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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)**

**MAJOR TRANSACTION**  
**JINING YANZHOU HOUSEHOLD WASTE INCINERATION**  
**POWER GENERATION PPP PROJECT CONTRACT**

**YANZHOU PROJECT CONTRACT**

On 8 January 2020, the General Administration and Law Enforcement Bureau of Yanzhou District and the Consortium of Beifa Investments entered into the Yanzhou Project Contract, pursuant to which the General Administration and Law Enforcement Bureau of Yanzhou District agreed to grant the concession right of the Yanzhou Project to the Consortium of Beifa Investments, which shall be responsible for the financing, investment, design, construction, operation and maintenance of the Yanzhou Project, and transfer the assets of the Yanzhou Project to the General Administration and Law Enforcement Bureau of Yanzhou District upon the expiry of the concession right. The total estimated investment of the Yanzhou Project is approximately RMB808,214,600 (equivalent to approximately HK\$904,691,000) and the concession period of Yanzhou Project is 30 years. The Yanzhou Project will be implemented under the public-private-partnership (PPP) model. The Consortium of Beifa Investments and capital contribution representative of the government shall establish the Project Company with joint capital contribution and the Company will hold 75% equity interest in the Project Company.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the capital commitment (including construction land fee) of the Project Company to be established by the Company under the Yanzhou Project Contract exceed 25% but are less than 100%, the entering into of the Yanzhou Project Contract and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Yanzhou Project Contract and the transactions contemplated thereunder; and (ii) written approval of the Yanzhou Project Contract and the transactions contemplated thereunder having been obtained from a Shareholder or a closely allied group of Shareholders (who together hold more than 50% of the issued Shares giving the right to attend and vote at a general meeting), the Shareholders' approval may be obtained by way of written Shareholders' approval instead of convening a general meeting.

To the best knowledge of the Company having made all reasonable enquiries, no Shareholder has a material interest in the Yanzhou Project Contract and the transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Yanzhou Project Contract and the transactions contemplated thereunder. As at the date of this announcement, BEHL and Idata, a wholly-owned subsidiary of BEHL, are interested in 17,445,000 Shares and 738,675,000 Shares respectively, and form a closely allied group of Shareholders holding an aggregate of 756,120,000 Shares (representing approximately 50.4% of the total number of Shares in issue). As BEHL and Idata do not have any material interest in the Yanzhou Project Contract and the transactions contemplated thereunder other than through their interests in the Shares, and the Company has obtained written approval from BEHL and Idata, no extraordinary general meeting of the Company will be convened for the purpose of approving the Yanzhou Project Contract and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Yanzhou Project, the Yanzhou Project Contract and the transactions contemplated thereunder; (ii) the financial information of the Group; and (iii) the business valuation report of the Yanzhou Project will be despatched to the Shareholders in accordance with the Listing Rules on or before 31 January 2020 for information purposes only.

On 8 January 2020, the General Administration and Law Enforcement Bureau of Yanzhou District and the Consortium of Beifa Investments entered into the Yanzhou Project Contract, pursuant to which the General Administration and Law Enforcement Bureau of Yanzhou District agreed to grant the concession right of the Yanzhou Project to the Consortium of Beifa Investments, which shall be responsible for the financing, investment, design, construction, operation and maintenance of the Yanzhou Project, and transfer the assets of the Yanzhou Project to the General Administration and Law Enforcement Bureau of Yanzhou District upon the expiry of the concession right.

## **YANZHOU PROJECT CONTRACT**

Date : 8 January 2020

Parties : Party A : The General Administration and Law Enforcement Bureau of Yanzhou District

Party B : Beifa Investments (the leader of the consortium); and

Yongyue Environmental (a member of the consortium), collectively the “Consortium of Beifa Investments”

### **Yanzhou Project**

The Yanzhou Project is located in Yanzhou District, Jining City, Shandong Province, the PRC with a site area of approximately 175,473 sq.m. for the construction of a household waste incineration power plant, including 3 waste grate incineration furnaces (3 sets x 500 tonnes/day), 32 MW (1 x 20 MW + 1 x 12 MW) steam turbine generator units, as well as ancillary facilities in the plant area, to provide incineration treatment for household waste deployed by the Yanzhou District and Jining City Government, and to generate electricity from residual heat from waste incineration. Upon completion of the construction of the Yanzhou Project, the waste treatment capacity shall be 1,500 tonnes/day and the annual waste treatment capacity shall be 499,500 tonnes.

