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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)

DISCLOSEABLE TRANSACTION
(1) ACQUISITION OF THE ENTIRE EQUITY INTEREST
IN THE TARGET COMPANY; AND
(2) THE DEBT SETTLEMENT AGREEMENT

THE EQUITY TRANSFER AGREEMENT

On 22 December 2017, the Vendors and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to dispose of, the entire equity interest in the Target Company.

Upon completion of the Equity Transfer, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

THE DEBT SETTLEMENT AGREEMENT

In connection with the Equity Transfer Agreement, on 22 December 2017, the Purchaser, the Vendors, the Target Company, the Project Company and the EPC Contractor entered into the Debt Settlement Agreement, pursuant to which the parties agreed to the terms relating to the settlement arrangement of the liabilities of the Target Company and the Project Company in relation to the Project.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable ratios set out in Rule 14.07 of the Listing Rules in respect of the Transactions is more than 5% and all of such ratios are below 25%, the Transactions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

On 22 December 2017, the Vendors and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to dispose of, the entire equity interest in the Target Company.

The material terms of the Equity Transfer Agreement are as follows:

Date

22 December 2017

Parties

- (1) the Vendor A (as one of the vendors);
- (2) the Vendor B (as one of the vendors);
- (3) the Vendor C (as one of the vendors); and
- (4) the Purchaser (as the purchaser).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Vendors and their ultimate beneficial owner(s) are independent of the Company and its connected persons.

Subject Matter

Pursuant to the terms of the Equity Transfer Agreement, the Purchaser agreed to acquire, and the Vendors agreed to dispose of, the entire equity interest in the Target Company.

Consideration

The Consideration payable by the Purchaser under the Equity Transfer Agreement is RMB169,350,863, which shall be satisfied in accordance with the Debt Settlement Agreement as detailed in the section headed “THE DEBT SETTLEMENT AGREEMENT” below.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors with reference to, among others, the consolidated net asset value of the Target Company and the business prospects of the Project. The Consideration will be financed by internal resources and/or bank borrowings of the Group.

Completion of the Equity Transfer

Pursuant to the terms of the Equity Transfer Agreement, the Vendors shall complete the change of business registration necessary for the completion of the Equity Transfer and obtain a new business licence of the Target Company reflecting the Equity Transfer within three business days from the date of the Equity Transfer Agreement.

Upon completion of the Equity Transfer, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

THE DEBT SETTLEMENT AGREEMENT

In connection with the Equity Transfer Agreement, on 22 December 2017, the Purchaser, the Vendors, the Target Company, the Project Company and the EPC Contractor entered into the Debt Settlement Agreement, pursuant to which the parties agreed to the terms relating to the settlement arrangement of the liabilities of the Target Company and the Project Company in relation to the Project.

The material terms of the Debt Settlement Agreement are as follows:

Date

22 December 2017

Parties

- (1) the Purchaser;
- (2) the Vendor A;
- (3) the Vendor B;
- (4) the Vendor C;
- (5) the Target Company;
- (6) the Project Company; and
- (7) the EPC Contractor.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Vendors, the Target Company, the Project Company, the EPC Contractor and their ultimate beneficial owner(s) are independent of the Company and its connected persons.

Major Terms

Pursuant to the Debt Settlement Agreement, the parties acknowledged that the Debt amounted to RMB626,389,137 and the Purchaser shall repay the Debt for and on behalf of the Target Company and the Project Company. Any additional liabilities of the Target Company and the Project Company as at 30 November 2017 shall be payable by the Vendors and the Vendors shall compensate the Purchaser for any loss that the Purchaser may suffer as a result of such additional liabilities of the Target Company and the Project Company.

When the Purchaser has paid for and on behalf of the Target Company and the Project Company the funds to all creditors or their designated payees in the manner prescribed under the Debt Settlement Agreement, the Purchaser is deemed to have repaid the equivalent amount of the Debt for and on behalf of the Target Company and the Project Company.

Pursuant to the Debt Settlement Agreement, the Consideration of RMB169,350,863 and the Debt to be repaid by the Purchaser for and on behalf of the Target Company and the Project Company of RMB626,389,137 amounted to RMB795,740,000 in aggregate, which shall be made by the Purchaser in four instalments as follows:

First instalment

Within two business days from the date of the Debt Settlement Agreement, the Purchaser shall settle amounts of RMB50,000,000 and RMB10,740,000 to the bank accounts designated by the EPC Contractor and of a creditor of the Target Company and the Project Company respectively as settlements of part of the Debt. In addition, the Purchaser and the EPC Contractor shall set up an escrow account (the “**Escrow Account**”) in the name of the EPC Contractor and an amount of RMB140,000,000 (the “**Escrow Account Payment**”) shall be payable by the Purchaser depositing into the Escrow Account no later than the third business day after the set-up of the Escrow Account.

