
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Beijing Enterprises Clean Energy Group Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



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)

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

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



**Lego Corporate
Finance Limited**
力高企業融資有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 14 to 46 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 47 to 48 of this circular.

A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 49 to 73 of this circular.

A notice convening the EGM to be held at 4:00 p.m. on Friday, 29 April 2022 at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages 106 to 108 of this circular. A form of proxy for use at the EGM or any adjournment thereof (as the case may be) is enclosed. Whether or not you propose to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. at 4:00 p.m. on 27 April 2022) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders of the Company and to prevent the spreading of the novel coronavirus (COVID-19) pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Limiting the number of the attendees to avoid over-crowding
- (2) Compulsory body temperature screening/checks
- (3) Compulsory wearing of face mask
- (4) Maintaining an appropriate social distancing between seats
- (5) No provision of food or beverages and no distribution of gifts

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. Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM and may complete, sign and return the voting slips to exercise their voting rights. For the health and safety of Shareholders of the Company, 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 above, instead of attending the EGM in person.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the website of the Company at <http://www.bece.com.hk> and the website of the Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> for future announcements and updates on the EGM arrangements when necessary.

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE EGM	1
DEFINITIONS	4
LETTER FROM THE BOARD	14
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	47
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	49
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	74
APPENDIX II – GENERAL INFORMATION	78
NOTICE OF EGM	106

PRECAUTIONARY MEASURES FOR THE EGM

In consideration of the control and prevent of spreading of novel coronavirus disease (“COVID-19”) pandemic, the following precautionary measures will be implemented at the EGM so as to safeguard the health and safety of the Shareholders who might be attending the EGM in person:

Voting by proxy in advance of the EGM: The Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect Shareholders from possible exposure to the COVID-19 pandemic. **The Company would like to remind the Shareholders that 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, including but not limited to any ban on conducting physical general meetings of companies under the Regulations (as defined below). Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM and may complete, sign and return the voting slips to exercise their voting rights.**

For the health and safety of Shareholders, the Company would strongly encourage 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 instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.

Completed forms of proxy must be returned to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.

Appointment of proxy by non-registered Shareholders: non-registered Shareholders whose Shares are held through banks, brokers, custodians or The Hong Kong Securities Clearing Company Limited should consult directly with their banks or brokers or custodians (as the case may be) to assist them in the appointment of proxy.

PRECAUTIONARY MEASURES FOR THE EGM

LIMITING ATTENDANCE IN PERSON AT THE EGM VENUE

Under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong) and the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation 2020 (Chapter 599G of the Laws of Hong Kong) (the “**Regulations**”), group gatherings (including but not limited to conducting physical general meetings of companies) are restricted (the “**Requirement**”). As at the Latest Practicable Date, the Regulations include a ban on conducting physical general meetings of companies during a “specified period” (as defined in the Regulations), which, according to announcements made by the Hong Kong Government, is to remain in effect until 20 April 2022 (but may be extended by the Hong Kong Government). As announced by the Hong Kong Government, the existing social distancing measures can be eased from 21 April 2022 onwards on the condition that the epidemic situation shows no signs of a rebound and the downward trend continues. The relaxation will be carried out in three phases over a period of three months. Taking into consideration the Company’s understanding as at the Latest Practicable Date, the Company will limit attendance in person at the EGM venue in compliance with the Requirement prevailing at the time of the EGM. Given the limited capacity of the EGM venue and the requirements for social distancing to ensure attendee safety, only Shareholders and/or their representatives and relevant EGM staff will be admitted to the EGM. Admission to the EGM venue will not be granted in excess of the capacity of the EGM venue. Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM and may complete, sign and return the voting slips to exercise their voting rights.

PHYSICAL ATTENDANCE

The Company will also implement the following additional precautionary measures at the EGM to ensure the health and safety of the attendees at the EGM:

- (1) Compulsory body temperature screening/checks will be carried out on every attendee before registration at the entrance of 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company reserves the right to deny entry of any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms into the EGM venue or require such person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.
- (2) Every attendee will be compulsorily required to wear a face mask throughout the EGM and every attendee will be assigned a designated seat at the time of registration to ensure social distancing.
- (3) No food or beverages will be served and no gifts will be distributed to attendees at the EGM.

PRECAUTIONARY MEASURES FOR THE EGM

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to any prescribed quarantine by the Government or has close contact with any person under quarantine; (c) is subject to the Government's prescribed testing requirement or direction and has not tested negative; or (d) has any flu-like symptoms or is otherwise unwell will be denied entry into or be required to leave the EGM venue at the absolute discretion of the Company as permitted by law.

Shareholders are requested (a) to consider carefully the risk of attending the EGM, which will be held in an enclosed environment, (b) to follow any prevailing requirements or guidelines of the Government relating to COVID-19 in deciding whether or not to attend the EGM; and (c) not to attend the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Attendees are requested to observe and practice good personal hygiene at all times at the EGM venue.

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, including but not limited to any ban on conducting physical general meetings of companies under the Regulations. Shareholders are strongly encouraged to appoint the chairman of the EGM (who is expected to be an independent non-executive Director) as their proxy to vote on the resolutions to be proposed at the EGM, instead of attending the EGM in person.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the website of the Company at <http://www.bece.com.hk> and the website of the Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk/> for future announcements and updates on the EGM arrangements when necessary.

If any Shareholder has any question relating to the EGM arrangements, please contact Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990
Website: www.computershare.com/hk/contact

The contact details set out above are for the purpose of providing Shareholders with information on administrative and logistical matters only. No advice or other information relating to the Subscription, the Specific Mandate and/or the Whitewash Waiver will be provided by Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong. Shareholders and potential investors are advised to read this circular for details of the Subscription, the Specific Mandate and/or the Whitewash Waiver.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Takeovers Code or the Listing Rules (as the case may be)
“Banks”	a syndicate of banks, being (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, any party acting in concert with it, CSFG and its connected persons. As at the Latest Practicable Date, none of the Banks is a Shareholder
“Board”	the board of Directors
“BE BVI”	Beijing Enterprises Group (BVI) Company Limited, the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“BE Environmental”	Beijing Enterprises Environmental Construction Limited, the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“BE Group”	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“BEHL”	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 392)
“Beijing Xinyu Investment”	北京信聿投資中心(有限合夥)(Beijing Xinyu Investment Centre (Limited Partnership)*), the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular

DEFINITIONS

“Beijing Youde Investment”	北京宥德投資管理中心(有限合夥)(Beijing Youde Investment Management Centre (Limited Partnership)*), the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“Beiqing Smart”	天津北清電力智慧能源有限公司 (Tianjin Beiqing Electric Smart Energy Co., Ltd.*), formerly known as 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Co., Ltd.*), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“BENE”	北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“BEWG”	Beijing Enterprises Water Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 371)
“BHL”	Beijing Holdings Limited, the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong

DEFINITIONS

“Capital Contribution Agreements”	the capital contribution agreements and the supplemental agreements dated 27 December 2019, 30 July 2020, 11 December 2020, 26 March 2021 and 17 September 2021, entered into between, amongst others, Beiqing Smart and the Investors (as applicable), as supplemented by supplemental agreements entered into between the parties, as more particularly set out in 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
“CITIC Private Equity Funds”	中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd.*), the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“CITIC Securities International”	CITIC Securities International Company Limited, the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“CLSA Global”	CLSA Global Investments Management Limited, the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“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 (Stock Code: 1250)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the second Business Day after all the conditions precedent have been fulfilled or waived (as the case may be), or such other date as may be agreed by the Subscriber and the Company in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“CSFG”	China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 412)
“CSFG Board”	the board of CSFG Directors
“CSFG Director(s)”	the director(s) of CSFG
“CSFG Group”	CSFG and its subsidiaries
“CSFG SGM”	a special general meeting of CSFG to be convened and held at the time, date and location to be further announced by CSFG for the CSFG Shareholders to consider and, if thought fit, approve, among others, the Subscription
“CSFG Shares”	shares of CSFG
“CSFG Shareholder(s)”	holder(s) of the CSFG Shares
“CSFG 2021 Circular”	the announcements of CSFG dated 23 November 2021, 20 December 2021 and 1 March 2022 and the circular of CSFG dated 7 December 2021
“CTSL Green Power”	CTSL Green Power Investment Limited, the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“CTSL New Energy”	CTSL New Energy Investment Limited, the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“Deposit”	a refundable deposit in the sum of HK\$200,000,000 payable by the Subscriber to the Company within two Business Days after the date of the Subscription Agreement
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be convened and held at 4:00 p.m. on Friday, 29 April 2022 at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the Independent Shareholders to consider and, if thought fit, approve, among others, the Subscription, the Specific Mandate and the Whitewash Waiver
“Enlarged CSFG Group”	the CSFG Group as enlarged by the Subscription immediately after Completion
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Fast Top”	Fast Top Investment Limited, a wholly-owned subsidiary of BEWG
“First Round Investors”	天津市平安消費科技投資合夥企業(有限合夥)(Tianjin Ping An Consumption Technology Investment Partnership (Limited Partnership)*), 嘉興智精投資合夥企業(有限合夥)(Jiaying Zhijing Investment Partnership Enterprise (Limited Partnership)*), 嘉興智精恒錦投資合夥企業(有限合夥)(Jiaying Zhijing Hengjin Investment Partnership Enterprise (Limited Partnership)*) and 嘉興智精恒睿投資合夥企業(有限合夥)(Jiaying Zhijing Hengrui Investment Partnership Enterprise (Limited Partnership)*)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Board comprising all three independent non-executive Directors, namely Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik, established in compliance with Rule 2.8 of the Takeovers Code, who have no direct or indirect interest in the Subscription, the Specific Mandate or the Whitewash Waiver

DEFINITIONS

“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO, being the independent financial adviser appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Specific Mandate and/or the Whitewash Waiver
“Independent Shareholders”	Shareholder(s) other than: (i) the Subscriber, CSFG and parties acting in concert with them; (ii) those who are involved in or interested in the Subscription Agreement, the Specific Mandate and/or the Whitewash Waiver (including Fast Top, Mr. Hu Xiaoyong (and his controlled entities) and Mr. Tan Zaixing); and (iii) those who are required to abstain from voting at the EGM to consider and approve the Subscription Agreement, the Specific Mandate and/or the Whitewash Waiver under the Listing Rules and/or the Takeovers Code
“Investors”	the investors who have made capital contributions to Beijing Smart in its four rounds of fund-raising under the Capital Contribution Agreements, including, amongst others, the First Round Investors, Second Round Investors and Third Round Investor
“Joint Announcement”	the announcement jointly issued by the Company and CSFG dated 14 March 2022 in relation to, among other things, the Subscription, the Specific Mandate and the Whitewash Waiver;
“Last Trading Day”	4 March 2022, being the last full trading day of the Shares before the release of the Joint Announcement
“Latest Practicable Date”	30 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Long Stop Date”	30 April 2022, which will be automatically extended to 20 May 2022 if, amongst others, CSFG and the Company having despatched their respective circulars in respect of the Subscription on or before 30 April 2022. Nonetheless, the Long Stop Date may be extended by mutual agreement between the Subscriber and the Company
“MW”	megawatts, which is equal to 1,000,000 watts
“Options”	the conditional options granted to the First Round Investors, Second Round Investors and Third Round Investor to request BENE or Beiqing Smart to repurchase its equity interests in Beiqing Smart. For more details, please refer to the sub-section headed “Reasons for and benefits of the Subscription for the Company – Options under the Capital Contribution Agreements” of this circular
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region)
“Re-financing”	the re-financing of the Syndicated Loan by way of debt financing or other means of fund-raising
“Relevant Period”	the period beginning six months (i.e. 14 September 2021) immediately prior to the date of the Joint Announcement and ending on the Latest Practicable Date
“return on equity”	calculated based on the profit for the year attributable to equity holders of a company divided by the average of equity attributable to equity holders of such company as of the beginning and the end of the relevant year and multiplied by 100%
“RMB”	Renminbi, the lawful currency of the PRC
“Second Round Investors”	深圳市海匯全贏投資諮詢合夥企業(有限合夥)(Shenzhen Haihui Quanying Investment Consulting Partnership Enterprise (Limited Partnership)*) and 啟鷺(廈門)股權投資合夥企業(有限合夥)(Qilu (Xiamen) Equity Investment Partnership Enterprise (Limited Partnership)*)

