



# 北控清潔能源集團有限公司

BEIJING ENTERPRISES CLEAN ENERGY GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01250)**

*Executive Directors:*

Mr. Zhang Tiefu *(Joint Chairmen)*  
Mr. Hu Xiaoyong *(Joint Chairmen)*  
Mr. Yang Guang *(Chief Executive Officer)*  
Mr. Shi Xiaobei  
Mr. Tan Zaixing  
Ms. Huang Danxia

*Independent non-executive Directors:*

Mr. Li Fujun  
Mr. Xu Honghua  
Mr. Chiu Kung Chik

*Registered office:*

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P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Principal place of business in Hong Kong:*

Rooms 6706-07, 67th Floor  
Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

1 April 2022

*To the Shareholders*

Dear Sir or Madam,

**(1) ISSUE AND SUBSCRIPTION OF NEW SHARES  
UNDER SPECIFIC MANDATE;  
(2) APPLICATION FOR WHITEWASH WAIVER;  
AND  
(3) NOTICE OF EGM**

**INTRODUCTION**

Reference is made to the Joint Announcement in relation to, among other things, the Subscription, the Specific Mandate and the Whitewash Waiver.

The primary purpose of this circular is to provide you with, among other matters, (i) further details of the Subscription, the Specific Mandate and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Subscription, the Specific Mandate and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Specific Mandate and the Whitewash Waiver; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules and the Takeovers Code.

## **THE SUBSCRIPTION AGREEMENT**

On 4 March 2022 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber (an indirect wholly-owned subsidiary of CSFG), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 48,804,039,247 Subscription Shares at the Subscription Price of HK\$0.096 per Subscription Share for the total Consideration of HK\$4,685,187,768.

A summary of the principal terms of the Subscription Agreement is set out below.

### **Date**

4 March 2022 (after trading hours)

### **Parties**

Issuer : the Company

Subscriber : Profit Plan Global Investment Limited.

As at the Latest Practicable Date, the Subscriber and its ultimate beneficial owner(s) (including CSFG) are parties independent of and not connected with the Company and its connected persons.

### **The Subscription Shares**

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue a total of 48,804,039,247 Subscription Shares at the Subscription Price of HK\$0.096 per Subscription Share for the total Consideration of HK\$4,685,187,768.

As at the Latest Practicable Date, the Company had 63,525,397,057 Shares in issue. The 48,804,039,247 Subscription Shares represent:

- (i) approximately 76.83% of the existing total number of Shares in issue; and
- (ii) approximately 43.45% of the total number of Shares in issue as enlarged by the allotment and issuance of the Subscription Shares upon Completion (assuming that there will be no other change in the total number of Shares).

The aggregate nominal value of the Subscription Shares under the Subscription will be HK\$48,804,039.247.

### **The Deposit**

The Subscriber has agreed to pay the Deposit in the sum of HK\$200,000,000 (which amounts to approximately 4.27% of the Consideration) to the Company within two Business Days after the date of the Subscription Agreement. The Deposit shall be settled by immediately available funds through bank transfer or wire transfer into a bank account designated by the Company (or such other means as may be agreed in writing between the Company and the Subscriber). Upon Completion, the Deposit will be used to set off a corresponding part of the total Consideration.

As at the Latest Practicable Date, the Deposit has been paid by the Subscriber to the Company in accordance with the terms and conditions of the Subscription Agreement.

If, after the payment of the Deposit by the Subscriber to the Company:

- (i) the conditions precedent in connection with the Subscriber (i.e. conditions precedent (c) and (j) as set out in the sub-section headed “The Subscription Agreement – Conditions Precedent” of this circular) not having been fully fulfilled (or waived) on or before 20 May 2022 (or such other date as may be agreed in writing by the Subscriber and the Company); or
- (ii) Completion not having taken place on or before 31 May 2022 (or such other date as may be agreed in writing by the Subscriber and the Company);

whichever is earlier, which is solely caused by the Subscriber (including failure to obtain necessary approval(s) or consent(s) (which include the approval from CSFG Shareholders at the CSFG SGM), but except for the Stock Exchange and/or the SFC not having approved or completed the vetting of relevant announcement(s), circular(s) or waiver application(s) in respect of the Subscription), the Company is entitled to forfeit the Deposit as liquidated damages and full and final settlement of the damages suffered by the Company.

If, after the payment of the Deposit by the Subscriber to the Company:

- (i) the conditions precedent in connection with the Company (i.e. conditions precedent (b) to (h) as set out in the sub-section headed “The Subscription Agreement – Conditions Precedent” of this circular) not having been fully fulfilled (or waived) on or before 20 May 2022 (or such other date as may be agreed in writing by the Subscriber and the Company); or
- (ii) Completion not having taken place on or before 31 May 2022 (or such other date as may be agreed in writing by the Subscriber and the Company);

whichever is earlier, which is solely caused by the Company (including failure to obtain necessary approval(s) or consent(s) (which include the approval from Independent Shareholders at the EGM), but except for default in debts of the Company, matters and information in relation to the Group disclosed in writing by the Company to the Subscriber during its due diligence process or the Stock Exchange and/or the SFC not having approved or completed the vetting of relevant announcement(s), circular(s) or waiver application(s) in respect of the Subscription), the Company shall within two Business Days after receiving the Subscriber’s notice in writing (i) refund the Deposit in full; and (ii) pay HK\$200,000,000 as liquidated damages and full and final settlement of the damages suffered by the Subscriber.

Provided that none of the aforementioned events occurs after the payment of the Deposit by the Subscriber to the Company, if (i) the Subscriber and the Company are unable to fulfil (or waive) all conditions precedent on or before 20 May 2022 (or such other date as may be agreed in writing by the Subscriber and the Company); or (ii) Completion not having taken place on or before 31 May 2022 (or such other date as may be agreed in writing by the Subscriber and the Company), whichever is earlier, the Company shall within two Business Days after receiving a notice in writing from the Subscriber refund the Deposit in full to a bank account designated by the Subscriber in such notice.

### **The Subscription Price**

The Subscription Price of HK\$0.096 per Subscription Share represents:

- (i) a discount of approximately 7.69% to the closing price of HK\$0.104 per Share as quoted on the Stock Exchange on 4 March 2022, being the Last Trading Day;
- (ii) a discount of approximately 8.57% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.105 per Share;
- (iii) a discount of approximately 6.80% over the average of the closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.103 per Share;

- (iv) a discount of approximately 5.88% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.102 per Share;
- (v) a premium of approximately 17.07% to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$0.082 per Share; and
- (vi) a discount of approximately 49.47% over the audited consolidated net asset value per Share of approximately HK\$0.19 per Share as at 31 December 2021, calculated based on the Group's audited consolidated net assets of approximately HK\$12,082,054,000 as at 31 December 2021 and 63,525,397,057 Shares in issue as at the Latest Practicable Date.

The net price per Subscription Share is estimated to be approximately HK\$0.096.

