
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, 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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 392)

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

**FINANCIAL SERVICES AGREEMENT AND
ITS ANNUAL CAPS FOR THE DEPOSIT SERVICES THEREUNDER
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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

A notice convening the EGM of the Company to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 28 August 2023 at 3:00 p.m. is set out on pages 49 to 50 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

8 August 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	19
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	20
APPENDIX – GENERAL INFORMATION	44
NOTICE OF THE EGM	49

DEFINITIONS

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

“2022 Deposit Agreement”	the deposit services agreement entered into between the Company and Finance Company on 28 December 2022 for three years from 1 January 2023 to 31 December 2025
“Announcement”	the announcement of the Company dated 2 June 2023 in respect of the discloseable and continuing connected transactions in relation to, among other things, the Financial Services Agreement and revision of annual caps for the Deposit Services
“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 established in the PRC with limited liability and is the ultimate controlling shareholder of the Company and is ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“Board”	the board of Directors of the Company
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Beijing Enterprises Holdings Limited (北京控股有限公司), 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	has the meaning ascribed to it under the section headed “Letter from the Board – 3. The Financial Services Agreement” in this circular
“Director(s)”	the director(s) of the Company
“Effective Date”	has the meaning ascribed to it under the section headed “Letter from the Board – 3. The Financial Services Agreement” in this circular

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 28 August 2023 at 3:00 p.m. to consider and, if appropriate, approve the Financial Services Agreement and the transactions contemplated thereunder and the New Annual Caps, including any adjournment thereof
“Existing Annual Caps”	the maximum amounts of daily deposits placed by the Group with Finance Company (including the corresponding interest accrued thereon) on any given day during the term of the 2022 Deposit Agreement
“Finance Company”	Beijing Enterprises Group Finance Co., Ltd.* (北京控股集團財務有限公司), a company established in the PRC with limited liability and is an associate of BE Group
“Financial Services”	the financial services to be provided by Finance Company to the Group under the Financial Services Agreement
“Financial Services Agreement”	the Financial Services Agreement entered into between the Company and Finance Company on 2 June 2023, details of which are set out under the section headed “Letter from the Board – 3. The Financial Services Agreement” in this circular
“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 four independent non-executive Directors, established to advise the Independent Shareholders in respect of the Financial Services Agreement and the transactions contemplated thereunder (including the New Annual Caps)
“Independent Financial Adviser” or “Diligent Capital”	Diligent Capital Limited, a licensed corporation under the SFO to carry on 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 Financial Services Agreement and the transactions contemplated thereunder (including the New Annual Caps)

DEFINITIONS

“Independent Shareholder(s)”	the Shareholders who do not have a material interest in the Financial Services Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	3 August 2023, 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, as amended from time to time
“Loan Services”	has the meaning ascribed to it under the section headed “Letter from the Board – 3. The Financial Services Agreement” in this circular
“NAFR”	the National Administration of Financial Regulation* (國家金融監督管理總局) (formerly known as China Banking Insurance Regulatory Commission* (中國銀行保險監督管理委員會))
“New Annual Caps”	the maximum amounts of daily deposits placed by the Group with Finance Company (including the corresponding interest accrued thereon) on any given day during the term of the Financial Services Agreement
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company
“Share Registrar”	the share registrar of the Company, Tricor Tengis Limited, of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“substantial shareholder(s)” has the meaning ascribed to it under the Listing Rules

“%” per cent.

Remarks:

- (1) For the purpose of this circular, unless otherwise indicated, the exchange rate of HK\$1= RMB0.91 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.
- (2) In this circular, the English name of any PRC entity marked with an asterisk(*) is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

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:

DAI Xiaofeng (*Chairman*)
JIANG Xinhao (*Vice Chairman*)
XIONG Bin (*Chief Executive Officer*)
GENG Chao
TAM Chun Fai (*Company Secretary*)

Registered Office:

66th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Independent Non-executive Directors:

WU Jiesi
LAM Hoi Ham
YU Sun Say
CHAN Man Ki Maggie

8 August 2023

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
FINANCIAL SERVICES AGREEMENT AND
ITS ANNUAL CAPS FOR THE DEPOSIT SERVICES THEREUNDER
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 information of the Financial Services Agreement and the transactions contemplated thereunder (including the New Annual Caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the aforesaid; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the aforesaid; and (iv) a notice convening the EGM to approve, among other things, the Financial Services Agreement and the transactions contemplated thereunder (including the New Annual Caps).

LETTER FROM THE BOARD

2. BACKGROUND

Reference is made to the announcement published by the Company dated 28 December 2022 in relation to the continuing connected transactions of the 2022 Deposit Agreement entered into between the Company and Finance Company. The Group may, in its ordinary and usual course of business, place deposits with Finance Company on normal commercial terms or better terms from time to time for three years from 1 January 2023 to 31 December 2025.

According to the 2022 Deposit Agreement, the amount of cumulative daily deposits placed by the Group with Finance Company (including any interest accrued thereon) shall not exceed the following caps (the “**Existing Annual Caps**”):

	<i>HK\$ (million)</i>
For the financial year ending 31 December 2023	1,538.00
For the financial year ending 31 December 2024	1,538.00
For the financial year ending 31 December 2025	1,538.00

3. THE FINANCIAL SERVICES AGREEMENT

On 2 June 2023, the Company entered into the Financial Services Agreement with Finance Company, pursuant to which Finance Company agrees to provide Financial Services to the Group, including Deposit Services and Loan Services, among which, the existing annual caps of the cumulative daily deposits under the 2022 Deposit Agreement placed by the Group with Finance Company (including any interest accrued thereon) shall be replaced by the New Annual Caps.

Set out below are the key terms of the Financial Services Agreement:

Date:	2 June 2023
Parties:	(i) the Company; and (ii) Finance Company.
Effective date:	The Financial Services Agreement shall become effective from the date of obtaining the Independent Shareholders’ approval at the EGM (the “ Effective Date ”).
Term:	Three years from the Effective Date.
Scope of financial services:	(1) Deposit Services: Finance Company provides the Group with various types of deposit services, including demand deposits, call deposits, time deposits and agreement deposits to meet the Group’s strict requirements for capital security.

LETTER FROM THE BOARD

- (2) Loan Services: Finance Company shall, under the laws and regulations and the supervision of the NAFR and its representative office, provide personalized loan services for the Group to support and meet the various capital needs of the Group in business development.

Pricing:

Finance Company will provide financial services to the Group on normal or better commercial terms in accordance with the market operation principles of the financial service industry. The two parties shall sign a service agreement for each specific financial service according to the requirements of the industry and regulatory authority and specify the pricing benchmark in the agreement, including:

- (1) the deposit interest rate of the Deposit Services is based on the deposit rate standard set by the People's Bank of China at the most favorable level. In principle, the deposit interest rate should be no less favorable than that of independent financial institution under the same condition.
- (2) the loan interest rate of the Loan Services is based on the loan prime rate policy published by the National Interbank Funding Center authorised by the People's Bank of China. In principle, the loan interest rate should be no less favorable than that of independent financial institution under the same condition.

New Annual Caps:

According to the Financial Services Agreement, the amount of cumulative daily deposits placed by the Group with Finance Company (including any interest accrued thereon) shall not exceed the following caps (the "New Annual Caps"):

	<i>RMB (million)</i>
For the period from the Effective Date to 31 December 2023	8,700.00 (equivalent to approximately HK\$9,560,440,000)
For the financial year ending 31 December 2024	8,700.00 (equivalent to approximately HK\$9,560,440,000)
For the financial year ending 31 December 2025	8,700.00 (equivalent to approximately HK\$9,560,440,000)
For the period from 1 January 2026 to the end date of the Financial Services Agreement	8,700.00 (equivalent to approximately HK\$9,560,440,000)

LETTER FROM THE BOARD

Under the Financial Services Agreement: (1) there is no upper limit on the loan amount that Finance Company can render to the Group, which is based on the loan amount and approved in accordance with the requirements of relevant laws and regulations; and (2) if the New Annual Caps of the deposits placed by the Group with Finance Company are approved at the EGM, the 2022 Deposit Agreement will be terminated on the Effective Date of the Financial Services Agreement and, among which, the Existing Annual Caps will be replaced by the New Annual Caps. If the Financial Services Agreement is not approved by the Independent Shareholders at the EGM, the Group is entitled to sign a loan agreement independently with any financial institution, including Finance Company, in future to provide various loan services to the Group in accordance with laws and regulations.

