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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer 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 (the “**Company**”), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**北控清潔能源集團有限公司**

BEIJING ENTERPRISES CLEAN ENERGY GROUP LIMITED

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

**(Stock Code: 01250)**

**MAJOR TRANSACTION**

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## DEFINITIONS

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

“April 2015 Circular”	the circular of the Company dated 10 April 2015 in relation to, among other things, the Subscription Agreement
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Beijing Enterprises Clean Energy Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Cooperation Agreement”	the cooperation agreement entered into between the Company and Jinzhai Government dated 21 June 2016 in relation to the cooperation between the Company and Jinzhai Government in the Project
“Director(s)”	the director(s) of the Company
“EPC”	engineering, procurement and construction
“Fast Top”	Fast Top Investment Limited, a company incorporated under the laws of the British Virgin Islands and a Shareholder
“Green Power”	CTSL Green Power Investment Limited, a company incorporated under the laws of the British Virgin Islands and a Shareholder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Jinzhai Government”	Jinzhai County People’s Government* (金寨縣人民政府)

\* for identification purposes only.

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## DEFINITIONS

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“Latest Practicable Date”	8 August 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mu”	mu (畝), a Chinese unit of measurement in terms of area, equivalent to 666 <sup>2</sup> / <sub>3</sub> square metre
“MW”	Megawatts, which is equal to 1,000,000 watts
“New Energy”	CTSL New Energy Investment Limited, a company incorporated under the laws of the British Virgin Islands and a Shareholder
“Power Plant”	the 200MW large-scale ground centralized photovoltaic power plant to be constructed in Jinzhai County* (金寨縣), Anhui Province, the PRC
“PRC”	The People’s Republic of China, which, for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project”	the project on the construction of the Power Plant
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of the Shares
“Shares”	ordinary shares of HK\$0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

\* for identification purposes only.

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## DEFINITIONS

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“Subscription Agreement”	the subscription agreement dated 9 December 2014 (as supplemented by the first supplemental agreement dated 29 December 2014, the second supplemental agreement dated 31 January 2015 and the third supplemental agreement dated 30 April 2015) entered into between the Company, Fast Top, CPEChina Fund II, L.P., CPEChina Fund IIA, L.P. and CITIC Private Equity Fund III (RMB)* 北京中信投資中心(有限合夥) and More Surplus Investments Limited in respect of the subscription of certain new ordinary shares and convertible preference shares of the Company (further details of which are set out in the April 2015 Circular)
“%”	per cent.

*If there is any inconsistency between the official Chinese name of the PRC Government authorities or the PRC entities mentioned in this circular and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only.*

*The figures in RMB are converted into HK\$ at the rates of RMB1: HK\$1.16 throughout this circular for indicative purpose only.*

\* for identification purposes only.

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## LETTER FROM THE BOARD

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# 北控清潔能源集團有限公司

BEIJING ENTERPRISES CLEAN ENERGY GROUP LIMITED

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

**(Stock Code: 01250)**

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Rooms 6706-07, 67th Floor,  
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15 August 2016

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION

### INTRODUCTION

References are made to the announcements of the Company dated 21 June 2016 and 27 June 2016 in relation to the Cooperation Agreement and the transactions contemplated thereunder and the announcement of the Company dated 13 July 2016 in relation to the delay in despatch of this circular. The purpose of this circular is to provide you with, among other things, further details of the Cooperation Agreement and the transactions contemplated thereunder.

On 21 June 2016, the Company and Jinzhai Government entered into the Cooperation Agreement in relation to the construction of a 200MW large-scale ground centralized photovoltaic power plant in Jinzhai County, Anhui Province, the PRC.

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## LETTER FROM THE BOARD

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Details of the Cooperation Agreement are set out below.

### COOPERATION AGREEMENT

Date: 21 June 2016

Parties: The Company  
Jinzhai Government

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jinzhai Government and its ultimate beneficial owners are parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

### Details of the Project

Power plant to be constructed: 200MW large-scale ground centralized photovoltaic power plant

Pursuant to the terms of the Cooperation Agreement, Jinzhai Government undertook to allocate a quota of 100MW from the Plan (as defined below) to the Company in development of the first phase of the Project (the "**First Phase**") and the timing of granting the quota of the remaining 100MW in development of the second phase of the Project (the "**Second Phase**") will depend on the progress of the First Phase.

