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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)

**CONNECTED TRANSACTIONS IN RELATION TO
THE SUPPLY CONTRACT AND
THE TECHNICAL SERVICES CONTRACT
AND NOTICE OF EGM**

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



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 14 and 15 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 27 of this circular.

A notice convening an EGM of the Company to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 19 October 2021 at 11:00 a.m. is set out on pages E-1 and E-2 of this circular. If you are unable to attend the meeting in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

30 September 2021

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PRECAUTIONARY MEASURES FOR THE EGM

Reference is made to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the Securities and Futures Commission of Hong Kong on 1 April 2020 in relation to the arrangement of the EGM.

VOTING BY PROXY IN ADVANCE OF THE EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 Pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.

PREVENTIVE MEASURES AT THE EGM

In light of the COVID-19 pandemic, and to better protect the safety and health of the Shareholders and other participants attending the EGM, the Company will implement the following precautionary measures at the venue of the EGM (the “**Venue**”):

1. compulsory body temperature checks will be conducted on all persons attending the EGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree Celsius, or who has any flu-like symptoms, or is otherwise apparently unwell will not be admitted to the Venue;
2. all attendees must wear surgical masks at all times inside the Venue or at the waiting area outside the Venue;
3. all attendees of the EGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the EGM; and (ii) within 14 days immediately before the EGM: (a) he/she has not travelled outside of Hong Kong; (b) he/she is/was not under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong; (c) he/she has not had/has close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s); and (d) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;

PRECAUTIONARY MEASURES FOR THE EGM

5. any attendee who does not follow any of the abovementioned measures will be refused admission to the Venue or requested to leave the Venue;
6. no refreshments or drinks will be served at the EGM to avoid close contact of attendees; and
7. all attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the Venue.

Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the meeting as a proxy to vote on relevant resolution at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolution to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

DEFINITIONS

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

| | |
|-----------------------|---|
| “Announcement” | the announcement of the Company dated 3 September 2021; |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules; |
| “BEGCL” | Beijing Enterprises Group Company Limited* (北京控股集团有限公司), a company established under the laws of the PRC with limited liability and the controlling shareholder of BEHL; |
| “BEHL” | Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability and the controlling Shareholder, the shares of which are listed on the main board of the Stock Exchange (stock code: 392); |
| “Beijing SASAC” | the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality; |
| “Board” | the board of Directors; |
| “Company” | Beijing Enterprises Environment Group Limited (stock code: 154), a company incorporated in Hong Kong whose Shares are listed on the main board of the Stock Exchange; |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules; |
| “Contract Price” | the contract sum (exclusive of value-added-tax) under the Supply Contract, consist of the Fixed Price and the Provisional Contract Price, to be paid in cash by the Purchaser; |
| “COVID-19” | novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness; |
| “Directors” | the directors of the Company; |
| “EGM” | the extraordinary general meeting of the Company to be convened and held to consider, and if thought fit, to approve, the Supply Contract and the Technical Services Contract; |

DEFINITIONS

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| “Equipment” | the products, equipment, machineries and any spare parts and/or their instruction manual, blueprints and special tools which are required for waste incineration power generation plants to be built by the Purchaser; |
| “Equipment With Fixed Price” | part of the Equipment to be sourced and procured by the Vendor pursuant to the Supply Contract, the prices of which were determined and fixed; |
| “Equipment Without Fixed Price” | part of the Equipment to be sourced and procured by the Vendor pursuant to the Supply Contract, the prices of which were not determined yet; |
| “Fixed Price” | the fixed portion of the Contract Price; |
| “Group” | the Company and its subsidiaries; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Independent Board Committee” | an independent board committee of the Board comprising Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders on the Supply Contract and the Technical Services Contract and transactions contemplated thereunder; |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder; |
| “Independent Shareholders” | the Shareholders who are independent and not connected with BEHL and its associates and are not required to abstain from voting at the EGM; |
| “Latest Practicable Date” | 28 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information set out in this circular; |