4. HISTORICAL AMOUNT OF DEPOSIT IN FINANCE COMPANY

The maximum amounts of cumulative daily deposits placed by the Group with Finance Company (including any interest accrued thereon) for the two financial years ended 31 December 2022 and for the six months ended 30 June 2023 and the deposit caps of the Group with Finance Company for each of the corresponding periods were as follows:

		For the financial year ended 31 December 2021 (audited) <i>Approximately</i>	For the financial year ended 31 December 2022 (audited) <i>Approximately</i>	For the six months ended 30 June 2023 (unaudited) <i>Approximately</i>
Maximum amounts of cumulative daily deposits for the year/period	(a)	equivalent to HK\$2,229.99 million	equivalent to HK\$2,228.30 million	equivalent to HK\$1,537.83 million
The deposit caps for the year/period	(b)	HK\$2,230.00 million	HK\$2,230.00 million	HK\$1,538.00 million
Utilisation rate (%)	(a)/(b)	100.00	99.92	99.99

5. BASIS OF DETERMINATION OF THE NEW ANNUAL CAPS

(1) Maximum daily deposit balances of the Group with Finance Company

As set out in the table under the section headed “4. HISTORICAL AMOUNT OF DEPOSIT IN FINANCE COMPANY”, the maximum daily deposit balances placed by the Group with Finance Company for the year ended 31 December 2022 and the six months ended 30 June 2023 (i.e. approximately HK\$2,228 million and approximately HK\$1,538 million) are very close to the Existing Annual Caps, indicating that the current deposit caps are unable to meet the deposit needs of the Group with Finance Company.

LETTER FROM THE BOARD

(2) Balance of cash and cash equivalents of the Group

As disclosed in the Company's 2022 Annual Report, as of 31 December 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately HK\$31.35 billion and HK\$33.24 billion respectively, demonstrating the Group's sufficiency of total amount of funds. The New Annual Caps represent approximately 30.50% of the Group's cash and cash equivalents as at 31 December 2022, which is at a safe and reasonable level.

Out of the cash and cash equivalent of approximately HK\$31.35 billion as at 31 December 2022, (i) approximately HK\$7.29 billion were placed in independent third party banks as time deposit, representing approximately 76.26% of the New Annual Cap; and (ii) approximately HK\$22.21 billion were a combination of cash and bank balances including but not limited to saving deposits placed in independent third party banks/financial institutions. Out of the cash and cash equivalent of approximately HK\$33.24 billion as at 31 December 2021, (i) approximately HK\$9.62 billion were placed in independent third party banks as time deposit, representing approximately 100.61% of the New Annual Cap; and (ii) approximately HK\$21.59 billion were a combination of cash and bank balances including but not limited to saving deposits placed in independent third party banks/financial institutions. The above data demonstrates that the Existing Annual Cap is far below the cash balance available to the Group and is unable to fulfil the actual demand of the Group's Deposit Services.

As the Group has sufficient funds, the Existing Annual Cap of HK\$1,538 million would restrict the Group from using more Deposit Services from Finance Company and the Group is left to use deposit services from other financial institutions which may incur higher charges and expenses. By adopting the New Annual Caps, it gives the Group more flexibility to engage either Finance Company or other independent third party financial institutions for the provision of deposit services depending on its terms of services in order to achieve better utilization of the cash balance and effectively reduce costs and expenses.

(3) Future cash and cash equivalents of the Group

Taking into account, among others, that: (i) the Group will continue to generate net cash inflows from its operating activities; (ii) the Group will continue to generate net cash inflows from its financing activities; and (iii) based on the Group's cash flow projections for the next 18 months ending 31 December 2024, the Company believes that the Group's cash and cash equivalents available in the future will remain stable.

(4) Business development needs of the Group

The Group's business segments have been developing steadily, with stable cash and cash equivalents as well as increasing demand for funds, among which: the business scale increased after the commencement of operation of the gas storage facility in Tianjin Nangang, the scale of trade in imported liquefied natural gas increased; the beer business strongly recovered with its top ranking sales volume in the PRC; and development in the Group's other business segments. Based on development requirements, the enterprises under the Company need to increase the investment and financing scale in the future. In particular,

LETTER FROM THE BOARD

increasing credit facilities from Finance Company will ensure a stable source of low-cost funds, maintaining a convenient and efficient financing channel. Finance Company undertakes to increase the Group's credit facilities to RMB10 billion, and to approve and grant loans on a project-by-project basis, among which: RMB1.0-2.0 billion is for working capital; RMB2.0-3.0 billion is for environmental protection and solid waste projects; RMB1.0-3.0 billion is for distributed energy, gas pipeline construction and technological transformation projects; and RMB1.0-2.0 billion is for recurrent projects for the trading of liquefied natural gas. Therefore by raising the upper limit of the deposits with Finance Company, expansion of cooperation and sharing of resources for mutual benefits between the Group and Finance Company will be realized.

6. CONSIDERATIONS AND BENEFITS OF THE NEW ANNUAL CAPS UNDER THE FINANCIAL SERVICES AGREEMENT

(1) Increasing the efficiency of capital use to strengthen the effectiveness of the collaborative use of funds

Although the total amount of funds of the Group is sufficient, there is uneven distribution of funds within the Group. At present, subject to regulations, internal regulations, business scope of the enterprises and qualification requirements, it is difficult for the enterprises within the Group to provide loans directly to other members of the Group. In this context, enterprises of the Group which have capital needs can only obtain financing from external financial institutions, which raises external borrowing risks and financial costs, significantly reduce the overall liquidity and the efficiency of use of funds, and the interests of Shareholders are therefore not being fully enhanced.

As a non-bank financial institution approved by the NAFR, Finance Company has legitimate financial service qualifications. By providing financial services including deposits collection and financing, Finance Company conducts professional and personalized management of the deposits and loans of the Group, strengthening the liquidity and collaborative use of funds within the Group, which on the one hand can reduce the external borrowing risks, and on the other hand can effectively promote the Group's economic benefit by accurately investing funds into the Group's business segments or enterprises with genuine needs, improving and protecting the interests of Shareholders.

Having served the Group for a long time and familiar with the capital structure and capital requirement of the Group, and Finance Company is able to provide stable, efficient and convenient personalized financial services and effectively strengthen the Group's coordination of capital security, as well as efficient management and supervision, which helps to support the Group's strategic development and greatly improve the efficiency of fund use. Therefore Finance Company is a strategic partner of the Group.

(2) Improving and exploring financial resources to reduce external debt risks

Currently, the credit support provided by Finance Company to a number of enterprises under the Group (including Beijing Gas Group Company Limited, Beijing Enterprises Environment Group Limited, Beijing Yanjing Brewery Co., Ltd., etc.) in respect of loans is far below the actual demand of the Group, and Finance Company is able and

LETTER FROM THE BOARD

willing to provide further credit support. Therefore, this Financial Services Agreement is intended to offer the Group with an additional option for stable financing source; effectively reduce the overall external debt risk of the Group, providing and creating a more favorable financing environment for the Group, especially those enterprises in need of liquidity. On the other hand, the terms entered with Finance Company also enhance the Group's bargaining power with other external financial institutions to obtain more favorable terms of services.

(3) Accessing to convenient and diversified financial services to effectively reduce costs and expenses

Having served the Group for a long time, Finance Company has a good understanding of the Group's business and risk preference, thus can provide more flexible, efficient, stable and tailored services than third-party financial institutions offers in order to reduce financial costs and expenses. Through the Financial Services Agreement, the Group can enjoy preferential interest rate terms provided by Finance Company, and thus increase interest income and save interest expenses.

Finance Company waives the enterprises under the Group from various service charges for clearing business; saves the Group of service charges for cross-border business fund channel and improves the efficiency of cross-border fund flow; provides various forms of credit guarantee with the lowest rate and the credit endorsement from Finance Company; as well as provides financial products and services tools such as multi-level cash management platforms, agent collection service platforms etc. It implements low-cost and tailored differentiated financial services strategies for the Group, and plays an important role in assisting the Group in capital management to enhance the efficient use of funds.

(4) Indirectly increasing investment income

The Group is a substantial shareholder of Finance Company with an aggregate shareholding of approximately 44.79%. The signing of the Financial Services Agreement is conducive to the expansion of the operation scale and business scope of Finance Company in the Group, which helps improve the profit of Finance Company and the investment income of the Group. The annual cash dividends also supplement the cash flow of the Group.

The entering into the Financial Services Agreement with Finance Company is conducive to enhancing the capital efficiency of the Group, lowering finance cost, providing options other than external financial institutions. To ensure that Finance Company will provide the Group with more tailored services and options, both of the Group and Finance Company will adopt comprehensive and reliable risk control measures.

Having considered the factors set out above, the Directors (including the members of the Independent Board Committee who have taken the advice of the Independent Financial Adviser) are of the opinion that the Financial Services Agreement was entered into in the ordinary and usual course of business of the Group on normal commercial terms or on better terms. The terms of the Financial Services Agreement (including the New Annual Caps) are fair and reasonable, and are in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

7. INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

I. Internal control and risk management measures adopted by the Group:

(1) *Materializing the optimal conditions of service through comparables selection*

The Group considers using the services of Finance Company on an arm's length, voluntary and non-exclusive basis, and Finance Company only serves as one of the many financial institutions that provide services to the Group. According to the financial management requirements of the Group, when the Group needs services such as financial deposits or loans, it shall request financial institutions to offer proposals and quotations in accordance with the Group's requirements, and select a proposal and quotation with the best terms and conditions from at least three financial institutions through comparables selection, so as to safeguard the interests of the Group and the Shareholders of the Company.