The National Energy Administration\* (國家能源局) formulates a national photovoltaic power plant construction scale plan (the "**Plan**") each year. The quota to be granted by Jinzhai Government to the Company in developing the Project will be allocated from such Plan. Only projects that are included in the Plan can benefit from the state electricity subsidies upon completion.

In the event that the remaining quota of 100MW for the Second Phase is not granted by Jinzhai Government to the Company, both the size of the Project and the amount of the Project Total Investment (as defined below) will be reduced by 50%.

Location: Jinzhai County, Anhui Province, the PRC

\* for identification purposes only.

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## LETTER FROM THE BOARD

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Total investment of the Project (the “**Project Total Investment**”):

Approximately RMB1,600,000,000, being the aggregate of the investment amount of approximately RMB800,000,000 for the First Phase (the “**First Phase Investment Amount**”) and the investment amount of approximately RMB800,000,000 for the Second Phase (the “**Second Phase Investment Amount**”). In the event that the remaining quota of 100MW for the Second Phase is not granted by Jinzhai Government to the Company, the amount of the Project Total Investment will be approximately RMB800,000,000 for the First Phase (100MW) only.

The investment shall be made between July 2016 and 30 June 2018.

The Company is responsible for the funding of the Project.

The Company will hold the entire interest of the Project under the Cooperation Agreement. The Company will hold the entire interest of the Power Plant and the financial information of the Power Plant will be 100% consolidated into the accounts of the Company.

The Company will own all the assets and liabilities of the Power Plant. The Company will be entitled to (or will bear) the entire profit (or loss) from the operations of the Power Plant.

Pursuant to the terms of the Cooperation Agreement, if the Company has not formulated a processing and manufacturing project with fixed assets investment of over RMB200,000,000 (the “**Relevant Project**”) before the grid connection of the Project, the Company shall make a one-time poverty alleviation payment of RMB0.3 per watt of installed capacity to Jinzhai Government (the “**One-time Poverty Alleviation Payment**”) before the grid connection of the Project. If the Company has formulated the Relevant Project before the grid connection of the Project, it does not need to make the One-time Poverty Alleviation Payment. As at the Latest Practicable Date, the Company had not formulated the Relevant Project and it is expected that the Company will not formulate the Relevant Project before the grid connection of the Project. Accordingly, pursuant to the terms of the Cooperation Agreement, the Company shall make the One-time Poverty Alleviation Payment to Jinzhai Government before the grid connection of the Project. The maximum amount of the One-time Poverty Alleviation Payment is RMB60,000,000 (RMB0.3 per watt times 200MW) assuming that the quota for both the First Phase and the Second Phase is granted. The amount of the One-time Poverty Alleviation Payment has been included in the amount of the Project Total Investment.



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## LETTER FROM THE BOARD

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Pursuant to the terms of the Cooperation Agreement, the Company shall also make poverty alleviation payments of RMB0.01 per kWh (kilowatt hour) to Jinzhai Government (the “**Recurring Poverty Alleviation Payments**”, together with the One-time Poverty Alleviation Payment, the “**Poverty Alleviation Payments**”) after grid-connected power generation of the Project. The amount of such payments to be made will depend on the electricity sale and usage after grid-connected power generation. As at the Latest Practicable Date, the estimated electricity sale price to be received by the Company after grid-connected power generation of the Project would be RMB0.98 per kWh (kilowatt hour), which is determined based on the relevant benchmark price set out in the Notice Regarding the Improvement of the Onshore Wind and Photovoltaic Power Generation Benchmark Pricing Policy issued by the National Development and Reform Commission (Fa Gai Jia Ge [2015] No. 3044) \* (國家發展和改革委員會關於完善陸上風電光伏發電上網標杆電價政策的通知(發改價格[2015]3044號)).

The amount of the Project Total Investment was determined on an arm length’s basis between the Company and Jinzhai Government with reference to the planned installed capacity of the Power Plant and the corresponding estimated cost of construction. The amount of the Poverty Alleviation Payments under the Cooperation Agreement was determined on an arm’s length basis between the Company and Jinzhai Government with reference to the recent policies of the People’s Government of the PRC, details of which are set out in the paragraph headed “REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER” below.

The Company intends to finance the Project Total Investment, which has included the One-time Poverty Alleviation Payment, using the internal resources of the Group.