The EPC Contractor shall (1) provide to the Purchaser the construction and operational information in relation to the Project as specified in the Debt Settlement Agreement no later than the second business day after the payment of the Escrow Account Payment; and (2) complete the procedures for the release of the Equity Pledge and the Other Pledges. Upon completion of the above, the parties to the Escrow Account shall (1) procure the Escrow Account Payment to be released from the Escrow Account and paid to the EPC Contractor; and (2) settle an amount of RMB300,000,000 to the EPC Contractor as settlements of part of the Debt.

Second instalment

The Vendors shall, among others, (1) complete the change of business registration necessary for the completion of the Equity Transfer and obtain a new business licence of the Target Company reflecting the Equity Transfer; (2) provide to the Purchaser information of the Target Company and the Project Company including but not limited to the statutory, operational and financial information; (3) complete the handover of the board of directors of the Target Company and the Project Company to the Purchaser; and (4) complete the appointment of the Purchaser's personnel as the supervisor and general manager of the Target Company and the Project Company. Upon completion of the above, the Purchaser shall settle an amount of RMB54,000,000 to the Vendors as settlement of part of the Consideration.

Within 5 business days from the date of completing the change of business registration necessary for the completion of the Equity Transfer and obtaining a new business licence of the Target Company reflecting the Equity Transfer, the Vendors shall complete the remaining handover procedures of the Target Company and the Project Company including, among others, the verification of the assets of the Target Company and the Project Company by the Purchaser. Upon completion of the above, the purchaser shall settle an amount of RMB17,358,647 to the Vendors as settlement of part of the Consideration.

Third instalment

The third instalment in the amount of RMB168,641,353 consists of the following three tranches:

- (1) the first tranche in the amount of RMB55,000,000 shall be payable by the Purchaser to the EPC Contractor as settlement of part of the Debt after the EPC Contractor completes each of the rectification works of the Project as specified in the Debt Settlement Agreement;
- (2) the second tranche in the amount of RMB97,992,216 shall be payable by the Purchaser to the Vendors as settlement of the remaining Consideration after the Vendors complete each of the rectification works of the Project as specified in the Debt Settlement Agreement; and

- (3) the third tranche in the amount of RMB15,649,137 shall be payable by the Purchaser to the respective accounts of the creditors of the Target Company and the Project Company as settlement of part of the Debt in accordance with the respective agreements entered into between the Target Company, the Project Company and the respective creditors.

Fourth instalment

The fourth instalment in the amount of RMB55,000,000 is the quality assurance fund and is for the settlement of the remaining Debt. The quality assurance period of one year commences from the second month of the date of the releases of the Equity Pledge and Other Pledges.

The Purchaser shall settle the first tranche of the quality assurance fund of RMB27,500,000 to the EPC Contractor within two business days after the Purchaser or the Project Company verifies the letters of guarantee in an amount of RMB27,500,000 to be provided by the EPC Contractor in favour of the Project Company covering the term of the quality assurance period. The second tranche of the quality assurance fund in an amount of RMB27,500,000 shall be payable by the Purchaser to the EPC Contractor upon the end of the quality assurance period and the completion of the examination of the Project by the Purchaser in accordance with the terms specified in the Debt Settlement Agreement.

During the quality assurance period, the problems identified in the course of examination of the Project shall be rectified by the EPC Contractor within the prescribed period. The Purchaser may deduct any loss arising from the rectification failure of the EPC Contractor from the letters of guarantee or the quality assurance fund.

INFORMATION OF THE GROUP, THE COMPANY AND THE PURCHASER

The principal business activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power plants, photovoltaic power-related businesses and wind power-related business in the PRC. It also had a non-core business in the design, printing and sale of cigarette packages in the PRC.

The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in the provision of consultancy services in relation to photovoltaic power business.

INFORMATION OF THE VENDOR B AND THE VENDOR C

The Vendor B is a company established in the PRC with limited liability and is principally engaged in the research, development, production and sale of clean energy and power-related equipment.

The Vendor C is a company established in the PRC with limited liability and is principally engaged in the industrial waste treatment business.

INFORMATION OF THE TARGET COMPANY AND THE PROJECT COMPANY

The Target Company is a company established in the PRC with limited liability and is wholly-owned by the Vendors as at the date of this announcement. It is principally engaged in the clean energy business and owns the entire equity interest in the Project Company as at the date of this announcement.

The Project Company is a company established in the PRC with limited liability and is wholly-owned by the Target Company as at the date of this announcement. It is principally engaged in the investment, development and operation of the Project.