Finance Company, as one of the participating institutions for providing financial services to the Group, participates in comparables selection in the same manner as other independent financial institutions, in which: the interest rate for Deposit Services shall not be lower than the applicable interest rate of the same deposit services provided by other independent financial institutions in the PRC and Hong Kong; Loan Services shall be provided on the optimal terms in various factors such as interest rate, total costs, maturity period and approval efficiency in accordance with the creditworthiness and credit conditions of the borrower, so as to ensure the loan conditions provided by Finance Company is not less favorable than that provided by the independent financial institutions to the Group.

The Financial Services Agreement with Finance Company does not restrict the Group from using services of other financial institutions. The Group is still free to choose the services provided by other financial institutions according to its own interests.

(2) *Conducting inspection and audit on a regular basis to ensure that the transactions are carried out in accordance with respective terms*

The Company conducts periodic inspections and assesses whether each financial service under the Financial Services Agreement are carried out in accordance with the terms of the Financial Services Agreement and whether the interest rate therein is fair and reasonable. In addition, the Company annually engages an accounting firm to conduct an annual review of the continuing connected transactions, including the deposit caps with Finance Company, in accordance with the statutory audit procedures, among which: firstly, ensure that the total deposits at any time of the year are not higher than the New Annual Caps; and secondly, ensure that each transaction is on its best terms under the same conditions. Upon completion, the accounting firm reports to the Board of the Company in letter, a copy of which is submitted to the Stock Exchange, and relevant audit results will be included as one of the disclosures in the Report of the Directors in the Annual Report.

LETTER FROM THE BOARD

- (3) *The Group assigns senior management as directors of Finance Company to control and supervise daily operation of Finance Company*

The Group, together with Beijing Enterprises Water Group Limited (an associated company of the Group), are shareholders of Finance Company, and have appointed four senior management, namely Gong Xiaoqing (龔曉慶), the president assistant and the general manager of the Beijing finance department of the Company, Kang Yan (康燕), the chief financial officer of Beijing Gas Group Company Limited, Xiao Guofeng (肖國峰), the vice president of Beijing Yanjing Brewery Co., Ltd., and Yu Ligu (于立國), the senior vice president of Beijing Enterprises Water Group Limited, as directors of Finance Company, which accounted for more than one-third of the directors of Finance Company, so that we always maintain absolute control over the operation and risk management of Finance Company, and strictly comply with the provisions and requirements of the regulatory authorities in order to better prevent and control risks.

The above four directors serve as members of the strategy and risk committee and the financial audit committee of Finance Company respectively, responsible for the supervision of Finance Company in respect of:

- the control of credit risk, liquidity risk, market risk, operational risk, system risk, compliance risk and reputation risk arising from the operation and management;
- the implementation and effectiveness of each internal control systems, and the implementation and control of internal audits and external independent audits;
- external disclosure requirements and the quality of information disclosure, including the completeness, truthfulness and accuracy of the content and information.

II. Internal control and risk management measures adopted by Finance Company:

- (1) *Strictly regulated by all levels of government and the industry in accordance with laws, with the security of deposit funds guaranteed*

Finance Company is a non-bank financial institution approved by the NAFR and are subject to the guidance and supervision of the NAFR and its representative office, The People's Bank of China, State Administration of Foreign Exchange, China National Association of Finance Companies, State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality in accordance with laws, and shall be equally treated as other banks in terms of regulatory strength, risk control system, and security of funds, in which: the funds of Finance Company shall be strictly managed to ensure the security of the funds.

In its daily operation, the NAFR and its branch office will comprehensively supervise the independence and compliance of Finance Company through on-site and

LETTER FROM THE BOARD

off-site inspections to ensure that Finance Company operates in compliance with regulations; Finance Company submits various regulatory reports to regulatory authorities on daily, monthly, quarterly and annual basis in accordance with the regulatory requirements, including balance sheets, statement of profit or loss, and other financial accounting, statistical statements, operation and management information, and audit reports issued by certified public accountants.

(2) *Establishing stringent monitoring system to ensure the compliance of deposit-related transactions*

Finance Company formulates the “Measures for the Administration of Connected Transaction Business with Listed Companies” (《上市公司關連交易業務管理辦法》) for the purpose of servicing the business operations of listed company customers, including the Group, so as to regulate various business dealings with listed companies, and to stipulate requirements in respect of the management of financial service agreements with listed companies, the management of pricing of connected transactions, the management of credit and loan services, the management of settlement services, the management of cross-border services of funds and the information disclosure of connected transactions, so as to safeguard the compliance risks of connected transactions with listed companies.

In 2022, Finance Company completed the development of the “Deposit Intake Monitoring System and Cap Monitoring System for Listed Companies” (上市公司吸收存款監控系統及上限監測系統), which shifted the daily monitor from manual to intelligence management, and compiled daily statistics of relevant deposit data in accordance with the list of related parties, so as to continuously monitor the Group’s deposits therein. The system automatically identifies whether the deposits amount per day has exceeded the deposit cap. And in the event of exceeding the annual deposit cap, the system will automatically alert and return the exceeding deposit amount to the original transferor account or designated account of the Group, and notify the Group in a timely manner.

In addition, Finance Company has well-established internal control systems and full-process risk management systems, and has established contingency plans based on different risks to effectively prevent risks, and submits reports such as risk and internal control report to the directors of Finance Company on a regular basis to supervise the daily risk management and control, risk governance and operational development of the company, so as to ensure the security of the funds deposited by the Group.

(3) *Finance Company is in robust operation with good operating data indicators*

As at 30 June 2023, Finance Company’s capital adequacy ratio, liquidity ratio, inter-bank lending ratio, guarantee ratio, investment ratio, fixed assets ratio, non-performing loans ratio and non-performing assets ratio is 34.33%, 65.09%, 0%, 0%, 11.06%, 0.07%, 0% and 0%, respectively. All of the above indicators reflect that Finance Company is a creditworthy organization with high-quality assets, and its exposure to counterparty risk, credit risk, market risk and liquidity risk is significantly lower than the average level in the industry.

LETTER FROM THE BOARD

The laws and regulations require that the service targets and scope of Finance Company are strictly limited to each fellow enterprise member within the group. Under this background, Finance Company has sufficient mutual trust, good relationship and longer and stable cooperation with the Group. Finance Company has a better understanding of the operation and risk appetite of each fellow enterprise member of the Group than other external financial institutions, therefore it is capable of formulating better risk control measures.

8. PLANS, COMMITMENTS AND SAFEGUARDS FOR FINANCIAL SERVICES OF FINANCE COMPANY

Under the Financial Services Agreement, Finance Company undertakes that the deposits obtained from the Group will be mainly utilized for the Group's credit facilities to ensure the security of deposit funds. On this basis, if the Group has needs beyond the funds deposited in Finance Company, Finance Company may meet the Group's needs by deploying the pool of funds.

Finance Company plans to increase the credit facility of the Group to RMB10 billion, and certain loan funds will be supplied in accordance with the actual needs of the Group's business and the regulations and industry approval principles and practice of the financial institutions on case-by-case basis upon approval. Therefore, Finance Company will not possess the Group's capital, and instead will provide strong support to the Group's liquidity and financing needs.

In the event that Finance Company encounters difficulties in operation, according to the laws of the PRC and the articles of association of Finance Company, BE Group, as the founder and the parent company of Finance Company, will assume the primary responsibility for risk prevention and resolution of Finance Company in accordance with laws, and will, if necessary, provide additional capital or liquidity to Finance Company, and Finance Company undertakes that the replenishment of capital or liquidity will be prioritized for guaranteeing the Group's deposits repayment.

LETTER FROM THE BOARD

9. INFORMATION ON THE COMPANY, THE GROUP AND FINANCE COMPANY

The Company and the Group

The Company is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Group is principally engaged in gas operation, water operation, environmental operation as well as brewery operation in the PRC. The ultimate controlling shareholder of the Company is BE Group.

Finance Company

Finance Company is established in the PRC with limited liability. Its establishment as a non-bank financial institution has been approved by the NAFR. Finance Company 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. As at the Latest Practicable Date, Finance Company is held as to approximately 44.79% in aggregate by the Group, approximately 6.69% by Beijing Enterprises Water Group Limited (an associated company of the Company) and approximately 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. The ultimate controlling shareholder of Finance Company is BE Group, which is in turn ultimately and beneficially owned by the State-owned Assets Supervision and Administration 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).

10. IMPLICATIONS UNDER THE LISTING RULES

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

For the Deposit Services under the Financial Services Agreement, as the highest applicable percentage ratio as defined under Rule 14.07 of the Listing Rules in respect of the New Annual Caps exceeds 5% but less than 25%, the transactions contemplated thereunder constitutes non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and also constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

As the Loan Services to be provided by BE Group Finance to the Group under the Financial Services Agreement are on normal commercial terms (or better to the Group) and such loans will not be secured by the assets of the Group, the transactions contemplated thereunder are fully exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

LETTER FROM THE BOARD

None of the Directors has a material interest in the Financial Services Agreement and none of them has abstained from voting on the relevant board resolutions of the Company approving the Financial Services Agreement.

11. 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 Financial Services 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.

Diligent Capital 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 Financial Services Agreement and the transactions contemplated thereunder.

12. EGM

A notice convening the EGM to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 28 August 2023 at 3:00 p.m., is set out on pages 49 to 50 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 Financial Services Agreement and the transactions contemplated thereunder and the New Annual Caps.

