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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)

**CONNECTED TRANSACTION
CAPITAL INCREASE IN
BEIJING ENTERPRISES GROUP FINANCE CO., LTD.**

The Board is pleased to announce that on 28 February 2017, BE Group Finance, its Existing Shareholders (comprising BE Group, Beijing Gas and Yanjing Beer) and New Shareholders (comprising the Company, BH Investment, BE Water, Jingyi and BMEDI) entered into the Capital Increase Agreement, pursuant to which, the Existing Shareholders and New Shareholders have agreed to increase the capital of BE Group Finance by an aggregate amount of RMB1,350,000,000 (equivalent to approximately HKD1,522,533,000) (the “**Capital Contribution**”).

As at the date of this announcement, (i) the Company indirectly holds all the equity interest in Beijing Gas and indirectly holds approximately 57.40% equity interest in Yanjing Beer; Beijing Gas and Yanjing Beer are both subsidiaries of the Company; and (ii) BE Group is deemed to be interested in 61.69% equity interest in the Company and is the ultimate controlling shareholder of the Company, while BH Investment, Jingyi and BMEDI are all subsidiaries of BE Group, and BE Group Finance is an associated company of BE Group. Accordingly, BE Group, BH Investment, Jingyi, BMEDI and BE Group Finance are all connected persons of the Company.

The signing of the Capital Increase Agreement will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios as defined under the Listing Rules in respect of the Capital Increase are more than 0.1% but less than 5%, the Capital Increase is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

Upon the completion of Capital Increase, the shareholding percentage of Beijing Gas, Yanjing Beer and the Company in BE Group Finance will be 24.80%, 11.08% and 8.91%, respectively.

CAPITAL INCREASE AGREEMENT

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Date

28 February 2017

Parties

- (1) BE Group Finance;
- (2) Existing Shareholders; and
- (3) New Shareholders.

Shareholding Structure of BE Group Finance

The shareholding structure of BE Group Finance (i) as at the date of this announcement; and (ii) immediately after the completion of Capital Increase is set out below:

	As at the date of this announcement			Capital Increase		Immediately after the completion of Capital Increase	
	Registered capital (RMB)	Shareholding percentage	Capital Contribution (RMB)	Vested in capital reserve	Vested in registered capital (RMB)	Registered capital (RMB)	Shareholding percentage
Existing Shareholders							
BE Group	328,000,000	41%	272,000,000	28,410,000	243,590,000	571,590,000	28.45%
Beijing Gas	312,000,000	39%	208,000,000	21,730,000	186,270,000	498,270,000	24.80%
Yanjing Beer	160,000,000	20%	70,000,000	7,310,000	62,690,000	222,690,000	11.08%
New Shareholders							
The Company	–	–	200,000,000	20,890,000	179,110,000	179,110,000	8.91%
BH Investment	–	–	150,000,000	15,670,000	134,330,000	134,330,000	6.69%
BE Water	–	–	150,000,000	15,670,000	134,330,000	134,330,000	6.69%
Jingyi	–	–	150,000,000	15,670,000	134,330,000	134,330,000	6.69%
BMEDI	–	–	150,000,000	15,670,000	134,330,000	134,330,000	6.69%
Total :	800,000,000	100%	1,350,000,000	141,020,000	1,208,980,000	2,008,980,000	100%

Upon the completion of Capital Increase, the shareholding percentage of Beijing Gas, Yanjing Beer and the Company in BE Group Finance will be 24.80%, 11.08% and 8.91%, respectively.

Consideration

The terms of the Capital Increase Agreement are determined by an arm's length negotiation between the parties after taking into account of the capital needs of BE Group Finance in future and in accordance with normal commercial terms. The Existing Shareholders and New Shareholders shall pay their Capital Contribution in full within 10 business days from the day that BE Group Finance submits a written payment request notice stating that all Conditions Precedent are satisfied. The Company shall pay RMB200,000,000 (equivalent to approximately HKD225,561,000) in cash to BE Group Finance according to the Capital Increase Agreement, of which, USD5,000,000 shall be contributed at the median exchange rate of RMB against USD on the date of capital contribution, and the remaining amounts shall be contributed in HKD at the median exchange rate of RMB against HKD on the date of capital contribution, all of which will be financed by the internal resources of the Company.

