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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or professional adviser.

**If you have sold or transferred** all your shares in Beijing Enterprises Environment Group Limited, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 154)**

**MAJOR TRANSACTION**

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

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A letter from the Board is set out on pages 4 to 13 of this circular.

5 February 2020

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“associate”	has the meanings ascribed to it by the Listing Rules;
“BEHL”	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 392);
“Beifa Investments”	Beifa Investments (Beijing) Co., Ltd.* (北發投資(北京)有限公司), a company established under the laws of the PRC with limited liability and indirectly wholly-owned by the Company;
“Board”	the board of Directors;
“Company”	Beijing Enterprises Environment Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 154);
“connected person(s)”	has the meaning ascribed to it by the Listing Rules;
“Consortium of Beifa Investments”	a consortium comprises Beifa Investments as the leader and Yongyue Environmental as the member;
“Director(s)”	the directors of the Company;
“General Administration and Law Enforcement Bureau of Yanzhou District”	General Administration and Law Enforcement Bureau of Yanzhou District, Jining City* (濟寧市兗州區綜合行政執法局);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

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## DEFINITIONS

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“Idata”	Idata Finance Trading Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by BEHL, being the immediate holding company of the Company;
“kwh”	kilowatt hour;
“Latest Practicable Date”	31 January 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information set out in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MW”	Megawatt;
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“Project Company”	a special purpose vehicle to be established with joint contributions from Beifa Investments, Yongyue Environmental and Yanzhou Finance under the Yanzhou Project Contract and the laws of the PRC, for the purposes of being granted with the concession right of the Yanzhou Project;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Yanzhou Finance”	Jining Yanzhou Finance Development Limited* (濟寧市兗州財金發展有限公司), a company established under the laws of the PRC with limited liability;

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## DEFINITIONS

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

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

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 154)

*Executive Directors:*

Mr. Ke Jian (*Chairman*)  
Ms. Sha Ning  
Mr. Ng Kong Fat, Brian

*Registered office:*

66th Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

*Independent Non-Executive Directors:*

Dr. Jin Lizuo  
Dr. Huan Guocang  
Dr. Wang Jianping  
Prof. Nie Yongfeng  
Mr. Cheung Ming

5 February 2020

*To the Shareholders,*

Dear Sir or Madam,

### MAJOR TRANSACTION

### JINING YANZHOU HOUSEHOLD WASTE INCINERATION POWER GENERATION PPP PROJECT CONTRACT

#### INTRODUCTION

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

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## LETTER FROM THE BOARD

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This circular provides you with, among other things, (i) details of the Yanzhou Project, the Yanzhou Project Contract and the transactions contemplated thereunder; (ii) the financial information of the Group; and (iii) the business valuation report of the Yanzhou Project for information purposes only.

### YANZHOU PROJECT CONTRACT

Date : 8 January 2020

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

Party B : Beifa Investments (the leader of the consortium); and Yongyue Environmental (a member of the consortium), collectively the **“Consortium of Beifa Investments”**

### Yanzhou Project

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

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

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

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## LETTER FROM THE BOARD

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### **Concession right**

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

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

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

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

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



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## LETTER FROM THE BOARD

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

### **Establishment of Project Company**

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

The total investment of the Project Company shall be RMB808,214,600 (equivalent to approximately HK\$904,691,000), of which the registered capital shall be RMB240,000,000 (equivalent to approximately HK\$268,649,000), representing approximately 29.7% of the total investment. Beifa Investments will contribute RMB180,000,000 (equivalent to approximately HK\$201,487,000) in cash and hold 75% equity interest in the Project Company; Yongyue Environmental will contribute RMB36,000,000 (equivalent to approximately HK\$40,297,000) in cash and hold 15% equity interest in the Project Company, and Yanzhou Finance will contribute RMB24,000,000 (equivalent to approximately HK\$26,865,000) in cash and hold 10% equity interest in the Project Company. The registered capital to be contributed by each party to the Project Company is tentatively determined to be paid up before 31 March 2020. The Project Company shall have a long-term operating period.