The Yanzhou Project has been approved by the People's Government of Yanzhou District, Jining City, Shandong Province of the PRC or relevant approval authorities for planning, feasibility study, project approval and environmental assessment.

According to the feasibility study report of the Yanzhou Project and preliminary estimation, the total estimated investment of the Yanzhou Project is approximately RMB808,214,600 (equivalent to approximately HK\$904,691,000), of which the construction land fee is estimated to be approximately RMB72,630,000 (equivalent to approximately HK\$81,300,000).

### **Concession right**

As agreed in the Yanzhou Project Contract and authorised by the People's Government of Yanzhou District, Jining City, Shandong Province of the PRC, the General Administration and Law Enforcement Bureau of Yanzhou District granted the Consortium of Beifa Investments and the Project Company it formed the concession right to implement the Yanzhou Project under the build-operate-transfer (BOT) model, including:

1. Undertaking the facility construction of the Yanzhou Project;
2. Operating and maintaining the facilities of the Yanzhou Project during the concession period and receiving waste treatment fees and on-grid electricity fees, etc.;
3. Upon the expiry of the concession period, the project facilities will be transferred to the General Administration and Law Enforcement Bureau of Yanzhou District or its designated entity.

The concession period of the Yanzhou Project is 30 years, in which the construction period is 36 months and the operation period is 27 years.

The return mechanism of the Yanzhou Project is payment by users, including waste treatment fees, electricity sales revenue, etc.

The initial unit price of waste treatment is RMB60/tonne. The General Administration and Law Enforcement Bureau of Yanzhou District is responsible for the coordination in Jining City and the districts and counties therein to provide domestic waste that meets the designed scale of the incineration plant for the Yanzhou Project. In the event that the factory input amount of waste for the Yanzhou Project in the current month falls below 1,500 tonnes per day due to reasons on the part of the General Administration and Law Enforcement Bureau of Yanzhou District or unsatisfactory coordination, compensation shall be payable to the Project Company.

The Project Company is responsible for providing the power generated to the power enterprises and receiving on-grid electricity fees. The on-grid electricity fees are entitled to the standard subsidised on-grid electricity tariff. According to the Notice on Improving the Pricing Policy of Waste Incineration Power Generation from the NDRC\* (《國家發展改革委關於完善垃圾焚燒發電價格政策的通知》), for waste incineration power generation projects with household waste as raw material, the national standard waste-to-energy benchmark electricity tariff of RMB0.65 per kWh (tax inclusive) shall be implemented for settlement of 280 kWh on-grid electricity per tonne of factory input of household waste. For the power generated exceeding 280 kWh per tonne of household waste, the benchmark on-grid electricity price for coal-fired units shall be RMB0.3949 per kWh (tax inclusive) according to the Notice from the Price Bureau of Shandong Province on the On-grid Electricity for Local Public Generators Announcement\* (《山東省物價局關於公佈地方公用機組上網電價的通知》).

### **Establishment of Project Company**

The Consortium of Beifa Investments will establish the Project Company with Yanzhou Finance in accordance with the PRC laws and the requirements of the Yanzhou Project Contract, and the Project Company will be responsible for the implementation of the Yanzhou Project in accordance with the conditions agreed in the Yanzhou Project Contract. After the establishment of the Project Company, the General Administration and Law Enforcement Bureau of Yanzhou District and the Project Company shall enter into a separate PPP Contract or a supplemental agreement on the basis of the terms of the Yanzhou Project Contract, pursuant to which the Project Company shall fully assume the rights and obligations under the Yanzhou Project Contract.