DEFINITIONS

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|--------------------------------------|---|
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PRC” | the People’s Republic of China, which for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; |
| “Provisional Contract Price” | the contingent portion of the Contract Price, represent the contract price(s) of the Provisional Equipment Agreement(s) to be entered into by the Vendor; |
| “Provisional Equipment Agreement(s)” | the agreement(s) to be entered into by the Vendor to source and procure the Equipment Without Fixed Price pursuant to the Supply Contract; |
| “Purchaser” | Beihai Beikong Environment Technology Development Co., Ltd.* (北海北控環境科技發展有限公司), a company incorporated in the PRC and a connected person of the Company; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Service Fee” | the service fee (exclusive of value-added-tax) under the Technical Services Contract to be paid in cash by the Purchaser; |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “Share(s)” | the share(s) of the Company; |
| “Shareholder(s)” | holder(s) of Shares of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Supply Contract” | the agreement dated 3 September 2021 entered into between the Purchaser and the Vendor regarding the supply of Equipment and the provision of ancillary services by the Vendor; |
| “Technical Services Contract” | the agreement dated 3 September 2021 entered into between the Purchaser and the Vendor regarding the provision of procurement services in respect of the Equipment Without Fixed Price by the Vendor; |

DEFINITIONS

| | |
|-------------------|---|
| “Trial Operation” | the 72 hours continuous run and the 24 hours max-capacity trial factory operation to be conducted by the Purchaser; |
| “Vendor” | Beijing Beikong Environment Protection Co., Ltd.* (北京北控環境保護有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company; |
| “%” | per cent. |

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

* *For identification purposes only*

LETTER FROM THE BOARD



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

30 September 2021

To the Shareholders,

Dear Sir or Madam,

**CONNECTED TRANSACTIONS IN RELATION TO
THE SUPPLY CONTRACT AND
THE TECHNICAL SERVICES CONTRACT
AND NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement, whereby the Company announced that on 3 September 2021 (after trading hour), the Purchaser and the Vendor entered into (i) the Supply Contract, pursuant to which the Purchaser agreed to purchase the Equipment (which is required for the household waste incineration power generation plant to be built by the Purchaser); and (ii) the Technical Services Contract, pursuant to which the Vendor agreed to provide the technical consultancy services to the Purchaser in relation to the procurement of the Equipment Without Fixed Price under the Supply Contract.

This circular provides you with, among other things, (i) details of the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder; and (ii) a notice of the EGM.

LETTER FROM THE BOARD

SUPPLY CONTRACT

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

Date: 3 September 2021

Parties: (1) the Purchaser; and
(2) the Vendor.

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

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

The type, function and model of the Equipment With Fixed Price are determined and specified. On the contrary, the type and function of the Equipment Without Fixed Price are specified but their exact model are yet to be determined.

The exact models of the Equipment Without Fixed Price will be determined during the progress of installation of the Equipment With Fixed Price as the Purchaser and the Vendor can determine which exact models of the Equipment Without Fixed Price are most appropriate for the overall plants construction by that time.

LETTER FROM THE BOARD

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

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

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

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

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

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

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

LETTER FROM THE BOARD

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

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

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

Other terms: The Supply Contract includes other general terms such as (i) testing and examination which stipulates the Purchaser's rights to test and examine the Equipment upon delivery and installation, and the Vendor's obligations to rectify or replacement of the equipment with defect; (ii) guarantee and indemnity which stipulates the warranty period, the Vendor's obligations to guarantee the quality of the Equipment, repair or replace the Equipment if there is any defect caused by the Vendor, indemnify the Purchaser against the loss arising from breach of the Vendor's guarantee; (iii) delay compensation which stipulates the possible solution to resolve delay in delivery, installation of the Equipment and/or providing ancillary services, such as extending delivery deadline or providing compensation against delay; (iv) breach obligation which stipulates possible solutions for breach of contract such as returning products and refund, providing compensation according to the level of products deficiency/damage, terminating part of or the entire contract; and (v) transportation and insurance, confidentiality and intelligent property ownership.