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## **LETTER FROM THE BOARD**

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The Project Company shall have a board of shareholders. The board of shareholders shall consist of all shareholders. The board of shareholders shall be the highest authority of the Project Company. Voting rights in the meetings of the board of shareholders shall be exercised in proportion to shareholders' respective paid-up capital contribution. The Project Company shall have a board of directors. The board of directors shall consist of seven directors. Beifa Investments shall delegate five directors, Yongyue Environmental shall delegate one director and Yanzhou Finance shall delegate one director. The term of office of the directors shall be three years and they shall be eligible for re-election. The board of directors shall have one chairman, who shall be a director delegated by Beifa Investments. The chairman shall be the legal representative of the company. The Project Company shall have one general manager, who shall be nominated by Beifa Investments and appointed by the board of directors. The Project Company shall have one chief financial officer, who shall be nominated by Beifa Investments and appointed by the board of directors.

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

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

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

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

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## LETTER FROM THE BOARD

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

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

### REASONS AND BENEFITS

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

The increasingly stringent national environmental protection policy and the correspondingly increased operating costs posed certain challenges to the profit growth of the Group. The Group has actively negotiated with local government departments in respect of the alteration and/or expansion works of the existing waste incineration plants and increased capital investment in environmental protection technology in order to create business opportunities for the Group's operating prospects and sustainable development. In addition, the Group is constantly seeking potential investment opportunities to strengthen the overall competitiveness and market position of the Group in the solid waste treatment industry.

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

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## LETTER FROM THE BOARD

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

### PROJECT RISKS

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

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

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

### FINANCIAL AND OTHER EFFECTS

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

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## LETTER FROM THE BOARD

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

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

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

### LISTING RULES IMPLICATIONS

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

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

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## LETTER FROM THE BOARD

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

### RECOMMENDATIONS

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

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

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

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the appendices to this circular.

Yours faithfully,

By order of the Board

**Beijing Enterprises Environment Group Limited**

**Ke Jian**

*Chairman and Chief Executive Officer*

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.beegl.com.hk](http://www.beegl.com.hk)):

- the annual report 2016 of the Company for the year ended 31 December 2016 dated 31 March 2017 (pages 38 to 127);
- the annual report 2017 of the Company for the year ended 31 December 2017 dated 28 March 2018 (pages 39 to 131); and
- the annual report 2018 of the Company for the year ended 31 December 2018 dated 28 March 2019 (pages 40 to 135).

**2. INDEBTEDNESS STATEMENT OF THE GROUP****Borrowings**

As at the close of business on 23 December 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had (i) outstanding bank borrowings of approximately HK\$206,003,000, which are secured by the pledge over (a) the Group's land and buildings with a net carrying amount of approximately HK\$45,152,000, (b) the Group's right-of-use assets of approximately HK\$20,571,000 and (c) the Group's trade receivables arising from the provision of solid waste treatment service with an aggregate net carrying amount of approximately HK\$45,219,000; (ii) convertible bonds with principal amount of approximately HK\$2,202,300,000; (iii) other borrowings of approximately HK\$777,212,000, of which approximately HK\$408,458,000 were guaranteed by Beijing Enterprises Environment Technology Co., Ltd.\* (北京北控環保工程技術有限公司), a fellow subsidiary of the Company, and (iv) lease liabilities with a present value of minimum lease payments of approximately HK\$32,939,000.



**Contingent liabilities**

As at 23 December 2019, the final acceptance of the construction of certain waste incineration plants of the Group have not been obtained from the relevant government authorities and the Group is still in the process of applying for certain permits in relation to its operation. According to the relevant PRC Law, the Group may be liable to administrative sanctions to be charged by the relevant government authorities due to the above matters. Nevertheless, the Company is of the view that the non-compliance incidents, individually and in aggregate, would have no material adverse impact on the operations and financial position of the Group.

**Disclaimer**

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than under normal trade bills) or similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities as at the close of business on 23 December 2019.