Based on the expected cash level and financial condition of the CSFG Group around the time of Completion, (i) approximately 50% of the Consideration could be settled by the available cash of the CSFG Group; (ii) approximately 17% of the Consideration could be settled by the amount recovered from receivables; and (iii) approximately 33% of the Consideration could be settled by proceeds from realizations of high liquidity financial assets in open market to independent third parties who are not Shareholders or parties acting in concert with them. The Subscriber and CSFG are of the view that the CSFG Group would have sufficient cash from its internal resources to settle the Consideration upon Completion. However, the Subscriber and CSFG are open to obtain acquisition financing and/or bond issue to settle around half of the Consideration if the financing costs are within a reasonable range which is acceptable to CSFG and lower than the return on equity of approximately 6.58% of the Group for the year ended 31 December 2020. In the event that the CSFG Group fails to achieve (ii) and/or (iii) above causing insufficient fund to fully settle the Consideration, the Subscriber and the CSFG Group will obtain financing with the above-mentioned financing costs to settle the shortfall of the Consideration. If the Subscriber and CSFG settle part of the Consideration through the above financing arrangement and given that the financing costs are within a reasonable range, such financing could enhance the cash liquidity and investment return of the CSFG Group and is in the interests of the CSFG and the CSFG Shareholders as a whole.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber, and with reference to the recent and historic price of the Shares and the financial condition of the Group. The Subscription Price of HK\$0.096 per Subscription Share represents (a) a discount of approximately 7.69% over the average closing price of approximately HK\$0.104 per Share as quoted on the Stock Exchange for five consecutive trading days up to and including the last trading day before the date of the Subscription Agreement; and (b) a discount of approximately 5.88% over the average closing price of approximately HK\$0.102 per Share as quoted on the Stock Exchange for 30 consecutive trading days with no trading halt up to and including the last trading day before the date of the Subscription Agreement.

The Directors (including the members of the Independent Board Committee whose opinion is set out in the "Letter from the Independent Board Committee" in this circular after taking into account the advice of the Independent Financial Adviser) consider that the basis in determining the Subscription Price and the Consideration is fair and reasonable and on normal commercial terms, and entering into the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

#### **Conditions precedent**

Completion is conditional upon the satisfaction (or waiver) (if applicable) of the following conditions precedent on or before the Long Stop Date:

- (a) the passing of resolutions by the Independent Shareholders at the EGM convened in accordance with the Listing Rules and the Takeovers Code approving the Subscription and all transactions contemplated under the Subscription Agreement (including the Whitewash Waiver);
- (b) the listing status of the Company on the Stock Exchange not having been revoked or cancelled at any time before Completion, and the Shares remaining trading on the Stock Exchange at any time before Completion (except for trading halt(s) not exceeding 10 consecutive trading days (or such other relevant period as may be agreed by the Subscriber in writing) or trading halt(s) in relation to the Subscription and all transactions contemplated under the Subscription Agreement); and the Stock Exchange or the Executive not having indicated that the listing status of the Company will be suspended, cancelled or revoked at any time after Completion;
- (c) the Executive having granted the Whitewash Waiver to the Subscriber, all conditions attached thereto having been fulfilled, and the Whitewash Waiver remaining in force;
- (d) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares;

- (e) the Company and its affiliates having obtained all necessary approval(s) in respect of the Subscription and all transactions contemplated under the Subscription Agreement, including but not limited to all approval(s), consent(s), authorisation(s), registration(s) and filing(s) from the Board, relevant government department(s) (including but not limited to the Stock Exchange, the SFC and necessary approvals under applicable national laws), authority(ies), organisation(s) or any other third parties (including banks or creditors), and such approvals not having been revoked or cancelled before Completion;
- (f) except as disclosed in writing to the Subscriber (including the debt conditions of the Group <sup>(Note)</sup>), the business of the Group remaining in normal operation, there being no events or circumstances that may have a material adverse effect on the business of the Group which have not been disclosed to the Subscriber;
- (g) the representations, warranties and/or undertakings given by the Company under the Subscription Agreement remaining true, accurate, complete and not misleading in all material respects from the date of the Subscription Agreement to the Completion Date; and there having been no material breach of the Subscription Agreement committed by any of the parties to the Subscription Agreement;
- (h) there having been no change of controlling shareholder in respect of the Company;
- (i) the passing of resolution(s) by the CSFG Shareholders at the CSFG SGM convened in accordance with the Listing Rules approving the Subscription and all transactions contemplated under the Subscription Agreement; and
- (j) the Subscriber and CSFG having obtained all necessary approvals in respect of the Subscription, including but not limited to all approval(s), consent(s), authorisation(s), registration(s) and filing(s) from the board of directors of the Subscriber and the CSFG Board, relevant government department(s) (including but not limited to the Stock Exchange, the SFC and necessary approvals under applicable national laws), authority(ies), organisation(s) or any other third parties (including banks or creditors), and such approvals not having been revoked or cancelled before Completion.

*Note:*

As of the date of the Latest Practicable Date, the Group has the following major debts which will be due by mid-2022:

- (i) a bond with principal amount of RMB900,000,000 issued by the Company on 29 April 2020 which will be due on 29 April 2022; and
- (ii) the Syndicated Loan in the amount of approximately HK\$3,000 million which will be due in June 2022.

The Company and the Subscriber confirm that Completion will be subject to the public float requirements and will only take place if sufficient Shares are held by the public (as defined in the Listing Rules) in compliance with the Listing Rules. In order to ensure that there will be sufficient public float upon Completion, Mr. Hu Xiaoyong and Mr. Tan Zaixing, being Directors who hold Shares as at the Latest Practicable date, are expected to resign as Directors after the EGM but before Completion in full compliance with Rule 7 of the Takeovers Code and the Listing Rules. For the avoidance of doubt, the Company and the Subscriber confirm that Completion will not take place if insufficient Shares are held by the public (as defined under the Listing Rules) and the Company is not in compliance with the relevant minimum public float requirements under the Listing Rules.

The Company has undertaken to use its reasonable endeavour to the extent possible to procure the fulfilment of the conditions set out in (b) to (h) above on or before the Long Stop Date.

The conditions set out in (b), (f) to (h) above may be waived by the Subscriber from time to time by notice in writing signed and delivered to the Company.

The Subscriber has undertaken to use its reasonable endeavour to the extent possible to procure the fulfilment of the conditions set out in (c) and (j) above on or before the Long Stop Date.

For the avoidance of doubt, save for the conditions set out in (b), (f) to (h) above (which may be waived by the Subscriber), no other conditions precedent are waivable by the Subscriber or the Company.

In respect of the Company, the Whitewash Waiver and the listing approval for the Subscription Shares to be granted by the SFC and the Stock Exchange, respectively, are outstanding specific consents or approvals required under the condition set out (e) above.

Save as disclosed above, the Company is not aware of any other approvals or consents required for the purpose of the Subscription, the Specific Mandate and the Whitewash Waiver.

In respect of the Subscriber and CSFG, (i) the Whitewash Waiver to be granted by the SFC; (ii) the approval on the Subscription by CSFG Shareholders at the CSFG SGM; (iii) the approval on the Subscription issued by Shandong Provincial State-owned Assets Supervision and Administration Commission\* (山東省人民政府國有資產監督管理委員會); (iv) the completion of filing with or report to National Development and Reform Commission\* (國家發展和改革委員會) in respect of the Subscription (if applicable, subject to the type of funding obtained by the Subscriber); and (v) the approval of antitrust merger filing review issued by Anti-monopoly Bureau of State Administration for Market Regulation\* (國家市場監督管理總局反壟斷局) are outstanding specific consents, approvals or filings required under condition precedent set out in (j) above.



Save as disclosed above, CSFG and the Subscriber are not aware of any other approvals or consents required for the purpose of the Subscription, the Specific Mandate and the Whitewash Waiver. As at the Latest Practicable Date, none of the outstanding specific consents, approvals or filings above has been obtained.

If the conditions precedent set out above are not satisfied or waived (if applicable) on or before the Long Stop Date, the Subscription Agreement shall automatically lapse with immediate effect, save for any antecedent rights and obligations and the Surviving Provisions.

As at the Latest Practicable Date, none of the conditions precedent set out above has been fully satisfied.

### **Completion**

Completion shall take place on the Completion Date subject to the satisfaction or waiver (if applicable) of all the above conditions precedent.