The total investment of the Project Company is tentatively determined as RMB808,214,600 (equivalent to approximately HK\$904,691,000), of which the registered capital is tentatively determined as RMB240,000,000 (equivalent to approximately HK\$268,649,000), representing approximately 29.7% of the total investment. Beifa Investments will contribute RMB180,000,000 (equivalent to approximately HK\$201,487,000) in cash and hold 75% equity interest in the Project Company; Yongyue Environmental will contribute RMB36,000,000 (equivalent to approximately HK\$40,297,000) in cash and hold 15% equity interest in the Project Company, and Yanzhou Finance will contribute RMB24,000,000 (equivalent to approximately HK\$26,865,000) in cash and hold 10% equity interest in the Project Company. The registered capital to be contributed by each party to the Project Company shall be paid up by instalments from the date of completion of the industrial and commercial registration of the Project Company and obtaining all necessary relevant governmental approval documents based on the capital requirements of the construction of the Yanzhou Project. The term of the Project Company is 30 years.

The Project Company shall have a board of directors, which shall be the body of highest authority of the Project Company, to decide on all major issues of the Project Company. The board of directors shall consist of five directors, of which three shall be appointed by Beifa Investments, one shall be appointed by each of Yongyue Environmental and Yanzhou Finance. The term of office of the directors shall be four years, renewable upon re-appointment by the parties to the Project Company. The board of directors shall have a chairman, who shall be appointed by Beifa Investments. The chairman shall be the legal representative of the Project Company. The board of directors shall have two vice chairmen, each of whom shall be appointed by Yongyue Environmental and Yanzhou Finance. The operation and management organisation of the Project Company shall have a general manager who shall be nominated by Beifa Investments, two deputy general managers, each of whom shall be nominated by Yongyue Environmental and Yanzhou Finance, and a chief financial officer who shall be nominated by Beifa Investments.

## **INFORMATION ON BEIFA INVESTMENTS, THE GENERAL ADMINISTRATION AND LAW ENFORCEMENT BUREAU OF YANZHOU DISTRICT, YONGYUE ENVIRONMENTAL AND YANZHOU FINANCE**

Beifa Investments is an investment holding company established in Beijing City, the PRC and an indirectly wholly-owned subsidiary of the Company, and will become a shareholder of the Project Company, holding 75% equity interest in the Project Company.

The General Administration and Law Enforcement Bureau of Yanzhou District is a department of the People's Government of Yanzhou District, Jining City, Shandong Province, the PRC. It is responsible for integrated law enforcement and urban management. The General Administration and Law Enforcement Bureau of Yanzhou District is the implementing body of the Yanzhou Project and has the right to (including but not limited to) grant the concession right of the Yanzhou Project to the Consortium of Beifa Investments and the Project Company it formed.

Yongyue Environmental is a private joint-stock enterprise located in Yanzhou District, Jining City, Shandong Province, the PRC. It is principally engaged in the technological research and development and scientific research of the recycling of solid waste and municipal household waste and others as well as power generation from municipal household waste. Yongyue Environmental is a directly wholly-owned subsidiary of Shandong Sun Paper Industry Joint Stock Co., Ltd.\* (山東太陽紙業股份有限公司) (a company established under the laws of the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange in the PRC (stock code: 002078)) and will become a shareholder of the Project Company holding 15% equity interest in the Project Company.

Yanzhou Finance is a state-owned enterprise wholly-owned by the State-owned Assets Supervision and Administration Bureau of Yanzhou District of Jining City. It is principally engaged in the management of state-owned assets in Yanzhou District of Jining City and the management of government investment and financing projects. Yanzhou Finance is authorised by the People's Government of Yanzhou District, Jining City, Shandong Province, the PRC to act as the government's capital contribution representative of the Yanzhou Project and will become a shareholder of the Project Company holding 10% equity interest in the Project Company.



To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the General Administration and Law Enforcement Bureau of Yanzhou District, Yongyue Environmental, Yanzhou Finance and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **REASONS AND BENEFITS**

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: 154). The Company is an investment holding company and its subsidiaries are principally engaged in environmental protection and solid waste treatment business in the PRC. Currently, the Group invests in and operates nine solid waste treatment projects in the PRC, including eight household waste incineration power generation projects (with a total waste treatment capacity of 10,225 tonnes/day) and one hazardous and medical waste treatment project. For the year ended 31 December 2018, the Group processed 3.47 million tonnes of household waste with 888 million kWh of on-grid electricity.