**3. WORKING CAPITAL OF THE GROUP**

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources available to the Group and the Project Company to be established, including their internally generated revenue and funds, the Group and the Project Company to be established will have sufficient working capital to meet their present requirements for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

**A. BUSINESS VALUATION REPORT OF THE YANZHOU PROJECT**

*The following is the text of a business valuation report, prepared for the purpose of incorporation in this circular received from CHFT Advisory and Appraisal Ltd., an independent valuer, in connection with the business valuation of the Yanzhou Project as at 31 December 2019.*

Date: 5 February 2020

Board of the Directors

**Beijing Enterprises Environment Group Limited**

66th Floor, Central Plaza,

18 Harbour Road,

Wan Chai, Hong Kong

Dear Sirs,

**RE: Valuation of One Waste Treatment Plant Investment Project**

In accordance with an instruction from Beijing Enterprises Environment Group Limited (the “**Beijing Environment**” or the “**Instructing Party**”), we hereby provide a valuation on market value basis of one waste treatment investment project as at 31 December 2019 (the “**Valuation Date**”). The subject project represents:

- 濟寧市兗州區生活垃圾焚燒發電 PPP 項目 (the “**Subject Project**”).

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Subject Project. This valuation is complied with the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors (“**RICS**”) and International Valuation Standards (“**IVS**”) published by the International Valuation Standards Council.

The purpose of this report is to express an independent opinion on the market value of the Subject Project for the Instructing Party’s internal reference purpose only.

## 1 Scope of Work

In conducting this valuation exercise, our scope of work includes:

- Co-ordinated with the representatives of the Instructing Party to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Subject Project, including the legal documents, project reports, etc. made available to us;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Subject Project made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated fair value of the Subject Project; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party and its authorized representatives.

## 2 Background of the Subject Project

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

### 3 Valuation Methodology

There are three generally accepted valuation approaches in this valuation. The valuation approaches are sourced from International Valuation Standards 105 – Valuation Approaches and Methods.

#### *3.1 Cost Approach*

The cost approach, (or know as asset approach), takes an asset-based prospective rather than a market-oriented prospective. It requires valuing the assets on an individual basis to add up to the total values of assets.

Under this approach, the values of individual components or parts of the subject asset is estimated by valuers on an itemised basis, thus arriving at the valuation of the subject asset. This approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for any value deterioration factors and all other relevant forms of obsolescence.

The cost approach should be used as the primary basis for a valuation under the following circumstances:

- the individual components or parts of the subject asset can be clearly identified. Such components or parts generate economic benefit by themselves and require few management or operation; or
- market participants would be able to recreate an asset with substantially the same utility as the subject asset, and the asset could be recreated quickly; or
- the basis of value being used is fundamentally based on replacement cost, such as reinstatement value.

### ***3.2 Market Approach***

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach.

The market approach should be used as the primary basis for a valuation under the following circumstances:

- the asset has recently been sold in a transaction appropriate for consideration under the basis of value; or
- the asset or substantially similar assets are actively publicly traded; or
- there are frequent or recent observable transactions in substantially similar assets.

### ***3.3 Income Approach***

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

The income approach should be used as the primary basis for a valuation under the following circumstances:

- the income-producing ability of the asset is the critical element affecting value from a market participant perspective; or
- reliable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.

### ***3.4 Selection of Valuation Methodology***

#### *Discounted Cash-flow Method*

We have selected the income approach as our valuation methodology. Specifically, we have chosen the discounted cash-flow (“**DCF**”) method, which is premised on the concept that the value of an entity is based on the present value of all future cash flows to the shareholders. To derive the present value of future cash flows, an appropriate risk-adjusted discount rate must be determined. Cash flows generated by the entity must also be forecasted, going out far enough into the future until an assumed stabilization occurs for the assets being appraised. This methodology assumes that the forecasted income or cash-flow will not necessarily be stable in the near term but will stabilize in the future.

## **4 Financial Forecast – Subject Project**

### ***Forecast Period***

In this valuation, the whole concession period of the Subject Project is 30 years, and the effective operation period is 27 years. The projection is prepared accordingly.

### ***Financial Forecasts adjusted for Inflation***

The forecasts provided by the management were not adjusted for inflation. Hence, we have adjusted the majority of the revenue and costs forecasts with a 3.0% annual inflation rate.

### ***Production Capacity***

As advised by the management and based on the designed capacity, the Subject Project is expected to have a treatment volume of 1,500 tonnes of waste per day.