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 Financial Services Agreement and the transactions contemplated thereunder, BE Group (together with its associates) shall abstain from voting at the EGM on the proposed resolution to approve, among other things, the Financial Services Agreement and the transactions contemplated thereunder, including the New Annual Caps. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the EGM.

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 786,445,788 Shares (representing approximately 62.41% of the issued share capital of the Company). Therefore, a total of 786,445,788 Shares (representing approximately 62.41% 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

LETTER FROM THE BOARD

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.

13. RECOMMENDATIONS

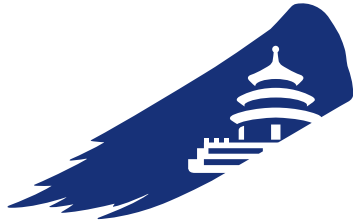
The Board (including the members of the Independent Board Committee after taking the advice of the Independent Financial Adviser) are of the opinion that the Financial Services Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in 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 to be proposed at the EGM.

14. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 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 43 of this circular and the information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Beijing Enterprises Holdings Limited
DAI Xiaofeng
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)

8 August 2023

To the Independent Shareholders,

Dear Sir/Madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

FINANCIAL SERVICES AGREEMENT AND ITS ANNUAL CAPS FOR THE DEPOSIT SERVICES THEREUNDER

We refer to the circular (the “**Circular**”) dated 8 August 2023 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 Financial Services Agreement and the transactions contemplated thereunder (including the New Annual Caps) 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.

Diligent Capital 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 Diligent Capital Limited are contained in its letter set out on pages 20 to 43 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

Having taken into account the terms of the Financial Services Agreement and the advice from the Independent Financial Adviser, we consider that the terms of the Financial Services Agreement and the transactions contemplated thereunder (including the New Annual Caps) 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 Financial Services Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. WU Jiesi

Mr. LAM Hoi Ham

Dr. YU Sun Say

Ms. CHAN Man Ki Maggie

Independent non-executive Directors



8/F., Hip Shing Hong Centre
No. 55 Des Voeux Road Central
Central, Hong Kong

8 August 2023

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

Dear Sirs and Madams,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE FINANCIAL SERVICES AGREEMENT AND
THE ANNUAL CAPS FOR THE DEPOSIT SERVICES THEREUNDER**

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 Financial Services Agreement and the transactions contemplated thereunder (including the New 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 8 August 2023 (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 (i) the Letter and (ii) the announcement (the “**Previous Announcement**”) issued by the Company dated 28 December 2022 in relation to, among other things, the continuing connected transactions contemplated under the 2022 Deposit Agreement.

1.1 The 2022 Deposit Agreement

On 28 December 2022, the Company entered into the 2022 Deposit Agreement with Beijing Enterprises Group Finance Co., Ltd.* (北京控股集團財務有限公司) (the “**Finance Company**”), pursuant to which the Company will continue to carry out transactions under the deposit service agreement entered into between the Company and the Finance Company on 20 December 2019 (the “**2020 Deposit Agreement**”).

According to the terms of the 2022 Deposit Agreement, the term shall commence on 1 January 2023 and continue up to 31 December 2025 (both days inclusive) and the maximum cumulative daily outstanding deposits balance placed by the Group with the Finance Company (including any interest accrued thereon) during the aforesaid term shall not exceed HK\$1,538 million for each of the financial year ending 31 December 2023, 31 December 2024 and 31 December 2025 (the “**Existing Annual Caps**”).

Save as aforesaid, all other terms and conditions as set out in the 2022 Deposit Agreement are substantially the same as those under the 2020 Deposit Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 The Financial Services Agreement

On 2 June 2023, the Company entered into the Financial Services Agreement with the Finance Company, pursuant to which, among other things, (i) the Finance Company agreed to provide the Financial Services to the Group, which include the Deposit Services and the Loan Services; and (ii) the Existing Annual Caps shall be replaced by the New Annual Caps during the term of the Financial Services Agreement.

2. Implications under the Listing Rules

As at the Latest Practicable Date, the BE Group owns more than 30% equity interest in the Finance Company therefore, the Finance Company is an associate of the 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 the Finance Company, being an associate of the BE Group, is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Financial Services 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 profit ratio which is not applicable) in respect of the New Annual Caps under the Financial Services Agreement exceeded 5%, the transactions contemplated thereunder constitute 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, Dr. Yu Sun Say and Ms. Chan Man Ki Maggie, has been established to consider and advise the Independent Shareholders as to whether the terms of the Financial Services Agreement and the transactions contemplated thereunder (including the New 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.

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 Financial Services Agreement and the transactions contemplated thereunder (including the New 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We, Diligent Capital Limited (“**Diligent 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 Independent Board Committee pursuant to the Listing Rules.

Diligent Capital is a licensed corporation licensed under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (“**SFO**”) to carry on Type 6 (advising on corporate finance) regulated activity. Mr. Felix Huen (“**Mr. Huen**”) is the person signing off the opinion letter from Diligent Capital contained in the Circular. Mr. Huen has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2019 and he has 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 Diligent Capital and the Company or any other parties that could reasonably be regarded as a hindrance to Diligent 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 Shareholders in respect of the Transaction.

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. Diligent 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 Financial Service Agreement and the New 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 Financial Services Agreement and the transactions contemplated thereunder, we have relied on the information, facts and representations contained in 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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.

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 Financial Services Agreement and the transactions contemplated thereunder (including the New 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 2 June 2023, the Company entered into the Financial Services Agreement with the Finance Company.

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 ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會).

(a) Principal business of the Group

The Group is principally engaged in gas operation, water operation, environmental operation and brewery operation in the PRC.

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 2022 and 31 December 2021 as extracted from the annual report of the Company for the year ended 31 December 2022 (the "2022 Annual Report").

	As at 31 December 2022 HK\$000 (Audited)	As at 31 December 2021 HK\$000 (Audited)
Non-current assets	169,434,017	170,012,551
Current assets		
– Inventories	5,680,631	6,218,945
– Receivables under service concession arrangements	137,412	121,046
– Receivable under a finance lease	100,011	98,516
– Trade receivables	5,561,634	6,659,686
– Prepayments, other receivables and other assets	7,723,886	5,837,534
– Other tax recoverables	446,764	599,016
– Restricted cash and pledged deposits	171,940	35,958
– Cash and cash equivalents	31,347,261	33,238,799
Assets of disposal groups classified as held for sale	467,811	–
Total current assets	51,637,350	52,809,500
Total assets	221,071,367	222,822,051
Current liabilities		
– Trade and bills payables	5,549,248	4,326,135
– Other payables, accruals and contract liabilities	25,431,171	27,070,190
– Provision for major overhauls and onerous contracts	47,426	50,093
– Income tax payables	1,025,808	1,249,468
– Other tax payables	448,837	390,504
– Bank and other borrowings	24,613,662	9,179,370
– Guaranteed bonds and notes	–	17,173,276
– Lease liabilities	362,009	366,117

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2022 <i>HK\$000</i> <i>(Audited)</i>	As at 31 December 2021 <i>HK\$000</i> <i>(Audited)</i>
Liabilities directly associated with the assets of disposal groups classified as held for sale	277,430	–
Total current liabilities	57,755,591	59,805,153
Net current liabilities	6,118,241	6,995,653
Non-current liabilities		
– Bank and other borrowings	31,409,002	27,797,718
– Guaranteed bonds and notes	21,368,996	17,854,936
– Lease liabilities	483,773	592,163
– Defined benefit obligations	2,245,758	2,857,692
– Provision for major overhauls and onerous contracts	257,907	375,908
– Other non-current liabilities	2,134,779	1,974,292
– Deferred tax liabilities	2,376,864	2,497,220
Total non-current liabilities	60,277,079	53,949,929
Total liabilities	118,032,670	113,755,082
Net assets	103,038,697	109,066,969

As set out in the table above, we noted that the total cash and cash equivalent of the Group as at 31 December 2022 was approximately HK\$31.35 billion, representing an insignificant decrease of approximately 5.69% when compared to that as at 31 December 2021 of approximately HK\$33.24 billion. As further set out in the table above, we noted that the Group recorded an unaudited consolidated net current liabilities of approximately HK\$6.1 billion as at 31 December 2022.

We understand that such financial position of the Group indicated an uncertainty that may cast a 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 recent years; (ii) the listed investments of the Group which is able to realise 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 exiting 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

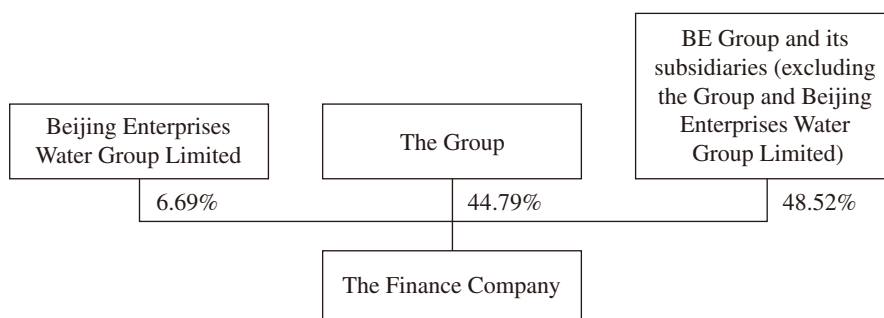
1.2 Information of the Finance Company

Set out below is the information of the Finance Company which includes, among others, (a) the shareholding structure; (b) the principal activities; and (c) the rules and regulations relating to the relevant business.