Upon Completion, the Subscriber shall pay to a bank account designated by the Company by immediately available funds through bank transfer or wiring transfer (or such other way as may be agreed between the Company and the Subscriber) the net balance of the Subscription Price after deducting the Deposit (i.e. HK\$4,485,187,768).

In the event that Completion does not take place on the Completion Date as a result of the non-performance of any of the obligations in respect of the Completion procedures (whether or not constituting a repudiatory breach) specified in the Subscription Agreement, the conforming party may by notice in writing to the breaching party elect to (i) proceed with Completion to the extent possible; (ii) delay Completion to another date which is expected to be no later than 10 business days after the original date for Completion; or (iii) terminate the Subscription Agreement.

If the Subscriber or the Company elects to delay Completion to another date, the terms of the Subscription Agreement shall remain effective and such date shall be deemed to be the Completion Date. If the Subscriber or the Company elects to terminate the Subscription Agreement, the further rights and obligations of each of the Subscriber and the Company shall lapse immediately upon such termination, save for any antecedent rights and obligations and the Surviving Provisions.

Immediately after Completion, (i) the Subscriber will be interested in approximately 43.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no other change in the total number of Shares); and (ii) the Company will not become a subsidiary of CSFG and the financial results of the Group will not be consolidated into the financial statements of the CSFG Group. After the composition of the Board is changed in the manner as described in the section headed "Proposed Change to the Board Composition" of this circular, the Company will become a subsidiary of CSFG and the financial results of the Group will be consolidated into the financial statements of the CSFG Group.

## **Ranking**

The Subscription Shares will be issued and allotted fully paid and will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issuance of the Subscription Shares

## **Mandates to issue the Subscription Shares**

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought from the Independent Shareholders at the EGM.

## **Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

## **PROPOSED CHANGE TO THE BOARD COMPOSITION**

As at the Latest Practicable Date, the Board comprises six executive Directors, namely Mr. Zhang Tiefu, Mr. Hu Xiaoyong, Mr. Yang Guang, Mr. Shi Xiaobei, Mr. Tan Zaixing and Ms. Huang Danxia; and three independent non-executive Directors, namely Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik.

It is intended that eight candidates will be nominated by the Subscriber for appointment as eight new Directors of a Board comprising 12 Directors. The composition of the Board (i.e. the number of executive Directors, non-executive Directors or independent non-executive Directors) will be provided and confirmed by the Subscriber after Completion. The Subscriber will, upon Completion, be a Shareholder entitled to propose resolutions at general meeting(s) of the Company under the articles of association of the Company. The suitability of the candidates nominated by the Subscriber after Completion will be subject to the approval of the Board and the review of the nomination committee of the Company with reference to an array of factors in compliance with the Company's articles of association and the Listing Rules. For the purpose of optimizing corporate governance of the Company, the Subscriber and the Company may subsequently agree to other Board compositions.

As at the Latest Practicable Date, subject to the Listing Rules and the Takeovers Code, it is expected that other than Mr. Yang Guang, Mr. Shi Xiaobei, Ms. Huang Danxia, each being an executive Director, and Mr. Chiu Kung Chik, being an independent non-executive Director, all other Directors will resign as Directors.

The Subscriber may further review the composition of the Board and the senior management of the Company after Completion. Details of the actual change of the Board composition and biographical information of new Directors to be appointed will be further announced by the Company as and when appropriate in accordance with the Takeovers Code and the Listing Rules.

## INFORMATION ON COMPANY AND THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and the principal activity of which is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the PRC.

Set out below is a summary of the audited consolidated financial results of the Group for the years ended 31 December 2019, 2020 and 2021 prepared in accordance with the Hong Kong Financial Reporting Standards:

	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)	
Revenue	6,023,419	5,551,791	6,335,620
Net profit/(loss) before tax	(264,874)	1,018,410	1,031,631
Net profit/(loss) after tax	(288,834)	886,440	842,086

The audited net assets of the Group as at 31 December 2020 and 2021 were HK\$13,124,890,000 and HK\$12,082,054,000, respectively.

## INFORMATION ON THE SUBSCRIBER AND THE CSFG GROUP

The Subscriber is a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CSFG. It is principally engaged in investment holding.

CSFG is an investment holding company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 412). The CSFG Group is principally engaged in various kinds of financial services, including financial leasing, operation of an asset trading platform, investments in securities, money lending, investment holding and assets management.

As at the Latest Practicable Date, Shandong Hi-Speed (Hong Kong) International Capital Limited and Shandong International (Hong Kong) Limited (both being indirect wholly-owned subsidiaries of SDHS Group) holds 5,459,648,350 CSFG Shares (representing approximately 22.66% of the CSFG Shares in issue) and 5,000,000,000 CSFG Shares (representing approximately 20.76% of the CSFG Shares in issue), respectively. SDHS Group is therefore deemed to be interested in an aggregate of 10,459,648,350 CSFG Shares, representing approximately 43.42% of the CSFG Shares in issue. SDHS Group is (i) directly and indirectly held as to 90% by the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government; and (ii) directly held as to 10% by Shandong Provincial Council for Social Security Fund, a governmental institution set up by the Shandong Provincial People's Government\* (山東省人民政府).

#### **FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE COMPANY AND THE GROUP**

Upon Completion, the Subscriber will become a controlling shareholder of the Company. The Subscriber considers and confirms that it is intended that the Group will continue with its existing business following Completion. It is expected that the Company will become a new energy flagship enterprise of CSFG and its parent group.

The Subscriber has no intention to introduce any major changes to the existing business of the Group or redeploy the fixed assets of the Group other than in its ordinary course of business.

In addition to the proposed change as mentioned in the section headed "Proposed Change to the Board Composition" in this circular, the Subscriber may further review the composition of the Board and senior management of the Company after Completion. As at the Latest Practicable Date, the Subscriber has no intention to discontinue the employment of any of the Group's employees.

Considering the global climate change trends and the Chinese government's active policies to promote the development and use of renewable clean energy, clean energy-related businesses have good prospects and growth trends, and Shandong Province has also issued a new energy development planning guide, clarifying new energy is a global strategic and leading emerging industry. Shandong Province has become the China's leading province in the installed capacity of wind and solar power generation, with wind and solar power generation accounting for approximately 29.69% of the province's installed capacity.

In mid-2021, CSFG internally formulated a business strategy to transform and increase industrial investment, focusing on the industries with good growth prospects including the new energy industry as one of its main investment directions. The Company is engaged in photovoltaic power generation, wind power generation and clean heat supply businesses. CSFG's strategic investment in the Company will be a breakthrough in its grasp of industry opportunities and policy orientation. Through this strategic investment, it opens the future strategic cooperation between CSFG and the Company. CSFG could effectively take advantage of its local resources to assist the Company to acquire high-quality photovoltaic or wind power projects, expand its layout, and improve the Company's installed photovoltaic power project capacity and wind power project capacity.

If Completion takes place, the Company will receive the Consideration (i.e. approximately HK\$4.69 billion) from the Subscriber for, among others, refinancing and investment. Please refer to the section headed "Use of Proceeds for the Group" of this circular for details on how the Consideration will be applied by the Company. In the long run, CSFG expects that the Company shall maintain its business and operation through its own generated revenue and cashflow and external financing. When CSFG becomes a controlling shareholder of the Company, CSFG would consider to provide suitable guarantees for external financing of the Company to lower its financing costs when appropriate.

Despite the CSFG Directors and the senior management of CSFG lack experience and expertise in relation to the principal business of the Group, CSFG intends to (i) retain certain Directors, including Mr. Yang Guang, Mr. Shi Xiaobei and Ms. Huang Danxia who are existing executive Directors (please refer to the 2020 annual report of the Company and the announcement dated 21 May 2021 of the Company for their respective biographies), and the majority of the members of the senior management of the Group to continue to manage and operate the business of the Group; and (ii) recruit experts and consultants with relevant experience and expertise in relation to the principal business of the Group as members of CSFG's senior management to manage and supervise the business and operation of the Group at the CSFG level.