***Revenue***

Total revenue of the Subject Project consists of the sales of electricity to the province's power company and the fees received from treating household waste.

***Electricity Generation:*** According to the "Circular on Improving the Pricing Policy for Waste Incineration-power Generation" promulgated by the National Development and Reform Commission ("NDRC") in March 2012, the Subject Project will receive inflation adjusted RMB0.65 per kWh of electricity provided to the power grid. The amount of electricity generated per year is expected to increase to 478 kWh per tonne, due to an improvement in the heating value of waste, caused by more effective pre-treatment procedures of waste.

***Waste Treatment:*** The other source of revenue of the Subject Project is from subsidies by the local government for the treatment of household waste. The Subject Project is expected to have a waste treatment capacity of 1,500 tonnes/day for the life of the Subject Project.

***Costs***

As advised by the management, the costs related to the business includes raw material fees, coal and operational expenses, treatment fees for leachate, slag and gas, repair and maintenance fees, wages and other administrative expenses.

***Income Tax***

As advised by the management and in accordance with the relevant tax laws in the PRC, the Subject Project is subject to standard corporate tax rate of 25% per annum.

***Capital Expenditure***

Based on our discussion with the management, capital expenditure of the maintenance of operational equipment is estimated to be RMB8,000,000 once in every five years.

**5 Discount Rate**

We adopted the weight average cost of capital (the “WACC”) as the benchmark discount rate in valuing the Value-in-use of the Subject Project. WACC comprises two components: cost of equity and cost of debt. Cost of equity was developed using Capital Asset Pricing Model (the “CAPM”). The CAPM states that an investor requires excess returns to compensate systematic risks and an efficient market provides no excess return for other risks. Cost of debt was developed with reference to the long-term prime lending rate.

Our determined WACC for the Subject Project is 8.4%.

We have selected a group of comparable companies listed on stock exchanges to provide a reasonable reference in order to evaluate the industry’s beta and capital structure used. Our selection criteria are that the comparable companies should:

- Primarily be engaged in waste treatment, power generation, wastewater treatment, or related renewable energy concession projects;
- Have their primary operations in an environment similar to the Subject Project; and
- Information on the peer firms must be extracted from a reliable source.

<b>Ticker</b>	<b>Company name</b>
603568-CN	Zhejiang Weiming Environment Protection Co., Ltd. Class A
000035-CN	China Tianying Inc
002034-CN	Wangneng Environment Co., Ltd. Class A
000027-CN	Shenzhen Energy Group Co., Ltd. Class A
601330-CN	Dynagreen Environmental Protection Group Co., Ltd. Class A



*Calculation of the Weighted Average Cost of Capital (WACC)*

Parameters	31 December 2019	Note
Debt/Equity Ratio	125%	1
Unlevered Beta	0.49	2
Levered Beta	0.95	3
Equity Risk Premium	6.94%	4
Risk Free Rate	3.18%	5
Size Premium	3.58%	6
Specific Premium	1.00%	7
<b>Cost of Equity</b>	<b>17.32%</b>	
Cost of Debt	4.80%	8
Tax Rate	25.0%	9
<b>After-Tax Cost of Debt</b>	<b>3.60%</b>	
<b>WACC</b>	<b>9.70%</b>	

*Notes:*

1. Derived based on the debt-to-equity ratio of a set of comparable companies. Source: FactSet;
2. Derived based on the unlevered beta of a set of comparable companies. Source: FactSet;
3. Relevered beta with the target capital structure derived from comparable companies;
4. Database of global equity risk premiums. Source: Aswath Damodaran's risk premium database;
5. Derived with reference to the yield of 10-year Chinese sovereign bonds. Source: FactSet;
6. Source: Dulf & Phelp 2016 Valuation Yearbook;
7. Specific premium: to cope with uncertainty related to the project construction and business operation. As waste treatment is a well established industry and the project revenue is backed up by government, a mild 1% premium is applied;
8. The prevailing 5-year prime lending rate in the PRC. Source: FactSet; and
9. The corporate income tax rate of China.