(a) Shareholding structure

The Finance Company is a company established in the PRC with limited liability. As at the Latest Practicable Date, the Finance Company 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 the 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 the Finance Company:



(b) Principal activities

The Finance Company is a non-bank financial institution established and commenced business in 2013 with the approval granted by the National Administration of Financial Regulation (the “NAFR”) (formerly known as the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)).

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

(c) Rules and regulations relevant to the business operations

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, there is no record of non-compliance with relevant laws, rules and regulations of the PRC in relation to the business of the Finance Company.

2. Reasons for and benefits of entering into the Financial Services Agreement

The Board noticed that, as of 31 March 2023, the transaction amount of the Deposit Services under the 2022 Deposit Agreement had reached approximately HK\$1.52 billion, representing approximately 98.83% of the Existing Annual Caps and cannot satisfy the Group's deposit demand in the Finance Company.

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 New Annual Caps to replace the Existing Annual Caps during the term of the Financial Services Agreement so as to provide a better cash resources management for the Group.

As further disclosed in the Letter, the Directors have also considered the following benefits arising from entering into the Financial Services Agreement:

- i. **Increasing the efficiency of capital use to strengthen the effectiveness of the collaborative use of funds.** Although the total amount of funds of the Group is sufficient, there is an uneven distribution of funds exists within the Group. At present, subject to regulations, internal regulations, business scope of the enterprises and qualification requirements, it is difficult for the enterprises within the Group to provide loans directly to other members of the Group. In this context, enterprises of the Group which have capital needs can only obtain financing from external financial institutions, which raises external borrowing risks and financial costs, significantly reduce the overall liquidity and the efficiency of use of funds, and the interests of Shareholders are therefore not being fully enhanced.

As a non-bank financial institution approved by the NAFR, the Finance Company has legal and qualified financial service qualifications. By providing financial services including deposits collection and financing, the Finance Company conducts professional and personalized management of the deposits and loans of the Group, strengthening the liquidity and collaborative use of funds within the Group, which on the one hand can reduce the external borrowing risks, and on the other hand can effectively promote the Group's economic benefit by accurately investing funds into the Group's business segments or enterprises with genuine needs, improving and protecting the interests of Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having served the Group for a long time and being familiar with the capital structure and capital requirement of the Group, and the Finance Company is able to provide stable, efficient and convenient personalized financial services and effectively strengthen the Group's coordination of capital security, as well as efficient management and supervision, which helps to support the Group's strategic development and greatly improve the efficiency of fund use. Therefore, the Finance Company is a strategic partner of the Group.

- ii. **Improving and exploiting resources for financial guarantees to reduce external debt risks.** Currently, the credit support provided by the Finance Company to a number of enterprises under the Group (including Beijing Gas Group Company Limited, Beijing Enterprises Environment Group Limited, Beijing Yanjing Brewery Co., Ltd., etc.) in respect of loans is far below the actual demand of the Group, and the Finance Company is able and willing to provide further credit support. Therefore, this Financial Services Agreement is intended to offer the Group an additional option for a stable financing source; effectively reduce the overall external debt risk of the Group, providing and creating a more favourable financing environment for the Group, especially those enterprises in need of liquidity. On the other hand, the terms entered with the Finance Company also enhance the Group's bargaining power with other external financial institutions to obtain more favourable terms of services.
- iii. **Accessing convenient and diversified financial services to effectively reduce costs and expenses.** Having served the Group for a long time, the Finance Company has a good understanding of the Group's business and risk preference, thus can provide more flexible, efficient, stable and tailored services than third-party financial institutions offers in order to reduce financial costs and expenses. Through the Financial Services Agreement, the Group can enjoy preferential interest rate terms provided by the Finance Company, and thus increase interest income and save interest expenses.

The Finance Company waives the enterprises under the Group from various service charges for clearing business; saves the Group of service charges for cross-border business fund channel and improves the efficiency of cross-border fund flow; provides various forms of credit guarantee with the lowest rate and the credit endorsement from the Finance Company; as well as provides financial products and services tools such as multi-level cash management platforms, agent collection service platforms etc. It implements low-cost and tailored differentiated financial services strategies for the Group, and plays an important role in assisting the Group in capital management to enhance the efficient use of funds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- iv. **Indirectly increasing investment income.** The Group is a substantial shareholder of the Finance Company with an aggregate shareholding of approximately 44.79%. The signing of the Financial Services Agreement is conducive to the expansion of the operation scale and business scope of the Finance Company in the Group, which helps improve the profit of the Finance Company and the investment income of the Group. The annual cash dividends also supplement the cash flow of the Group.

The entering into the Financial Services Agreement with the Finance Company is conducive to enhancing the capital efficiency of the Group, lowering finance cost, providing options other than external financial institutions. To ensure that the Finance Company will provide the Group with more tailored services and options, both of the Group and the Finance Company will adopt comprehensive and reliable risk control measures.

For the avoidance of doubt, the Financial Services Agreement does not preclude the Group from using the services of other financial institutions. The Group still has the freedom to select any major and independent commercial banks in Hong Kong and the PRC as its financial services providers as it thinks fit and appropriate for the benefit of the Group.

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 Financial Services Agreement and the New 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 Financial Services Agreement is in the interest of the Company and the Independent Shareholders as a whole, we have taken into consideration the factors above with the following conclusions:

(a) The well and reliable relationship between the Company and the Finance Company

The Finance Company has been providing the Deposit Services to the Group since 2014 and a good and long term relationship has been established between the Finance Company and the Group ever since. Based on the historical record, the Finance Company has been providing efficient, secure, and stable deposit services to the Group. As advised by the Management, there is no material non-compliance record and/or other execution problem happened during the past service period.

As the Finance Company principally provides financial services to the Group and its member companies, we concur with the Directors that it has more direct and deep knowledge of the industries that the Group participated in. The Finance Company is familiar with the capital structure, and therefore can better foresee the funding needs of the Group. As such, the Finance Company is able to offer flexible, convenient, customized and cost-effective services to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also concur that the Finance Company, as an internal professional financial institution serving member companies of the Group, exposes to lower client risks as compared to external institutions that serve many different clients in the market.

(b) Realizing more comprehensive and centralized fund management to improve fund management efficiency of the Group

In order to assist the Group in the deployment of funds and improve the centralisation of the Group's fund management and utilization, we understand that the Group has arranged a control account at the Finance Company acting in its capacity as a platform for internal settlement, fund-raising and financing, and fund management between the Group and its member companies. The provision of deposit, loan and other financial services by the Finance Company to the Group will facilitate the settlement between the Group and other member companies so as to reduce the time required for remittance and receipt of funds.

With the assistance of the account management system and the capability of the Finance Company as a financial institution, we concur that the Group can strengthen centralized management of its subsidiaries' funds if the available idle cash could be centralized by depositing funds in the Finance Company.

Further, the Finance Company will offer customized proposals for centralized deposit and management of funds in line with the management needs of the Group, enabling the Group to satisfy its flexible needs of funds through timely withdrawals. The Finance Company will help speed up the fund turnover of the Group, achieving a more efficient fund clearing and settlement with less bank charges. Therefore, we agree that the Finance Company will enhance internal settlement efficiency and reduce fund costs of the Group.

(c) The Group shall use the Financial Services on a voluntary and non-exclusive basis

The Financial Services Agreement is non-exclusive with no restrictions on the Group's options to appoint any other commercial banks or financial institutions to meet its needs for financial services, and the Finance Company is only one of the several financial institutions which offer financial services to the Group. Only when the rates or fees or the other relevant transaction terms offered by the Finance Company are equivalent to or more favourable than those offered by the major cooperative commercial banks of the Group, the Group may enter into transactions with the Finance Company at its discretion. Under the circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than the Finance Company to provide financial services.

(d) The favourable commercial terms offered by the Finance Company

Pursuant to the Financial Services Agreement, as regards to the Deposit Services, the deposit interest rate offered by the Finance Company shall not be lower than (i) the benchmark interest rate prescribed by the People's Bank of China (the "PROC") 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 the Finance Company to other members of the BE

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group for the same type of deposits of the same period. As regards to the Loan Services, the Group's borrowings from the Finance Company are at rates based on the loan prime rate policy published by the National Interbank Funding Center authorised by the PBOC, which should be no less favourable than the terms offered by independent third party lenders.

As advised by the Management, during the period from the commencement date of the term of the Financial Services Agreement to the Latest Practicable Date, all deposits placed by the Group with the Finance Company followed the aforesaid conditions and the loan interest rates will not be higher than those offered by the major cooperative commercial banks of the Group for the loans in the same period and of the same type.

In view of the above, the fees charged by the Finance Company in respect of the Financial Services provided to the Group will be equivalent to or more favourable than those charged by the major cooperative commercial banks of the Group in respect of similar services.