Based on the unaudited consolidated financial information provided by the Target Company, as at 30 November 2017, the consolidated net and total assets of the Target Company amounted to approximately RMB25,231,000 and RMB651,788,000, respectively.

The table below sets forth the unaudited consolidated net losses before and after taxation of the Target Company for the financial period from 30 August 2016 (date of incorporation) to 31 December 2016 based on the unaudited consolidated financial information provided by the Target Company:

	For the financial period from 30 August 2016 (date of incorporation) to 31 December 2016 (approximately) (RMB)
Loss before taxation	157,000
Loss after taxation	157,000

INFORMATION OF THE EPC CONTRACTOR

The EPC Contractor is a company established in the PRC with limited liability and is principally engaged in the investment, development, design, construction and operation of clean energy business and the production of clean energy-related equipment.

REASONS FOR AND BENEFIT OF THE TRANSACTIONS

The terms of the Equity Transfer Agreement and the Debt Settlement Agreement were determined after arm's length negotiations between or among the Purchaser and the Vendors (and the EPC Contractor in respect of the Debt Settlement Agreement). The Transactions provide the Company with an opportunity to acquire the rights and interests in the Project, which is located in the Ningxia Hui Autonomous Region, the PRC. Despite locating in the photovoltaic resource area 1 as promulgated by the National Development and Reform Commission of the PRC, favourable investment return is still expected to be generated having considered the investment cost to be made by the Group and the curtailment issue of the Project.

Furthermore, the Debt Settlement Agreement would clarify the positions of the relevant parties with respect to their respective rights and obligations arising from and in connection with the Project.

In view of the above, the Directors consider that the terms of the Equity Transfer Agreement and the Debt Settlement Agreement and the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable ratios set out in Rule 14.07 of the Listing Rules in respect of the Transactions is more than 5% and all of such ratios are below 25%, the Transactions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Beijing Enterprises Clean Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the maximum amount of consideration payable by the Purchaser under the Equity Transfer Agreement in relation to the Equity Transfer
“Debt”	the debt of the Target Company and the Project Company in the sum of RMB626,389,137, being the amount of liabilities of the Target Company and the Project Company arising from the Project as at 30 November 2017
“Debt Settlement Agreement”	the debt assumption and settlement agreement dated 22 December 2017 entered into among the Purchaser, the Vendors, the Target Company, the Project Company and the EPC Contractor in respect of the settlement arrangements of the liabilities of the Target Company and the Project Company in relation to the Project
“Director(s)”	the director(s) of the Company
“EPC Contractor”	a company established in the PRC with limited liability

“Equity Pledge”	the pledge of 100% equity interest in the Project Company given by the Target Company in favour of the EPC Contractor
“Equity Transfer”	the acquisition of the entire equity interest in the Target Company by the Purchaser from the Vendors in accordance with the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 22 December 2017 entered into among the Vendors and the Purchaser in respect of the Equity Transfer
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatts, which is equal to 1,000,000 watts
“Other Pledges”	the pledges on the assets of the Project and the electricity bills receivables given by the Project Company in favour of the EPC Contractor
“PRC”	the People’s Republic of China, which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project”	a 100MW photovoltaic power plant in 中寧縣 (Zhongning County*), the Ningxia Hui Autonomous Region, the PRC

“Project Company”	中寧縣興業錦繡新能源有限公司 (Zhongning County Xingyejinxiu New Energy Co. Ltd.*), a company established in the PRC with limited liability which invests, develops and operates the Project
“Purchaser”	天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	寧夏錦繡龍騰新能源有限公司 (Ningxia Jinxiulongteng New Energy Co. Ltd.*), a company established in the PRC with limited liability and owns the entire equity interest in the Project Company as at the date of this announcement
“Transactions”	the transactions contemplated under the Equity Transfer Agreement and the Debt Settlement Agreement
“Vendors”	the Vendor A, the Vendor B and the Vendor C
“Vendor A”	徐西昌 (Xu Xichang*), the owner of the 32% equity interest in the Target Company as at the date of this announcement

- “Vendor B” 西安龍騰新能源科技發展有限公司 (Xi’an Lonten Renewable Energy Technology Inc.*), the owner of the 33% equity interest in the Target Company as at the date of this announcement
- “Vendor C” 寧夏錦繡集團有限公司 (Ningxia Fair View Group Co. Ltd.*), the owner of the 35% equity interest in the Target Company as at the date of this announcement
- “%” per cent

By Order of the Board
Beijing Enterprises Clean Energy Group Limited
Hu Xiaoyong
Chairman

Hong Kong, 22 December 2017

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Hu Xiaoyong, Mr. Shi Xiaobei, Mr. Huang Weihua, Mr. Wang Ye and Mr. Wen Hui as executive Directors; and Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik as independent non-executive Directors.

* for identification purposes only