Pursuant to the Subscription Agreement, subject to the Listing Rules and the Takeovers Code, the Subscriber and the Company have agreed that, within one month after Completion, the Company shall initiate applicable procedures in relation to a change of name of the Company (including issuing relevant announcement(s) and despatching circular(s) to the Shareholders so as to convene a general meeting of the Company for the Shareholders' consideration and approval of the relevant resolutions(s); and the Subscriber shall cooperate reasonably with the Company to complete the change of name of the Company.

## REASONS FOR AND BENEFITS OF THE SUBSCRIPTION FOR THE COMPANY

According to the “14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Outline of Vision in 2035\*”(《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), it is an important direction “to promote energy revolution, build a clean, low-carbon, safe and efficient energy system, and improve the ability to guarantee energy supply”. Facing the development opportunities brought by the “double carbon” targets – “Carbon Dioxide Emissions Peak, Carbon Neutrality”, the Group bears in mind its aspiration of “promoting the revolution in energy production and consumption, building a clean, low-carbon, safe and efficient energy system”.

As such, the Group intends to continue focusing on the business development of sales of electricity and actively expands its power operation business, committed to building an operating brand and gradually completed its asset optimization strategy. The Board considers that the Subscription represents a good opportunity to introduce new funds to enhance its capabilities in business development, and further expand the scale of operations and improve operating efficiency.

The net proceeds raised through the Subscription may be utilized towards fulfilling the Group’s existing commitments in various photovoltaic and wind power projects, with an aim of replenishing funds to maintain normal and stable business operation of the Group. The Group will also utilize the Subscription funds as development cost in pilot projects involving the development of agricultural or fishery and photovoltaic complementary power stations and integrated power stations. These pilot projects are consistent with the national and regional governmental policies in the PRC, including “Carbon Dioxide Emissions Peak, Carbon Neutrality”, and are supported by the local governments. The funds raised from the Subscription would also provide additional capital for the Group’s geographical expansion into other regions in the PRC, such as Jiangxi Province, Shanxi Province and Hubei Province. The Group is also aware that land resources have been or will be released in areas adjacent to the development sites for the Group’s projects, the successful investments of the Group are expected to offer the Group with the benefit of grasping an opportune window to lay a solid foundation for the Group’s further exploration of more business opportunities in such regions. The potential further development and expansion would be a driver for the growth of the Group in the future.

The net proceeds of the Subscription would also be used to repay short-term indebtedness of the Group, in particular, the HK\$3,000 million indebtedness under the Syndicated Loan. The Banks are (i) third parties independent of and not connected with the Company and its connected persons; and (ii) third parties independent of and not connected with the Subscriber, CSFG, parties acting in concert with them and their connected persons. As at the Latest Practicable Date, none of the Banks is a Shareholder. This would relieve pressure on liquidity and improve the financial condition of the Group. The Company considers that it is in the interest of the Group to proceed with the Subscription as it would improve the indebtedness position and gearing ratio and reduce the financial risks of the Group.

The Group is in the process of seeking and negotiating the Re-financing. As at the Latest Practicable Date, the Group has made the following progress on the Re-financing: (i) the Group has entered into an agreement with a syndicate of banks, pursuant to which a loan in the principal amount of approximately US\$150 million (approximately HK\$1.17 billion) will be provided to the Group, with an expected drawdown date falling on a date before the maturity date of the Syndicated Loan; (ii) the Group has commenced negotiation with relevant banks with a view of securing another syndicated loan; (iii) the Group is in the process of the issue of securities backed by renewable energy subsidies on a recognised stock exchange in the PRC. Such asset-backed securities will be issued after the Group having obtained approval(s) from relevant regulatory authority(ies); (iv) the Group expects that additional renewable energy subsidies will be granted to the Group around June 2022; and (v) the Group is in the process of restructuring and re-arranging its loans in relation to or secured by its on-going projects. It is expected that the loan restructuring and re-arrangement exercise, upon completion, will provide the Group with additional cash flow.

The Group is in the process of seeking and negotiating the Re-financing. Should the Re-financing materialize, the net proceeds from the Subscription would enable the Group to fulfil its existing contractual obligations under the Options, so as to avoid compensation risks arising from any breach of contract as a result of any failure to repurchase the equity interest in Beiqing Smart under the Capital Contribution Agreements. The Subscription would also provide additional funds to fuel the Group's business expansion as well as replenish its general working capital for operation in its ordinary course of business.

Should the Re-financing not materialize, the net proceeds from the Subscription would be utilized to repay short-term indebtedness of the Group. The Company will further its efforts in relation to the Re-financing as disclosed above with a view of raising funds to fulfil its obligations to repurchase the equity interest in Beiqing Smart under the Options. The Group also expects that the renewable energy subsidies and electricity charges receivable in the second half of 2022 will be utilized for the repayment of various indebtedness of the Group due in the second half of 2022 (except for the indebtedness of approximately HK\$469 million to be paid out of the net proceeds from the Subscription).

For more details on the use of proceeds from the Subscription for the Group, please refer to the section headed "Use of Proceeds for the Group" of this circular.

Based on the above, the Directors (including the members of the Independent Board Committee whose opinion is set out in the "Letter from the Independent Board Committee" in this circular after taking into account the advice of the Independent Financial Adviser) are of the view that the terms of the Subscription Agreement are negotiated after arm's length negotiation, on normal commercial terms and the Subscription is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Options under the Capital Contribution Agreements

References are made to the announcements of the Company dated 27 December 2019, 30 July 2020, 26 March 2021 and 17 September 2021 and the circular dated 24 December 2020 in relation to a total of four rounds of capital contributions made by the Investors as registered capital of Beiqing Smart, a subsidiary of the Company.

Under the Capital Contribution Agreements:

- (i) an option has been granted to the First Round Investors pursuant to which the First Round Investors shall have the right to request BENE or Beiqing Smart to repurchase the equity interests in Beiqing Smart held by the First Round Investors at any time after Beiqing Smart is unable to, or could not be expected to, complete a qualified listing of its shares within 36 months of completion of the capital increase (i.e. on or before 30 December 2022);
- (ii) an option has been granted to the Second Round Investors pursuant to which the Second Round Investors shall have the right to request BENE or Beiqing Smart to repurchase the equity interests in Beiqing Smart held by the Second Round Investors at any time after Beiqing Smart is unable to, or could not reasonably be expected to, complete a qualified listing of its shares on or before 31 December 2022; and
- (iii) an option has been granted to the Third Round Investor pursuant to which the Third Round Investor shall have the right to request BENE or Beiqing Smart to repurchase the equity interests in Beiqing Smart held by the Third Round Investor at any time after Beiqing Smart is unable to, or could not reasonably be expected to, complete a qualified listing of its shares on or before 31 December 2022.

Pursuant to the Capital Contribution Agreements, the parties have agreed that, amongst others, in respect of the First Round Investors, the Second Round Investors and the Third Round Investor, the formula for determining the repurchase price of the equities under the Options shall be as follows:

$$\text{Repurchase price} = \text{aggregate investment amount} \times (1 + 10\% \times \text{investment period} \frac{(\text{Note})}{365 \text{ days}}) - \text{profit distribution received by the Investors (if any)}$$

*Note:*

Investment period refers to the number of days from the date of completion of respective capital increases to the date when BENE or Beiqing Smart paid the repurchase price to the respective Investors in full.