The Group is constantly seeking potential investment opportunities to strengthen the overall competitiveness and market position of the Group in the solid waste treatment industry.

Waste incineration power generation projects have become increasingly competitive in the market. In recent years, the market has gradually developed into county-level cities, and the scale of single plant has gradually reduced. The Yanzhou Project has a total designed treatment capacity of 1,500 tonnes/day and located in a prefecture-level city. It is one of a few large-scale waste incineration power generation projects in Shandong Province. Not only can it increase the total capacity of the Group in terms of solid waste treatment, but also of positive significance to the government, the industry and the public.

The public-private-partnership (PPP) model was adopted and implemented in the Yanzhou Project. As a strategic partner, Yongyue Environmental will assist the Project Company to coordinate with the Yanzhou government to strive for the solid implementation of preferential policies in order to further reduce the costs of the project.



## **PROJECT RISKS**

Risk of project competition: According to the unified deployment of the Jining Municipal Government, the Yanzhou Project will be included in the overall planning of the construction of household waste-to-energy projects in Jining City. The principles of proximity and convenience shall be applied to avoid overlapping setup, hence there is no competitor.

Risk of waste supply: The General Administration and Law Enforcement Bureau of Yanzhou District is responsible for the coordination in Jining City and the districts and counties therein to provide domestic waste that meets the designed scale of the incineration plant for the Yanzhou Project. In the event that the factory input amount of waste for the Yanzhou Project in the current month falls below 1,500 tonnes per day due to reasons on the part of the General Administration and Law Enforcement Bureau of Yanzhou District or unsatisfactory coordination, compensation shall be payable to the Project Company. Therefore, the risk of project waste supply volume is controllable.

Policy risk: The national standard waste-to-energy benchmark electricity tariff of RMB0.65 per kWh in the Yanzhou Project has a significant impact on the economic benefits of the project. Any changes in such policy will pose risk to the entire industry nationwide. The Yanzhou Project can control and mitigate the associated risk through adjusting the waste subsidy fee by using the tariff adjustment mechanism in the Yanzhou Project Contract.

## **FINANCIAL AND OTHER EFFECTS**

Upon establishment of the Project Company, it will become a non-wholly owned subsidiary of the Company, in which 75% of equity interest will be held by the Company, and its financial results, assets and liabilities will be consolidated into the accounts of the Group.

It is expected that upon the entering into of the Yanzhou Project Contract and the establishment of the Project Company, there will not be any immediate effect on the earnings of the Group. The impact on the future earnings of the Group will depend on, among other things, the construction profit during the construction period and the operating results of the Project Company. The Directors expect that the entering into of the Yanzhou Project and the establishment of the Project Company will have a positive impact on the future earnings of the Group upon the commencement of commercial operation of the Yanzhou Project.

The capital commitment of the Company to the Project Company will be funded in cash from internal resources of the Group.

As disclosed in the interim report of the Company for the six months ended 30 June 2019, the unaudited consolidated total assets and total liabilities of the Group as at 30 June 2019 were approximately HK\$8,916,000,000 and HK\$5,843,000,000, respectively. The establishment of the Project Company and the investment in the Yanzhou Project with a total investment amount of approximately RMB808,214,600 (equivalent to approximately HK\$904,691,000) will increase both the total assets and total liabilities of the Group, and the gearing ratio (a ratio of total liabilities to total assets) of the Group will increase accordingly.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the capital commitment (including construction land fee) of the Project Company to be established by the Company under the Yanzhou Project Contract exceed 25% but are less than 100%, the entering into of the Yanzhou Project Contract and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Yanzhou Project Contract and the transactions contemplated thereunder; and (ii) written approval of the Yanzhou Project Contract and the transactions contemplated thereunder having been obtained from a Shareholder or a closely allied group of Shareholders (who together hold more than 50% of the issued Shares giving the right to attend and vote at a general meeting), the Shareholders' approval may be obtained by way of written Shareholders' approval instead of convening a general meeting.