LETTER FROM THE BOARD

The delivery of the Equipment is scheduled to take place within 2 to 11 months upon fulfilment of the condition precedent to entering into of the Supply Contract.

TECHNICAL SERVICES CONTRACT

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

- Date: 3 September 2021
- Parties: (1) the Purchaser; and
(2) the Vendor.
- Subject matter: The provision of technical consultancy services (the “**Services**”) in relation to:
- (i) the drafting of the Equipment Without Fixed Price sourcing documents;
 - (ii) the arrangement and organisation of the sourcing procedures, including public tender and self-arranged purchase;
 - (iii) the drafting of Provisional Equipment Agreement(s) and relevant technical agreements;
 - (iv) the arrangement and organisation of the technical negotiation and technical conference, to resolve any technical issues raised;
 - (v) assist in resolving issues raised during the procurement of the Equipment Without Fixed Price (if any), including but not limited to any substitution of materials, brandings, models and adjustment to any lead time;
 - (vi) participate in the acceptance check upon delivery to assist the Purchaser in the identification and resolve of any issues raised during the test and debug process; and
 - (vii) assist the Purchaser in resolving any issues raised during the warranty period.

LETTER FROM THE BOARD

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

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

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

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

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

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

LETTER FROM THE BOARD

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

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

The Directors consider that the terms of the Supply Contract and the Technical Services Contract are on normal commercial terms and fair and reasonable and the entering into of the Supply Contract and the Technical Services Contract is in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

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

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

INFORMATION OF BEHL AND THE PURCHASER

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

The Purchaser is a company incorporated in the PRC with limited liability and is indirectly owned as to 65% by BEHL and directly owned as to 35% by Beihai Baishuitang Household Waste Treatment Plant* (北海市白水塘生活垃圾處理廠), a state-owned enterprise which is a third party independent of the Company. The Purchaser is principally engaged in the solid waste treatment business and is the licensed operator of Beihai Household Waste Incineration Power Generation Project* (北海市生活垃圾焚燒發電項目) in Guangxi Zhuang Autonomous Region, the PRC.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

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

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

EGM

A notice convening the EGM to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 19 October 2021 at 11:00 a.m. to consider and, if thought fit, to approve, the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder is set out on pages E-1 to E-2 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same to the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and 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 form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder.

As at the Latest Practicable Date, BEHL directly holds 17,445,000 Shares and Idata Finance Trading Limited, the directly wholly-owned subsidiary of BEHL, directly holds 738,675,000 Shares. Accordingly, BEHL is deemed to be the controlling Shareholder and is interested in 756,120,000 Shares, representing approximately 50.4% of the total number of Shares in issued. BEHL and its associates, beneficially own 756,120,000 Shares, shall abstain from voting on the proposed resolution to approve the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder at the EGM. Saved as disclosed and to the best knowledge, information and belief of the Directors, no other Shareholder has material interest in the Supply Contract and the Technical Services Contract and is required to abstain from voting on the resolution of the Company in approving the same at the EGM.

LETTER FROM THE BOARD

Pursuant to Rules 13.39(4) and 13.39(5) of the Listing Rules, the resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company on the results of the EGM.

Mr. Ke Jian (being a director of both the Company and Idata Finance Trading Limited (“**Idata**”), the immediate holding company of the Company) had abstained from voting on the Board resolutions for approving the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder. Except as disclosed, none of the Directors has a material interest in the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder or was required to abstain from voting on the Board resolution for considering and approving the same.

RECOMMENDATION

The Board (including the independent non-executive Directors having taken into account the advice of Gram Capital) considers that (i) the terms of the Supply Contract and the Technical Services Contract are on normal commercial terms and fair and reasonable; and (ii) the entering into of the Supply Contract and the Technical Services Contract is conducted in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

Accordingly, the Board (including the independent non-executive Directors having taken into account the advice of Gram Capital) recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the Supply Contract and the Technical Services Contract, which has been prepared for the purpose of inclusion 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)

30 September 2021

To the Independent Shareholders

Dear Sir or Madam,

We have been appointed as members of the Independent Board Committee to advise you in connection with the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder, details of which are set out in the letter from the Board in a circular dated 30 September 2021 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

Gram Capital has been appointed to advise us and the Independent Shareholders on whether the terms of the Supply Contract and the Technical Services Contract are on normal commercial terms and are fair and reasonable and whether the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole. Details of its advice are set out on pages 16 to 27 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 13 of the Circular.