The First Round Investors, the Second Round Investors and the Third Round Investor are (i) third parties independent of and not connected with the Company and its connected persons; and (ii) third parties independent of and not connected with the Subscriber, CSFG, parties acting in concert with them and their connected persons. As at the Latest Practicable Date, none of the First Round Investors, the Second Round Investors and the Third Round Investor is a Shareholder.

As at the Latest Practicable Date, based on the assessment of the Group on the progress of a qualified listing of Beiqing Smart's shares, the Group considers that it is appropriate to allocate adequate funds for the upcoming potential repurchase of equity interests in Beiqing Smart from the First Round Investors, the Second Round Investors and the Third Round Investor under the Options. The total funds allocated to repurchase the equity interests held by the First Round Investors, the Second Round Investors and the Third Round Investor under the Options is approximately HK\$1,707 million.

#### **USE OF PROCEEDS FOR THE GROUP**

The gross proceeds from the Subscription will be in aggregate approximately HK\$4,685.19 million. The net proceeds after deducting all relevant costs and expenses of the Subscription (i.e. approximately HK\$8 million) are estimated to be approximately HK\$4,677 million. The net price per Subscription Share is estimated to be approximately HK\$0.096.

Depending on whether the Re-financing will materialise, the Group has formulated two plans for the use of net proceeds raised from the Subscription.

- A. If the Re-financing does not materialise, the Company intends to apply the net proceeds to be raised from the Subscription in the following manner:

##### ***Repayment of indebtedness and improvement of gearing ratio***

- (i) as to approximately HK\$3,000 million (representing approximately 64.14% of the net proceeds) for repayment of indebtedness under the Syndicated Loan due June 2022;
- (ii) as to approximately HK\$469 million (representing approximately 10.03% of the net proceeds) for repayment of various indebtedness of the Group due in the second half of 2022;

##### ***Investments in development of projects of the Group***

- (iii) as to approximately HK\$854 million (representing approximately 18.26% of the net proceeds) for investments in the development of new projects of the Group, the details of which are set out as follows;

(a) as to approximately HK\$158 million for payment of investment sum for the development of the following existing power stations and ancillary facilities projects:

- 50-megawatt photovoltaic power stations and ancillary facilities located in 邯鄲市 (Handan City\*), Hebei Province, the PRC;
- 30-megawatt photovoltaic power stations and ancillary facilities located in 南宮市 (Nangong City\*), Hebei Province, the PRC;
- Phase one 100-megawatt agricultural and photovoltaic complementary power station pilot project and phase two 50-megawatt fisheries and photovoltaic complementary power station pilot project located in 開平市 (Kaiping City\*), Guangdong Province, the PRC; and

(b) as to approximately HK\$696 million for payment of investment costs arising from the following upcoming power stations and ancillary facilities projects, which are expected to be conducive to the expansion in terms of market share enjoyed by the Group in other geographical regions in the PRC:

- 200-megawatt agricultural and photovoltaic complementary power station pilot project located in 萬年縣 (Wannian County\*), Jiangxi Province, the PRC;
- 100-megawatt agricultural, photovoltaic and storage integrated power station project located in 武鄉縣 (Wuxiang County\*), Shanxi Province, the PRC;
- 205-megawatt agricultural and photovoltaic complementary power station project located in 通山縣 (Tongshan County\*), Hubei Province, the PRC;

The expected timeline for investments in the development of new projects of the Group are set out as follows:

<b>Proposed use of proceeds</b>	<b>Proposed amount of proceeds allocated</b>	<b>Expected timeline</b>
<b>Development of existing power stations and ancillary facilities projects</b>		
<ul style="list-style-type: none"> <li>50-megawatt photovoltaic power stations and ancillary facilities located in 邯鄲市 (Handan City*)</li> </ul>	HK\$21 million	By end of December 2022
<ul style="list-style-type: none"> <li>30-megawatt photovoltaic power stations and ancillary facilities located in 南宮市 (Nangong City*)</li> </ul>	HK\$15 million	By end of December 2022
<ul style="list-style-type: none"> <li>Phase one 100-megawatt agricultural and photovoltaic complementary power station pilot project and phase two 50-megawatt fisheries and photovoltaic complementary power station pilot project located in 開平市 (Kaiping City*)</li> </ul>	HK\$122 million	By end of December 2022
<b>Investment costs arising from upcoming power stations and ancillary facilities projects</b>		
<ul style="list-style-type: none"> <li>200-megawatt agricultural and photovoltaic complementary power station pilot project located in 萬年縣 (Wannian County*)</li> </ul>	HK\$261 million	By end of March 2024
<ul style="list-style-type: none"> <li>100-megawatt agricultural, photovoltaic and storage integrated power station project located in 武鄉縣 (Wuxiang County*)</li> </ul>	HK\$153 million	By end of December 2023
<ul style="list-style-type: none"> <li>205-megawatt agricultural and photovoltaic complementary power station project located in 通山縣 (Tongshan County*)</li> </ul>	HK\$282 million	By end of December 2023

***Settlement of outstanding project sums***

- (iv) as to approximately HK\$60 million (representing approximately 1.28% of the net proceeds) for settlement of final outstanding sums for completed and fully on-grid power projects; and

***General working capital***

- (v) as to approximately HK\$294 million (representing approximately 6.29% of the net proceeds) for general working capital of the Group (including but not limited to regular management expenses, salary expenses, tax payments and ordinary operating expenses for power stations).

- B. If the Re-financing materialises, the Company intends to apply the net proceeds to be raised from the Subscription in the following manner:

***Repurchase of equity interest pursuant to contractual obligations***

- (i) as to approximately HK\$1,707 million (representing approximately 36.50% of the net proceeds) for the repurchase of equity interest in Beijing Smart pursuant to obligations under the Options;

***Repayment of indebtedness and improvement of gearing ratio***

- (ii) as to approximately HK\$1,820 million (representing approximately 38.91% of the net proceeds) for repayment of various indebtedness of the Group due in the second half of 2022;

***Investments in development of projects of the Group***

- (iii) as to approximately HK\$843 million (representing approximately 18.03% of the net proceeds) for investments in the development of new projects of the Group, the details of which are set out as follows:

(a) as to approximately HK\$146 million for payment of investment sum for the development of the following existing power stations and ancillary facilities projects:

- 50-megawatt photovoltaic power stations and ancillary facilities located in 邯鄲市 (Handan City\*), Hebei Province, the PRC
- 30-megawatt photovoltaic power stations and ancillary facilities located in 南宮市 (Nangong City\*), Hebei Province, the PRC;
- Phase one 100-megawatt agricultural and photovoltaic complementary power station pilot project and phase two 50-megawatt fisheries and photovoltaic complementary power station pilot project located in 開平市 (Kaiping City\*), Guangdong Province, the PRC; and

(b) as to approximately HK\$697 million for payment of investment costs arising from the following upcoming power stations and ancillary facilities projects, which are expected to be conducive to the expansion in terms of market share enjoyed by the Group in other geographical regions in the PRC:

- 200-megawatt agricultural and photovoltaic complementary power station pilot project located in 萬年縣 (Wannian County\*), Jiangxi Province, the PRC;
- 100-megawatt agricultural, photovoltaic and storage integrated power station project located in 武鄉縣 (Wuxiang County\*), Shanxi Province, the PRC;
- 205-megawatt agricultural and photovoltaic complementary power station project located in 通山縣 (Tongshan County\*), Hubei Province, the PRC;

The expected timeline for investments in the development of new projects of the Group are set out as follows:

Proposed use of proceeds	Proposed amount of proceeds allocated	Expected timeline
<b>Development of existing power stations and ancillary facilities projects</b>		
<ul style="list-style-type: none"> <li>• 50-megawatt photovoltaic power stations and ancillary facilities located in 邯鄲市 (Handan City*)</li> </ul>	HK\$21 million	By end of December 2022
<ul style="list-style-type: none"> <li>• 30-megawatt photovoltaic power stations and ancillary facilities located in 南宮市 (Nangong City*)</li> </ul>	HK\$15 million	By end of December 2022
<ul style="list-style-type: none"> <li>• Phase one 100-megawatt agricultural and photovoltaic complementary power station pilot project and phase two 50-megawatt fisheries and photovoltaic complementary power station pilot project located in 開平市 (Kaiping City*)</li> </ul>	HK\$110 million	By end of December 2022
<b>Investment costs arising from upcoming power stations and ancillary facilities projects</b>		
<ul style="list-style-type: none"> <li>• 200-megawatt agricultural and photovoltaic complementary power station pilot project located in 萬年縣 (Wannian County*)</li> </ul>	HK\$261 million	By end of March 2024
<ul style="list-style-type: none"> <li>• 100-megawatt agricultural, photovoltaic and storage integrated power station project located in 武鄉縣 (Wuxiang County*)</li> </ul>	HK\$153 million	By end of December 2023
<ul style="list-style-type: none"> <li>• 205-megawatt agricultural and photovoltaic complementary power station project located in 通山縣 (Tongshan County*)</li> </ul>	HK\$282 million	By end of December 2023

***Settlement of outstanding project sums***

- (iv) as to approximately HK\$60 million (representing approximately 1.28% of the net proceeds) for settlement of final outstanding sums for completed and fully on-grid power projects; and

***General working capital***

- (v) as to approximately HK\$247 million (representing approximately 5.28% of the net proceeds) for general working capital of the Group (including but not limited to regular management expenses, salary expenses, tax payments and ordinary operating expenses for power stations).

The Company confirms that the utilization of the net proceeds from the Subscription as set out above will not involve payment of funds to Shareholders. With respect to utilization of the funds raised from the Subscription, none of the counterparties in the investments and projects or creditors as regards the indebtedness of the Group as mentioned above are Shareholders.

**REASONS FOR AND BENEFITS OF THE SUBSCRIPTION FOR CSFG**

Fighting against climate change is a global trend and mission. In September 2020, the top Chinese leader stated in the General Assembly of the United Nation that China will strive to achieve the goals of carbon peak by 2030 and carbon neutral by 2060. The PRC government has been actively adopting various measures to promote the development and use of renewable and clean energy. China's wind and photovoltaic power capacity is estimated to experience tremendous growth, with total installed power capacity reaching five billion kilowatts by 2050, of which wind and photovoltaic power capacity will account for more than 50% *(Note)*. The CSFG Board considers that the business relating to clean energy has a promising prospect and visible growth trend.

The Group is committed to the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the PRC. It has also been exploring other clean energy businesses and international opportunities for strategic development and diversification, with an aim to become a leading integrated clean energy service provider.

The Subscription will be advantageous to both strategic development and financial performance of the CSFG Group. As result of the Subscription, the Group will become the new energy flagship platform of the CSFG Group, which provides the CSFG Group with effective and efficient access to the renewable and clean energy market, and also serves as another growth engine of CSFG Group and helps achieve further diversification of its business portfolio.

In view of the above, the CSFG Directors are of the view that terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of CSFG and the CSFG Shareholders as a whole.

The Subscriber entered into the SP Agreement with the Vendors in relation to the acquisition of 14,470,000,000 Shares at the consideration of HK\$1,273,360,000 (i.e. HK\$0.088 per Share) by the Subscriber from the Vendors. On 1 March 2022, the Subscriber and the Vendors entered into a termination agreement to terminate the SP Agreement. Please refer to the CSFG 2021 Circular for details. The main reason for terminating the SP Agreement was that the Vendors continued to delay the fulfilment of Conditions Precedent (F) and (G) (as defined in the CSFG 2021 Circular) and it was unlikely that such conditions precedent could be fulfilled by the Vendors. As a result, the SP Agreement was terminated accordingly. When CSFG was aware of that it was unlikely that such conditions precedent could be fulfilled by the Vendors in around late January 2022, CSFG explored the possibility to invest in the Company directly in form of share subscription. After rounds of discussions and negotiations with the Company, CSFG and the Company agreed to entered into the Subscription Agreement.

The Subscriber and CSFG confirm that there is no other understanding, arrangement, agreement or otherwise between them and the Vendors with respect to the Vendors' interests in the Company, including but not limited to any disposal of the Vendors' interests in the Company and/or the voting rights to the Shares held by the Vendors.

*Note:*

According to the "China Energy and Electric Power Development Outlook 2019" released by the State Grid Energy Research Institute.

## **EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Latest Practicable Date, the Company had a total of 63,525,397,057 Shares in issue and 1,010,000,000 outstanding Share Options entitling the holders thereof to subscribe for a total of 1,010,000,000 Shares (representing approximately 1.59% of the total number of Shares in issue). Save for the above, the Company does not have any other Shares, outstanding warrants, options, derivatives or other securities carrying conversion or subscription rights into Shares.



Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon issuance and allotment of the Subscription Shares upon Completion (assuming there is no other change in the total number of Shares); and (iii) immediately upon Completion (assuming there is no other change in the total number of Shares other than the exercise of all the outstanding Share Options):

Name of Shareholder	As at the Latest Practicable Date		Immediately upon Completion (assuming there is no other change in the total number of Shares)		Immediately upon Completion (assuming there is no other change in the total number of Shares other than the exercise of all the outstanding Share Options) (Note 5)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
The Subscriber and parties acting in concert with it	-	-	48,804,039,247	43.45	48,804,039,247	43.06
Fast Top (Note 1)	20,253,164,571	31.88	20,253,164,571	18.03	20,253,164,571	17.87
CTSL Green Power (Note 2)	7,594,936,710	11.96	7,594,936,710	6.76	7,594,936,710	6.70
CTSL New Energy (Note 2)	7,594,936,700	11.96	7,594,936,700	6.76	7,594,936,700	6.70
Tuspark Technology Innovation Ltd. (啟迪科創有限公 司)(Note 4)	4,045,000,000	6.37	4,045,000,000	3.60	4,045,000,000	3.57
Directors						
- Mr. Hu Xiaoyong and his controlled entities (Notes 1, 3, 5 and 6)	2,424,234,285	3.82	2,424,234,285	2.16	2,824,234,285	2.49
- Mr. Tan Zaixing (Notes 1, 5 and 6)	60,000,000	0.09	60,000,000	0.05	400,000,000	0.35
- Mr. Li Fujun (Note 5)	-	-	-	-	10,000,000	0.01
- Mr. Xu Honghua (Note 5)	-	-	-	-	10,000,000	0.01
- Mr. Chiu Kung Chik (Note 5)	-	-	-	-	10,000,000	0.01
Other Public Shareholders	21,553,124,791	33.92	21,553,124,791	19.19	21,793,124,791	19.23
<b>Total</b>	<b>63,525,397,057</b>	<b>100</b>	<b>112,329,436,304</b>	<b>100</b>	<b>113,339,436,304</b>	<b>100</b>

**Notes:**

- BE Group is deemed to be interested in an aggregate of 20,253,164,571 Shares as a result of its indirect holding of such Shares through the following entities:

Name	Number of Shares interested
Fast Top	20,253,164,571
BEWG	20,253,164,571
BE Environmental	20,253,164,571
BEHL	20,253,164,571
BE BVI	20,253,164,571

Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 20,253,164,571 Shares. BEWG is directly held as to approximately 40.66% by BE Environmental, approximately 0.32% by BHL and approximately 15.67% by China Three Gorges Corporation and its subsidiaries as at the Latest Practicable Date. The remaining shares of BEWG are held by public shareholders. BE Environmental is a wholly-owned subsidiary of BEHL, which is in turn held as to approximately 61.96% by BE BVI (by itself and through its subsidiaries) and approximately 0.35% by BHL. The remaining shares of BEHL are held by public shareholders. Both BE BVI and BHL are wholly-owned by BE Group.