DEFINITIONS

“SDHS Group”	Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司), a company established in the PRC with limited liability and a controlling shareholder of CSFG
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Shanghai Pannuo”	上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*), the details of which are set out in the section headed “Effect on the Shareholding Structure of the Company” of this circular
“Shares”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option(s)”	share options granted by the Company under the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted by the Shareholders on 11 June 2013
“SP Agreement”	a share purchase agreement dated 23 November 2021 entered into between the Subscriber (as purchaser) and the Vendors in relation to the acquisition of 14,470,000,000 Shares at the consideration of HK\$1,273,360,000
“Specific Mandate”	the specific mandate proposed to be considered, approved and granted by the Independent Shareholders at the EGM to authorize the Board to allot and issue and/or deal in the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Profit Plan Global Investment Limited, a company incorporated in British Virgin Islands with limited liability, being the subscriber under the Subscription Agreement and an indirect wholly-owned subsidiary of CSFG

DEFINITIONS

“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 4 March 2022 and entered into between the Company and the Subscriber in connection with the Subscription
“Subscription Price”	HK\$0.096 per Subscription Share
“Subscription Shares”	a total of 48,804,039,247 new Shares to be issued and allotted by the Company and subscribed by the Subscriber pursuant to the Subscription Agreement
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Cap 622 of the laws of Hong Kong)
“Surviving Provisions”	provisions in the Subscription Agreement relating to the Deposit, definition and interpretation, conditions precedent, confidentiality, entire agreement and non-reliance, general provisions, notice and other communication, termination and governing laws and dispute resolution
“Syndicated Loan”	a term loan facility due June 2022 provided to the Group by the Banks
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Third Round Investor”	橙葉智成(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhicheng (Zibo) Equity Investment Partnership Enterprise (Limited Partnership)*)
“Vendors”	CTSL Green Power and CTSL New Energy

DEFINITIONS

“Whitewash Waiver”	the whitewash waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of any obligation of the Subscriber to make a mandatory general offer for all the issued Shares and other securities of the Company not already owned, controlled or agreed to be acquired by the Subscriber and any parties acting in concert with it (if applicable) which might otherwise arise as a result of the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“%”	per cent

* *For identification purpose only*

In this circular, if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC or Chinese government authorities or departments and their English translations, the Chinese names shall prevail.

LETTER FROM THE BOARD



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:

Windward 3, Regatta Office Park
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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

- (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 ^(Note)), 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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:

	For the year ended 31 December		
	2021	2020	2019
	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
		(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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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:

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

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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

- (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;

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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:

LETTER FROM THE BOARD

- (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;

LETTER FROM THE BOARD

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
Development of existing power stations and ancillary facilities projects		
• 50-megawatt photovoltaic power stations and ancillary facilities located in 邯鄲市 (Handan City*)	HK\$21 million	By end of December 2022
• 30-megawatt photovoltaic power stations and ancillary facilities located in 南宮市 (Nangong City*)	HK\$15 million	By end of December 2022
• 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*)	HK\$110 million	By end of December 2022
Investment costs arising from upcoming power stations and ancillary facilities projects		
• 200-megawatt agricultural and photovoltaic complementary power station pilot project located in 萬年縣 (Wannian County*)	HK\$261 million	By end of March 2024
• 100-megawatt agricultural, photovoltaic and storage integrated power station project located in 武鄉縣 (Wuxiang County*)	HK\$153 million	By end of December 2023
• 205-megawatt agricultural and photovoltaic complementary power station project located in 通山縣 (Tongshan County*)	HK\$282 million	By end of December 2023

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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
Total	63,525,397,057	100	112,329,436,304	100	113,339,436,304	100

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

(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	240,000,000
Total	1,010,000,000

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).

LETTER FROM THE BOARD

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 ^(Note).

LETTER FROM THE BOARD

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 ^(Note);
- (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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 and Hu Xiaoyong
Joint Chairmen

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription, the Specific Mandate and the Whitewash Waiver for the purpose of inclusion in this circular.



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)

1 April 2022

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 1 April 2022 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed to form the Independent Board Committee to advise you in connection with the Subscription, the Specific Mandate and the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 14 to 46 of the Circular, and the letter from the Independent Financial Adviser, as set out on pages 49 to 73 of the Circular. Having considered the terms of the Subscription Agreement, the Specific Mandate and the Whitewash Waiver, the advice given by Lego Corporate Finance Limited, the Independent Financial Adviser, and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the Subscription Agreement, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve, among other things, the Subscription, the Specific Mandate and the Whitewash Waiver.

Yours Faithfully,

On Behalf of the Independent Board Committee of
Beijing Enterprises Clean Energy Group Limited

Mr. Li Fujun

*Independent Non-executive
Director*

Mr. Xu Honghua

*Independent Non-executive
Director*

Mr. Chiu Kung Chik

*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this Circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Specific Mandate and the Whitewash Waiver.



1 April 2022

*To: The Independent Board Committee and the Independent Shareholders
of Beijing Enterprises Clean Energy Group Limited*

Dear Sirs or Madams,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser, as approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Specific Mandate and the Whitewash Waiver, details of which are set out in the circular of the Company dated 1 April 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 and 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 are obtained in accordance with the Takeovers Code. 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 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.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests in the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, we have not entered into any engagement with the Company, the Subscriber or any of their respective subsidiaries or associates. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we have or will receive any fees or benefits from the Group, the Subscriber, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are qualified to give independent advice in respect of the Subscription, the Specific Mandate and the Whitewash Waiver.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the Latest Practicable Date and will continue to be true up to the time of the EGM, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such information provided and representations made, or if there is any change to our opinion.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Company or the Subscriber or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Financial information of the Group

The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power business, wind power business and clean heat supply business in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2020

The Group recorded revenue of approximately HK\$5,551.8 million for the year ended 31 December 2020, representing a year-on-year decrease of approximately 12.4% as compared to that of approximately HK\$6,335.6 million for the year ended 31 December 2019. According the Annual Report 2020, such decrease in revenue was primarily due to the decrease in revenue from construction services from approximately HK\$1,948.9 million for the year ended 31 December 2019 to approximately HK\$1,048.6 million for the year ended 31 December 2020, representing a decrease of approximately 46.2% as compared to the previous year, which offset the increase in revenue from operation of clean energy project in the amount of approximately HK\$164.6 million, as the Group would like to focus on its self-owned photovoltaic and wind power-related project construction to optimise the resource allocation during the year.

For the year ended 31 December 2020, the Group recognised profit for the year of approximately HK\$886.4 million, representing a moderate growth of approximately 5.3% from the profit of approximately HK\$842.1 million for the previous year. With reference to the Annual Report 2020, it is noted that such growth was mainly resulted from the net effect from reduction of the Group's administrative and other operating expenses as compared to the previous year as a result of implementing cost reduction and efficiency enhancement by the Group.

As at 31 December 2020, the Group recorded net current assets and net assets of approximately HK\$1,049.3 million and HK\$13,124.9 million, respectively.

For the year ended 31 December 2021

The Group recorded revenue of approximately HK\$6,023.4 million for the year ended 31 December 2021, demonstrating a year-on-year growth of approximately 8.5% as compared to the revenue of approximately HK\$5,551.8 million for the previous year. With reference to the Annual Results 2021, it is noted that such increase in revenue was primarily due to the increase in sale of electricity from the Group's photovoltaic and wind power plants resulted from the increased on-grid capacities for the year ended 31 December 2021.

For the year ended 31 December 2021, the Group recognised loss for the year of approximately HK\$288.8 million, as opposed to the profit of approximately HK\$886.4 million for the previous year. Based on the Annual Results 2021, it is noted that the loss-making performance for the year was mainly attributable to the increase in other operating expenses due to recognition of the impairments for (i) the Group's property, plant and equipment and operating concessions; and (ii) prepayments, deposits and other receivables, which are one-off and non-cash items during the year ended 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2021, the Group recorded net current liabilities and net assets of approximately HK\$2,570.4 million and HK\$12,082.1 million, respectively. We noted that the change from net current assets position to net current liability position was mainly resulted from the increase in the Group's short-term interest-bearing bank loans and other borrowings as at 31 December 2021 as compared to 31 December 2020.

2. Background information of the Subscriber

The Subscriber is an investment holding company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CSFG. 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 disclosed in the Letter from the Board, the Subscription represents a strategic investment of CSFG to open up the future cooperation between CSFG and the Company, whereupon 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. Further, following the Completion where 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, in support of the business expansion and/or operation of the Group.

3. Reasons for and benefits of the Subscription and intended use of proceeds

As stated in the Letter from the Board, in view of the national direction of clean and low-carbon energy system, 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 optimisation strategy. The Board considers that the Subscription represents a good opportunity to introduce new funds to the Group to enhance its capabilities in business development, and to further expand the scale of operations and improve operating efficiency.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Annual Results 2021, as at 31 December 2021, the Group (including joint ventures of the Group) had a total of 53 centralised photovoltaic power plants with an aggregate on-grid capacity of approximately 2,252MW and 13 wind power plants with an aggregate on-grid capacity of approximately 588MW, situated in various provinces, municipalities and autonomous regions in the PRC and Southern Australia, respectively. With reference to the announcement of the Company dated 26 January 2022, the aggregate power generation of the Group amounted to approximately 4,774,654 MWh for the year ended 31 December 2021, representing an increase of approximately 26% as compared to the previous year. As at the Latest Practicable Date, the Company has secured the New Projects (as defined below) for construction of photovoltaic power stations with an aggregate designated capacity of approximately 505MW, which are expected to commence construction work in the second half of 2022. Such active expansion in the power generation business is in line with the business strategy of the Group.

Use of proceeds

As stated in the Letter from the Board, 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 arising from the Subscription is estimated to be approximately HK\$4,677 million which shall be applied in the following manner:

- (A) If the Re-financing does not materialise:
 - (1) Repayment of indebtedness:
 - (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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (2) 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 existing and 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 (collectively, the “**Existing 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 (collectively, the “**New Projects**”):
- 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (3) 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

- (4) 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:

- (1) 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;

- (2) Repayment of indebtedness:
- (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;

- (3) Investments in development of projects of the Group:
- (iii) as to approximately HK\$843 million (representing approximately 18.02% 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 Existing Projects; and
- (b) as to approximately HK\$697 million for payment of investment costs arising from the New Projects;

- (4) 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (5) 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).

In assessing the fairness and reasonableness of the above proposed allocations of net proceeds from the Subscription formulated by the Company, we have enquired with the Company and reviewed the respective breakdowns regarding (i) the existing indebtedness of the Group; (ii) the existing and expected investment commitment/outstanding project sums of the existing and upcoming projects of the Group; and (iii) the operating expenses of the Group for the year ending 31 December 2022 which were estimated based on historical expenses, as prepared by the Company. Based on our review, it is noted that the respective proposed allocated amount for repayment of indebtedness, payment of investment sums for the Existing Projects and New Projects and general working capitals are within the corresponding level of funding required by the Group. Furthermore, we have also taken into consideration the following factors:

3.1 Existing investment commitment – Repurchase of equity interest under the Capital Contribution Agreements

Pursuant to the Capital Contribution Agreements, the Options were granted to the First Round Investors, Second Round Investors and Third Round Investor such that the Investors shall have the right to request the Group or Beiqing Smart, an indirect non-wholly-owned subsidiary of the Company, to repurchase their respective equity interests in Beiqing Smart, at any time after Beiqing Smart is unable to, or could not reasonable be expected to, complete a qualified listing of its shares on or before 31 December 2022. In this regard, we have obtained from the Company and reviewed the terms of the Capital Contribution Agreements and noted that the total fund of HK\$1,707 million allocated for the repurchase approximates to the aggregate repurchase price for all equity interest of Beiqing Smart currently held by the Investors under the Options which was arrived at in accordance with the agreed formula as stipulated under Capital Contribution Agreements.

Considering the cash level and existing indebtedness level of the Group (as discussed in the below section headed “3.2 Existing indebtedness of the Group – Partial repayment of outstanding indebtedness”, and the Re-Financing having been taken place, we are of the view that it is justifiable for the Company to allocate the portion of net proceeds with reference to the estimated repurchase price in accordance with the Capital Contribution Agreements, being the Group’s existing contractual obligations under the Options, so as to avoid any compensation risks arising from the breach of contract as a result of failure to repurchase the equity interest in Beiqing Smart under the Capital Contribution Agreements.