To the best knowledge of the Company having made all reasonable enquiries, no Shareholder has a material interest in the Yanzhou Project Contract and the transactions contemplated thereunder. Accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Yanzhou Project Contract and the transactions contemplated thereunder. As at the date of this announcement, BEHL and Idata, a wholly-owned subsidiary of BEHL, are interested in 17,445,000 Shares and 738,675,000 Shares, respectively, and form a closely allied group of Shareholders holding an aggregate of 756,120,000 Shares (representing approximately 50.4% of the total number of Shares in issue). As BEHL and Idata do not have any material interest in the Yanzhou Project Contract and the transactions contemplated thereunder other than through their interests in the Shares, and the Company has obtained written approval from BEHL and Idata, no extraordinary general meeting of the Company will be convened for the purpose of approving the Yanzhou Project Contract and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Yanzhou Project, the Yanzhou Project Contract and the transactions contemplated thereunder; (ii) the financial information of the Group; and (iii) the business valuation report of the Yanzhou Project will be despatched to the Shareholders in accordance with the Listing Rules on or before 31 January 2020 for information purposes only.

## **RECOMMENDATIONS**

None of the Directors has a material interest in the Yanzhou Project Contract and the transactions contemplated thereunder or is required to abstain from voting on the Board resolutions for considering and approving the Yanzhou Project Contract and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) are of the view that the Yanzhou Project Contract has been entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of the Yanzhou Project Contract and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

If the Yanzhou Project Contract and the transactions contemplated thereunder are required to be proposed at a general meeting of the Company for consideration and approval, the Board recommends the Shareholders to approve the same.

## DEFINITIONS

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

“BEHL”	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);
“Beifa Investments”	Beifa Investments (Beijing) Co., Ltd.* (北發投資(北京)有限公司), a company established under the laws of the PRC with limited liability and indirectly wholly-owned by the Company;
“Board”	the board of Directors;
“Company”	Beijing Enterprises Environment Group 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: 154);
“connected person(s)”	has the meaning ascribed to it by the Listing Rules;
“Consortium of Beifa Investments”	a consortium comprises Beifa Investments as the leader and Yongyue Environmental as the member;
“Director(s)”	the directors of the Company;
“General Administration and Law Enforcement Bureau of Yanzhou District”	General Administration and Law Enforcement Bureau of Yanzhou District, Jining City* (濟寧市兗州區綜合行政執法局);
“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;
“Idata”	Idata Finance Trading Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by BEHL, being the immediate holding company of the Company;
“kwh”	kilowatt hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MW”	Megawatt;
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“Project Company”	a special purpose vehicle to be established with joint contributions from Beifa Investments, Yongyue Environmental and Yanzhou Finance under the Yanzhou Project Contract and the laws of the PRC, for the purposes of being granted with the concession right of the Yanzhou Project;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yanzhou Finance”	Jining Yanzhou Finance Development Limited* (濟寧市兗州財金發展有限公司), a company established under the laws of the PRC with limited liability;

“Yanzhou Project”	the Jining Yanzhou Household Waste Incineration Power Generation PPP Project* (濟寧市兗州區生活垃圾焚燒發電PPP項目);
“Yanzhou Project Contract”	the Yanzhou Project contract entered into between the General Administration and Law Enforcement Bureau of Yanzhou District and the Consortium of Beifa Investments;
“Yongyue Environmental”	Jining Yongyue Environmental Energy Co., Ltd.* (濟寧市永悅環保能源有限公司), a company established under the laws of the PRC with limited liability;
“%”	per cent.

*For the purpose of this announcement and for illustrative purpose only, RMB is converted into HK\$ at the rate of RMB0.89336 to HK\$1. No representation is made that any amount in RMB has been or could be converted at the above rate or any other rates.*

\* For identification purposes only

By order of the Board  
**Beijing Enterprises Environment Group Limited**  
**Ke Jian**  
*Chairman and Chief Executive Officer*

Hong Kong, 8 January 2020

*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.*