Conditions Precedent

BE Group Finance has agreed to use its best endeavours to satisfy the Conditions Precedent as stated in the Capital Increase Agreement as soon as possible, including but not limited to: as required for completion of the Capital Increase, the obtaining of approval from authority bodies, and the obtaining of all authorizations, check, approval, consent and/or filing (if any). The Existing Shareholders and New Shareholders are obliged to pay their Capital Contributions only when all the Conditions Precedent are fulfilled or waived by the Existing Shareholders and the New Shareholders.

The aforesaid Conditions Precedent shall be fulfilled in any event not later than the six months after the signed date of the Capital Increase Agreement or such longer time as agreed by the parties.

INFORMATION ON BE GROUP FINANCE

BE Group Finance is a company incorporated in the PRC with limited liability. As at the date of this announcement, BE Group Finance is owned by BE Group (being the Company's ultimate controlling shareholder), Beijing Gas and Yanjing Beer (both are subsidiaries of the Company) as to 41%, 39% and 20%, respectively. Established as a non-banking financial institution approved by China Banking Regulatory Commission, BE Group Finance acts as a platform to provide member companies of BE Group (including the Group) with intra-group facilities through financial products including deposit-taking, money-lending and custodian services, etc.

The summary of the financial information of BE Group Finance prepared in accordance with "Enterprise Accounting Standards" in the PRC are as follows:

	For the year	
	ended 31 December	
	2015	2014
	Audited	Audited
	<i>RMB'000</i>	<i>RMB'000</i>
Net assets	845,196	828,303
Profit before tax	59,543	30,069
Profit after tax	38,206	22,561

INFORMATION ON EXISTING SHAREHOLDERS

BE Group 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. BE Group's principal activity is acting as an investment and financing platform for infrastructures and public utilities in Beijing. As at the date of this announcement, BE Group is deemed to be interested in 61.69% equity interest of the Company. BE Group is the ultimate controlling shareholder of the Company.

Beijing Gas is a company incorporated in the PRC with limited liability and is principally engaged in supplying and selling piped natural gas and related businesses in Beijing, PRC. Beijing Gas is an indirect wholly-owned subsidiary of the Company.

Yanjing Beer is a company incorporated in the PRC with limited liability, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000729). Yanjing Beer is principally engaged in beer brewing and production of beverages including mineral water etc. and sales of related products in the PRC. As at the date of this announcement, the Company indirectly holds approximately 79.77% equity interest of Beijing Yanjing Brewery Investment Co., Ltd.* (北京燕京啤酒投資有限公司, a company incorporated in the PRC with limited liability), which directly holds approximately 57.40% equity interest of Yanjing Beer. Yanjing Beer is an indirect non-wholly owned subsidiary of the Company.

INFORMATION ON THE NEW SHAREHOLDERS

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: 392). The principal activities of the Group are natural gas operations, brewery operations, sewage and water treatment operations, and solid waste treatment operations in the PRC.

BH Investment is a company incorporated in the PRC with limited liability and is principally engaged in investments and assets management in the PRC. It is a wholly-owned subsidiary of BE Group.

BE Water is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 371). BE Water and its subsidiaries are principally engaged in water and environmental businesses in the PRC, Malaysia, Republic of Singapore, and Portuguese Republic. As at the date of this announcement, BE Water is indirectly held as to 43.76% equity interest by the Company. BE Water is an associated company of the Company.

Jingyi is a company incorporated in the PRC with limited liability and is principally engaged in design and sales of equipment and instruments in the PRC. It is a wholly-owned subsidiary of BE Group.