3.2 Existing indebtedness of the Group – Partial repayment of outstanding indebtedness

As disclosed in the Annual Results 2021, the Group recorded a net current liability position, which amounted to approximately HK\$2,570.4 million as at 31 December 2021. As at 31 December 2021, the Group had total current liabilities of approximately HK\$18,702.8 million, while the cash balance of the Group amounted to approximately HK\$1,140.8 million as at 31 December 2021. The cash ratio of the Group, being the ratio of cash to current liabilities, amounted to approximately 6.1% as at 31 December 2021, indicating a relatively low liquidity of the Group to cover its short-term repayment obligations using its cash resources. In order to expand the scale of operations and improve operating efficiency, the Group has been obtaining the bank loans and other borrowings substantially for funding the construction and development of its power stations. It is noted that total interest-bearing bank loans and other borrowings and corporate bonds amounted to approximately HK\$27,629.3 million, of which short-term interest-bearing bank loans and other borrowings and corporate bonds amounted to approximately HK\$10,230.1 million as at 31 December 2021. Accordingly, the net proceeds from the Subscription which would enable the Group to partially repay its existing indebtedness due in June and the second half of 2022 would help relieve the imminent cash flow pressure of the Group, reduce its debt level and improve the financial flexibility of the Group.

3.3 Investment in new and existing projects of the Group and outlook of renewable energy industry in the PRC

As a considerable portion of the net proceeds of around 18% would be applied as payment of investment costs of new and existing projects of the Group, we have obtained from the Company the breakdown of investment costs of the New Projects and Existing Projects. In particular, we noted that no less than RMB2 billion would be required as the total investment cost for the New Projects. Based on our review, construction of the New Projects involving an aggregate capacity of 505MW, which are situated in 武鄉縣 (Wuxiang County*), Shanxi Province, 通山縣 (Tongshan County*), Hubei Province and 萬年縣 (Wannian County*), Jiangxi Province, the PRC, are scheduled to complete in December 2022, April 2023 and May 2023, with the initial investment to be financed in June 2022, June 2022 and July 2022, respectively. As advised by the Company, the external financing portion of each project shall not exceed 80% of the total investment cost of the project in compliance with the relevant rules and regulations in the PRC, while the remaining portion of investment cost shall be financed by other financing ways. We noted that the intended fund allocations towards each of the New Projects represents about 25% of the respective aggregate investment cost, which we consider fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the rationale of the investment in New Projects and Existing Projects, we have also performed independent research on the latest development of the renewable energy industry in the PRC. China's renewable energy industry is a fast-growing industry as actively promoted by the Chinese government in recent years, during which the government has continuously released positive signals and supportive policies for the development of renewable energy, which also forms one of the important components for the Chinese government in implementing the "14th Five-Year Plan" covering the years 2021 to 2025. According to the "14th Five-Year Plan", it is determined that the proportion of non-fossil energy consumption shall reach about 20% by 2025 and that the proportion of non-fossil energy consumption shall account for about 25% by 2030. In order to achieve the objectives, the government will continue to actively develop photovoltaic power generation and promote the establishment of comprehensive base of renewable power generation where solar thermal, photovoltaic and wind power complement each other. At the same time, the government will also actively promote hydropower, wind power, solar integrated power generation and other applications across industries and buildings. Further, in order to achieve "Carbon Dioxide Emissions Peak" by 2030 and "Carbon Neutrality" by 2060, the Chinese government has also set the target of non-fossil energy consumption to account for about 25% of primary energy consumption, and total installed capacity of wind power and solar power to reach more than 1.2 billion kilowatts by 2030. In order to vigorously promote the development and use of renewable energy, the Chinese government has not only provided subsidies, but also proposed to optimise the management of the industrial chain in the "14th Five-Year Plan" including the introduction of the land, fiscal, tax, and financial support policies and increase the coordination with various relevant departments in the future, aiming to reduce any unreasonable obstacles in connection with new energy development and construction and to create favorable conditions for the development and construction of wind and photovoltaic power generation projects.

In light of the above, we are of the view that the outlook and prospect of the photovoltaic and wind power industry in the PRC is generally promising. As such, we are of the view that the investment of the New Projects and Existing Projects is in line with the development strategies of the Group and consistent with the national objectives in the PRC in achieving "Carbon Dioxide Emissions Peak" and "Carbon Neutrality".

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.4 Alternative fundraising alternatives considered by the Company

Upon enquiry with the management of the Company, we understand that the Company has considered various means of fundraising such as debt financing from banks or other financial institutions and other forms of equity financing before resolving to the Subscription. With respect to debt financing, considering that any debt financing will further increase the debt level of the Group, and taking into account the additional interest expenses and/or handling fee associated with the significant loan size and the requirement of security charged by banks or other financial institutions, as well as further increasing the financial risks of the Group by incurring finance cost, the Company considered that debt financing is not the most preferable financing option. Furthermore, the net gearing ratio of the Group, as computed by dividing net debt (defined as corporate bonds, bank loans and other borrowings, net of cash and cash equivalents and other lease liabilities) by the sum of net debt and total equity, amounted to approximately 71% as at 31 December 2021. Given the high level of gearing ratio, it is unlikely to obtain debt financing with favorable terms. As regards equity financing such as placing which would only be conducted on a best-effort basis, may impose uncertainty on the final amount of proceeds to be raised and subject to market condition. With respect to any rights issue or open offer fund raising exercises on a fully-underwritten basis, considering the relatively lengthy process to prepare and issue a prospectus and identify a suitable underwriter and the additional underwriting fee involved which would normally depend on the amount of fund raised, while in contrast, the Subscription would allot the Group to raise the necessary fund with certainty without incurring additional expenses, the Company is of the view that, and we concur, that the Subscription is the most preferable financing option under the current circumstances.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conclusion

Having considered (i) the net proceeds from the Subscription would (a) be applied for partial repayment of outstanding indebtedness falling due in June and the second half of 2022 which would reduce the debt level and alleviate the financial burden of the Group, thereby improve its financial condition; (b) enable the Group to fulfil its notable commitments for various existing photovoltaic and wind power projects to maintain normal and stable business operation; (c) allow the Group to invest in the New Projects, which is in line with the development strategies of the Group and consistent with the positive outlook of the photovoltaic market in the PRC; (d) replenish the general working capital of the Group for operation in its ordinary course of business; (ii) should the Re-financing materialise, the net proceeds from the Subscription would enable the Group to fulfil its existing contractual obligations under the Options to repurchase the equity interest in Beiqing Smart under the Capital Contribution Agreement; and (iii) the Subscription would provide the Group with the necessary amount of fund with certainty as compared to other forms of equity financing, without incurring additional expenses such as the underwriter's commission, and would not raise the debt level of the Group which is already at a high level, we concur with the Directors' view that the Subscription represents a good opportunity to introduce new funds to the Group in furtherance of its business strategy to enhance its business development capabilities, expand its business scale and improve its operating efficiency, and is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Subscription Agreement

Set out below is a summary of the principal terms of the Subscription Agreement. Further details of the Subscription Agreement are set out in the Letter from the Board.

Date: 4 March 2022 (after trading hours)

Parties: The Company, as the issuer

Profit Plan Global Investment Limited, as the Subscriber

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Evaluation of the Subscription Price

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

- (i) 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% to 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% to 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% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$0.082 per Share; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

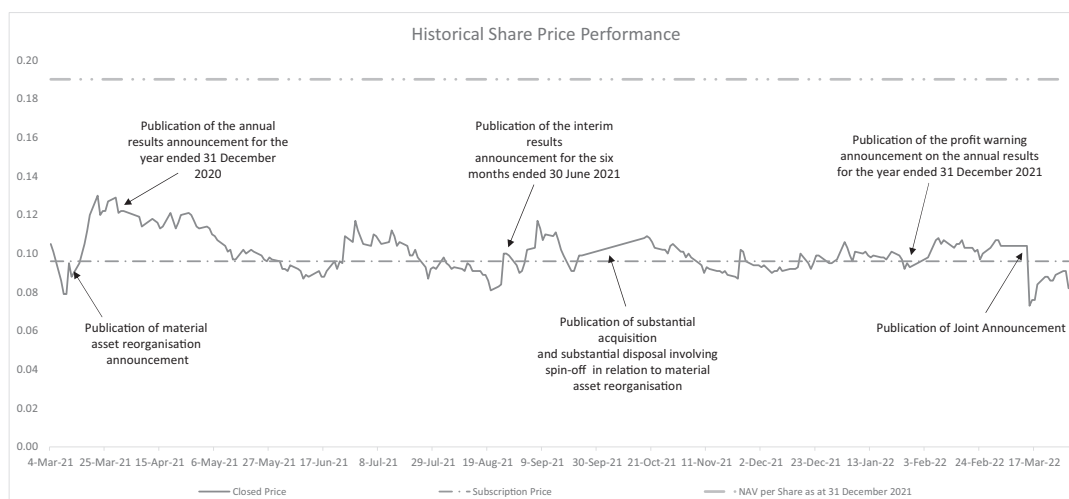
- (vi) a discount of approximately 49.47% to the audited consolidated net asset value per Share of approximately HK\$0.190 per Share as at 31 December 2021, calculated based on the Group's audited consolidated net assets of approximately HK\$12,082,054,000 as at 31 December 2021 and 63,525,397,057 Shares in issue as at the Latest Practicable Date.

As disclosed in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Subscriber, and with reference to the recent and historical price of the Shares and the financial condition of the Group.

In assessing the fairness and reasonableness of the Subscription Price, we have primarily taken into consideration the following factors:

4.1 Historical closing price of the Shares

The following chart depicts the daily closing price of the Shares as quoted on the Stock Exchange for the period from 4 March 2021, being the date falling one year prior to the date of the Subscription Agreement, up to and including the Latest Practicable Date (the "Review Period"), being a period covering one year which we consider a reasonable and sufficient period to illustrate the historical performance of the closing price of the Shares:



Source: the website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the chart above, the closing Share price ranged from the lowest of HK\$0.073 per Share on 15 March 2022 to the highest of HK\$0.130 per Share on 22 March 2021, with an average closing price of approximately HK\$0.100 per Share during the Review Period. Following the publication of the announcement regarding material asset reorganisation of the Company on 16 March 2021, the closing price of the Shares surged from approximately HK\$0.088 on 12 March 2021 and reached the peak at approximately HK\$0.130 on 22 March 2021. Subsequently, the closing price of the Shares started to exhibit a downward trend before re-bouncing in mid-June 2021. The closing price of the Shares continued to fluctuate within the range of closing price of approximately HK\$0.081 to approximately HK\$0.117 and up to the Last Trading Day. The Share price closed at HK\$0.073 on 15 March 2022, being the first trading day where trading of the Shares was resumed after publication of the Joint Announcement, showing a substantial drop of approximately 29.8% to the closing price of the Shares of HK\$0.104 on the Last Trading Day. Thereafter, the closing price of the Shares bounced back and continued to trade below the Subscription Price up to the Latest Practicable Date. Save for the Company's publication of the annual results announcement for the year ended 31 December 2020, the interim results announcement for the six months ended 30 June 2021, the announcement regarding material asset reorganisation involving a potential spin-off, the profit warning announcement regarding the annual results of the Company for the year ended 31 December 2021 and the Joint Announcement, the Directors were not aware of any specific reasons which may have an impact of the Share prices during the Review Period. The Subscription Price represented a premium of approximately 17.1% over the closing price of the Shares as at the Latest Practicable Date.

The Subscription Price of HK\$0.096 per Subscription Share lies within the aforesaid range of the closing Share price, and represents a premium of approximately 31.5% over the lowest closing Share price of HK\$0.073, a discount of approximately 26.2% to the highest closing Share price of HK\$0.130 and a discount of 4.0% to the average closing Share price of HK\$0.100 during the Review Period.

