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北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 392)

CONTINUING CONNECTED TRANSACTIONS FINANCIAL SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS FOR THE DEPOSIT SERVICES

FINANCIAL SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS FOR THE DEPOSIT SERVICES

Reference is made to the announcement of the Company dated 28 December 2022 in relation to the continuing connected transactions of the 2023 Deposit Agreement entered into between the Company and BE Group Finance.

On 2 June 2023, the Company and BE Group Finance entered into the Financial Services Agreement, pursuant to which, BE Group Finance agreed to provide Financial Services to the Group, including Deposit Services and Loan Services. The existing annual caps of the cumulative daily outstanding deposits balance (i.e. the Existing Annual Caps) under the 2023 Deposit Agreement placed by the Group with BE Group Finance (including any interest accrued thereon) shall be replaced by the Revised Annual Caps.

If the Financial Services Agreement and the Revised Annual Caps are approved at the EGM, the 2023 Deposit Agreement will be terminated on the Effective Date of the Financial Services Agreement and the Existing Annual Caps will be replaced by the Revised Annual Caps.

LISTING RULES IMPLICATIONS

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

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

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the Financial Services Agreement and the transactions contemplated thereunder, including the Revised Annual Caps.

A circular containing, among other things, (i) further information of the Financial Services Agreement and the transactions contemplated thereunder (including the Revised Annual Caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the aforesaid; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the aforesaid; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 26 June 2023.

FINANCIAL SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS FOR THE DEPOSIT SERVICES

Background

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

According to the 2023 Deposit Agreement, the cumulative daily outstanding deposits balance placed by the Group with BE Group Finance (including any interest accrued thereon) shall not exceed the following caps (the “**Existing Annual Caps**”):

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

Financial Services Agreement

On 2 June 2023, the Company and BE Group Finance entered into the Financial Services Agreement, pursuant to which, BE Group Finance agreed to provide Financial Services to the Group, including Deposit Services and Loan Services. The existing annual caps of the cumulative daily outstanding deposits balance (i.e. the Existing Annual Caps) under the 2023 Deposit Agreement placed by the Group with BE Group Finance (including any interest accrued thereon) shall be replaced by the Revised Annual Caps.

If the Financial Services Agreement is approved at the EGM, the 2023 Deposit Agreement will be terminated on the effective date of the Financial Services Agreement and the Existing Annual Caps will be replaced by the Revised Annual Caps.

A summary of the salient terms of the Financial Services Agreement is set out below:-

- Date : 2 June 2023
- Parties : (1) The Company
(2) BE Group Finance
- Effective Date : The Financial Services Agreement shall be effective from the date of obtaining the Independent Shareholders’ approval at the EGM.
- Term : Three years from the Effective Date.
- Scope of services : (i) Deposit Services: The Group has opened a deposit account with BE Group Finance, and the funds are deposited with BE Group Finance based on the principle of free deposit and retrieval access. BE Group Finance provides the Group with various types of deposit business services, including demand deposits, call deposits, time deposits and agreement deposits.

(ii) Loan Services: BE Group Finance shall, to the extent as permitted by laws, regulations and policies, in accordance with the requirements of the regulatory authority and in conjunction with its own operating principles and credit policies, fully support the Group’s capital needs in its business development, structure scientific and reasonable financing solutions and provide loan services for the Group. For business applications that meet the conditions for loans from BE Group Finance, the Group will be given priority under the same conditions.
- Pricing : The transactions shall be conducted in the usual course of business and on normal commercial terms or better terms on the basis of fairness (and if there are no or not sufficient comparable transactions to assess whether they are conducted on normal commercial terms or better terms, those will be carried out on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties), such transactions shall be fair and reasonable so far as the Shareholders of the Group are concerned. The parties shall enter into agreements for such transactions and the basis of pricing shall be specified in the agreements.

In respect of (i) above, the interest rate at which BE Group Finance takes the Group’s deposits is based on the deposit rate standard set by the People’s Bank of China, which should be no less favourable than the terms offered by independent third parties.

In respect of (ii) above, the Group’s borrowings from BE Group Finance are at rates based on the loan prime rate policy published by the National Interbank Funding Center authorised by the People’s Bank of China, which should be no less favourable than the terms offered by independent third party lenders.