BMEDI is a company incorporated in the PRC with limited liability and is principally engaged in the businesses such as comprehensive urban public utilities projects and urban planning design in the PRC. It is a wholly-owned subsidiary of BE Group.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

BE Group Finance (as a financial service institution) acts as a platform to provide member companies of BE Group with intra-group facilities through financial products including deposit-taking, money-lending and custodian services, etc. After this Capital Increase, the capital strength and risk resistance capability as well as the financial service capability of BE Group Finance will be further improved. By accepting the financial services provided by Beijing Enterprises Group Finance Co., Ltd., the Group will broaden its financing pipeline, lower financing costs, improve funding efficiency and strengthen capital risk resistance ability in a better way. In addition, as a shareholder of BE Group Finance which has high capital adequacy ratio and relatively stable industrial revenue, the Group will achieve a comparatively stable return on investment.

None of Directors has any material interest in the Capital Increase Agreement, and no Directors is required to abstain from voting on the Board resolution of the Company regarding the approval of the Capital Increase Agreement.

The Directors (including independent non-executive directors) consider that the Capital Increase Agreement is entered into during the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) the Company indirectly holds all the equity interest in Beijing Gas and indirectly holds approximately 57.40% equity interest in Yanjing Beer. Beijing Gas and Yanjing Beer are both subsidiaries of the Company; and (ii) BE Group is deemed to be interested in 61.69% equity interest in the Company and is the ultimate controlling shareholder of the Company, while BH Investment, Jingyi and BMEDI are all subsidiaries of BE Group, and BE Group Finance is an associated company of BE Group. Accordingly, BE Group, BH Investment, Jingyi, BMEDI and BE Group Finance are all connected persons of the Company.

The signing of the Capital Increase Agreement will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios as defined under the Listing Rules in respect of the Capital Increase are more than 0.1% but less than 5%, the Capital Increase is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

DEFINITIONS

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

“associated company”	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 associated company of BE Group

“BE Water”	Beijing Enterprises Water Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 371) and is an associated company of the Company
“Beijing Gas”	Beijing Gas Group Company Limited* (北京市燃氣集團有限責任公司), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“BH Investment”	Beijing Holdings Investment Management Co., Ltd. (北京京泰投資管理中心), a company incorporated in the PRC with limited liability and is a subsidiary of BE Group
“BMEDI”	Beijing General Municipal Engineering Design & Research Institute Co., Ltd. (北京市市政工程設計研究總院有限公司), a company incorporated in the PRC with limited liability and is a subsidiary of BE Group
“Board”	the board of Directors
“Capital Increase”	the proposed capital increase to BE Group Finance by an aggregate amount of RMB1,350,000,000 (equivalent to approximately HKD1,522,533,000) by Existing Shareholders and New Shareholders pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the agreement dated 28 February 2017 entered into by BE Group Finance, Existing Shareholders and New Shareholders in relation to Capital Increase
“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)

“Conditions Precedent”	The conditions precedent for paying the Capital Contribution as described in the paragraph titled “Conditions Precedent” of this announcement
“connected persons”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	BE Group, Beijing Gas and Yanjing Beer
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jingyi”	Beijing Instrument Industry Group Co., Ltd. (北京京儀集團有限責任公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of BE Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shareholders”	the Company, BH Investment, BE Water, Jingyi and BMEDI
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“USD”	United States dollars, the lawful currency of the United States of America
“Yanjing Beer”	Beijing Yanjing Brewery Co., Ltd. (北京燕京啤酒股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on Shenzhen Stock Exchange (stock code: 000729) and is an indirect non-wholly owned subsidiary of the Company
“%”	per cent

By order of the Board
Beijing Enterprises Holdings Limited
Zhou Si
Vice Chairman

Hong Kong, 28 February 2017

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Dong (Chairman), Mr. Hou Zibo, Mr. Zhou Si, Mr. Li Fucheng, Mr. Li Yongcheng, Mr. E Meng, Mr. Jiang Xinhao and Mr. Tam Chun Fai as executive directors; Mr. Wu Jiesi, Mr. Lam Hoi Ham, Mr. Fu Tingmei, Mr. Sze Chi Ching, Dr. Yu Sun Say and Mr. Ma She as independent non-executive directors.

For the purpose of this announcement and for illustrative purpose only, RMB is converted into HKD at the rate of HKD1 : RMB0.88668. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates.

* *For identification purposes only*