It is noted that the closing price of the Shares had been trading below the net asset value ("NAV") per Share throughout the Review Period. The average closing price of the Shares during the Review Period of approximately HK\$0.100 represented a discount of approximately 47.4% to the audited consolidated net asset value of approximately HK\$0.190 per Share as at 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Review of the trading liquidity of the Shares

The table below sets out the average daily trading volume of the Shares and the percentage of the average daily trading volume to the total number of issued Shares for each month during the Review Period:

Period/month	Total volume of the Shares traded (Shares)	Number of trading days (days)	Average daily volume (Shares) (Note 1)	Percentage of average daily trading volume over total number of issued Shares % (Note 2)
2021				
January	6,116,835,700	20	305,841,785	0.481%
February	2,891,280,000	18	160,626,667	0.253%
March	5,484,216,800	23	238,444,209	0.375%
April	1,186,833,400	19	62,464,916	0.098%
May	799,057,300	20	39,952,865	0.063%
June	1,495,172,500	21	71,198,690	0.112%
July	1,558,155,400	21	74,197,876	0.117%
August	1,739,197,200	22	79,054,418	0.124%
September	3,352,399,100	17	197,199,947	0.310%
October	1,113,867,600	10	111,386,760	0.175%
November	1,613,357,400	22	73,334,427	0.115%
December	1,439,335,700	22	65,424,350	0.103%
2022				
January	1,688,160,400	21	80,388,590	0.127%
February	1,380,458,500	17	81,203,441	0.128%
March (up to and including the Latest Practicable Date)	1,596,592,800	16	99,787,050	0.157%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Based on total number of Shares in issue at the end of each month/period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, the average daily trading volume was low during the Review Period, with a range from approximately 39.9 million Shares to approximately 305.8 million Shares, representing approximately 0.063% to 0.481% of the total number of Shares in issue as at the end of the relevant month/period. It is observed that the trading volume of the Shares was relatively thin during the Review Period.

Given the inactive trading of the Shares which may imply a lack of interest from potential investors to invest in the Shares, setting the Subscription Price at a discount to the prevailing market price of the Shares would provide more incentive for the Subscriber to participate in the Subscription. We are therefore of the view that it is reasonable to set the Subscription Price at a discount to balance the low liquidity of the Shares during the Review Period and to attract the Subscriber to participate in the Subscription.

4.3 Market comparable analysis

In further assessing the fairness and reasonableness of the Subscription Price, we have made reference to the market valuation of companies which are principally engaged in businesses similar to the Group, being the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the PRC of comparable size as the Group in terms of market capitalisation. In this regard, we have identified companies (i) listed on the Stock Exchange which recorded at least 50% of their respective revenue generated from investment, development, construction, operation and management of photovoltaic power business and/or wind power business and/or clean heat supply business in the PRC in the latest financial year as disclosed in their respective latest published annual reports/annual results announcements; and (ii) had a market capitalisation falling within HK\$10 billion as at the date of the Subscription Agreement (i.e. 4 March 2022). We have identified an exhaustive list of 9 companies (the “**Reference Companies**”) which have fulfilled our selection criteria. We consider that the Reference Companies represent a sufficient sample size in establishing our analysis. As the Group recorded a loss for the year ended 31 December 2021 which rendered the price-to-earnings multiple not applicable for analysis, we have made reference to the price-to-book multiple (“**PB Multiple**”) of the Reference Companies. Set out below is a summary of the Reference Companies:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock code)	Principal business	Market capitalisation as at the date of the Subscription Agreement (HK\$)	Closing share price as at the date of the Subscription Agreement (HK\$)	Net asset value per share attributable to owners of the company (HK\$) (Note 1)	PB Multiple (times) (Note 2)
Concord New Energy Group Ltd (0182.HK)	Operation of wind and solar power plants	6,717,456,869	0.750	1.02	0.73
Kong Sun Holdings Limited (0295.HK)	Investment in and operation of solar power plants, provision of solar power plant operation and maintenance services, provision of financial services, trading of liquefied natural gas and asset management	673,399,913	0.045	0.37	0.12
GCL New Energy Holdings Ltd (0451.HK)	Sale of electricity, development, construction, operation and management of solar power plants	4,088,300,796	0.194	0.26	0.76
China Ruifeng Renewable Energy Holdings Ltd (0527.HK)	Businesses of wind power generation sectors	354,266,203	0.179	0.24	0.74
Beijing Energy International Holding Co Ltd (0686.HK)	Development, investment, operation and management of power plants and other renewable energy projects	5,943,406,334	0.265	0.34	0.79
China Renewable Energy Investment Ltd (0987.HK)	Renewable energy business including operation of wind power project and development of waste-to-energy projects	739,316,452	0.295	0.82	0.36
China Smarter Energy Group Holdings Ltd (1004.HK)	Operation of solar power generation projects and the sale of electricity, involved in the investment in unlisted equities, trading of solid, liquid and gaseous fuels and other related products and the trading of bulk commodity derivatives	384,348,406	0.041	0.06	0.69
China Enginere International Holdings Ltd (1185.HK)	Operation of wind farms and engaged in the sale of electricity from operation of wind power field	668,456,337	0.153	N/A (Note 3)	N/A (Note 3)
Sheen Tai Holdings Group Company Ltd (1335.HK)	Generation of photovoltaic power and sales of electricity, manufacturing and sales of packaging	311,569,429	0.128	0.34	0.38
The Company (Note 4)	Investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses	6,098,438,117	0.096	0.18	0.54
				Minimum	0.12
				Maximum	0.79
				Average	0.57
				Median	0.71

Source: the website of the Stock Exchange (<http://www.hkexnews.hk>) and Thomson Reuters Eikon

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. As extracted from the respective latest published annual report/annual results announcement/interim report of the Reference Companies as at the latest financial year/period end.
2. As computed by dividing the closing share price by the NAV per share attributable to owners of the companies.
3. As the Reference Company recorded a net asset deficit as at 30 June 2021, the PB Multiple of such company is not applicable.
4. The PB Multiple of the Company as implied by the Subscription Price is computed based on the Subscription Price divided by the NAV per Share attributable to owners of the Company as at 31 December 2021.
5. For illustrative purpose only, an approximate currency translation rate of RMB1 to HK\$1.23 was adopted in our analysis.

The PB Multiple of the Company as implied by the Subscription Price amounted to approximately 0.54 times. As shown in the above table, the PB Multiples of the Reference Companies ranged from approximately 0.12 times to approximately 0.79 times, with an average of approximately 0.57 times and a median of approximately 0.71 times. The PB Multiple implied by the Subscription Price is within the range of the PB Multiples, approximates to the average PB Multiple and lower than the median PB Multiple of the Reference Companies.

Having considered the above, despite the Subscription Price represents a deep discount to the NAV of the Shares, in view of that (i) the Subscription Price falls within the price range of the highest and lowest closing prices of the Shares during the Review Period; (ii) the relatively thin trading volume of the Shares; (iii) setting the Subscription Price at the discount to the recent market price of the Shares would incentivise the Subscriber to participate in the Subscription; (iv) the implied PB Multiple of the Subscription Price is within the range of and close to the average PB Multiples of the Reference Companies; and (v) the benefits to the Company arising from the Subscription as a whole as discussed in the above section headed “3. Reasons for and benefits of the Subscription and intended use of proceeds”, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Possible financial effects of the Subscription

Gearing ratio

The net gearing ratio of the Group as at 31 December 2021 was approximately 71%, as calculated as net debt divided by the sum of net debt and total equity. Upon the net proceeds from the Subscription being utilised as planned under either of the scenarios that the Re-financing is or is not materialised, the total liabilities of the Group will decrease while the total asset of the Group will increase. Accordingly, the gearing level of the Group is expected to decrease.

Cashflow

The cash and cash equivalents of the Group amounted to approximately HK\$1,140.8 million as at 31 December 2021. Upon Completion and save for the relevant expenses arising from the Subscription, the cash level of the Group will improve as the Subscription will help replenish the general working capital of the Group as to approximately HK\$294 million or approximately HK\$247 million, depending on whether the Re-Financing is materialised.

Net asset value

As disclosed in the Annual Results 2021, the net assets attributable to the equity holders of the Company was approximately HK\$11,250.4 million as at 31 December 2021. Upon Completion and save for the relevant expenses arising from the Subscription, the total assets of the Group will increase. Since the Subscription Price of HK\$0.096 per Subscription Price is lower than the net asset value per Share attributable to the equity holders of the Company of approximately HK\$0.177 as at 31 December 2021, the net asset value per Share attributable to the equity holders of the Company upon Completion will decrease.

Notwithstanding the decrease in net asset value per Share attributable to the equity holder of the Company, considering that the Subscription would have an overall positive effect on the financial position of the Group in terms of gearing level, cashflow and net asset value of the Group, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

The Independent Shareholders should note that the above expected financial effects are for illustrative purposes only and do not represent how the financial position of the Group will be as a result of the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Potential dilution effect to the existing Shareholders

As shown in the table under the section headed “Effect on the shareholding structure of the Company” in the Letter from the Board, it is noted that immediately upon Completion (assuming there is no other changes in the total number of Shares), the shareholding interest of the public Shareholders (including Tuspark Technology Innovation Ltd. but excluding Mr. Hu Xiaoyong and Mr. Tan Zaixing (being the Directors) which will be considered as public Shareholders upon their resignations before Completion) will be diluted from approximately 40.29% to approximately 22.79%.

Notwithstanding the potential dilution of shareholding interest of the Independent Shareholders as a result of the Subscription, in view of (i) the reasons for and benefits of the Subscription to the Group, details of which are set out in the above section headed “3. Reasons for and benefits of the Subscription and intended use of proceeds”; (ii) the proposed use of proceeds which is primarily for the purpose of (a) repaying the Group’s short-term indebtedness; (b) investing in the Group’s photovoltaic and wind power projects; (c) supplementing the general working capital of the Group; (d) fulfilling the Group’s existing contractual obligations for the repurchase of equity interest of Beiqing Smart if the Re-financing materialises; and (iii) that the terms of the Subscription Agreement are fair and reasonable, we are of the view that the dilution effect on the shareholding of the Independent Shareholders resulting from the issue of the Subscription Shares is acceptable so far as the Company and the Independent Shareholders are concerned.

7. The Whitewash Waiver

As at the date of the Subscription Agreement, 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In this connection, 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 Whitewash Waiver. The Whitewash Waiver is a condition precedent to the Subscription Agreement which cannot be waived. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription will not proceed.

Given the benefits of the Subscription as discussed in the above section headed “3. Reasons for and benefits of the Subscription and intended use of proceeds” in this letter and our evaluation of the Subscription Price being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, being a condition to proceeding with the Subscription, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable.

RECOMMENDATIONS

Having considered the above principal factors and reasons set out above, in particular:

- (i) the net proceeds from the Subscription would
 - (a) allow the Group to partially fulfil its short-term repayment obligation to be due in 2022, reduce the debt level and alleviate the financial burden of the Group, thereby improve its financial condition;
 - (b) enable the Group to fulfil its commitments for various existing photovoltaic and wind power projects to maintain normal and stable business operation;
 - (c) allow the Group to invest in the New Projects, which is in line with the development strategies of the Group and is expected to bring long term benefit to the Group’s business; and
 - (d) should the Re-financing materialise, enable the Group to fulfil its existing contractual obligations under the Options to repurchase the equity interest in Beijing Smart under the Capital Contribution Agreements;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the Subscription appears to be the most preferable financing option which would provide the Group with the necessary amount of fund with certainty and is more cost-effective as compared to other financing alternatives;
- (iii) the Subscription Price falls within the price range of the highest and lowest closing prices of the Shares during the Review Period;
- (iv) the Subscription Price which is set at a discount to the market price would provide incentive to the Subscriber to participate in the Subscription and balance the thin trading liquidity of the Shares during the Review Period which may imply a lack of interest from potential investors to invest in the Shares;
- (v) the Shares have long been traded with a deep discount to the net asset value of the Company throughout the Review Period;
- (vi) the implied PB Multiple of the Subscription Price is within the range of and close to the average PB Multiple of the Reference Companies; and
- (vii) the approval of the Whitewash Waiver is a prerequisite of the Subscription;

we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms, and the terms of the Subscription, the Specific Mandate and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription, the Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the SFC and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the accounting and investment banking industries.