Having considered the advice and recommendation of Gram Capital, we consider (i) the terms of the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder to be fair and reasonable; and (ii) the entering into of the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Dr. Jin Lizuo

Independent non-executive

Director

Dr. Huan Guocang

Independent non-executive

Director

Dr. Wang Jianping

Independent non-executive

Director

Prof. Nie Yongfeng

Independent non-executive Director

Mr. Cheung Ming

Independent non-executive Director

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

30 September 2021

*To: The independent board committee and the independent shareholders
of Beijing Enterprises Environment Group Limited*

Dear Sir/Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supply Contract and the Technical Services Contract and the transactions contemplated thereunder (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 September 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 3 September 2021, the Purchaser and the Vendor (a subsidiary of the Company) entered into the Supply Contract, pursuant to which the Purchaser agreed to purchase the Equipment, which is required for the household waste incineration power generation plant to be built by the Purchaser. On even date, the Purchaser and the Vendor also entered into the Technical Services Contract, pursuant to which the Vendor agreed to provide the technical consultancy services to the Purchaser in relation to the procurement of the Equipment Without Fixed Price under the Supply Contract.

With reference to the Board Letter, the Transactions constitute connected transactions of the Company, and are subject to reporting, announcement and independent shareholders’ approval requirements under Chapters 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital did not provide any service (including financial advisory or independent financial advisory service) to the Company. In addition, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The 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 the 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Purchaser or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Transactions

Information on the Group

With reference to the Board Letter, the Company is an investment holding company and its subsidiaries are principally involved in the solid waste treatment business which comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity and steam generated from waste incineration. BEHL is an indirect controlling Shareholder and the ultimate holding company of the Company is BEGCL, which is a state-owned enterprise established in the PRC and is wholly-owned by the Beijing SASAC.

LETTER FROM GRAM CAPITAL

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

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2020 and for the six months ended 30 June 2021, as extracted from the Company's annual report for the year ended 31 December 2020 (the "2020 Annual Report") and interim report for the six months ended 30 June 2021 (the "2021 Interim Report"):

| | For the six months ended 30 June 2021 <i>HK\$'000</i> (unaudited) | For the year ended 31 December 2020 <i>HK\$'000</i> (audited) | For the year ended 31 December 2019 <i>HK\$'000</i> (audited) | Change from 2019 to 2020 % |
|--|--|--|--|----------------------------------|
| Revenue | 956,121 | 1,790,611 | 1,384,113 | 29.37 |
| – Solid waste treatment | 790,439 | 1,379,817 | 1,104,012 | 24.98 |
| – Ecological construction services | 165,682 | 410,794 | 280,101 | 46.66 |
| Gross profit | 290,730 | 531,470 | 484,625 | 9.67 |
| Profit attributable to members of the Company | 138,555 | 129,027 | 222,232 | (41.94) |

As illustrated in the above table, the Group recorded an increase in revenue of approximately 29.37% for the year ended 31 December 2020 ("FY2020") as compared to that for the year ended 31 December 2019 ("FY2019"). The revenue from solid waste treatment accounted for approximately 82.67%, 77.06% and 79.76% of the total revenue for the six months ended 30 June 2021, for FY2020 and for FY2019 respectively.

The Group recorded a decrease of approximately 41.94% in profit attributable to members of the Company for FY2020 as compared to that for FY2019. With reference to the 2020 Annual Report, such decrease was primarily due to the increase in the other net operating expenses as a result of the one-off impairment of assets of certain solid waste treatment project.

With reference to the 2021 Interim Report, the Company will intensify its effort in market development, invest resources in some key areas and regions, explore the markets and expand the business scope of the Group. The main plans of which include continue to deepen and develop its waste incineration projects, focus on industrial policies and renewable energy subsidy policies, the Group goes for regions with better economic conditions and more friendly resources integration environment and expand its market size through addition, cooperation, acquisition and other measures.