REVISED ANNUAL CAPS AND BASIS OF DETERMINATION

Historical Amounts of Cumulative Daily Outstanding Deposits Balance

The maximum amounts of cumulative daily outstanding deposits balance placed by the Group with BE Group Finance (including any interest accrued thereon) for the two financial years ended 31 December 2022 and for the three months ended 31 March 2023 and the approved annual caps for each of the corresponding periods were as follows:

	Maximum amounts of cumulative daily outstanding deposits balance HK\$ (million)	Approved annual caps HK\$ (million)
For the financial year ended 31 December 2021	approximately 2,229.99	2,230.00
For the financial year ended 31 December 2022	approximately 2,228.30	2,230.00
For the three months ended 31 March 2023	approximately 1,537.83	1,538.00

Revised Annual Caps and Basis of Determination

According to the Financial Services Agreement, the cumulative daily outstanding deposits balance placed by the Group with BE Group Finance (including any interest accrued thereon) shall not exceed the following caps (the “**Revised Annual Caps**”):

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

In determining the above caps, the Directors have taken into account factors including the maximum historical amounts of cumulative daily outstanding deposits balance placed by the Group with BE Group Finance, the treasury policy and business needs of the Group and the reference to the recent cash and cash equivalents available to the Group. As at 31 December 2022, the cash and bank balances of the Group amounted to approximately HK\$31.3 billion.

REASONS FOR AND BENEFITS OF THE FINANCIAL SERVICES AGREEMENT AND REVISION OF ANNUAL CAPS FOR THE DEPOSIT SERVICES

The Board noticed that, as of 31 March 2023, the transaction amount of the Deposit Services under the 2023 Deposit Agreement had reached approximately HK\$1,520 million, representing approximately 98.83% of the Existing Annual Caps and cannot satisfy the Group's deposit demand in BE Group Finance. In addition, in view of the continuous development of the Group's business and operational scale, it is expected that the Group will continue and deploy more Deposit Services. The Revised Annual Caps account for approximately 27.80% of the cash and bank balances of the Group as at 31 December 2022, which is within a safe and reasonable range.

The benefits of entering into the Financial Services Agreement are as follow:

1. In view of the continuous growth of the Group's business and operational scale, efficient and reliable financial services are required. BE Group Finance provides long-term services to the Group and is familiar with the capital structure and requirements of the Group, which helps to provide stable, efficient and convenient financial services and safe, centralised and efficient management of the Group's funds, and to support the Group's strategic development.
2. To provide more diversified financial services to the Group. The deposits amount under the Financial Services Agreement is not only refer to the limit of the deposits, but also the compliance support for the comprehensive financial services provided by BE Group Finance to the Group. The increase in the deposits amount would enable BE Group Finance to provide more diversified businesses, including clearing business, external debt borrowing and offshore lending for the Group.
3. To provide a strong credit support for the Group's development. BE Group Finance currently provides loan facilities of RMB4,925 million to the Company and a number of subsidiaries (including Beijing Gas Group Company Limited, Beijing Enterprises Environment Group Limited, Beijing Yanjing Brewery Co., Ltd., etc.). BE Group Finance would significantly increase the credit and loan funding support to the Group, including but not limited to liquidity support, project funding support and syndicate funding support, etc., with respect to the increase in deposits amount.
4. To assist the Group in the deployment of funds and increase the efficiency in the use of funds. The Group's consolidated cash flow is sufficient, but there is an uneven distribution of capital needs and funds among the underlying enterprises. The Company could not provide direct financial support to subsidiaries with capital needs. As an internal financial institution, BE Group Finance is able to assist the Group in the deployment of funds and improve the centralisation of the Group's funds management and utilisation. At the same time, BE Group Finance could provide the Group with better funding rates and lower financing costs.
5. To increase investment returns. The Group is a substantial shareholder of BE Group Finance (with aggregate 44.79% shareholding). The increase of the deposits limit could help to enhance the scale of financial operations and profitability of BE Group Finance and increase the investment returns of the Group.

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

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

The Directors (excluding the independent non-executive Directors who shall provide their views after taking into account the advice of the Independent Financial Adviser) consider that the Financial Services Agreement is entered into in the ordinary and usual course of business of the Group on normal commercial terms or better terms and that the terms of the Financial Services Agreement (together with the relevant annual caps) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As BE Group is considered to have a material interest in the Financial Services Agreement and the transactions contemplated thereunder, BE Group (together with its associates) shall abstain from voting at the EGM on the proposed resolutions to approve, among other things, the Financial Services Agreement and the transactions contemplated thereunder, including the Revised Annual Caps. Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the EGM.