(e) Enjoy investment return of the Finance Company

The Company currently holds 44.79% of the Finance Company, the majority of the management in the Finance Company was appointed by the Group to oversee its operations. Therefore, the Finance Company shall provide sufficient information, including various financial indicators so that the Company can monitor the financial conditions of the Finance Company continuously. Also, we considered that the Group is entitled to enjoy the relevant investment returns, such as dividends from the Finance Company.

(f) Capital risk control, internal control and risk management measures Adopted by the Finance Company

As set out in the Letter, we understand that the Finance Company has adopted the following internal control and risk management control measures:

- i. **Strictly regulated by all levels of government and the industry in accordance with laws, with the security of deposit funds guaranteed.** The Finance Company is a non-bank financial institution approved by the NAFR and are subject to the guidance and supervision of the NAFR and its representative office, The People's Bank of China, State Administration of Foreign Exchange, China National Association of Finance Companies, State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality in accordance with laws, and shall be treated equally as other banks in terms of regulatory strength, risk control system, and security of funds, in which: the funds of the Finance Company shall be strictly managed to ensure the security of the funds.

In its daily operation, the NAFR and its branch office will comprehensively supervise the independence and compliance of the Finance Company through on-site and off-site inspections to ensure that the Finance Company operates in compliance with regulations; the Finance Company submits various regulatory reports to regulatory authorities on daily, monthly, quarterly and annual basis

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

in accordance with the regulatory requirements, including balance sheets, statement of profit or loss, and other financial accounting, statistical statements, operation and management information, and audit reports issued by certified public accountants.

- ii. **Establishing a stringent monitoring system to ensure the compliance of deposit-related transactions.** The Finance Company formulates the “Measures for the Administration of Connected Transaction Business with Listed Companies” (《上市公司關連交易業務管理辦法》) for the purpose of servicing the business operations of listed company customers, including the Group, so as to regulate various business dealings with listed companies, and to stipulate requirements in respect of the management of financial service agreements with listed companies, the management of pricing of connected transactions, the management of credit and loan services, the management of settlement services, the management of cross-border services of funds and the information disclosure of connected transactions, so as to safeguard the compliance risks of connected transactions with listed companies.

In 2022, the Finance Company completed the development of the “Deposit Intake Monitoring System and Cap Monitoring System for Listed Companies” (上市公司吸收存款監控系統及上限監測系統), which shifted the daily monitor from manual to intelligence management, and compiled daily statistics of relevant deposit data in accordance with the list of related parties, so as to continuously monitor the Group’s deposits therein. The system automatically identifies whether the deposits amount per day has exceeded the deposit cap. And in the event of exceeding the annual deposit cap, the system will automatically alert and return the exceeding deposit amount to the original transferor account or designated account of the Group, and notify the Group in a timely manner.

In addition, the Finance Company has well-established internal control systems and full-process risk management systems, and has established contingency plans based on different risks to effectively prevent risks, and submits reports such as risk and internal control reports to the directors of the Finance Company on a regular basis to supervise the daily risk management and control, risk governance and operational development of the company, so as to ensure the security of the funds deposited by the Group.

- iii. **The Finance Company is in robust operation with good operating data indicators.** As at 30 June 2023, the Finance Company’s capital adequacy ratio, liquidity ratio, inter-bank lending ratio, guarantee ratio, investment ratio, fixed assets ratio, non-performing loans ratio and non-performing assets ratio is 34.33%, 65.09%, 0%, 0%, 11.06%, 0.07%, 0% and 0%, respectively. All of the above indicators reflect that the Finance Company is a creditworthy organization with high-quality assets, and its exposure to counterparty risk, credit risk, market risk and liquidity risk are significantly lower than the average level in the industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The laws and regulations require that the service targets and scope of the Finance Company are strictly limited to each fellow enterprise member within the group. Under this background, the Finance Company has sufficient mutual trust, good relationship and longer and stable cooperation with the Group. The Finance Company has a better understanding of the operation and risk appetite of each fellow enterprise member of the Group than other external financial institutions, therefore it is capable of formulating better risk control measures.

Having considered the above, we agreed that as a non-banking financial institution established with the approval of the NAFR, the Finance Company is subject to the direct routine supervision by the NAFR, and shall abide by all applicable regulatory provisions, including the restrictions on capital adequacy ratio, liquidity ratio and the ratio of borrowing balance and the amount of outstanding guarantees to total capital, as well as the ratio of short-term investment in securities and long-term investment to total capital. Meanwhile, the Finance Company is directly regulated by the PBOC to pay the deposit reserve in full and in a timely manner.

Also, we agreed that the Finance Company has developed regulations covering relevant measures for risk control and risk management. The continuing connected transactions in relation to the Financial Services among the Finance Company and the Group will be conducted under effective control and regulation via their respective connected transaction management systems.

Finally, we understand that the Finance Company has developed an internal control system with dynamic update mechanism covering all business sectors. Through strengthening measures such as audit and review, the Finance Company would be able to ensure the effectiveness of its internal control and strict implementation of its rules and regulations. Moreover, it has also set up relatively sound risk management organizational structures.

(g) Commitments and safeguards by the Finance Company

As set out in the Letter, we noticed that under the Financial Services Agreement, the Finance Company undertakes that the deposits obtained from the Group will be mainly utilized for the Group's credit supply to ensure the security of deposit funds. On this basis, if the Group has needs beyond the funds deposited in the Finance Company, the Finance Company may meet the Group's needs by deploying the pool of funds.

In the event that the Finance Company encounters difficulties in operation, according to the laws of the PRC and the articles of association of the Finance Company, the BE Group, as the founder and the parent company of the Finance Company, will assume the primary responsibility for risk prevention and resolution of the Finance Company in accordance with laws, and will, if necessary, provide additional capital or liquidity to the Finance Company, and the Finance Company undertakes that the replenishment of capital or liquidity will be prioritized for guaranteeing the Group's deposits repayment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In other words, pursuant to the regulatory requirements of the NAFR, the BE Group undertakes to increase the capital of the Finance Company based on the actual needs of resolving payment difficulty upon the emergency of such difficulty, particularly including but not limited to, providing liquidity support to the Finance Company in any event if it has difficulty in making payment, and replenishing the capital of the Finance Company in a timely manner upon the occurrence of capital erosion as a result of operating losses of the Finance Company.

(h) 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 and risk management control measures over the Financial Services:

- (i) **Materializing the optimal conditions of service through comparables selection.** The Group considers using the services of the Finance Company on an arm's length, voluntary and non-exclusive basis, and the Finance Company only serves as one of the many financial institutions that provide services to the Group. According to the financial management requirements of the Group, when the Group needs services such as financial deposits or loans, it shall request financial institutions to offer proposals and quotations in accordance with the Group's requirements, and select a proposal and quotation with the best terms and conditions from at least three financial institutions through comparables selection, so as to safeguard the interests of the Group and the Shareholders of the Company.

The Finance Company, as one of the participating institutions for providing financial services to the Group, participates in comparables selection in the same manner as other independent financial institutions, in which: the interest rate for Deposit Services shall not be lower than the applicable interest rate of the same deposit services provided by other independent financial institutions in PRC and Hong Kong; Loan Services shall be provided on the optimal terms in various factors such as interest rate, total costs, maturity period and approval efficiency in accordance with the creditworthiness and credit conditions of the borrower, so as to ensure loan conditions provided by the Finance Company are not less favourable than that provided by the independent financial institutions to the Group.

The Financial Services Agreement with the Finance Company does not restrict the Group from using the services of other financial institutions. The Group is still free to choose the services provided by other financial institutions according to its own interests.

- (ii) **Conducting inspection and audit on a regular basis to ensure that the transactions are carried out in accordance with respective terms.** The Company conducts periodic inspections and assesses whether each financial service under the Financial Services Agreement are carried out in accordance with the terms of the Financial Services Agreement and whether the interest

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

rate therein is fair and reasonable. In addition, the Company annually engages an accounting firm to conduct an annual review of the continuing connected transactions, including the deposit caps with the Finance Company, in accordance with the statutory audit procedures, among which: firstly, ensure that the total deposits at any time of the year are not higher than the New Annual Caps; and secondly, ensure that each transaction is on its best terms under the same conditions. Upon completion, the accounting firm reports to the Board of the Company in letter, a copy of which is submitted to the Stock Exchange, and relevant audit results will be included as one of the disclosures in the Report of the Directors in the Annual Report.

- (iii) **The Group assigns senior management as directors of the Finance Company to control and supervise daily operation of the Finance Company.** The Group, together with Beijing Enterprises Water Group Limited, Limited (an associated company of the Group), are shareholders of the Finance Company, and have appointed four senior management, namely Gong Xiaoqing (龔曉慶), the president assistant of and the general manager of the Beijing finance department of the Company, Kang Yan (康燕), the chief financial officer of Beijing Gas Group Company Limited, Xiao Guofeng (肖國峰), the vice president of Beijing Yanjing Brewery Co., Ltd., and Yu Ligu (于立國), the senior vice president of Beijing Enterprises Water Group Limited, as directors of the Finance Company, which accounted for more than one-third of the directors of the Finance Company, so that we always maintain absolute control over the operation and risk management of the Finance Company, and strictly comply with the provisions and requirements of the regulatory authorities in order to better prevent and control risks.

