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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)

POTENTIAL NOTIFIABLE TRANSACTION AND CONNECTED TRANSACTION THROUGH PUBLIC TENDER

THE POTENTIAL DISPOSAL THROUGH PUBLIC TENDER

The Company announces that the Board passed a resolution to transfer the Target Interests, being 51% of the equity interest in the Target Company held by the Transferor, an indirect wholly-owned subsidiary of the Group.

Since the Company is a state-owned enterprise, and the Target Interests are state-owned property rights, the transfer of state-owned property rights is required to undergo the process of Public Tender through an approved equity exchange under the relevant PRC laws and regulations governing the transfer of state-owned property rights. The Potential Disposal will be carried out through CBEX, and the Tender Price is RMB52,823,400. Upon the confirmation of the Interested Transferee as the Transferee, the Asset Transaction Agreement will be entered into with the Transferor in accordance with the relevant rules and regulations of CBEX.

IMPLICATIONS UNDER THE LISTING RULES

According to the Tender Price, the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Potential Disposal exceeds 5% but is less than 25%. Therefore, the Potential Disposal is expected to constitute a notifiable transaction of the Company. Ms. Yang currently holds 49% equity interests in the Target Company and has a pre-emptive right in respect of the Target Interests pursuant to the articles of association of the Target Company. Ms. Yang is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, if Ms. Yang and/or her associate are confirmed as the Transferee by participating in the Public Tender or in the exercise of the pre-emptive right in the Public Tender, the Potential Disposal is expected to constitute a connected transaction of the Company.

The Board has approved the Potential Disposal and the independent non-executive directors have confirmed that the key terms of transaction under the Potential Disposal are fair and reasonable, on normal commercial terms and are in the interests of the Company and its Shareholders as a whole. Therefore, under Rule 14A.101 of the Listing Rules, the Potential Disposal is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Potential Disposal may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the shares of the Company. The Company will make further announcement(s) in compliance with the Listing Rules as and when appropriate or required.

BACKGROUND

The Company announces that the Board passed a resolution to transfer the Target Interests, being 51% of the equity interest in the Target Company held by the Transferor, an indirect wholly-owned subsidiary of the Group.

Since the Company is a state-owned enterprise, and the Target Interests are state-owned property rights, the transfer of state-owned property rights is required to undergo the process of Public Tender through an approved equity exchange under the relevant PRC laws and regulations governing the transfer of state-owned property rights. The Potential Disposal will be carried out through CBEX.

THE POTENTIAL DISPOSAL THROUGH PUBLIC TENDER

The Transferor currently holds 51% equity interests in the Target Company and will transfer the Target Interests through Public Tender. The Transferor is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. The Target Company is a company established in the PRC with limited liability and is principally engaged in the design, maintenance, construction contracting and management of ecological construction, urban landscape and greening projects.

Ms. Yang, a Chinese resident, currently holds 49% equity interests in the Target Company and has a pre-emptive right in respect of the Target Interests pursuant to the articles of association of the Target Company. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Ms. Yang is a connected person of the Company at the subsidiary level only and is a third party independent of the Company and its connected persons save for holding 49% equity interests in the Target Company and being a director of the Target Company.

1. Financial information of the Target Company

Based on the unaudited financial statements of the Target Company for the years ended 31 December 2022 and 2021, prepared with adjustments according to the Hong Kong Generally Accepted Accounting Principles (“**HK GAAP**”), the financial information of the Target Company is summarised as follows:

	For the year ended 31 December 2022 (unaudited) HK\$	For the year ended 31 December 2021 (unaudited) HK\$
Net Loss before tax	51,206,000	65,540,000
Net Loss after tax	51,469,000	55,405,000

Based on the unaudited financial statements of the Target Company for the six months ended 30 June 2023, prepared with adjustments according to the HK GAAP, the net asset value of the Target Company as of 30 June 2023 was approximately HK\$99,033,000.

According to the formal disclosure announcement on the transfer of the property rights submitted to CBEX, the key financial indicators of the Target Company (extracted from the audited financial statements of the Target Company for the year ended 31 December 2022 (prepared according to the PRC Accounting Principles) and the unaudited management accounts of the Target Company for the two months ended 29 February 2024) are summarised as follows:

	For the two months ended 29 February 2024 (unaudited) RMB	For the year ended 31 December 2022 (audited) RMB
Operating income	23,792,700	278,063,600
Operating profit	(1,694,500)	2,088,900
Total profit	(1,694,500)	2,088,800
Net profit	(1,694,500)	1,664,100
Total assets	308,405,300	394,848,800
Total liabilities	203,445,100	283,987,300
Ownership interests	104,960,200	110,851,600

2. Major Terms of the Potential Disposal

Procedures of the Public Tender

The Transferor submitted a formal disclosure announcement on the transfer of the property rights to CBEX on the date of this announcement, and the Public Tender of the property rights is commenced immediately thereafter. The disclosure announcement sets out, among other things, the basic information about the Target Interests and the Transferor, the Tender Price, the principal terms of the bid and the transaction. The announcement period of information disclosure is not less than 20 Working Days from the date of the announcement. After the expiry of the information disclosure period, if no Interested Transferees are solicited, the information disclosure period may be extended, the price may be lowered or withdrawn according to the rules of CBEX.