As set out in the announcement of the Company dated 6 May 2016, completion of the subscription for Tranche B Preference Shares (as defined in the April 2015 Circular) took place on 6 May 2016 pursuant to the terms of the Subscription Agreement. Pursuant to the terms of the Subscription Agreement, completion of the subscription for the remaining two tranches, being Tranche C Preference Shares and Tranche D Preference Shares (each as defined in the April 2015 Circular) will take place on the 183rd day after the first anniversary of the date of completion of the Subscription Agreement (i.e. November 2016) and on the second anniversary of the date of completion of the Subscription Agreement (i.e. May 2017) respectively.

The subscription proceeds of each of the Tranche B Preference Shares, Tranche C Preference Shares and Tranche D Preference Shares received and/or to be received by the Company in the aggregate amount of approximately HK\$1,876.2 million (being the total of approximately HK\$750.5 million, approximately HK\$750.5 million and approximately HK\$375.2 million for each tranche respectively) are expected to be used to finance, and accordingly the Company will have sufficient internal resources to finance, the Project Total Investment of

\* for identification purposes only.

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## LETTER FROM THE BOARD

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RMB1,600 million (equivalent to approximately HK\$1,856 million), which has included the amount of the One-time Poverty Alleviation Payment of RMB60 million (equivalent to approximately HK\$69.6 million).

With respect to the estimated construction plan of the First Phase, it is expected that construction will commence in around August 2016 and commercial operations will commence in around December 2016.

With respect to the estimated payment schedule of the First Phase Investment Amount, it is expected that 20% will be paid upon commencement of construction of the First Phase, 40% will be paid when the First Phase is 80% complete and the remaining 40% will be paid after the First Phase is accepted by the Company.

As mentioned above, the timing of granting the quota of the remaining 100MW for the Second Phase will depend on the progress of the First Phase. Therefore, as at the Latest Practicable Date, there is no estimated construction plan or payment schedule with respect to the Second Phase.

Pursuant to the terms of the Cooperation Agreement, Jinzhai Government shall provide investment incentives and other preferential policies for the Company's investment in the Relevant Project in Jinzhai County, Anhui Province, the PRC. Such investment incentives and other preferential policies are set out in Jinzhai County Foreign Investment Policy Guidelines (Trial) \* (《金寨縣招商引資政策導則(試行)》) which was effective on 28 June 2016. They include subsidies based on the amount of fixed assets invested, rewards based on the revenue generated by the principal business and waiver of certain local fees, etc.

The land for the Power Plant of 7000 Mu shall be obtained by way of land circulation in the form of a lease for a term of 25 years. The annual lease payment shall be RMB700 per Mu, which shall be increased by 5% in each five years thereafter. The annual lease payment shall be payable by the Company to Jinzhai Government. The amount of the annual lease payment was determined between the Company and Jinzhai Government on the basis of fair commercial terms.

Pursuant to the terms of the Cooperation Agreement, Jinzhai Government is responsible for arranging the completion of land acquisition, relocation and demolition, land circulation and crop compensation and other related tasks before 31 July 2016, and shall provide the land to the Company for the construction of the Project. As at the Latest Practicable Date, it was expected that the land will be provided to the Company in August 2016 for the commencement of the construction of the Power Plant. The Company shall bear the expenses relating to the land that have actually been incurred, subject to the terms of the Cooperation Agreement.

\* for identification purposes only.

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## LETTER FROM THE BOARD

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Furthermore, Jinzhai Government shall support the construction of the Project by the Company and shall assist the Company in the relevant filings, environment assessment, approvals and grid connection of the Power Plant, etc. The distance between the Power Plant and the transformer substation shall be within 10 kilometers. Jinzhai Government shall proactively procure State Grid Corporation of China\* (國家電網公司) to construct or repurchase the transmission line facilities of the Power Plant. If State Grid Corporation of China\* (國家電網公司) does not bear the costs of the construction of the transmission line facilities, the Company shall construct the transmission line facilities on its own. On the other hand, the Company and Jinzhai Government shall be entitled to the carbon emission trading income of the Project in equal shares.

For the purposes of the construction of the Power Plant, EPC contractor(s) will be engaged to provide EPC services in respect of the Project and/or materials purchase and supply contracts will be entered into.

### INFORMATION ON THE PARTIES TO THE COOPERATION AGREEMENT

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

Jinzhai Government is the People's Government of the PRC in Jinzhai County\* (金寨縣), Anhui Province, the PRC.

### REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

In October 2014, the National Energy Administration\* (國家能源局) and the State Council Leading Group Office of Poverty Alleviation and Development\* (國務院扶貧開發領導小組辦公室) jointly issued the Notice Regarding the Publication of the Program on the Implementation of Photovoltaic Poverty Alleviation Project (Guo Neng Xin Neng [2014] No.447)\* (《國家能源局國務院扶貧開發領導小組辦公室關於印發實施光伏扶貧工程工作方案的通知》(國能新能[2014]447號)) pursuant to which planning was made with respect to photovoltaic poverty alleviation for six years until 2020. This project was aimed to increase income of the population in poverty.

\* for identification purposes only.

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## LETTER FROM THE BOARD

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This year, several governmental departments including the National Development and Reform Commission\* (國家發展和改革委員會) issued the Opinion on the Implementation of the Work on Photovoltaic Poverty Alleviation (Fa Gai Neng Yuan [2016] No. 621)\* (《關於實施光伏發電扶貧工作的意見》(發改能源[2016]621號)) which states that before 2020, the focus would be to increase the income of each household by at least RMB3,000 each year for 2 million households in approximately 35,000 recorded poor villages, 471 counties and 16 provinces where the photovoltaic conditions are more favorable. Jinzhai County\* (金寨縣), Anhui Province, the PRC is one of the core districts for the implementation of photovoltaic poverty alleviation projects (光伏扶貧工程重點實施範圍).

The transactions contemplated under the Cooperation Agreement provide the Company with an opportunity to develop a photovoltaic power plant in the Anhui Province, the PRC, a location considered by the Company to be favourable for development of its photovoltaic business in the PRC. The transactions contemplated under the Cooperation Agreement are also in line with the policies of the PRC People's Government and the Group would be able to contribute to the poor in the PRC while expanding its portfolio of photovoltaic power plants in the PRC and broadening its sources of income, ultimately enhancing value to the Shareholders.

The Board considers that the terms of the Cooperation Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable ratios set out in Rule 14.07 of the Listing Rules in respect of the Cooperation Agreement and the transactions contemplated thereunder are more than 25% and all of such ratios are below 100%, the Cooperation Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders nor any of their respective associates has any material interest in the transaction contemplated under the Cooperation Agreement and therefore none of them is required to abstain from voting if an extraordinary general meeting is to be convened for the approval of the Cooperation Agreement and the transactions contemplated thereunder. The Company has obtained a written approval for the Cooperation Agreement and the transactions contemplated thereunder in lieu of holding an extraordinary general meeting in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising Fast Top, Green Power and New Energy, which together held an aggregate of 13,339,184,540 Shares, representing approximately 53.33% of the issued ordinary share capital of the Company as at the date of the Cooperation Agreement. Green Power is jointly controlled by CPEChina Fund II, L.P.

\* for identification purposes only.

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## LETTER FROM THE BOARD

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and CPEChina Fund IIA, L.P. and New Energy is controlled by CITIC Private Equity Fund III (RMB)\* 北京中信投資中心(有限合夥). Fast Top, CPEChina Fund II, L.P., CPEChina Fund IIA, L.P. and CITIC Private Equity Fund III (RMB)\* 北京中信投資中心(有限合夥) are regarded as parties “acting in concert” for the purposes of the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong, details of which are set out in the April 2015 Circular in relation to, among other things, the Subscription Agreement. Each of Fast Top, Green Power and New Energy has the right to vote at the extraordinary general meeting (if convened) to approve the Cooperation Agreement and the transactions contemplated thereunder. As such, the Company is not required to convene an extraordinary general meeting for the purpose of approving the Cooperation Agreement and the transactions contemplated thereunder under Rule 14.44 of the Listing Rules.

### RECOMMENDATION

This circular is despatched to the Shareholders for information purpose only. No general meeting will be convened for approving the Cooperation Agreement and the transactions contemplated thereunder.

Although no general meeting will be convened, the Board considers that the Cooperation Agreement was entered into on normal commercial terms and the terms of the Cooperation Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting were convened for approving the Cooperation Agreement and the transactions contemplated thereunder, the Board would have recommended the Shareholders to vote in favour of the relevant resolution(s).

### ADDITIONAL INFORMATION

Your attention is drawn to the financial and general information set out in the appendices to this circular.

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

\* for identification purposes only.