INFORMATION ON THE COMPANY AND BE GROUP FINANCE

The Company is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Group is principally engaged in gas operation, water operation, environmental operation as well as brewery operation in the PRC. The ultimate controlling shareholder of the Company is BE Group, which is in turn ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會).

BE Group Finance is incorporated in the PRC with limited liability. Its establishment as a non-bank financial institution has been approved by China Banking and Insurance Regulatory Commission. BE Group Finance acts as a platform for members of BE Group (including the Group) for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services, etc. As at the date of this announcement, BE Group Finance is held as to 44.79% in aggregate by the Group, 6.69% by Beijing Enterprises Water Group Limited (an associated company of the Company) and 48.52% in aggregate by BE Group (the ultimate controlling shareholder of the Company) and its subsidiaries, excluding the Group and Beijing Enterprises Water Group Limited. The ultimate controlling shareholder of BE Group Finance is BE Group, which is in turn ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會).

LISTING RULES IMPLICATIONS

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

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

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors (namely, Mr. WU Jiesi, Mr. LAM Hoi Ham, Dr. YU Sun Say and Ms. CHAN Man Ki Maggie) has been formed to consider the Financial Services Agreement and the transactions contemplated thereunder. An Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Financial Services Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the Financial Services Agreement and the transactions contemplated thereunder, including the Revised Annual Caps.

A circular containing, among other things, (i) further information of the Financial Services Agreement and the transactions contemplated thereunder (including the Revised Annual Caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the aforesaid; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the aforesaid; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 26 June 2023.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules;
“BE Group”	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a company incorporated in the PRC with limited liability and is the ultimate controlling shareholder of the Company;

“BE Group Finance”	Beijing Enterprises Group Finance Co., Ltd.* (北京控股集團財務有限公司), a company incorporated in the PRC with limited liability and is an associate of BE Group;
“Board”	the board of Directors of the Company;
“Company”	Beijing Enterprises Holdings Limited (北京控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 392);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Deposit Services”	has the meaning ascribed to it under the section headed “Financial Services Agreement and Revision of Annual Caps for the Deposit Services – Financial Services Agreement – Scope of services” in this announcement;
“Director(s)”	the director(s) of the Company;
“Effective Date”	has the meaning ascribed to it under the section headed “Financial Services Agreement and Revision of Annual Caps for the Deposit Services – Financial Services Agreement – Effective Date” in this announcement;
“EGM”	the extraordinary general meeting of the Company to be convened to consider, if thought fit, approve the Financial Services Agreement and the transactions contemplated thereunder and the Revised Annual Caps, including any adjournment thereof;
“Existing Annual Caps”	the maximum amounts of daily outstanding deposits balance placed by the Group with BE Group Finance (including the corresponding interest accrued thereon) on any given day during the term of the 2023 Deposit Agreement;
“Financial Services”	the financial services to be provided by BE Group Finance to the Group under the Financial Services Agreement;
“Financial Services Agreement”	the Financial Services Agreement entered into between the Company and BE Group Finance on 2 June 2023, details of which are set out under the section headed “Financial Services Agreement and Revision of Annual Caps for the Deposit Services – Financial Services Agreement” in this announcement;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all four independent non-executive Directors, established to advise the Independent Shareholders in respect of the Financial Services Agreement and the transactions contemplated thereunder (including the Revised Annual Caps);
“Independent Financial Adviser”	an independent financial adviser which will be appointed by the Company, to advise the Independent Board Committee and the Independent Shareholders on the Financial Services Agreement and the transactions contemplated thereunder;
“Independent Shareholder(s)”	the Shareholders who do not have a material interest in the Financial Services Agreement and the transactions contemplated thereunder;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Loan Services”	has the meaning ascribed to it under the section headed “Financial Services Agreement and Revision of Annual Caps for the Deposit Services – Financial Services Agreement – Scope of services” in this announcement;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region of China;
“Revised Annual Caps”	the maximum amounts of daily outstanding deposits balance placed by the Group with BE Group Finance (including the corresponding interest accrued thereon) on any given day during the term of the Financial Services Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“2023 Deposit Agreement”	the deposit services agreement entered into between the Company and BE Group Finance on 28 December 2022 for three years from 1 January 2023 to 31 December 2025; and

“%”

per cent.

** For identification purposes only*

For the purpose of this announcement, unless otherwise specified, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.91. No representation is made that any amount in HK\$ and RMB could be converted at such rate.

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

Hong Kong, 2 June 2023

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