After the expiry of the information disclosure period, if two and more eligible Interested Transferees are solicited, internet bidding will be conducted through multiple quote transactions. Ms. Yang shall be entitled to exercise the pre-emptive right to the final quotation of the Interested Transferees under the same conditions.

Once the Transferee has been identified, the Transferor is unconditionally obliged under the requirements of CBEX to enter into the Asset Transaction Agreement with the Transferee, and complete the transaction contemplated thereunder.

As at the date of this announcement, the Group has not entered into any legally binding contract with any other party concerning the Potential Disposal.

Transfer Price

The Tender Price of RMB52,823,400 (equivalent to approximately HK\$58,106,000) was determined with reference to, among other things, (1) the asset valuation value of the Target Company carried out by a valuation institution legally qualified in the PRC on the basis of the asset-based approach with 30 June 2023 as the base date; (2) the unaudited net asset value of the Target Company as at 30 June 2023; and (3) the operating conditions and prospects of the Target Company.

The Tender Price represents a premium of approximately 15% over the 51% interest in the net asset value of the Target Company as at 30 June 2023 (prepared according to the HK GAAP) (i.e. equivalent to approximately HK\$50,507,000), with a premium amount of approximately HK\$7,599,000. In addition, the Tender Price represents a premium of approximately 82% over the Group's original investment cost of RMB29,000,000 (equivalent to approximately HK\$31,900,000) in the Target Company in 2018, with a premium amount of approximately HK\$26,206,000. Therefore, the Board considers that the Tender Price is fair and reasonable.

The final Transaction Price for the transfer of the Target Interests shall be equal to the winning bid price of the Public Tender, provided that the Tender Price may be reduced in accordance with the mechanism of CBEX.

Payment and Completion

The Interested Transferees shall pay a transaction deposit of RMB5,000,000 (equivalent to approximately HK\$5,500,000) to the designated account of CBEX within 5 Working Days after the confirmation of eligibility for transfer. After the Transferee was identified, the transaction deposit paid by the Transferee may be converted into a part of the Transaction Price, and the transaction deposit paid by other Interested Transferees will be returned without interest.

The Interested Transferees shall undertake in writing that: (1) they will enter into the Asset Transaction Agreement with the Transferor within 5 Working Days after being identified as the Transferee, and pay the remaining Transaction Price, except the transaction deposit, to the designated account of CBEX in one lump sum within 5 Working Days after the Asset Transaction Agreement has become valid; and (2) the Target Company will no longer continue to use the intangible assets of BEGCL, and its subsidiaries, such as the trademarks, trade names, operating qualifications and operating concessions, and will no longer continue to carry out operating activities in the name of the subsidiaries of BEGCL, after 60 Working Days upon obtaining of the asset transaction certificate.

REASONS FOR THE POTENTIAL DISPOSAL AND ITS BENEFITS

The Company is a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 154). The Group is principally engaged in the environmental protection and solid waste treatment business in the PRC. 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 State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

The Target Company is principally engaged in the development of eco-landscaping projects and adopts an asset-light operation model. Due to the impact of the external economic downturn over the past two years, the landscaping business has been shrinking dramatically and experienced substantial losses. As the external market is insufficient to support the development of the landscaping business, the Target Company intends to transform into an ecological and environmentally-oriented development (EOD) model and participate in ecological restoration projects to open up new market segments. However, the demand for investment and financing for EOD projects of ecological restoration is tremendous.

Given the fact that the existing business of the Target Company has not yet fully turned around from its continuous losses, the new business model to be transformed involves significant risk of repayment of capital advancement and the synergy with the Group's principal businesses is not obvious, therefore, the Potential Disposal will enable the Group to better focus on its principal business and divert the Group's resources to the continuous expansion of the solid waste market and the development of a high-end business in the solid waste treatment industry.

The Board has approved the Potential Disposal and the Board (including the independent non-executive Directors) has confirmed that the principal terms of the Potential Disposal are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE POTENTIAL DISPOSAL

According to national tax regulations in the PRC, the Potential Disposal is subject to payment of PRC tax liabilities concerning the indirect transfer of equity interests in PRC resident enterprises, and taxes arising from the Potential Disposal are payable by the Transferor.