FINANCIAL SUMMARY

The published consolidated financial statements of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the Company's annual reports for each of the two years ended 31 December 2019 and 2020 and the Company's annual results announcement for the year ended 31 December 2021, respectively, which can be accessed on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.bece.com.hk/en/global/home.php>):

- (i) annual report of the Company for the year ended 31 December 2019 published on 29 April 2020, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900547.pdf>

- (ii) annual report of the Company for the year ended 31 December 2020 published on 29 April 2021, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900695.pdf>

- (iii) annual results announcement of the Company for the year ended 31 December 2021 dated 29 March 2022, which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0330/2022033000019.pdf>

Summary of financial information of the Group

The following is a summary of the financial results of the Group for the years ended 31 December 2019, 2020 and 2021 as extracted from the relevant annual result announcements and annual reports of the Company:

	For the year ended 31 December		
	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000
		(Restated)	
REVENUE	6,023,419	5,551,791	6,335,620
Sale of electricity with tariff adjustment	3,941,871	3,168,369	3,123,360
Revenue from Construction services	725,419	1,048,597	1,948,826
Revenue from Technical consultancy services	68,963	172,881	221,139
Revenue from Entrusted operations	194,734	201,483	247,575
Revenue from Provision of clean heat supply services	1,092,432	960,461	794,720
Cost of sales	(3,446,896)	(2,888,927)	(3,438,865)
Gross profit	2,576,523	2,662,864	2,896,755
Finance costs	(1,518,742)	(1,323,729)	(1,210,215)
PROFIT/(LOSS) BEFORE TAX	(264,874)	1,018,410	1,031,631
Income tax expense	(23,960)	(131,970)	(189,545)
PROFIT/(LOSS) FOR THE YEAR	(288,834)	886,440	842,086
ATTRIBUTABLE TO:			
Equity holders of the Company	(321,312)	763,694	682,864
Non-controlling interests	32,478	122,746	159,222
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	774,506	1,528,226	(659,719)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	485,672	2,414,666	182,367
ATTRIBUTABLE TO:			
Equity holders of the Company	372,642	2,184,509	48,267
Non-controlling interests	113,030	230,157	134,100
DIVIDENDS	Nil	Nil	Nil
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Basic	HK(0.62) cent	HK1.08 cents	HK0.96 cent
Diluted	HK(0.62) cent	HK1.08 cents	HK0.96 cent

	As at 31 December		
	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)
Total assets	54,874,237	57,127,247	52,192,282
Total liabilities	42,792,183	44,002,357	41,186,513
Net assets	12,082,054	13,124,890	11,005,769

Save as disclosed above, there were no material items of income or expense in any of the years ended 31 December 2019, 2020 and 2021.

The auditor of the Company for each of the years ended 31 December 2019, 2020 and 2021 was Ernst & Young. The audit/review opinions of Ernst & Young in respect of these periods were not qualified and there was no modified opinions or emphasis of matter or material uncertainty related to going concern contained in the auditor's report of Ernst & Young in respect of these periods.

INDEBTEDNESS STATEMENT

Debts and borrowings

As at 31 December 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding (i) secured bank loans of approximately HK\$4,888 million, (ii) unsecured bank loans of approximately HK\$10,574 million, (iii) unsecured corporate bonds with an aggregate principal amount of RMB940 million (equivalent to approximately HK\$1,152 million), which are guaranteed by the Company, (iv) secured lease liabilities of approximately HK\$13,703 million, and (v) unsecured lease liabilities of approximately HK\$953 million. (vi) unsecured other loans of approximately HK\$3,668 million.

The secured bank and other borrowings, lease liabilities under finance lease arrangements and bill payables of the Group as at 31 December 2021 are secured by:

- (i) pledges over certain of the Group's property, plant and equipment and operating concessions;
- (ii) pledges over certain of the Group's trade receivables;
- (iii) pledges over the Group's equity interests in certain subsidiaries;
- (iv) guarantees given by the Company and/or its subsidiaries; and/or
- (v) pledges over certain of the Group's bank balances.

Guarantees issued

As at 31 December 2021, the Group provided the total maximum guarantees in relation to the investment in joint ventures and an unlisted equity investment of approximately HK\$2,923 million.

Contingent liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 December 2021, have any outstanding debt securities, whether issued and outstanding, authorised or otherwise created but unissued, term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company or by third parties) or unsecured, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured borrowings or debt, mortgages, charges, guarantees or other material contingent liabilities.

The Directors confirm that, save as disclosed above, there are no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2021, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had no material contingent liabilities.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Subscription and the Group's present financial resources available to the Group, including internally generated funds, and other available banking and other facilities, the Group will have sufficient working capital to meet its present requirements for at least 12 months from the Latest Practicable Date.

MATERIAL CHANGE

The Directors confirm that there had been no material changes in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Group were made up and up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than that relating to the CSFG Group, the Subscriber and parties acting in concert with them) is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the CSFG Group, the Subscriber and parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than that expressed by the directors of the Subscriber and the CSFG Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement herein or this circular misleading.

The executive CSFG Directors are Mr. Wang Xiaodong, Mr. Liu Zhijie and Mr. Liu Yao; the non-executive CSFG Directors are Mr. Zhu Jianbiao, Mr. Liang Zhanhai, Mr. Chen Di and Mr. Wang Wenbo; and the independent non-executive CSFG Directors are Mr. Guan Huanfei, Mr. Chan Wai Hei, Mr. Tan Yuexin and Mr. Jonathan Jun Yan; and the directors of the Subscriber are Mr. Liu Zhijie and Mr. Liu Yao. The directors of the Subscriber and the CSFG Directors jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL AND SHARE OPTIONS

(a) Share Capital

The authorised and issued share capital 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) as follows:

- (i) Authorized and issued share capital of the Company as at the Latest Practicable Date:

<i>Authorised</i>		<i>HK\$</i>
466,637,115,100	Ordinary shares of HK\$0.001 each	466,637,115.100
33,362,884,900	Preference shares of HK\$0.001 each	33,362,884.900
<i>Issued and fully paid</i>		
63,525,397,057	Ordinary shares of HK\$0.001 each	63,525,397.057

- (ii) Authorized and issued share capital of the Company immediately upon issuance and allotment of the Subscription Shares upon Completion (assuming there is no other change in the total number of Shares):

<i>Authorised</i>		<i>HK\$</i>
466,637,115,100	Ordinary shares of HK\$0.001 each	466,637,115.100
33,362,884,900	Preference shares of HK\$0.001 each	33,362,884.900
<i>Issued and fully paid</i>		
63,525,397,057	Shares at the Latest Practicable Date	63,525,397.057
48,804,039,247	Subscription Shares to be issued pursuant to Subscription	48,804,039.247
112,329,436,304	Shares in issue upon Completion	112,329,436.304

- (iii) Authorized and issued share capital of the Company 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):

<i>Authorised</i>	<i>HK\$</i>
466,637,115,100 Ordinary shares of HK\$0.001 each	466,637,115.100
33,362,884,900 Preference shares of HK\$0.001 each	33,362,884.900
 <i>Issued and fully paid</i>	
63,525,397,057 Shares at the Latest Practicable Date	63,525,397.057
48,804,039,247 Subscription Shares to be issued pursuant to Subscription	48,804,039.247
1,010,000,000 Shares to be issued upon exercise in full of all Share Options	1,010,000.000
113,339,436,304 Shares in issue upon Completion	113,339,436.304

All the existing Shares in issue are listed on the Stock Exchange and rank *pari passu* in all respect with each other including rights to dividends, voting and return of capital.

When issued and fully paid, the Subscription Shares will *rank pari passu* in all respect with each other including rights to dividends, voting and return of capital. Holders of the fully paid Subscription Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Subscription Shares.

Since 31 December 2021 (the date to which the latest published audited financial statements of the Company were made up), and up to the Latest Practicable Date, the Company had not issued nor agreed to issue any new Shares (other than under the Subscription Agreement).

(b) Share Options

As at the Latest Practicable Date, the Company has 1,010,000,000 Share Options conferring the right for the holders to subscribe for 1,010,000,000 Shares, details of which are set out as follows:

Date of grant	Exercise price (HK\$/Share)	Number of outstanding Share Options	Exercise period
15 September 2020	0.08	202,000,000	15 September 2023 - 14 September 2030
15 September 2020	0.08	202,000,000	15 September 2024 - 14 September 2030
15 September 2020	0.08	202,000,000	15 September 2025 - 14 September 2030
15 September 2020	0.08	202,000,000	15 September 2026 - 14 September 2030
15 September 2020	0.08	<u>202,000,000</u>	15 September 2027 - 14 September 2030
		<u><u>1,010,000,000</u></u>	

As at the Latest Practicable Date, save as disclosed above, the Company did not have any derivatives, options, warrants and conversion rights or similar rights which are convertible or exchangeable into Shares. Save as set out above, no share or loan capital of the Group had been put under option or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. MARKET PRICE

The table below shows the closing price per Share as quoted by the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

DATE	CLOSING PRICE PER SHARE (HK\$)
24 September 2021	0.099
29 October 2021	0.105
30 November 2021	0.094
31 December 2021	0.097
31 January 2022	0.095
28 February 2022	0.103
4 March 2022 (the Last Trading Day)	0.104
30 March 2022 (being the Latest Practicable Date)	0.082

The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.111 on 14 September 2021 and HK\$0.073 on 15 March 2022, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company, or (iv) disclosed in this circular pursuant to the requirements of the Takeovers Code, were as follows:

(i) Long positions in the Shares and/or underlying shares of the Company

NAME OF DIRECTORS	PERSONAL INTERESTS	FAMILY INTERESTS	CORPORATE INTERESTS	OTHER INTERESTS	TOTAL	APPROXIMATE PERCENTAGE OF THE TOTAL ISSUED SHARES (NOTE 1)
Mr. Hu Xiaoyong	132,780,000	-	2,291,454,285 (Note 2)	-	2,424,234,285	3.82%
Mr. Tan Zaixing	60,000,000	-	-	-	60,000,000	0.09%

Notes:

- The approximate percentage was calculated on the basis of 63,525,397,057 Shares in issue as at the Latest Practicable Date.
- Out of 2,291,454,285 Shares, 2,285,714,285 Shares and 5,740,000 Shares were held by Zhihua Investments Limited and Starry Chance Investments Limited, respectively, both companies were wholly and beneficially owned by Mr. Hu Xiaoyong. Accordingly, Mr. Hu Xiaoyong was deemed to have interests in those Shares under the SFO.

- (ii) Long positions in the shares and/or underlying shares of the Company's associated corporation

Name Of Associated Corporation	Name of Director	Capacity In Which Interests Are Held	Registered capital held	Approximate percentage of interests (NOTE 1)
Beiqing Smart	Mr. Hu Xiaoyong	Interest of controlled corporation (Note 2)	RMB18,703,254	0.27%

Notes:

- The approximate percentage was calculated on the basis of the registered capital of RMB6,854,619,850 of Beiqing Smart as at the Latest Practicable Date.
- Such interest was held by Great First (Hong Kong) Limited ("Great First"), which in turn was wholly-owned by Mr. Hu Xiaoyong.

- (iii) Long positions in the underlying Shares of Share Options

Name of Director	Number of Options held	Approximate percentage of interests (Note 1)
Mr. Hu Xiaoyong	400,000,000	0.63%
Mr. Tan Zaixing	340,000,000	0.54%
Mr. Li Fujun	10,000,000	0.02%
Mr. Xu Honghua	10,000,000	0.02%
Mr. Chiu Kung Chik	10,000,000	0.02%
Total	770,000,000	1.21%

Note:

- The approximate percentage was calculated on the basis of 63,525,397,057 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company; (iii) entered in the register required to be kept under Section 352 of the SFO; or (iv) disclosed in this circular pursuant to the requirements of the Takeovers Code.

(b) Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors and chief executives of the Company as disclosed above, Shareholders who had interests or short positions in the Shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Long position in the Shares and/or underlying shares of the Company

Name of Shareholders	Capacity in which Shares are held	Number of Shares held	Approximate percentage of total issued Shares (Note 1)
BE Group (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
BEHL (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
BEWG (Note 2)	Interest of controlled corporation	20,253,164,571	31.88%
CITIC Securities Company Limited (Notes 3(i) and (ii))	Interest of controlled corporation	15,189,873,410	23.91%
Citron PE Holdings Limited (Note 3(i))	Interest of controlled corporation	7,594,936,710	11.96%
Citron PE Associates II, L.P. (Note 3(i))	Interest of controlled corporation	7,594,936,710	11.96%
CPEChina Fund II, L.P (Note 3(i))	Interest held jointly with another person	7,594,936,710	11.96%
CPEChina Fund IIA, L.P (Note 3(i))	Interest held jointly with another person	7,594,936,710	11.96%
CITIC Private Equity Funds (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%

Name of Shareholders	Capacity in which Shares are held	Number of Shares held	Approximate percentage of total issued Shares (Note 1)
Beijing Youde Investment (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%
Beijing Xinyu Investment (Note 3(ii))	Interest of controlled corporation	7,594,936,700	11.96%
啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.)*(Note 4)	Interest of controlled corporation	4,045,000,000	6.37%
Tuspark Technology Innovation Ltd. (啟迪科創有限公司)(Note 4)	Beneficial interest	4,045,000,000	6.37%
The Subscriber (Note 5)	Beneficial interest	48,804,039,247	76.83%
CSFG (Note 6)	Interest of controlled corporation	48,804,039,247	76.83%
SDHS Group (Note 6)	Interest of controlled corporation	48,804,039,247	76.83%

Notes:

- The approximate percentage was calculated on the basis of 63,525,397,057 Shares in issue as at the Latest Practicable Date.
- BE Group was 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 held 20,253,164,571 Shares. BEWG was 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. The remaining shares of BEWG were held by public shareholders. BE Environmental was a wholly-owned subsidiary of BEHL, which was 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 were held by public shareholders. Both BE BVI and BHL were 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

3. CITIC Securities Company Limited (a company listed on the Stock Exchange and the Shanghai Stock Exchange) was 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 held 7,594,936,710 Shares. CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. were 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. was Citron PE Funds II Limited. Citron PE Funds II Limited was wholly-owned by Citron PE Holdings Limited, which was owned as to 35% by CLSA Global. CLSA Global was wholly-owned by CLSA B.V., which was wholly-owned by CITIC Securities International, which was 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 held 7,594,936,700 Shares. Beijing Xinyu Investment was a limited partnership registered under the laws of the PRC. The general partner of Beijing Xinyu Investment was 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 was wholly-owned by CITIC Private Equity Funds, which was in turn owned as to 35% by CITIC Securities Company Limited.