The above four directors serve as members of the strategy and risk committee and the financial audit committee of the Finance Company respectively, responsible for the supervision of the Finance Company in respect of:

- the control of credit risk, liquidity risk, market risk, operational risk, system risk, compliance risk and reputation risk arising from the operation and management;
- the implementation and effectiveness of each internal control systems, and the implementation and control of internal audits and external independent audits;
- external disclosure requirements and the quality of information disclosure, including the completeness, truthfulness and accuracy of the content and information.

In order to further evaluate the above, we had reviewed (i) the quotation on deposits interest rates from independent commercial banks in the PRC; (ii) the internal control information regarding the Company's continuing connected transactions; (iii) a number of interest slips of past transactions of the deposit services between the Group and the Finance Company on a non-exclusive and random basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noticed the proposed transactions between the Group and the Finance Company are on a non-exclusive basis. The Group may select at its discretion other financial institutions to provide the relevant financial services. The terms of the financial services offered to the Group by the Finance Company shall be equivalent to or more favourable than those offered to the Group by the major cooperative commercial banks of the Group for the financial services in the same period and of the same type.

Prior to entering into any specific agreements with the Finance Company, the Group will compare the rates or fees and the other relevant transaction terms (e.g. transaction approval conditions, procedures or time limit) offered by the Finance Company with those offered by the major cooperative commercial banks of the Group for the financial services in the same period and of the same type. Only when the rates or fees or the other relevant transaction terms offered by the Finance Company are equivalent to or more favourable than those offered by the major cooperative commercial banks of the Group, the Group may enter into transactions with the Finance Company at its discretion. Under the circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than the Finance Company to provide financial services.

The Management has confirmed that the Company will strictly follow the corresponding internal procedures and based on the reasons above, the Management believes that the Financial Services contemplated under the Financial Services Agreement are on normal commercial terms or better which are fair and reasonable.

We also examined other independent information by reviewing the letters issued by the Company's auditors (the "Auditors") to the Board and noted that the Auditors had performed procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 and with reference to Practice Note 740 and confirmed that they had performed sample checks on the continuing connected transactions entered into between the Group and the Finance Company during the years ended 31 December 2020 and 2021 and had not found that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies as stated in the relevant agreements.

Based on the above, we consider that the pricing policies of the financial services under the Financial Services Agreement is on normal commercial terms or better and is fair and reasonable so far as the Independent Shareholders are concerned.

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) the Finance Company has a good proven service record with the Group in terms of the Deposit Services; (iii) the Financial Services have been conducted on normal commercial terms and the terms offered by the Finance Company are equal to or favourable to the Group as compared to other financial institutions in Hong Kong and the PRC; (iv) the terms under Financial Services 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 considers 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

applicable Listing Rules and the safeguard of the Group's interest rate, therefore, we are of the view that, the entering into of the Financial Services 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 the Finance Company are more favourable; and (iii) the control over the Financial Services are well established, we conclude that the entering into of the Financial Services Agreement is in the interest of the Company and the Independent Shareholders as a whole.

3. Principal terms of the 2022 Deposit Agreement

Reference is made to the Previous Announcement.

On 28 December 2022, the Company entered into the 2022 Deposit Agreement with the Finance Company, pursuant to which the Company will continue to carry out transactions under the 2020 Deposit Agreement.

Set out below is the principal terms of the 2022 Deposit Agreement:

Date:	28 December 2022
Parties:	(i) the Company; and (ii) the Finance Company.
Term:	From 1 January 2023 to 31 December 2025 (both days inclusive), which may be renewed by the Company and the Finance Company by agreement in writing upon the expiration of the 2022 Deposit Agreement.
Deposit interests:	The rate at which interest will accrue on any deposit placed by the Group with the Finance Company under the 2022 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 the Finance Company to other members of the BE Group for the same type of deposits of the same period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Existing Annual caps: The cumulative daily outstanding deposits balance placed by the Group with the Finance Company (including any interest accrued thereon) during the term of the 2022 Deposit Agreement will not exceed HK\$1,538 million for each of the three financial years ended 31 December 2023, 2024 and 2025, respectively.

Save as the aforesaid, all other terms and conditions as set out in the 2022 Deposit Agreement are substantially the same as those under the 2020 Deposit Agreement.

4. Principal terms of the Financial Services Agreement

On 2 June 2023, the Company entered into the Financial Services Agreement with the Finance Company. Set out below is the principal terms of the Financial Services Agreement:

Date: 2 June 2023

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

Effective Date: The Financial Services Agreement shall be effective from the date of obtaining Independent Shareholders' approval at the EGM (the "**Effective Date**").

Term: Three years from the Effective Date

Scope of services: The Financial Services shall include (i) the Deposit Services; and (ii) the Loan Services.

(a) *The Deposit Services*

The Finance Company provides the Group with various types of deposit business services, including demand deposits, call deposits, time deposits and agreement deposits.

(b) *The Loan Services*

The Finance Company shall, under the laws and regulations and the supervision of the NAFR and its representative office, provide personalized loan services for the Group to support and meet the various capital needs of the Group in business development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing:

The Finance Company will provide financial services to the Group on normal or better commercial terms in accordance with the market operation principles of the financial service industry. The two parties shall sign a service agreement for each specific financial service according to the requirements of the industry and regulatory authority and specify the pricing benchmark in the agreement, including:

In respect of the Deposit Services, the deposit interest rate of the Deposit Services is based on the deposit rate standard set by the PBOC at the most favourable level. In principle, the deposit interest rate should be no less favourable than that of an independent financial institution under the same condition.

In respect of the Loan Services, the loan interest rate of the Loan Services is based on the loan prime rate policy published by the National Interbank Funding Center authorised by the PBOC. In principle, the loan interest rate should be no less favourable than that of independent financial institution under the same condition.

New Annual Caps:

The cumulative daily outstanding deposits balance placed by the Group with the Finance Company (including any interest accrued thereon) during the term of the Financial Services Agreement will not exceed the following caps

For the period from the Effective Date to 31 December 2023	RMB8.7 billion
--	----------------

For the financial year ending 31 December 2024	RMB8.7 billion
--	----------------

For the financial year ended 31 December 2025	RMB8.7 billion
---	----------------

For the period from 1 January 2026 to the expiry date of the Financial Services Agreement	RMB8.7 billion
---	----------------

Under the Financial Services Agreement: (1) there is no upper limited on the loan amount of the Finance Company to the Group. Base on the actual amount, the transaction will be approved in accordance with the requirements of relevant laws and regulations; (2) if the New Annual Caps are approved at the EGM, the 2022 Deposit Agreement will be terminated on the Effective Date of the Financial Services Agreement and the Existing Annual Caps will be replaced by the New Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Basis of the New Annual Caps

As stated in the Letter, the New Annual Caps were determined taking into account the followings:

- (i) **Maximum daily deposit balances of the Group with the Finance Company.** The maximum daily deposit balances placed by the Group with the Finance Company for the year ended 31 December 2022 and the six months ended 30 June 2023 (i.e. approximately HK\$2,228 million and approximately HK\$1,538 million) are very close to the Existing Annual Caps, indicating that the current deposit caps are unable to meet the deposit needs of the Group with the Finance Company.
- (ii) **Balance of cash and cash equivalents of the Group.** As disclosed in the Company's 2022 Annual Report, as of 31 December 2022 and 31 December 2021, the Group had cash and cash equivalents of approximately HK\$31.35 billion and HK\$33.24 billion respectively, demonstrating the Group's sufficiency of total amount of funds. The New Annual Caps represent approximately 30.50% of the Group's cash and cash equivalents as at 31 December 2022, which is at a safe and reasonable level.

Out of the cash and cash equivalent of approximately HK\$31.35 billion as at 31 December 2022, (i) approximately HK\$7.29 billion were placed in independent third party banks as time deposit, representing approximately 76.26% of the New Annual Cap; and (ii) approximately HK\$22.21 billion were a combination of cash and bank balances including but not limited to saving deposits placed in independent third party banks/financial institutions.

Out of the cash and cash equivalent of approximately HK\$33.24 billion as at 31 December 2021, (i) approximately HK\$9.62 billion were placed in independent third party banks as time deposit, representing approximately 100.61% of the New Annual Cap; and (ii) approximately HK\$21.59 billion were a combination of cash and bank balances including but not limited to saving deposits placed in independent third party banks/financial institutions. The above data demonstrates that the Existing Annual Cap is far below the cash balance available to the Group and is unable to fulfil the actual demand of the Group's Deposit Services.

As the Group has sufficient funds, the Existing Annual Cap of HK\$1,538 million would restrict the Group from using more Deposit Services from the Finance Company and the Group is left to use deposit services from other financial institutions which may incur higher charges and expenses. By adopting the New Annual Caps, it gives the Group more flexibility to engage either the Finance Company or other independent third party financial institutions for the provision of deposit services depending on its terms of services in order to achieve better utilization of the cash balance and effectively reduce costs and expenses.

