| “Equipment”                     | the products, equipment, machineries and any spare parts and/or their instruction manual, blueprints and special tools which are required for the household waste incineration power generation plant to be built by the Purchaser;  |
| “Equipment Without Fixed Price” | part of the Equipment to be sourced and procured by the Vendor pursuant to the Supply Contract, the prices of which were not determined yet;   |
| “Fixed Price”                   | the fixed portion of the Contract Price;   |
| “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 board committee of the Board comprising Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders on the Supply Contract and the Technical Services Contract and transactions contemplated thereunder; |

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| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Supply Contract and the Technical Services Contract and transactions contemplated thereunder; |
| “Independent Shareholders”                        | the Shareholders who are independent and not connected with BEHL and its associates and are not required to abstain from voting at the EGM;   |
| “Listing Rules”                                   | the Rules Governing the Listing of Securities on the Stock Exchange;  |
| “PRC”   | the People’s Republic of China, which for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;  |
| “Provisional Contract Price”                      | the contingent portion of the Contract Price, represent the contract price(s) of the Provisional Equipment Agreement(s) to be entered into by the Vendor;   |
| “Provisional Equipment Agreement(s)”              | the agreement(s) to be entered into by the Vendor to source and procure the Equipment Without Fixed Price pursuant to the Supply Contract;  |
| “Purchaser”                                       | Beihai Beikong Environment Technology Development Co., Ltd.* (北海北控環境科技發展有限公司), a company incorporated in the PRC and a connected person of the Company;   |
| “RMB”   | Renminbi, the lawful currency of the PRC;   |
| “Service Fee”                                     | the service fee (exclusive of value-added-tax) under the Technical Services Contract to be paid in cash by the Purchaser;   |

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|-------------------------------|---|
| “Share(s)”                    | the share(s) of the Company;  |
| “Shareholder(s)”              | holder(s) of Shares of the Company;   |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited;  |
| “Supply Contract”             | the agreement dated 3 September 2021 entered into between the Purchaser and the Vendor regarding the supply of Equipment and the provision of ancillary services by the Vendor;                       |
| “Technical Services Contract” | the agreement dated 3 September 2021 entered into between the Purchaser and the Vendor regarding the provision of procurement services in respect of the Equipment Without Fixed Price by the Vendor; |
| “Trial Operation”             | the 72 hours continuous run and the 24 hours max-capacity trial factory operation to be conducted by the Purchaser;   |
| “Vendor”                      | Beijing Beikong Environment Protection Co., Ltd.* (北京北控環境保護有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;   |
| “%”                           | per cent.   |

*For the purpose of this announcement, the following exchange rate is used: HK\$1 = RMB0.83.*

By order of the Board  
**Beijing Enterprises Environment Group Limited**  
**Ke Jian**  
*Chairman*

Hong Kong, 3 September 2021

*As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely Mr. Ke Jian, Ms. Sha Ning and Mr. Ng Kong Fat, Brian, and five independent non-executive directors, namely Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming.*

\* *for identification purposes only*