**6 Sensitivity Analysis**

The following table indicates the instantaneous change in the value of 100% equity interest of the Subject Project that would arise if the key inputs for valuation as of the Valuation Date had changed at that date, assuming all other risk variables remained constant.

WACC		7.40%	7.90%	8.40%	8.90%	9.40%
<b>Inflation Rate</b>	<b>2.0%</b>	884,784	839,046	796,779	757,662	721,407
	<b>2.5%</b>	912,379	864,459	820,213	779,301	741,414
	<b>3.0%</b>	942,016	891,723	845,329	802,469	762,814
	<b>3.5%</b>	973,867	920,995	872,268	827,292	785,720
	<b>4.0%</b>	1,008,122	952,445	901,181	853,910	810,256

*Unit: RMB'000*

**7 Premise of Valuation and Basis of Valuation**

Our valuation is based on market value basis and market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

**7.1 Source of Information**

Our investigation covers the discussion with the Subject Project and the Instructing Party’s representatives, the collection of information including the details of the Subject Project.

We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Subject Project were prepared in reasonable care.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Subject Project. We have also sought confirmation from the Subject Companies at no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Management of the Project Company is assumed to be competent, and the ownership to be in responsible hands, unless otherwise noted in this report. The quality of the management can have a direct effect on the value of the Subject Project. Our conclusion assumes continuation of prudent management policies over whatever period of time is reasonable and necessary to maintain the operation and integrity of the Subject Project appraised.

### **7.2 Factors Considered**

The factors considered in this valuation included, but were not limited to, the following:

- The demand and supply of household waste and electricity in the region;
- The price of raw materials and auxiliary fuel;
- Operation and financial risks of the Subject Project;
- Environmental policies set by the government that pertains to the Subject Project;
- Average operational parameters of comparable waste treatment plants in China;
- Operation experience of the management of the Subject Project;
- The economic conditions of Shandong Province; and
- PPP operation period.

**8 Valuation Assumptions**

Due to the changing environment in which the Subject Project is operating and its early stage of business, a number of operating assumptions have been prepared by the management of the Subject Project in order to sufficiently support our concluded opinion of the market value. The assumptions are listed as follows:

- The Subject Project will continue to manage and operate its waste treatment and power generation business in the PRC and fulfill all legal and regulatory requirements for the continuation of its business;
- There will be no material changes in politics, laws, rules or regulations where the Subject Project currently operates which may materially and adversely affect the operations of the waste treatment business;
- There will be no major changes in the current taxation law in the PRC where the Subject Companies currently operates which will materially affect the profits, that the rates of tax payable remain unchanged and that all applicable laws and regulations in relation to taxation in the PRC will be complied with;
- There will not be any adverse events beyond the management's control, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operation of the Subject Project;
- Any financial statements, service contracts, schedule of assets and their condition or other relevant information as provided by the Subject Project and the Instructing Party in connection with the valuation is true, lawful, complete and credible; and
- The supply of household waste and quality, as determined by the heating value, to the Subject Project is stable and can ensure its need for waste incineration and power generation.

## 9 Disclaimer and Limitation

Our findings or conclusion of values of the subject in this report are valid only for the stated purpose and at the Valuation Date, and for the sole use of the Instructing Party.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding ten (10) times of the amount of our agreed fee(s) for this engagement. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

Any decision to purchase, sell or transfer any interest in the valuation subjects shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

## **10 Conclusion**

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Instructing Party and/or CHFT Advisory and Appraisal Ltd..

Based on the valuation methodology adopted, we are of the opinion that as at 31 December 2019, the result of the market value for the Subject Project is as follows:

<b>Subject Project</b>	<b>Market Value</b>
濟寧市兗州區生活垃圾焚燒發電 PPP 項目	845,000,000

*Unit: RMB*

We hereby certify that we have neither present nor prospective interests in the Instructing Party, the Subject Project or the value reported.