- (iii) **Future cash and cash equivalents of the Group.** Taking into account, among others, that: (i) the Group will continue to generate net cash inflows from its operating activities; (ii) the Group will continue to generate net cash inflows from its financing activities; and (iii) based on the Group's cash flow projections for the next 18 months ending 31 December 2024, the Company believes that the Group's cash and cash equivalents available in the future will remain stable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) **Business development needs of the Group.** The Group's business segments have been developing steadily, with stable cash and cash equivalents as well as increasing demand for funds, among which: the business scale increased after the commencement of operation of the gas storage facility in Tianjin Nangang, the scale of trade in imported liquefied natural gas increased; the beer business strongly recovered with its top ranking sales volume in the PRC; and development in the Group's other business segments. Based on development requirements, the enterprises under the Company need to increase the investment and financing scale in the future. In particular, increasing credit facilities from the Finance Company will ensure a stable source of low-cost funds, maintaining a convenient and efficient financing channel. The Finance Company undertakes to increase the Group's credit facilities to RMB10 billion, and to approve and grant loans on a project-by-project basis, among which: RMB1.0-2.0 billion is for working capital; RMB2.0-3.0 billion is for environmental protection and solid waste projects; RMB1.0-3.0 billion is for distributed energy, gas pipeline construction and technological transformation projects; and RMB1.0-2.0 billion is for recurrent projects for the trading of liquefied natural gas. Therefore by raising the upper limit of the deposits with the Finance Company, expansion of cooperation and sharing of resources for mutual benefits between the Group and the Finance Company will be realized.

While determining the New Annual Caps, the Directors have considered factors, which include (i) the historical maximum amounts of cumulative daily outstanding deposits placed by the Group with the Finance Company; (ii) the treasury policy and business needs of the Group; and (iii) the Group's available cash resources.

In order to assess the fairness and reasonableness of the New Annual Caps, we have conducted the following work done.

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

In order to evaluate the need for any revision on 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 the Finance Company as at 31 December 2022 and 30 June 2023; (ii) the maximum amounts of daily outstanding deposits placed by the Group with the Finance Company 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.

		For the six months ended 30 June 2023	For the year ended	
		30 June 2023	31 December 2022	31 December 2021
		<i>HK\$'billion (unaudited)</i>	<i>HK\$'billion (audited)</i>	<i>HK\$'billion (audited)</i>
Maximum amounts of cumulative daily deposits for the year/period	(a)	HK\$1,537.83 million	HK\$2,228.30 million	HK\$2,229.99 million
The deposit caps for the year/period	(b)	HK\$1,538.00 million	HK\$2,230.00 million	HK\$2,230.00 million
Utilisation rate (%)	(a)/(b)	99.99	99.92	100.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted above, the historical amount of maximum daily deposit balances placed by the Group with the Finance Company for the two years ended 31 December 2022 and for the six months ended 30 June 2023 amounted to approximately RMB2.23 billion, RMB2.23 billion and RMB1.54 billion, respectively, representing a utilisation rates of approximately 100%, 99.92% and 99.99% of the Existing Annual Caps, respectively, indicating that the existing annual caps has been almost fully utilised and the Group has a constant substantial demand for the deposit services offered by the Finance Company.

(b) Review on the cash position of the Group

As disclosed in the 2022 Annual Report, the cash and cash equivalents of the Group as at 31 December 2022 amounted to approximately HK\$31,347,261,000, which represents approximately 14 times over the Existing Annual Caps. We have discussed with the Management and understand that the maximum daily balance of deposits for the second half of 2023 and thereafter is expected to be higher mainly due to the expected growth of operating cash flows as driven by the continuing development of business in the future. The Group's business development opportunities will include, but without limitation to: (i) the continuous expansion of its natural gas distribution business, particular to the completion of the first phase of the Tianjin Nangang LNG emergency reserve project which is expected to further enhance the capital's natural gas security capacity; (ii) the recovery of the beer business with an expected increase in sales volume; and (iii) the development of natural gas transmission business with a potential increase in gas transmission volume.

Also, we further understand that out of the Group's total cash and cash equivalents of approximately HK\$31.35 billion as at 31 December 2022 and approximately HK\$33.24 billion as at 31 December 2021, approximately HK\$7.29 billion and HK\$9.62 billion, respectively, were placed in independent third party commercial financial institutions as time deposit. Accordingly, this indicated that under the Existing Annual Cap, there is a restriction on the Group for additional Deposit Services even the terms offered by the Finance Company are more favourable than other independent commercial financial institutions. In light of this, we concur with the Management that the Existing Annual Cap is far below the cash balance available to the Group and is unable to satisfy the actual demand of the Group's Deposit Services, while the New Annual Caps allow the Group to increase the buffer for the Deposit Services with better commercial terms.

It is advised that the setting of the New Annual Caps is to accommodate the idle cash generated from its operating activities and the possible drawdown 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 the Finance Company 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 that the Deposit Services provide an option, not an obligation, for the Group to deposit its cash with the Finance Company under terms better than those offered by other commercial banks, we concur with the Directors that the New 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 the Finance Company; (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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) **The expected increase in the utilization rate of the Group's funds and the ability of centralized fund management**

As the Finance Company has maintained a sound internal control system, the Group will strengthen cross-province and cross-bank centralized fund management among its subsidiaries. At the same time, the transaction amounts are expected to grow in line with the further deepened cooperation with the Finance Company in the future. The Group will increase the use of its control account with the Finance Company to speed up the settlement and collection of transaction funds, and increase deposits by strengthening the effective use of working capital, thereby improving its fund utilization efficiency.

As confirmed by the Management, the Group will determine the timing and the actual amount to be deposited with the Finance Company based on the availability of funds and the Group's operation needs at its sole discretion, when the interest rate and terms provided by the Finance Company are better than those provided by other commercial banks, the Group may intend to deposit more available funds with the Finance Company.

Conclusion

It is expected that, as the Group's business continues to grow, the level of its cash and cash equivalents would continue to increase and so would its overall demand for deposits. So far, the Group has almost utilised the Existing Annual Caps during the first half of 2023, 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 the Finance Company.

Having considered that (i) the amounts of deposits with the Finance Company are expected to increase due to the expected growth of operating cash flows as driven by the continuing development of business in the future; (ii) the relative stable Group's cash and cash equivalents and an increase in revenue for the three years ended 31 December 2022; and (iii) the cash to be generated from the Group's daily business operations in the coming years in view of the financial performance of the Group for the three years ended 31 December 2022, we are of the view that the New Annual Caps to be fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the terms of the Financial Services 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
Diligent Capital Limited
Felix Huen
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%
XIONG Bin	40,000	0.003%
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")	4,478,000	–	4,478,000	0.36%
Modern Orient Limited ("MOL")	100,050,000	–	100,050,000	7.94%
Beijing Enterprises Investments Limited ("BEIL")	163,730,288	100,050,000 ^(a)	263,780,288	20.93%
Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI")	518,187,500	263,780,288 ^(b)	781,967,788	62.05%
BE Group	–	786,445,788 ^(c)	786,445,788	62.41%

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 or short position 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
JIANG Xinhao	MOL	Director
	BEIL	Director
	BE Group BVI	Director
	BE Group	Vice General Manager
DAI Xiaofeng	MOL	Director
	BEIL	Director
	BE Group BVI	Director
	BE Group	Vice General Manager
XIONG Bin	MOL	Director
	BEIL	Director
	BE Group	Assistant to General Manager

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other Director who was a director or employee of a company which had an interest or short position 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 are not aware of any Directors and their respective close associates who 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 assets which had been, since 31 December 2022 (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 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 are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, 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
Diligent Capital	a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Diligent Capital did not have (i) any direct or indirect 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 2022 (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 were proposed to be acquired or disposed of by or leased to, any member of the Group.

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

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.behl.com.hk) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Financial Services Agreement; and
- (b) the 2022 Deposit Agreement.

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 OF EXTRAORDINARY GENERAL MEETING

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 Monday, 28 August 2023 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 8 August 2023, unless otherwise specified.

ORDINARY RESOLUTION

“THAT:

- (a) the Financial Services Agreement (details of the Financial Services Agreement are set out in the Company’s circular dated 8 August 2023 (the “Circular”), copies of the Financial Services 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 New Annual Caps be and are 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 Financial Services Agreement, the New Annual Caps and any of the transactions contemplated thereunder.”

By Order of the Board
Beijing Enterprises Holdings Limited
DAI Xiaofeng
Chairman

Hong Kong, 8 August 2023

NOTICE OF THE EGM

Registered office:

66th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

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 Wednesday, 23 August 2023 to Monday, 28 August 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 22 August 2023.
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. 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in the notice will be voted by way of a poll.
5. 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 (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.

As at the date of this notice, the board of directors of the Company comprises Mr. DAI Xiaofeng (Chairman), Mr. JIANG Xinhao (Vice Chairman), Mr. XIONG Bin (Chief Executive Officer), Mr. GENG Chao and Mr. TAM Chun Fai as executive directors; Mr. WU Jiesi, Mr. LAM Hoi Ham, Dr. YU Sun Say and Ms. CHAN Man Ki Maggie as independent non-executive directors.