Based on the Tender Price, the Company will realise a gain of approximately HK\$4,900,000 from the Potential Disposal. This is calculated based on a premium of the Tender Price of approximately HK\$7,600,000 over the 51% equity interest in the net asset value of the Target Company as at 30 June 2023, net of the relevant prepaid income tax and the transaction service fee of CBEX approximately HK\$2,700,000.

Shareholders should note that the actual gains/losses on the Potential Disposal to be realised by the Company will be subject to (i) the Transaction Price (which may be higher than the Tender Price or at a reduced price); (ii) the net asset value of the Target Company as at the completion date of the Potential Disposal; and (iii) the impact of exchange fluctuations, and is conditional on the completion of final audit.

Immediately following the completion of the Potential Disposal, the Target Company will cease to be a subsidiary of the Group and the Group will no longer have any interest in the shares of the Target Company.

INTENDED USE OF PROCEEDS

According to the Tender Price and after deducting the transaction service fees of CBEX, other related professional fees and tax liabilities, the net proceeds from the Potential Disposal are approximately HK\$55,400,000, which are intended to be used as the general working capital of the Group.

IMPLICATIONS UNDER THE LISTING RULES

According to the Tender Price, the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Potential Disposal exceeds 5% but is less than 25%. Therefore, the Potential Disposal is expected to constitute a notifiable transaction of the Company. Ms. Yang currently holds 49% equity interests in the Target Company and has a pre-emptive right in respect of the Target Interests pursuant to the articles of association of the Target Company. Ms. Yang is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, if Ms. Yang and/or her associate are confirmed as the Transferee by participating in the Public Tender or in the exercise of the pre-emptive right in the Public Tender, the Potential Disposal is expected to constitute a connected transaction of the Company.

The Board has approved the Potential Disposal and the independent non-executive directors have confirmed that the key terms of the transaction under the Potential Disposal are fair and reasonable, on normal commercial terms and are in the interests of the Company and its Shareholders as a whole. Therefore, under Rule 14A.101 of the Listing Rules, the Potential Disposal is subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

None of the Directors has a material interest in the Potential Disposal or is required to abstain from voting on the Board resolutions to the considering and approving of the Potential Disposal.

As the Potential Disposal may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the shares of the Company. The Company will make further announcement(s) in compliance with the Listing Rules as and when appropriate or required.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following terms shall have the meanings as set out below:

“Asset Transaction Agreement”	asset transaction agreement to be entered into between the Transferor and the Transferee in respect of the transfer of the Target Interests according to the rules and regulations of CBEX
“associate”	has the meanings ascribed to it by the Listing Rules
“BEGCL”	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), the ultimate holding company of the Company
“Board”	the board of Directors
“CBEX”	China Beijing Equity Exchange* (北京產權交易所)
“Company”	Beijing Enterprises Environment Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 154)
“connected person(s)”	has the meanings ascribed to it by the Listing Rules
“Director(s)”	the directors of the Company
“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
“Interested Transferees”	bidders participating in the Public Tender
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Ms. Yang”	Ms. Yang Lanhua, a Chinese resident, holding 49% equity interests in the Target Company
“Potential Disposal”	the Transferor transfers the Target Interests through Public Tender
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“Public Tender”	transfer of the Target Interests through Public Tender at CBEX
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	any entity within the meaning of the term “subsidiary” as defined in the Listing Rules
“Target Company”	Beijing Beikong Ecology & Construction Group Co., Ltd.* (北京北控生態建設集團有限公司), a limited company established in the PRC, with its 51% interests held by the Transferor
“Target Interests”	51% equity interests of the Target Company held by the Transferor
“Tender Price”	Initial minimum bidding price for the Public Tender, being RMB52,823,400 (equivalent to approximately HK\$58,106,000)
“Transaction Price”	the winning bid price of the Target Interests in the Public Tender

“Transferee”	Interested Transferee who has successfully won the bid through Public Tender
“Transferor”	Beijing Enterprises Environmental Group Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Working Day(s)”	a day or days other than a Saturday or Sunday, on which banks are open in the PRC to the general public for business
“%”	per cent

For the purposes of this announcement and for illustration only, figures in Renminbi are converted into Hong Kong dollars at the approximate exchange rate of RMB1 to HK\$1.1.

The English name of any PRC entity marked with an asterisk () is a translation of its Chinese name, and is included herein for identification purposes only.*

By order of the Board
Beijing Enterprises Environment Group Limited
Chen Xinguo
Chairman and Chief Executive Officer

Hong Kong, 22 March 2024

As at the date of this announcement, the board of directors of the Company comprises five executive directors, namely Mr. Chen Xinguo, Ms. Sha Ning, Mr. Yu Jie, Mr. Li Ai 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.