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 held 4,045,000,000 Shares.
5. 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.
6. The Subscriber was a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of CSFG. Shandong Hi-Speed (Hong Kong) International Capital Limited and Shandong International (Hong Kong) Limited (both being indirect wholly-owned subsidiaries of SDHS Group) held 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 was 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 under the SFO. SDHS Group was (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).

Save as disclosed above, as at the Latest Practicable Date, based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors and chief executives of the Company as disclosed above, there were no Shareholders who had interests or short positions in the Shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

5. DISCLOSURE REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (i) save for the Subscription and save that the shareholding interests set out in the section headed "Effect on the shareholding structure of the Company" in the Letter from the Board in this circular and the section headed "Disclosure of Interests" in this Appendix, the Subscriber, CSFG and parties acting in concert with them were not interested in or did not own, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, and they had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (ii) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Subscriber, CSFG or parties acting in concert with them had borrowed or lent, save for those which have been either on-lent or sold, and they had not dealt for value in any such relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

- (iii) save for the Consideration payable for the issuance of the Subscription Shares and the Deposit and compensation payable pursuant to the Subscription Agreement, there was no consideration, compensation or benefit in whatever form paid or to be paid by the Subscriber, CSFG or parties acting in concert with them to the Company, any other Shareholder and/or any party acting in concert with them, and no such person had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (iv) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscriber, CSFG or parties acting in concert with them on one hand and (i) the Company and parties acting in concert with it; and/or (ii) the Shareholders, on the other hand;
- (v) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Company, its subsidiaries or associated companies on one hand and any Shareholders on the other hand;
- (vi) the CSFG Directors and the directors of the Subscriber had no interest in any Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or were not interested in or did not hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, and they had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period
- (vii) there was no arrangement (whether by way of option, indemnity or otherwise) as referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, the Subscriber and CSFG, with any other persons;
- (viii) save for the Subscription Agreement, there was no arrangement or agreement to which the Subscriber, CSFG or parties acting in concert with them is a party which relates to the circumstances in which the Subscriber or CSFG 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;
- (ix) other than entering into the Subscription Agreement, none of the Subscriber, CSFG or parties acting in concert with them had acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company or dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company in the Relevant Period;

- (x) save for the Subscription, neither the Subscriber, CSFG and parties acting in concert with them will make any acquisitions or disposals of voting rights in the Company in the period between the Latest Practicable Date and Completion;
- (xi) save for (i) the expected appointment of eight persons to be nominated by the Subscriber as Directors after the EGM; and (ii) the Company procuring five existing Directors to resign as Directors as agreed between the Company and the Subscriber pursuant to the Subscription Agreement, no agreement, arrangement or understanding (including any compensation arrangement) existed between (A) the Subscriber, CSFG or any parties acting in concert with them, and (B) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or which was conditional or dependent on the outcome of the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (xii) neither the Subscriber, CSFG and parties acting in concert with them had received any irrevocable commitment from any Shareholders as to whether they will vote for or against the resolutions to be proposed at the EGM to approve the Subscription, the Specific Mandate and/or the Whitewash Waiver;
- (xiii) save for the Company procuring five existing Directors to resign as Directors as agreed between the Company and the Subscriber pursuant to the Subscription Agreement, there was no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Subscription, the Specific Mandate and/or the Whitewash Waiver or otherwise connected therewith;
- (xiv) no material contract had been entered into by the Subscriber and CSFG in which any Director has a material personal interest;
- (xv) there was no agreement, arrangement or understanding for any of the Subscription Shares to be transferred, charged or pledged to any other persons;
- (xvi) the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and CSFG, and it had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeover Code) of the Subscriber and CSFG during the Relevant Period;

(xvii) save for the Subscription and save that the shareholding interests set out in the section headed “Effect on the shareholding structure of the Company” in the Letter from the Board in this circular and the section headed “Disclosure of Interests” in this Appendix, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, nor had they dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period. As at the Latest Practicable Date, the interests of the Directors in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company are set out as follows:

- 132,780,000 Shares were beneficially held by Mr. Hu Xiaoyong and 2,285,714,285 Shares and 5,740,000 Shares were held by Zhihua Investments Limited and Starry Chance Investments Limited, respectively, both of which are wholly and beneficially owned by Mr. Hu Xiaoyong. Mr. Hu Xiaoyong also held Share Options to subscribe for 400,000,000 underlying Shares;
- Mr. Tan Zaixing beneficially held 60,000,000 Shares and Share Options to subscribe for 340,000,000 underlying Shares;
- Mr. Li Fujun held Share Options to subscribe for 10,000,000 underlying Shares;
- Mr. Xu Honghua held Share Options to subscribe for 10,000,000 underlying Shares;
- Mr. Chiu Kung Chik held Share Options to subscribe for 10,000,000 underlying Shares;

(xviii) none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and CSFG, nor had they dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Subscriber and CSFG during the Relevant Period;

(xix) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by any of the Directors or the Company, save for those which have been either on-lent or sold;

(xx) no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription, the Specific Mandate and/or the Whitewash Waiver.

(xxi) as disclosed in the Letter from the Board in this circular, (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, the Specific Mandate and/or Whitewash Waiver. Other than Mr. Hu Xiaoyong and Mr. Tan Zaixing, none of the Directors are beneficially interested in the Shares. If Mr. Li Fujun, Mr. Xu Honghua or Mr. Chiu Kung Chik exercises the Share Options held by them, they intend to vote in favour of the resolutions to be proposed at the EGM, including the Subscription, the Specific Mandate and the Whitewash Waiver.

6. DIRECTORS' SERVICE CONTRACTS

Particulars of the relevant Directors' service contracts are set out as follows:

Name of Director	Position	Counterparty	Term	Remuneration	Notice Period
Mr. Zhang Tiefu	Executive Director	The Company	36 months commencing from 21 May 2021	HK\$144,000 per annum	3 months
	Chairman of the board of directors	BENE	1 July 2021 to 31 December 2024	RMB875,000 per annum	1 month
Mr. Hu Xiaoyong	Executive Director	The Company	36 months commencing from 6 May 2021	HK\$144,000 per annum	3 months
Mr. Yang Guang	Executive Director	The Company	36 months commencing from 21 May 2021	HK\$144,000 per annum	3 months
	Chief executive officer	BENE	1 July 2021 to 31 December 2024	RMB875,000 per annum	1 month
Mr. Shi Xiaobei	Executive Director	The Company	36 months commencing from 6 May 2021	HK\$144,000 per annum	3 months
Mr. Tan Zaixing	Executive Director	The Company	36 months commencing from 26 September 2019	HK\$144,000 per annum	3 months
	Executive director	西藏雲北能源科技有限公司 (Tibet Cloud North Power Technology Co., Ltd.*)	24 July 2020 to 31 December 2025	RMB746,000 per annum	1 month
Ms. Huang Danxia	Executive Director	The Company	36 months commencing from 4 September 2019	HK\$144,000 per annum	6 months
Mr. Li Fujun	Independent non-executive Director	The Company	36 months commencing from 29 July 2019	HK\$144,000 per annum	3 months
Mr. Xu Honghua	Independent non-executive Director	The Company	36 months commencing from 6 May 2021	HK\$144,000 per annum	3 months
Mr. Chiu Kung Chik	Independent non-executive Director	The Company	36 months commencing from 29 July 2019	HK\$144,000 per annum	3 months

As at the Latest Practicable Date, save as disclosed above, none of the Directors had entered into service contract with the Company, or any of its subsidiaries or associated companies which:

- (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period;
- (ii) was a continuous contract with a notice period of 12 months or more; or
- (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

7. INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (i) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2021, being the date of the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (ii) except for the Subscription Agreement, none of the Directors were materially interested in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group as a whole;

8. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, so far as the Directors are aware, none of the Directors or their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

Name of Director	Name of companies	Nature of businesses	Nature of interests
Ms. Huang Danxia	北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*)	Development, construction and operation of wind power	Director
	西安啟迪瑞行清潔能源有限公司(TusiAct Clean Energy Technology Company Limited*)	Development of building energy technologies, provision of related consultancy services and sales of electricity	Director
	湖南啟迪旺能新能源科技有限公司 (Hunan Tus-Wangneng New Energy Technology Company Limited*)	Production and supply of clean heat energy and development of geothermal energy	Directo

Name of Director	Name of companies	Nature of businesses	Nature of interests
	西安瑞行城市熱力發展集團有限公司 (Xian Raising Urban Heating Development Group Company Limited*)	Design, construction and operation of clean heat supply projects and provision of consultancy services	Director
	北京啟迪智中能源科技有限公司 (Beijing Tus-Zhizhong Energy Technology Company Limited*)	Supply of clean heat energy, provision of consultancy services, provision of EPC services and sales of electricity	Director
	啟迪中電智慧能源科技(深圳)有限公司 (Tus-CLP Smart Energy Technology (Shenzhen) Company Limited*)	Development of smart energy platform technologies, provision of related consultancy services and sales of electricity	Director
	西安市高新區啟迪瑞行熱力有限公司 (Xi'an Hi Tech Zone Qidi Ruixing Thermal Power Co., Ltd.*)	Provision of electricity, heat energy, gas and water production	Director
	安康啟迪瑞行清潔能源有限公司 (Ankang Qidi Ruixing Clean Energy Co., Ltd.)	Design, construction and operation of clean heat supply projects and provision of consultancy services	Director
	啟迪新核(北京)能源科技有限公司 (Enlightenment New Nuclear (Beijing) Energy Technology Co., Ltd.)	Development of clean energy technologies, provision of related consultancy services and sales of electricity	Director

The Directors consider that such competition, if any, is neither significant nor material to the Group as a whole. Furthermore, Ms. Huang Danxia will fulfil her fiduciary duties in order to ensure that she will act in the best interest of the Shareholders and the Company as a whole at all times. In situations where any conflict of interests arises, Ms. Huang Danxia will refrain from taking part in the decision-making process and from voting on the relevant board resolution at the board meeting. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered in the ordinary course of business of the Group) have been entered into by the members of the Group within two years immediately preceding the date of the Joint Announcement and up to and including the Latest Practicable Date and which are, or may be, material:

- (a) the Subscription Agreement, details of which are disclosed in the section headed “The Subscription Agreement” Letter from the Board in this circular;
- (b) the equity transfer agreement dated 8 May 2020 entered into by and among 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*) (“**TJCE**”), 國投電力控股股份有限公司 (SDIC Power Holdings Co., Ltd.*) (“**SDIC Power**”) and 響水恒能太陽能發電有限公司 (Xiangshui Hengneng Photovoltaic Power Co., Ltd.*) (“**XSHN**”) in relation to the disposal of the entire equity interest of XSHN at the consideration of RMB438,000,000 (subject to adjustment);
- (c) the equity transfer agreement dated 8 May 2020 entered into by and among TJCE, SDIC Power and 響水永能太陽能發電有限公司 (Xiangshui Yongneng Photovoltaic Power Co., Ltd.*) (“**XSYN**”) in relation to the disposal of the entire equity interest of XSYN at the consideration of RMB100,000,000 (subject to adjustment);
- (d) the termination agreement dated 30 June 2020 entered into between 北控清潔熱力有限公司 (BE Clean Heat Energy Company Limited*) (as lessee) and 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd.*) (as lessor) in relation to the termination the leases of certain premises;
- (e) the partnership agreement dated 16 July 2020 (the “**Partnership Agreement**”) entered into between 信達資本管理有限公司 (Cinda Capital Management Co., Ltd.*) and 延安振興發展產業投資基金管理有限公司 (Yanan Zhenxing Development Industry Investment Fund Management Co., Ltd.*) (as general partners) and 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.*) and Beiqing Smart (as limited partners) in respect of, among other things, the formation and management of a fund named “延發北控信能(天津)股權投資合夥企業(有限合夥)(Yanfa Beikong Xinneng (Tianjin) Equity Investment Partnership Enterprise (Limited Partnership)*)” (the “**Fund**”), pursuant to which a capital commitment of RMB324 million was to be contributed by Beiqing Smart;