LETTER FROM GRAM CAPITAL

Information on BEHL and the Purchaser

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

The Purchaser is a company incorporated in the PRC with limited liability and is indirectly owned as to 65% by BEHL and directly owned as to 35% by Beihai Baishuitang Household Waste Treatment Plant* (北海市白水塘生活垃圾處理廠), a state-owned enterprise which is a third party independent of the Company. The Purchaser is principally engaged in the solid waste treatment business and is the licensed operator of Beihai Household Waste Incineration Power Generation Project* (北海市生活垃圾焚燒發電項目) in Guangxi Zhuang Autonomous Region, the PRC.

2. Reasons for and benefits of the Transactions

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

As mentioned above, the Group is principally involved in the solid waste treatment business which comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity and steam generated from waste incineration with majority of its revenue derived from the solid waste treatment segment.

As advised by the Directors, in conducting the Transactions, the Vendor will procure the Equipment and ancillary services from upstream suppliers. Accordingly, the main roles of the Vendor are sourcing, co-ordination and guidance. Despite the difference in transaction flow between the Transactions and the Group's existing solid waste treatment segment, the Transactions can expand the business scope of the Group under the existing solid waste treatment segment by utilizing the Group's comprehensive experience and sufficient capacity.

Having considered the above, we are of the view that the Transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

3. Principal terms of the Supply Contract and the Technical Services Contract

Set out below are the principal terms of the Supply Contract and the Technical Services Contract, details of which are set out in the sections headed “SUPPLY CONTRACT” and “TECHNICAL SERVICES CONTRACT” of the Board Letter:

| | Supply Contract | Technical Services Contract |
|------------------|---|---|
| Date: | 3 September 2021 | 3 September 2021 |
| Parties: | (1) the Purchaser; and (2) the Vendor. | (1) the Purchaser; and (2) the Vendor. |
| Subject matters: | <p>The procurement of the Equipment (including the Equipment Without Fixed Price) comprising products, machineries, spare parts and/or other instruction manual, blueprint and specific tools, and the provision of the following ancillary services:</p> <ul style="list-style-type: none">(i) foundation design services (if necessary);(ii) transportation and insurance arrangement;(iii) installation, testing, debugging and guidance services;(iv) technical trainings;(v) warranty;(vi) provision of comprehensive handling and maintenance manual for each of the Equipment; and(vii) liaison with the design institute designated by the Purchaser. | <p>The provision of technical consultancy services (the “Services”) in relation to:</p> <ul style="list-style-type: none">(i) the drafting of the Equipment Without Fixed Price sourcing documents;(ii) the arrangement and organisation of the sourcing procedures, including public tender and self-arranged purchase;(iii) the drafting of Provisional Equipment Agreement(s) and relevant technical agreements;(iv) the arrangement and organisation of the technical negotiation and technical conference, to resolve any technical issues raised;(v) assist in resolving issues raised during the procurement of the Equipment Without Fixed Price (if any), including but not limited to any substitution of materials, brandings, models and adjustment to any lead time;(vi) participate in the acceptance check upon delivery to assist the Purchaser in the identification and resolve of any issues raised during the test and debug process; and(vii) assist the Purchaser in resolving any issues raised during the warranty period. |