Furthermore, (i) Mr. Zhang Tiefu, Mr. Hu Xiaoyong, Mr. Yang Guang and Mr. Tan Zaixing are Directors nominated by BEWG; (ii) Mr. Zhang Tiefu holds positions within BEWG and/or its subsidiaries; and (iii) Mr. Yang Guang is an executive Director involved in the negotiation of the Subscription Agreement.

2. CITIC Securities Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange) is deemed to be interested in an aggregate of 15,189,873,410 Shares as a result of its indirect holding of such Shares through the following entities:

(i) Name	Number of Shares interested
CTSL Green Power	7,594,936,710
CPEChina Fund II, L.P	7,594,936,710
CPEChina Fund IIA, L.P.	7,594,936,710
Citron PE Associates II, L.P.	7,594,936,710
Citron PE Funds II Limited	7,594,936,710
Citron PE Holdings Limited	7,594,936,710
CLSA Global	7,594,936,710
CLSA B.V.	7,594,936,710
CITIC Securities International	7,594,936,710

CTSL Green Power, a company jointly-controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 7,594,936,710 Shares. CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. are two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. is Citron PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of Citron PE Associates II, L.P. is Citron PE Funds II Limited. Citron PE Funds II Limited is wholly-owned by Citron PE Holdings Limited, which is owned as to 35% by CLSA Global. CLSA Global is wholly-owned by CLSA B.V., which is wholly-owned by CITIC Securities International, which is in turn wholly-owned by CITIC Securities Company Limited.

(ii) Name	Number of Shares interested
CTSL New Energy	7,594,936,700
Beijing Xinyu Investment	7,594,936,700
Beijing Youde Investment	7,594,936,700
Shanghai Pannuo	7,594,936,700
CITIC Private Equity Funds	7,594,936,700

CTSL New Energy, a wholly-owned subsidiary of Beijing Xinyu Investment, beneficially holds 7,594,936,700 Shares. Beijing Xinyu Investment is a limited partnership registered under the laws of the PRC. The general partner of Beijing Xinyu Investment is Beijing Youde Investment, a limited partnership registered under the laws of the PRC whose general partner is Shanghai Pannuo, a limited liability company incorporated in the PRC. Shanghai Pannuo is wholly-owned by CITIC Private Equity Funds, which is in turn owned as to 35% by CITIC Securities Company Limited.

3. Mr. Hu Xiaoyong beneficially holds 132,780,000 Shares. 2,285,714,285 Shares and 5,740,000 Shares are held by Zihua Investments Limited and Starry Chance Investments Limited, respectively, both of which are wholly and beneficially owned by Mr. Hu Xiaoyong. Accordingly, Mr. Hu Xiaoyong is deemed to have interests in 2,424,234,285 Shares under the SFO.
4. Tuspark Technology Innovation Ltd (啟迪科創有限公司), a wholly-owned subsidiary of 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.\*), beneficially holds 4,045,000,000 Shares.
5. As at the Latest Practicable Date, the table below sets out details of the outstanding Share Options granted to the Directors under the Share Option Scheme:

Holders of Share Options	Number of outstanding Share Options
Directors	
– Mr. Hu Xiaoyong	400,000,000
– Mr. Tan Zaixing	340,000,000
– Mr. Li Fujun	10,000,000
– Mr. Xu Honghua	10,000,000
– Mr. Chiu Kung Chik	10,000,000
Employees of the Group and associated corporations of the Group	<u>240,000,000</u>
Total	<u><u>1,010,000,000</u></u>

6. Mr. Hu Xiaoyong and Mr. Tan Zaixing, being Directors who hold Shares as at the Latest Practicable Date, are expected to resign as Directors after the EGM but before Completion in full compliance with Rule 7 of the Takeovers Code and the Listing Rules. As such, at Completion, Mr. Hu Xiaoyong and Mr. Tan Zaixing are expected to be public Shareholders and it is expected that not less than 25% of the number of issued Shares will be held by the public (as defined in the Listing Rules).

## **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activities in the past twelve months before the Latest Practicable Date.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER**

As at the Latest Practicable Date, neither the Subscriber, CSFG nor any party acting in concert with them hold or are interested in any Shares or securities of the Company. Immediately upon Completion and assuming no other change in the total number of issued Shares, the Subscriber and parties acting in concert with it (if applicable) will be interested in 48,804,039,247 Shares, representing approximately 43.45% of the total number of Shares in issue as enlarged by the allotment and issue of the Subscription Shares.

Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless, among others, the Whitewash Waiver is granted by the Executive. An application has been made by the Subscriber to the Executive for the Whitewash Waiver in respect of the allotment and issuance of the Subscription Shares.

The Executive has indicated that it is minded to grant the Whitewash Waiver subject to, among other things, the approval of at least 75% votes by the Independent Shareholders present and voting (either in person or by proxy) in respect of the Whitewash Waiver and more than 50% votes of the Independent Shareholders present and voting (either in person or by proxy) in respect of the Subscription (including the Specific Mandate) at the EGM by way of poll.

In accordance with the Listing Rules and Takeovers Code, (i) the Subscriber and parties acting in concert with it; (ii) the Subscriber and its associates; and (iii) any other Shareholders who are involved or interested in the Subscription, the Specific Mandate and/or the Whitewash Waiver (including Fast Top, Mr. Hu Xiaoyong (and his controlled entities) and Mr. Tan Zaixing) shall abstain from voting at the EGM in respect of the resolution(s) approving the Subscription (including the Specific Mandate) and the Whitewash Waiver.

Each of the Subscriber and CSFG confirms that it and the parties acting in concert with it have not acquired voting rights in any Share during the Relevant Period <sup>(Note)</sup>.

As at the Latest Practicable Date, the Subscriber and CSFG have further confirmed that:

- (a) save for the Subscription, the Subscriber, CSFG and parties acting in concert with them have not dealt in any Shares, options, warrants or convertible securities of the Company or any derivatives in respect of such securities during the Relevant Period <sup>(Note)</sup>;
- (b) the Subscriber, CSFG and parties acting in concert with them will not make any acquisitions or disposals of voting rights in the Company in the period between the Latest Practicable Date and the Completion;
- (c) the Subscriber, CSFG and parties acting in concert with them do not own, control or have direction over any voting rights or rights over the Shares, options, warrants or any securities that are convertible into Shares or any derivatives in respect of Shares nor have they entered into any outstanding derivative in respect of securities in the Company;
- (d) the Subscriber, CSFG and parties acting in concert with them have not entered into any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (e) save for the Subscription Agreement, the Subscriber and CSFG have not entered into any agreements or arrangements which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (f) the Subscriber, CSFG or any person acting in concert with them has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (g) the Subscriber and CSFG have not received any irrevocable commitment from any Independent Shareholders that they will vote in favour of the resolution approving the Subscription, the Specific Mandate and/or the Whitewash Waiver at the EGM;
- (h) there is no other understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any Shareholder; and (i) the Subscriber, CSFG and parties acting in concert with them, or (ii) the Company, its subsidiaries or associated companies.