Yours faithfully,  
For and on behalf of  
**CHFT Advisory and Appraisal Ltd.**  
**Ross Wang** *CFA*  
*Director*

**B. LETTER ON THE ARITHMETICAL ACCURACY FROM ERNST & YOUNG**

*As the business valuation report set out in Appendix IIA of this circular is based on discounted cashflow method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the discounted cash flows forecast underlying the valuation on the business value of the Yanzhou Project for the purpose of inclusion in this circular.*



5 February 2020

The Board of Directors  
Beijing Enterprises Environment Group Limited  
66/F., Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW  
FORECAST IN CONNECTION WITH THE VALUATION OF JINING YANZHOU  
HOUSEHOLD WASTE INCINERATION POWER GENERATION PPP PROJECT  
(濟寧市兗州區生活垃圾焚燒發電PPP項目)**

Dear Sirs,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 5 February 2020 prepared by CHFT Advisory and Appraisal Limited in respect of Jining Yanzhou Household Waste Incineration Power Generation PPP Project (濟寧市兗州區生活垃圾焚燒發電PPP項目) (the “**Project**”) as at 31 December 2019 is based. The valuation is set out in the circular of Beijing Enterprises Environment Group Limited (the “**Company**”) dated 5 February 2020 (the “**Circular**”) in connection with the acquisition of the Project. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

**Directors' responsibilities**

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out on page II-11 of the Circular.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.



We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Project. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

**Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

C. LETTER FROM THE BOARD

*As the business valuation report set out in Appendix IIA of this circular is based on discounted cashflow method, it is deemed to be a profit forecast under the Listing Rules. The following is the text of a letter from the Board on such valuation for the purpose of incorporation in this circular.*



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

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 154)**

5 February 2020

*To the Shareholders,*

Dear Sirs,

**MAJOR TRANSACTION**

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

We refer to the business valuation report dated 5 February 2020 prepared by CHFT Advisory and Appraisal Ltd. in relation to the valuation on the business value of the Yanzhou Project as at 31 December 2019 (the “**Valuation**”), the text of which is set out in Appendix IIA to the circular of the Company dated 5 February 2020 (the “**Circular**”). Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

The Valuation, which is prepared based on discounted cash-flow method, is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules.

We have considered the letter on the arithmetical accuracy from our reporting accountants, Ernst & Young, dated 5 February 2020 as set out in Appendix IIB to the Circular, which is addressed to the Board regarding, so far as the arithmetical accuracy of the calculations is concerned, whether the Forecast was properly compiled on the basis of the assumptions made by us.

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**APPENDIX II                      BUSINESS VALUATION REPORT OF THE YANZHOU PROJECT**

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We are of the opinion that the Forecast underlying the Valuation has been made by us after due and careful enquiry.

Yours faithfully,

By order of the Board

**Beijing Enterprises Environment Group Limited**

**Ke Jian**

*Chairman and Chief Executive Officer*

## 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 Group. 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

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), 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 interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or 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 Issuers (the “Model Code”), were as follows:

### Long positions in the Shares and/or underlying shares of the Company:

Name of director	Number of Shares and/or underlying shares held, capacity and nature of interest			Percentage of the Company’s issued share capital
	Directly beneficially owned	Through a controlled corporation	Total	
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755 <sup>#</sup>	10,392,755	0.69

<sup>#</sup> The 8,792,755 Shares are held by Sunbird Holdings Limited, a company controlled by Mr. Ng Kong Fat, Brian and his associate.

**Long positions in share options of the Company:**

<b>Name of Director</b>	<b>Number of share options directly beneficially owned</b>
Mr. Ng Kong Fat, Brian	5,500,000
Dr. Jin Lizuo	670,000
Dr. Huan Guocang	670,000
Dr. Wang Jianping	670,000
	<hr/>
	7,510,000
	<hr/> <hr/>

These share options were granted on 21 June 2011 at an exercise price of HK\$1.25 per Share. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021. The exercise price of these share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, there were no interests or short positions of the Directors or chief executives of the Company in the Shares and the underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), 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 interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

- (b) As at the Latest Practicable Date, amongst others, each of Beijing Enterprises Group Company Limited\* (北京控股集團有限公司) (“**BEGCL**”), Beijing Enterprises Group (BVI) Company Limited (“**BEBVI**”), BEHL and Idata is a substantial Shareholder disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO. Mr. Ke Jian and Ms. Sha Ning are vice presidents of BEHL.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- (c) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.
- (d) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

### **3. SERVICE CONTRACTS**

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

### **4. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

**5. COMPETING BUSINESS**

As at the Latest Practicable Date, BEHL is also engaged in the solid waste treatment business and Mr. Ke Jian and Ms. Sha Ning are vice presidents of BEHL.