- (f) the supplemental agreement dated 16 July 2020 entered into between 信達資本管理有限公司 (Cinda Capital Management Co., Ltd.*) and 延安振興發展產業投資基金管理有限公司 (Yanan Zhenxing Development Industry Investment Fund Management Co., Ltd.*) (as general partners) and 中國信達資產管理股份有限公司 (China Cinda Asset Management Co., Ltd.*) and Beiqing Smart (as limited partners) to supplement the Partnership Agreement, pursuant to which the parties agreed on, amongst others, the proposed use of the capital contribution to the Fund and arrangements as to the voting power of the investment committee and its decision on the disposal of the equity interest in the project companies which have been invested by the Fund;
- (g) the capital contribution agreement dated 30 July 2020 between, the Company, Harvest Sunny International Limited (富歡國際有限公司) (“**Harvest Sunny**”), Beiqing Smart and the Second Round Investors, pursuant to which the Second Round Investors were to contribute new capital in the aggregate amount of RMB400 million in return for approximately 4.30% of the enlarged capital of Beiqing Smart;
- (h) the supplemental capital contribution agreement dated 30 July 2020 between, the Company, Harvest Sunny, Beiqing Smart, BENE and the Second Round Investors, in relation to the option granted to the Second Round Investors to request BENE or Beiqing Smart to repurchase their equity interests in Beiqing Smart at any time after the occurrence of certain events;
- (i) the irrevocable letter of guarantee dated 17 August 2020 entered into by Beiqing Smart, pursuant to which Beiqing Smart agreed to guarantee the due performance of the payment obligations of 穎上聚安光伏發電有限公司 (Yingshang Juan PV Power Generation Co., Ltd.*) under the finance lease agreement entered into between 信達金融租賃有限公司 (Cinda Financial Leasing Co., Ltd.*) and 穎上聚安光伏發電有限公司 (Yingshang Juan PV Power Generation Co., Ltd.), under which 穎上聚安光伏發電有限公司 (Yingshang Juan PV Power Generation Co., Ltd.*) has payment obligations towards 信達金融租賃有限公司 (Cinda Financial Leasing Co., Ltd.*) comprising the lease payments and administrative fee, in favour of 信達金融租賃有限公司 (Cinda Financial Leasing Co., Ltd.);
- (j) the finance lease agreement dated 20 August 2020 entered into between 靈璧晨陽新能源發電有限公司 (Lingbi Chenyang New Energy Power Generation Co., Ltd.*), as lessee, and 浦銀金融租賃股份有限公司 (SPDB Financial Leasing Co., Ltd.*), as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding the project of a 40MW photovoltaic power plant in Lingbi County* (靈璧縣), Anhui Province, the PRC, for a total consideration of RMB190,000,000;

- (k) the finance lease agreement dated 26 August 2020 entered into between 北控智慧能源(凌源)有限責任公司 (Beijing Enterprises Smart Energy (Lingyuan) Company Limited*) and 中鐵建金融租賃有限公司 (CRCC Financial Leasing Co., Ltd.*), as lessor, for the certain clean heat supply facilities located in Lingyuan City (凌源市), Liaoning Province, the PRC for a total consideration of RMB90,000,000;
- (l) the finance lease agreement dated 29 September 2020 entered into between 北控清潔能源電力有限公司 (Beijing Enterprises Clean Energy Electricity Company Limited*) (“**BECEE**”), (on behalf of its 24 indirect wholly-owned subsidiaries of BECEE), as lessee, and 中鐵建金融租賃有限公司 (CRCC Financial Leasing Co., Ltd.*), as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding the photovoltaic power plants in the PRC with an aggregate capacity of approximately 115MW for a total consideration of RMB450,000,000;
- (m) the shortfall makeup agreement dated 2 November 2020 entered into between Beiqing Smart and 華夏金融租賃有限公司 (Huaxia Financial Leasing Co., Ltd.*) (“**Huaxia Leasing**”), pursuant to which Beiqing Smart agreed to provide an irrevocable shortfall makeup undertaking in favour of Huaxia Leasing securing the due performance of the payment obligations of 濟南十方固廢處理有限公司 (Jinan Shifang Solid Waste Treatment Co., Ltd.*) (“**JNSF**”) and 北控十方(山東)環保能源集團有限公司 (Beikong Shifang (Shandong) Environmental Protection & Bio-Energy Group Ltd.*) (“**Beikong Shifang**”) under the finance lease agreement dated 2 November 2020 entered into between JNSF, as lessee, Beikong Shifang, as co-lessee, and Huaxia Leasing, as lessor, under which JNSF has payment obligations towards Huaxia Leasing comprising the lease payments and administrative fee up to approximately RMB151,620,799, for a lease term of 8 years;
- (n) the shortfall makeup agreement dated 2 November 2020 entered into between Beiqing Smart and Huaxia Leasing, pursuant to which Beiqing Smart agreed to provide an irrevocable shortfall makeup undertaking in favour of Huaxia Leasing securing the due performance of the payment obligations of 煙台十方環保能源有限公司 (Yantai Shifang Environmental Protection & Bio-Energy Co., Ltd.*) (“**YTSE**”) and Beikong Shifang under the finance lease agreement dated 2 November 2020 entered into between YTSE, as lessee, Beikong Shifang, as co-lessee, and Huaxia Leasing, as lessor, under which YTSE has payment obligations towards Huaxia Leasing comprising the lease payments and administrative fee up to approximately RMB63,175,333, for a lease term of 8 years;

- (o) the irrevocable letter of guarantee dated 20 November 2020 entered into by the Company, pursuant to which the Company agreed to guarantee in favour of 中核融資租賃有限公司 (CNNC Financial Leasing Company Limited*) (“**CNNC Leasing**”) the due performance of the payment obligations of 武鄉縣盛武風力發電有限公司 (Wuxiang County Shengwu Wind Power Generation Company Limited*) (the “**Project Company**”) under (i) the finance lease agreement dated 20 November 2020 entered into between the Project Company, as lessee, and CNNC Leasing, as lessor, under which the Project Company has payment obligations towards CNNC Leasing comprising the lease payments and administrative fee up to approximately RMB347,816,643, for a lease term of 10 years; and (ii) the finance lease agreement dated 20 November 2020 entered into between the Project Company, as lessee, and CNNC Leasing, as lessor, under which the Project Company has payment obligations towards CNNC Leasing comprising the lease payments and administrative fee up to approximately RMB38,909,611, for a lease term of 10 years;
- (p) the finance lease agreement dated 27 November 2020 entered into between 榆林協合太陽能發電有限公司 (Yulin Century Concord Solar Power Co., Ltd.*) (“**YCCS**”), as lessee, and 興業金融租賃有限責任公司 (Industrial Bank Financial Leasing Co., Ltd.*) as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding a 100MW photovoltaic power plant in 小壕兔鄉 (Xiaohao Tu Xiang*), 榆林市 (Yulin City*), Shaanxi Province, the PRC, for a total consideration of RMB460,000,000;
- (q) the finance lease agreement dated 27 November 2020 entered into between YCCS as lessee, and 興業金融租賃有限責任公司 (Industrial Bank Financial Leasing Co., Ltd.*) as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding a 100MW photovoltaic power plant in 小壕兔鄉 (Xiaohao Tu Xiang*), 榆林市 (Yulin City*), Shaanxi Province, the PRC, for a total consideration of RMB40,000,000;
- (r) the finance lease agreement dated 9 December 2020 entered into between 西安北控嘉晟熱力有限責任公司 (Xi’an Beikong Jiacheng Clean Heat Co., Ltd.*) as lessee, and 北銀金融租賃有限公司 (Bank of Beijing Financial Leasing Company Limited*) as lessor, for certain clean heat supply facilities located in 西安市 (Xi’an City*), Shaanxi Province, the PRC, for a total consideration of RMB200,000,000;
- (s) the finance lease agreement dated 23 December 2020 entered into between 興義市中弘新能源有限公司 (Xingyi Zhonghong New Energy Co., Ltd.*) as lessee, and 中核融資租賃有限公司 (CNNC Financial Leasing Company Limited*) as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding a 70MW photovoltaic power plant in 興義市 (Xingyi City*), Guizhou Province, the PRC, for a total consideration of RMB338,000,000;

- (t) the agreement dated 4 January 2021 entered into between Beiqing Smart and 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*) in relation to the leasing of Units 201 and 302 of BEWG Building, an office building located at Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC;
- (u) the termination agreement dated 1 February 2021 entered between 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*) and 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*) in relation to the termination of the agreement dated 19 January 2019 entered into between 北京北控光伏科技發展有限公司 (Beijing Enterprises New Energy Company Limited*) and 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*) in relation to the leasing of Unit 301 of BEWG Building, an office building located at Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC;
- (v) the Agreement of Intent on Material Asset Reorganisation dated 15 March 2021 entered into between Beiqing Smart and 中電電機股份有限公司 (SEC Electric Machinery Co., Ltd.*) (“**SEC Electric**”), pursuant to which Beiqing Smart and SEC Electric proposed to undertake a material asset swap transaction (the “**Asset Swap**”), whereby SEC Electric will use all or part of its assets, liabilities and businesses to swap with the equivalent value of part of the equity interests of Beiqing Smart (the “**Equivalent Beiqing Smart Interest**”) held by 天津富清投資有限公司 (Tianjin Fuqing Investment Co., Ltd.*) (“**Tianjin Fuqing**”);
- (w) nine capital contribution agreements dated 26 March 2021 between, the Company, Tianjin Fuqing, the Beiqing Smart and 蕪湖建信鼎信投資管理中心(有限合夥)(Wuhu CCB Trust Dingxin Investment Management Centre (Limited Partnership)*), 譽華融投聯動(廈門)投資合夥企業(有限合夥)(Yuhua Rongtou Linkage (Xiamen) Investment Partnership Enterprise (Limited Partnership)*), 南昌市紅穀灘新區航投譽華股權投資中心(有限合夥)(Nanchang Honggutuan New District Hangtou Yuhua Equity Investment Centre (Limited Partnership)*), 橙葉智鴻(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhihong (Zibo) Equity Investment Partnership Enterprise (Limited Partnership)*), 橙葉志嘉(淄博)股權投資基金中心(有限合夥)(Orange Leaf Zhijia (Zibo) Equity Investment Fund Centre (Limited Partnership)*), 橙葉智通(淄博)股權投資合夥企業(有限合夥)(Orange Leaf Zhitong (Zibo) Equity Investment Partnership Enterprise (Limited Partnership)*), Great First, 寧波梅山保稅港區鈞源三號股權投資合夥企業(有限合夥)(Ningbo Meishan Free Trade Zone Junyuan No. 3 Equity Investment Partnership Enterprise (Limited Partnership)*), 寧波梅山保稅港區鈞源五號股權投資合夥企業(有限合夥)(Ningbo Meishan Free Trade Zone Junyuan No. 5 Equity Investment Partnership Enterprise (Limited Partnership)*) and 天津富騰企業管理合夥企業(有限合夥)(Tianjin Futeng Enterprise Management Partnership (Limited Partnership)*) (the “**Fourth Round Investors**”), under which the Fourth Round Investors agreed to contribute new capital to the Beiqing Smart in the aggregate amount of approximately RMB1,076.17 million in return for approximately 9.14% of the enlarged capital of the Beiqing Smart;