LETTER FROM GRAM CAPITAL

| | Supply Contract | Technical Services Contract |
|---------------------------------|--|---|
| Contract Price/ Service Fee: | <p>RMB151,085,840.71 (equivalent to approximately HK\$182,031,133) (exclusive of value-added-tax), consist of:</p> <ul style="list-style-type: none">(i) Fixed Price of RMB123,544,778.76 (equivalent to approximately HK\$148,849,131); and(ii) Provisional Contract Price of RMB27,541,061.95 (equivalent to approximately HK\$33,182,002), subject to finalisation of the actual costs to be incurred by the Vendor for the procurement of the Equipment Without Fixed Price. <p>The final Provisional Contract Price is subject to a price ceiling of 8% (the “8% Ceiling”) over the Provisional Contract Price (i.e. RMB29,744,346.91 or equivalent to approximately HK\$35,836,562).</p> <p>The Fixed Price was determined after arm’s length negotiation between the Purchaser and the Vendor based on the cost to be incurred by the Vendor for the procurement of the Equipment and provision of ancillary services plus a reasonable profit margin.</p> <p>The Provisional Contract Price was determined after arm’s length negotiation between the Purchaser and the Vendor based on the estimated costs to be incurred by the Vendor for the procurement of the Equipment Without Fixed Price.</p> | <p>RMB1,433,962.26 (equivalent to approximately HK\$1,727,665) (exclusive of value-added-tax)</p> <p>The Service Fee was determined after arm’s length negotiation between the Purchaser and the Vendor based on the estimated cost to be incurred by the Vendor in providing the Services plus reasonable profit margin.</p> |
| Payment terms: | <p>The Fixed Price shall be paid in cash by the Purchaser in the manner set out under the Board Letter.</p> <p>The Provisional Contract Price shall be paid in cash by the Purchaser in the manner set out under the Board Letter.</p> | <p>The Service Fee shall be paid in cash by the Purchaser in the manner set out under the Board Letter.</p> |
| Other terms: | <p>The Supply Contract includes other general terms such as testing and examination, transportation and insurance, guarantee, indemnity, delay compensation, confidentiality, intelligent property ownership, breach obligation, details of which are set out under the Board Letter.</p> | <p>The Technical Services Contract includes other general terms such as confidentiality, intelligent property ownership, breach obligation.</p> |

LETTER FROM GRAM CAPITAL

Contract Price and Service Fee

We understood from the Company that the Company considered the Supply Contract and the Technical Services Contract as a whole when conducting the Transactions.

As advised by the Directors, as the Provisional Contract Price is subject to finalisation of the actual costs to be incurred by the Vendor for the procurement of the Equipment Without Fixed Price, the aggregated costs of providing the Equipment Without Fixed Price are expected to be the same with the Provisional Contract Price.

In consideration of supplying the Equipment Without Fixed Price at the same price with the actual procurement cost, the Vendor shall charge the Service Fee in compensation for providing the Equipment Without Fixed Price at cost without mark-up.

Accordingly, we performed the following analyses to assess the fairness and reasonableness of the Contract Price and the Service Fee as a whole:

- We obtained from the Company the cost budget of the Equipment With Fixed Price.
- As aforementioned, the aggregated costs of providing the Equipment Without Fixed Price are expected to be the same with the Provisional Contract Price.
- Based on (i) the sum of the Contract Price (including the Fixed Price and the Provisional Contract Price) and the Service Fee; and (ii) the above estimated costs of the Equipment With Fixed Price and the Equipment Without Fixed Price, the expected gross profit margin of the Transactions is approximately 8% (the “**Expected GP Margin**”).

LETTER FROM GRAM CAPITAL

- For comparison purpose, we attempted to search for but could not identify any company listed in Hong Kong which is principally engaged in trading/distribution of waste treatment equipment for comparison. Alternatively, we (i) searched for companies listed in Hong Kong which are principally engaged in construction and installation and/or design, integration and commissioning of waste treatment project/system; and (ii) observed their gross profit margin for comparison. To the best of our knowledge and as far as we are aware of, we found 6 Hong Kong listed companies which met the said criteria and they are exhaustive (the “**Reference Companies**”), their gross profit margins (based on the financial information of their latest full financial year) ranged from approximately 15% to 35%. Further details of the Reference Companies are set out below:

| Company name (stock code) | Principal business | Year-end date | Gross profit margin % |
|--|--|------------------|-----------------------|
| China Everbright Environment Group Limited (257) | The company principally engaged in the energy and infrastructure-related businesses. The Company operates its businesses through four segments, namely, (i) the environmental energy project construction and operation segment which engages in the construction and operation of waste-to-energy plants, food waste treatment projects, sludge treatment and disposal projects and others; (ii) the greentech project construction and operation segment; (iii) the environmental water project construction and operation segment which engages in the construction, upgrade and operation of waste treatment plants and other projects; and (iv) the others segment. | 31 December 2020 | 33 |
| New Universe Environmental Group Limited (436) | The company operates in three segments: provision of environmental waste treatment services; provision of environmental sewage treatment services in an eco-plating specialized zone, and investment in plastic dyeing. | 31 December 2020 | 28 |
| China Conch Venture Holdings Limited (586) | The company principally engaged in the provision of environmental protection solutions. The company operates through three segments, namely, energy preservation and environmental protection solutions segment which engaged in the provision of solutions related to residual heat power generation, vertical mills and waste incineration, port logistics services segment and new building materials segment. | 31 December 2020 | 33 |
| SIIC Environment Holdings Ltd. (807) | The company engaged in water treatment, solid waste treatment and other environment-related businesses. The company operates in three segments: construction, water treatment and water supply, and waste incineration. | 31 December 2020 | 35 |

LETTER FROM GRAM CAPITAL

| Company name (stock code) | Principal business | Year-end date | Gross profit margin % |
|---|--|------------------|-----------------------|
| Weigang Environmental Technology Holding Group Limited (1845) | The company provides comprehensive hazardous waste incineration turnkey solutions. The company, together with its subsidiaries, is principally engaged in the research, design, integration and commissioning of solid waste treatment systems, in particular hazardous waste incineration systems. The company mainly provides solid waste treatment solutions and hazardous waste incineration disposal solutions. | 31 December 2020 | 15 |
| Capital Environment Holdings Limited (3989) | The company principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Through its subsidiaries, the company is also engaged in municipal solid waste recycling treatment. | 31 December 2020 | 25 |

Source: The Stock Exchange's website

- The Reference Companies' principal activities generally involve, amongst others, design, development, construction, installation and/or providing solutions/services in relation to waste treatment projects. After discussion with the Company, we understood that the scope of work of the Vendor under the Transactions (which is basically procurement and consultation in nature) is less than that under the Reference Companies' principal activities. Accordingly, the lower Expected GP Margin as compared to the Reference Companies' gross profit margins may be due to differences in business models and transaction flows between the Transactions and the Reference Companies.
- We obtained the income statement of the Vendor for FY2020 from the Company and noted that the Vendor's gross profit margin was approximately 10%.
- As aforementioned, in conducting the Transactions, the Vendor will procure the Equipment and ancillary services from upstream suppliers and the main roles of the Vendor are sourcing, co-ordination and guidance. Accordingly, the Vendor may not incur significant inventory risk or holding or storage costs for the Equipment. Having also considered that the Vendor is principally engaged in provision of waste treatment construction and related services, it is reasonable for the Expected GP Margin to be lower than the Vendor's gross profit margin for FY2020.

Having considered the above, we are of the view that the Contract Price and the Service Fee are fair and reasonable.

LETTER FROM GRAM CAPITAL

In respect of the 8% Ceiling, the Directors advised us that, although the exact models of the Equipment Without Fixed Price are yet to be determined, their type and function are specified. Accordingly, the Provisional Contract Price is not expected to deviate substantially. Therefore, we consider the 8% Ceiling to be sufficient to cover for possible deviation of the Provisional Contract Price.

Payment and other terms

With reference to the Board Letter, the Purchaser shall pay the Contract Price and the Service Fee to the Vendor by instalment, subject to the achievement of certain milestone and the expiry of the agreed warranty period. For our due diligence purpose, we obtained and review three copies of supply contracts entered into between the Group (as vendor) and independent third parties (as purchasers) (“**I3P Contracts**”). We noted that these I3P Contracts also contain payment terms by instalment subject to achievement of certain milestone and the expiry of the agreed warranty period.

With reference to the Board Letter, the Supply Contract and the Technical Services Contract contain other general terms such as guarantee, indemnity, delay compensation and intellectual property ownership. We noted that the I3P Contracts also contain similar terms to safeguard interests of the parties to the agreement.