Notwithstanding the fact that the Company and BEHL are both engaged in the solid waste treatment business, the Company considers that there has not been competition between the Company and BEHL in view of the following factors:

- (a) clear geographical delineation among solid waste treatment projects;
- (b) no competition in relation to the supply of solid waste and sale of electricity;
- (c) independent management team; and
- (d) a deed of non-competition has been provided by BEHL in favour of the Company in order to completely avoid any competition between the Company and BEHL.

As the Board is independent from the board of directors of BEHL, and the above directors do not control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of BEHL.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, or their respective associates (as if each of them were treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any direct or indirect interest in a business which competes or is likely to compete with the business of the Group.

**6. QUALIFICATIONS**

The following sets out the qualifications of the experts who have given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ernst & Young	Certified Public Accountants
CHFT Advisory and Appraisal Ltd.	Independent professional valuer

As at the Latest Practicable Date, each of the above experts had no interest in the share capital of any member of the Group nor had 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 each of the above experts had no interest, either directly or indirectly, in any assets which have been, since 31 December 2018, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (as the case may be) and references to its name, in the form and context in which they respectively appear.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the issue of this circular and are material:

- (a) the share purchase agreement dated 8 March 2018 entered into between the Company and Mr. Du Qingjiang and Ms. Yang Lanhua (collectively the “**Sellers**”), pursuant to which the Company conditionally agreed to acquire, and the Sellers conditionally agreed to sell, 51% equity interest of Beijing Xindi Garden Group Limited\* (北京鑫地園林集團有限公司) for a consideration of RMB29,000,000, details of which are disclosed in the announcement dated 8 March 2018 of the Company;
- (b) the relocation compensation agreement dated 31 May 2018 entered into between Beijing Development Property Investment and Management Co., Ltd.\* (北京發展物業投資管理有限公司) (“**BD Property**”) and Beijing Central Business District Administration Committee\* (北京商務中心區管理委員會) (“**Beijing CBD Committee**”), pursuant to which BD Property agreed with Beijing CBD Committee in respect of the relocation of a property located in Beijing, the PRC for a compensation of RMB111,475,345.50, details of which are disclosed in the announcement dated 31 May 2018 of the Company;



- (c) the renewed property escrow agreement dated 25 October 2018 entered into between the Company and Beijing Beikong Hong Chuang Technology Co., Ltd.\* (北京北控宏創科技有限公司) (“**Beikong Hong Chuang**”), a fellow subsidiary of the Company, pursuant to which Beikong Hong Chuang will extend to provide the escrow services for sub-leasing a property located in Beijing, the PRC to the Company for three years from 1 September 2018 to 31 August 2021 at an annual rental of RMB2,575,987, details of which are disclosed in the announcement dated 25 October 2018 of the Company; and
- (d) the Yanzhou Project Contract.

#### **8. MATERIAL ADVERSE CHANGES**

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 2018, being the date to which the latest published audited financial statements of the Company were made up.

#### **9. GENERAL**

- (a) The registered office of the Company is situated at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The share registrar of the Company is Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (c) The company secretary of the Company is Mr. Wong Kwok Wai, Robin, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.
- (d) This circular has been printed in English and Chinese, in the event of inconsistency, the English version shall prevail.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at 66/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays other than public holidays for a period of 14 days from the date hereof:

- (a) the articles of association of the Company;
- (b) the annual reports of the Group for the two financial years ended 31 December 2017 and 2018;
- (c) the business valuation report of the Yanzhou Project as set out in Appendix IIA to this circular;
- (d) the letter from Ernst & Young on forecast underlying the valuation on the business value of the Yanzhou Project, the text of which is set out in Appendix IIB to this circular;
- (e) the written consents referred to in paragraph headed “Qualifications” of this appendix;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (g) this circular.