- (x) the material asset framework agreement dated 26 March 2021 entered into by, among others, Tianjin Fuqing, SEC Electric, 王建裕先生 (Mr. Wang Jianyu*), 王建凱先生 (Mr. Wang Jiankai*) and all the shareholders of Beiqing Smart (other than Tianjin Fuqing) in relation to, among other things, (i) the proposed transfer of part of the share of SEC Electric by 王建裕先生 (Mr. Wang Jianyu*), 王建凱先生 (Mr. Wang Jiankai*) to Tianjin Fuqing at the consideration of RMB12.19 per share; (ii) the disposal of all remaining equity interest of Beiqing Smart (other than the Equivalent Beiqing Smart Interest) by all the shareholders of Beiqing Smart to SEC Electric and the issue of consideration shares by SEC Electric in connection therewith; and (iii) the Asset Swap;
- (y) the operating rights agreement dated 16 April 2021 entered into between Beiqing Smart and 連州市嘉潤投資發展有限公司 (Lianzhou City Jiarun Investment Development Co., Ltd.*), pursuant to which the 連州市嘉潤投資發展有限公司 (Lianzhou City Jiarun Investment Development Co., Ltd.*) agreed to transfer the operating rights of 連州市潭嶺水電廠 (Lianzhou City Tanling Hydropower Plant*) to the Beiqing Smart (or its holding company) for a term of 20 years at the basic operating fees of approximately RMB41,020,000 per annum;
- (z) the equity transfer agreement dated 14 May 2021 entered into by 西藏多能共拓企業管理合夥企業(普通合夥)(Tibet Duoneng Gongtuo Enterprise Management Partnership Enterprise (General Partnership)*) with Great First in respect of the transfer of approximately 8.33% equity interest in 北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*) (“**BE Wind Power**”);
- (aa) the equity transfer agreements dated 14 May 2021 entered into by 西藏多能共拓企業管理合夥企業(普通合夥)(Tibet Duoneng Gongtuo Enterprise Management Partnership Enterprise (General Partnership)*) with 寧波梅山保稅港區鈞源三號股權投資合夥企業(有限合夥)(Ningbo Meishan Free Trade Port Zone Jinyuan (No. 3) Equity Investment Partnership Enterprise (Limited Partnership)*) and Super Bright (Hong Kong) Limited, respectively, in respect of the transfers of an aggregate of approximately 11.88% equity interest in BE Wind Power;
- (bb) the finance lease agreement dated 2 June 2021 entered into between 金杰新能源股份有限公司 (Jinjie New Energy Co., Ltd.*) and 包頭市金源新能源發展有限責任公司 (Baotou City Jinyuan New Energy Development Co., Ltd*), as lessees, and 北銀金融租賃有限公司 (Bank of Beijing Financial Leasing Company Limited*), as lessor, for certain wind power generating equipment and ancillary facilities regarding two 19.5MW and one 30MW wind power plants located in 包頭市 (Baotou City*), the Inner Mongolia Autonomous Region, the PRC, for a total consideration of RMB280,000,000;

- (cc) the finance lease agreement dated 13 July 2021 entered into between 中寧縣興業錦繡新能源有限公司 (Zhongning County Xingyejinxiu New Energy Co. Ltd.*), as lessee, and 太平石化金融租賃有限責任公司 (Taiping Petrochemical Financial Leasing Company Limited*), as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding a 100MW photovoltaic power plant located in 中寧縣 (Zhongning County*), the Ningxia Hui Autonomous Region, the PRC, for a total consideration of RMB500,000,000;
- (dd) the supplemental agreements dated 17 September 2021 and entered into between the Company, Tianjin Fuqing, BENE and Beiqing Smart under which the respective parties agreed to amend certain terms of the Capital Contribution Agreements;
- (ee) the material assets reorganisation agreement dated 24 September 2021 entered into between SEC Electric, the shareholders of Beiqing Smart, 王建裕先生 (Mr. Wang Jianyu*) and 王建凱先生 (Mr. Wang Jiankai*) in relation to the proposed reorganization of Beiqing Smart (the “**Proposed Reorganisation**”) in preparation of the proposed spin-off of the businesses of investment and development of photovoltaic power plants and wind power plants in the PRC;
- (ff) the finance lease agreement dated 19 November 2021 entered into between 安陽永歌光伏發電有限公司 (Anyang Yongge Photovoltaic Power Generation Co. Ltd.*), as lessee, and 國銀金融租賃股份有限公司 (China Development Bank Financial Leasing Co., Ltd.*), as lessor, for certain photovoltaic power generating equipment and ancillary facilities regarding a 100MW photovoltaic power plant located in 安陽縣 (Anyang County*), Henan Province, the PRC, for a total consideration of RMB650,000,000;
- (gg) the agreement dated 4 January 2022 entered into between Beiqing Smart and 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*) in relation to the leasing of units 201 and 302 and four car parking spaces in BEWG Building, an office building located at Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC;
- (hh) the agreement dated 4 January 2022 entered into between BE Clean Heat Energy and 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*) in relation to the leasing of unit 301 of BEWG Building, an office building located at Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC; and

- (ii) the termination agreement dated 25 February 2022 and entered into between Tianjin Fuqing, Beiqing Smart, all other shareholders of Beiqing Smart, 王建裕先生 (Mr. Wang Jianyu*), 王建凯先生 (Mr. Wang Jiankai*) and SEC Electric, pursuant to which the parties have mutually agreed to terminate the Proposed Reorganisation.

11. EXPERT'S QUALIFICATIONS AND CONSENTS

The following are the qualifications of the expert who has given its opinions and advices which are included in this circular:

NAME	QUALIFICATIONS
Lego Corporate Finance Limited	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO, being the independent financial adviser appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Specific Mandate and the Whitewash Waiver

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice dated 1 April 2022 in the form and context in which it is included and all references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the expert named above did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

12. CORPORATE AND OTHER INFORMATION

The registered office of the Company is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The head office and principal place of business of the Company in Hong Kong is located at Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The company secretary of the Company is Mr. Cheung Chin Wa, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales, who holds the Hong Kong Institute of Certified Public Accountants Practising Certificate.

The Company's principal share registrar and transfer office is Ocorian Trust (Cayman) Limited, whose address is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The auditors of the Company, Ernst & Young, as Registered Public Interest Entity Auditor, is located at 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

The principal bankers of the Company (i) in Hong Kong are: China Construction Bank (Asia) Corporation Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, CIMB Bank Berhad, Hong Kong Branch, DBS Bank Ltd., Hong Kong Branch, Hang Seng Bank Limited, Industrial and Commercial Bank of China (Asia) Limited and Nanyang Commercial Bank Limited; and (ii) in Mainland China are: Agricultural Bank of China Limited, China CITIC Bank Corporation Ltd, China Construction Bank Corporation, China Development Bank, China Everbright Bank Co., Ltd., China Guangfa Bank Co., Ltd., Industrial and Commercial Bank of China Limited, Industrial Bank Co., Ltd., Ping An Bank Co., Ltd., Postal Savings Bank of China Co., Ltd. and The Export-Import Bank of China.

The authorised representatives of the Company are Mr. Zhang Tiefu and Mr. Cheung Chin Wa, with each correspondence address at Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Legal advisers to the Company as to Hong Kong laws in respect of the Subscription and the transaction contemplated thereunder is Jeffrey Mak Law Firm, situated in 6th Floor, O.T.B. Building, 259-265 Des Voeux Road Central, Hong Kong.

The registered office of the Subscriber is situated at Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands. The correspondence address of the Subscriber in Hong Kong is located at 17th Floor, Agricultural Bank of China Tower, No. 50 Connaught Road Central, Hong Kong. The head office and principal place of business in Hong Kong of CSFG is located at 17th Floor, Agricultural Bank of China Tower, No. 50 Connaught Road Central, Hong Kong.

The principal members of the group of persons acting in concert with the Subscriber are Mr. Liu Zhijie and Mr. Liu Yao, the directors of the Subscriber, with each correspondence address at 17th Floor, Agricultural Bank of China Tower, No. 50 Connaught Road Central, Hong Kong and CSFG, which wholly owns the Subscriber. The names of the CSFG Directors are disclosed in the paragraph headed “1. Responsibility Statement” in this Appendix. 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).

The registered office of the Independent Financial Adviser is located at Room 1601, 16/F, China Building, 29 Queen’s Road Central, Central, Hong Kong.

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

13. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection (i) at the principal place of business of the Company in Hong Kong at Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (9:30 a.m. to 5:00 p.m.) from Monday to Friday (except Saturdays, Sundays and public holidays); (ii) on the website of the Company (<http://www.bece.com.hk/en/global/home.php>); and (iii) on the website of the SFC (<http://www.sfc.hk>), from the date of this circular up to and including the date of the EGM:

1. this circular;
2. the second amended and restated memorandum and articles of association of the Company;
3. the memorandum and articles of association of the Subscriber;
4. services contracts of each of the Directors referred to in the paragraph headed “6. Directors’ Service Contracts” in this Appendix;
5. the published annual reports of the Company containing audited consolidated financial statements of the Company for the two financial years ended 31 December 2019 and 2020 and the annual results announcement of the Company for the year ended 31 December 2021;

6. the letter from the Board, the text of which is set out in the Letter from the Board in this circular;
7. the letter from the Independent Board Committee, the text of which is set out in the Letter from the Independent Board Committee in this circular;
8. the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the Letter from the Independent Financial Adviser in this circular;
9. the written consents referred to in the paragraph headed “11. Experts’ Qualifications and Consents” in this Appendix;
10. the material contracts referred to in the paragraph headed “10. Material Contracts” in this Appendix; and
11. the Subscription Agreement.

The above documents will be uploaded to the website of the SFC at www.sfc.hk and the Company’s website at <http://www.bece.com.hk/en/global/home.php> from the date of this circular up to (and including) the date of the EGM in accordance with Notes 1 and 2 to Rule 8 of the Takeovers Code.

** For identification purpose only*

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Beijing Enterprises Clean Energy Group Limited (the “**Company**”) will be held at 4:00 p.m. on Friday, 29 April 2022 at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing with or without amendment, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the entering into of the conditional subscription agreement (the “**Subscription Agreement**”, a copy of which is tabled at the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification) entered into between the Company as issuer, and Profit Plan Global Investment Limited (the “**Subscriber**”) as subscriber dated 4 March 2022 in relation to the subscription by the Subscriber of an aggregate of 48,804,039,247 shares in the Company (the “**Subscription Share(s)**”) at the subscription price of HK\$0.096 per Subscription Share to be issued by the Company and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and
- (b) any one or more of the Directors be and is/are hereby authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in his/her/their opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Subscription Agreement and to agree to such variation, amendments or waiver of matters relating thereto as are, in his/her/their opinion, in the interests of the Company.”

2. “**THAT:**

the director(s) of the Company (the “**Director(s)**”) be and are hereby granted with a specific mandate to allot and issue the Subscription Shares to the Subscriber pursuant to the Subscription Agreement.”

NOTICE OF EGM

SPECIAL RESOLUTION

3. “**THAT**

- (a) subject to the passing of the above ordinary resolution numbered 1 and the granting of the Whitewash Waiver (as defined below) by the Executive Director (or any delegate of the Executive) of the Corporate Finance Division of the Securities and Futures Commission and fulfilment of any conditions that may be imposed thereon, the waiver of the obligations on the part of the Subscriber and parties acting in concert with it to make a mandatory general offer for all the issued ordinary shares of the Company and other securities of the Company not already owned or agreed to be acquired by the Subscriber and the parties acting in concert with it which might otherwise arise as a result of the Subscriber subscribing for the Subscription Shares under the Subscription Agreement pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Whitewash Waiver**”), be and is hereby approved; and
- (b) any one or more of the Directors be and is hereby authorised to do all such acts and things and execute all such further documents, agreements and instruments and to take such steps as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

By Order of the Board
Beijing Enterprises Clean Energy Group Limited
Zhang Tiefu and Hu Xiaoyong
Joint Chairmen

Hong Kong, 1 April 2022

Notes:

1. The Company would like to remind members of the Company that it is possible that members of the Company 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, including but not limited to any ban on conducting physical general meetings of companies under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong) and the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation 2020 (Chapter 599G of the Laws of Hong Kong). Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM and may complete, sign and return the voting slips to exercise their voting rights. For the health and safety of members of the Company, the Company would strongly encourage members of the Company 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 instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising the voting rights of members of the Company. Members of the Company are advised to read carefully the precautionary measures to be implemented at the EGM set out in the section headed “Precautionary measures for the EGM” in the circular of the Company dated 1 April 2022 (the “Circular”).

NOTICE OF EGM

2. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. To be valid, the instrument appointing a proxy and (if required by the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.
6. Where there are joint holders of any shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked
8. For the purpose of determining the shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 26 April 2022 to Friday, 29 April 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office 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 for registration not later than 4:30 p.m. on Monday, 25 April 2022.
9. A form of proxy for use at the EGM is enclosed with the Circular.