Upon our enquiry, the Directors advised us that when the Vendor procure upstream suppliers in conducting the Transactions, it will request the upstream suppliers to offer back-to-back payment and other terms for the purpose of minimising the Vendor’s risk (i.e. the Vendor will request the upstream suppliers to (i) offer payment schedules according to the payment schedules under the Supply Contract and the Technical Services Contract such that the Vendor would receive payment from the Purchaser before making payment to the upstream suppliers, where practicable; and (ii) provide the same guarantee, indemnity, delay compensation, etc. with those stipulated under the Supply Contract and the Technical Services Contract).

Based on our review on the I3P Contracts and discussion with the Directors, we consider that (i) payment terms by instalment subject to achievement of certain milestone and the expiry of the agreed warranty period; and (ii) other terms such as guarantee, indemnity, delay compensation and intellectual property ownership, under the Supply Contract and the Technical Services Contract, are common practices in supplying equipment and providing ancillary services.

Accordingly, we consider the payment and other terms of the Supply Contract and Technical Services Contract to be acceptable.

Having considered the above factors, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

RECOMMENDATIONS

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* for identification purposes only

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 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 | <u>1,600,000</u> | <u>8,792,755[#]</u> | <u>10,392,755</u> | <u>0.69</u> |

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

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 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 and Mr. Ke Jian is a director of Idata.

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 2020, 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. 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; and
- (c) 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 was 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.

5. QUALIFICATIONS

The following sets out the qualifications of the expert who has given opinion or advice which is contained in this circular:

| Name | Qualification |
|----------------------|---|
| Gram Capital Limited | A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, Gram Capital 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 2020, 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.

Gram Capital 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.

6. 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 2020, being the date to which the latest published audited accounts of the Company were made up.

7. 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 Supply Contract;
- (b) the Technical Services Contract;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 14 and 15 of this circular;
- (d) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 27 of this circular; and
- (e) this circular.

NOTICE OF EGM



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Beijing Enterprises Environment Group Limited (the “**Company**”) will be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 19 October 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into of the Supply Contract and the Technical Services Contract (as defined in the circular to the shareholders of the Company dated 30 September 2021) (a copy of which has been produced at the meeting and signed by the chairman of the meeting for identification purposes), the terms thereof and transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company be and are generally and unconditionally authorised to prepare and execute all documents and to do all things as they consider necessary, expedient and appropriate to effect and implement the Supply Contract and the Technical Services Contract and transactions contemplated thereunder or incidental thereto.”

By order of the Board of
Beijing Enterprises Environment Group Limited
Wong Kwok Wai, Robin
Company Secretary

Hong Kong, 30 September 2021

NOTICE OF EGM

Notes:

- (i) A member 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 stead. A proxy need not be a member of the Company. If more than one proxies is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (ii) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed, or notarially certified copy of such power of attorney or authority, must be deposited at the Company's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at least 48 hours before the time appointed for holding the meeting (i.e. not later than 11:00 a.m. on Saturday, 16 October 2021) or any adjourned meeting. Forms of proxy sent electronically or by any other data transmission process will not be accepted. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting.
- (iii) The record date for determining Shareholders' entitlement to attend the EGM is falling on Monday, 18 October 2021. In order to qualify for attending and voting at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 18 October 2021.
- (iv) **In light of the risks posed by the novel coronavirus (COVID-19) pneumonia epidemic, every shareholder or proxy attending the EGM is required to wear a surgical face mask throughout the meeting and no refreshment will be served. The Company strongly advises the Shareholders to appoint the chairman of the meeting as their proxy to vote on the resolution, instead of attending the meeting in person.**
- (v) As at the date of this notice, the board of directors of the Company comprises three executive directors, namely Mr. Ke Jian, Ms. Sha Ning and Mr. Ng Kong Fat, Brian, and five independent non-executive directors, namely Dr. Jin Lizuo, Dr. Huan Guocang, Dr. Wang Jianping, Prof. Nie Yongfeng and Mr. Cheung Ming.