None of Fast Top, CTSL Green Power and CTSL New Energy is acting or presumed to be acting in concert with the Subscriber and CSFG, and none of them was involved in the negotiation process of the Subscription Agreement. None of Mr. Li Fujun, Mr. Xu Honghua or Mr. Chiu Kung Chik was involved in the negotiation process of the Subscription Agreement. As (i) Mr. Zhang Tiefu, Mr. Hu Xiaoyong, Mr. Yang Guang and Mr. Tan Zaixing are Directors nominated by BEWG; (ii) Mr. Zhang Tiefu holds positions within BEWG and/or its subsidiaries; and (iii) Mr. Yang Guang is an executive Director involved in the negotiation of the Subscription Agreement, Fast Top (being a wholly-owned subsidiary of BEWG), Mr. Hu Xiaoyong (and his controlled entities) and Mr. Tan Zaixing are considered to have been involved in the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder.

*Note:*

*The Subscriber (as purchaser) entered into a SP Agreement with CTSL Green Power and CTSL New Energy (as vendors) in relation to the acquisition of 14,470,000,000 Shares at the consideration of HK\$1,273,360,000 (i.e. HK\$0.088 per Share) by the Subscriber from the Vendors. On 1 March 2022, the Subscriber and the Vendors entered into a termination agreement to terminate the SP Agreement. Please refer to the announcements of CSFG dated 23 November 2021, 20 December 2021 and 1 March 2022 and the circular of CSFG dated 7 December 2021 for details. The Subscriber confirms that the completion to the SP Agreement did not take place and thus the Subscriber and the parties acting in concert with it did not acquire any voting rights to any Shares nor exercise of control or direction over any voting rights to any Shares in relation to the SP Agreement. The Subscriber further confirms that no payment was made by the Subscriber to any of the Vendors under the SP Agreement.*

If the Whitewash Waiver is approved by the Independent Shareholders and Completion occurs, the Subscriber will hold between 30% and 50% of the voting rights in the Company and may be subject to the 2% “creeper rule” under Rule 26.1(c) and (d) of the Takeovers Code. Accordingly if the Subscriber acquires additional voting rights and such acquisition has the effect of increasing its holding of voting rights in the Company by more than 2% from the lowest collective percentage holding of the Subscriber in the 12-month period ending on and inclusive of the date of the relevant acquisition, the Subscriber may trigger an obligation to make a mandatory general offer for all the issued Shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it).

If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed.

As at the Latest Practicable Date, the Company does not believe that the Subscription (including the Specific Mandate and Whitewash Waiver) gives rise to any concerns in relation to the compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription (including the Specific Mandate and Whitewash Waiver) does not comply with other applicable rules and regulations.

**The Whitewash Waiver may or may not be granted by the Executive and if granted, will, among others, be subject to the condition that respective resolutions relating to the Whitewash Waiver on one hand, and the Subscription Agreement and the grant of Specific Mandate on the other hand, being separately approved by at least 75% and more than 50%, respectively, of the votes cast by the Independent Shareholders at the EGM by way of poll. Completion is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders.**

#### **MINIMUM PUBLIC FLOAT IN THE SHARES**

According to the Listing Rules, if, at Completion, less than the minimum prescribed percentage applicable to the Company, being 25% of the number of issued Shares, are held by the public (as defined in the Listing Rules), or if the Stock Exchange believes that: (a) a false market exists or may exist in the trading of the Shares; or (b) there are insufficient Shares in public hands (as defined in the Listing Rules) to maintain an orderly market, the Stock Exchange may exercise its discretion to suspend dealings in the Shares.

It is the intention of the Board and the Subscriber that the Company will remain listed on the Stock Exchange after Completion. Mr. Hu Xiaoyong and Mr. Tan Zaixing, being Directors who hold Shares as at the Latest Practicable Date, are expected to resign as Directors after the EGM but before Completion in full compliance with Rule 7 of the Takeovers Code and the Listing Rules. As such, at Completion, Mr. Hu Xiaoyong and Mr. Tan Zaixing are expected to be public Shareholders and it is expected that not less than 25% of the number of issued Shares will be held by the public (as defined in the Listing Rules). The Company and the Subscriber will undertake to the Stock Exchange to take appropriate steps to ensure that not less than 25% of the issued Shares will be held by the public (as defined in the Listing Rules) after Completion.

#### **ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik, in compliance with Rule 2.8 of the Takeovers Code, has been formed to advise the Independent Shareholders as to whether the terms of the Subscription Agreement, the Specific Mandate and/or the Whitewash Waiver are fair and reasonable and on how to vote at the EGM.

None of the members of the Independent Board Committee has any interest or involvement in the Subscription Agreement, the Specific Mandate and/or the Whitewash Waiver.

#### **APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser with the Independent Board Committee's approval to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Specific Mandate and/or the Whitewash Waiver.

## EGM

The EGM will be held to consider and, if thought fit, pass resolutions to approve, among other matters, the Subscription Agreement, the Specific Mandate and the Whitewash Waiver.

A notice convening the EGM to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 29 April 2022 at 4:00 p.m. is set out on pages 106 to 108 of this circular.

**It is possible that Shareholders and/or their representatives may not be able to attend in person at the EGM venue depending on prevailing regulations imposed by the Hong Kong Government. For the health and safety of Shareholders, the Company strongly encourages Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM (who is expected to be an independent non-executive Director) as their proxy and to return their forms of proxy by the time specified below, instead of attending the EGM in person.**

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but 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 Shareholders from attending and voting at the EGM or any adjournment thereof should you so wish.

**The precautionary measures to be implemented at the EGM set out in the section headed "Precautionary measures for the EGM" in this circular.**

Pursuant to Rule 13.39(4) of the Listing Rules, all votes for the Shareholders at a general meeting must be taken by poll. As such, all resolutions to be proposed at the EGM will be put to vote by way of poll.

As (i) Mr. Zhang Tiefu, Mr. Hu Xiaoyong, Mr. Yang Guang and Mr. Tan Zaixing are Directors nominated by BEWG; (ii) Mr. Zhang Tiefu holds positions within BEWG and/or its subsidiaries; and (iii) Mr. Yang Guang is an executive Director involved in the negotiation of the Subscription Agreement, Fast Top (being a wholly-owned subsidiary of BEWG), Mr. Hu Xiaoyong (and his controlled entities) and Mr. Tan Zaixing are considered to have been involved in the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder. Accordingly, Fast Top, Mr. Hu Xiaoyong (and his controlled entities) and Mr. Tan Zaixing will be required to abstain from voting on the resolution(s) to approve the Subscription, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder at the EGM.



## RECOMMENDATION

Your attention is drawn to (i) the letter of recommendation from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription, the Specific Mandate and the Whitewash Waiver; and (ii) the letter of advice from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Subscription, the Specific Mandate and the Whitewash Waiver.

The Board (including the members of the Independent Board Committee whose opinion is set out in the “Letter from the Independent Board Committee” in this circular after taking into account the advice of the Independent Financial Adviser) that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder were arrived at after arm’s length negotiation between the Company and the Subscriber which are on normal commercial terms, and the Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

**Warning: The Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the sub-section headed “The Subscription Agreement – Conditions Precedent” in this circular, including approval at the EGM by the Independent Shareholders of the Subscription and the Whitewash Waiver, approval at the CSFG SGM of the Subscription, and the grant of the Whitewash Waiver by the Executive. As such, the Subscription may or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

## ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

Yours Faithfully,  
On Behalf of the Board  
**Beijing Enterprises Clean Energy Group Limited**

  
\_\_\_\_\_  
**Zhang Tiefu**

\_\_\_\_\_  
**Hu Xiaoyong**

*Joint Chairmen*

Yours Faithfully,  
On Behalf of the Board  
Beijing Enterprises Clean Energy Group Limited

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Zhang Tiefu



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Hu Xiaoyong

*Joint Chairmen*