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bece.com.hk>):

- annual report of the Company for the year ended 31 December 2013 published on 23 April 2014 (pages 34-73)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0423/LTN20140423578.pdf>

- annual report of the Company for the year ended 31 December 2014 published on 28 April 2015 (pages 43-83)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0428/LTN201504281026.pdf>

- annual report of the Company for the year ended 31 December 2015 published on 21 April 2016 (pages 40-97)

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0421/LTN20160421343.pdf>

Each of the said audited consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular.

**2. INDEBTEDNESS****Debts and Borrowings**

As at the close of business on 8 July 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had unsecured bank loan with an aggregate principal amount of approximately HK\$2,973,209,934.

**Contingent liabilities**

As at 8 July 2016, the Group had no material contingent liabilities.

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities, the Group did not have, at the close of business on 8 July 2016, any other outstanding liabilities or any debt securities, or any mortgages, charges, debentures, loan capital, bank overdrafts, loans, liabilities under acceptance (other than normal trade bills) or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

### 3. FINANCIAL AND TRADING PROSPECTS

The principal business activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power plants and photovoltaic power-related businesses (the “**Photovoltaic Power Business**”) and the design, printing and sale of cigarette packages in the PRC (the “**Cigarette Packaging Business**”).

#### **Photovoltaic Power Business**

The central government of the PRC has been actively promoting renewable energy in recent years in order to mitigate China’s reliance on traditional energy sources and to better protect the environment. Since photovoltaic power is one of the important sources of renewable energy in China, the PRC government has devised and refined the core regulations regarding photovoltaic power project approval, grid connection, and subsidies to accelerate the development of photovoltaic power. According to the 《能源發展戰略行動計劃 (2014-2020)》(Strategic Action Plan for Energy Development (2014-2020)\*) issued by the State Council of the PRC in 2014, the installed gross capacity of photovoltaic power generation shall reach 100 gigawatt (“**GW**”) by year 2020. According to the latest statistics released by National Energy Administration\* (國家能源局) as at the Latest Practicable Date, China has the largest installed capacity of photovoltaic power generation in the world. It is expected that China will become the largest market of investment and operation of photovoltaic power stations in the world.

On 27 December 2015, National Development and Reform Commission\* (國家發展和改革委員會) issued 《關於降低燃煤發電上網電價和一般工商業用電價格的通知》(the Notice on the Reduction of On-grid Tariffs for Coal-fired Power Generation and Electricity Prices for General Industrial and Commercial Use\*) pursuant to which the tariff for renewable energy collected from electricity consumption (other than for the private domestic use and agricultural production) shall be increased by approximately 27% to RMB1.9 cents per kilowatt hour with effect from year 2016. This reaffirms the PRC government’s commitment to support the renewable energy and also improves the sustainability of the subsidies to renewable energy including photovoltaic power.

Seeing the growth prospects in the photovoltaic power generation business with policy encouragement from the PRC government, the Group considers that the photovoltaic power generation is a sector with great potential in the PRC. To capitalize on the growth opportunities in the fast-growing photovoltaic power generation industry, during 2015, the Group strategically expanded into the photovoltaic power generation business in different regions of the PRC by developing grid-connected photovoltaic power plants and distributed photovoltaic power generation facilities, which will be the core focus of the Group in coming years.

\* for identification purposes only.



The Group operates the Photovoltaic Power Business by undertaking projects that will either be developed on its own or jointly with other parties or by acquiring other photovoltaic power plants. During 2015, for projects developed on its own, the Group commenced construction of a 50 MW photovoltaic power plant in Yu County\* (蔚縣), Hebei, and the power plant was successfully connected to grid in first quarter of 2016. For projects jointly developed with other parties, the Group has been developing three photovoltaic power plants in the regions of Hebei and Yunnan and the power plants have been successfully connected to grid as at the Latest Practicable Date. The Group is also looking into opportunities in relation to acquisition of quality power plants. The Group has signed cooperation agreements with various parties to invest and potentially gain control over photovoltaic power plants. During 2016, the Group acquired (i) the entire equity interest of 河南旭光商貿有限公司(Henan Xuguang Commerce Co., Ltd.\*), which holds two photovoltaic power plant projects with installed capacity of 200MW located in Qi County\* (淇縣) and Anyang County\* (安陽縣) respectively in Henan Province, the PRC, (ii) the entire equity interest of 濟南中晟新能源開發有限公司(Jinan Zhongcheng New Energy Development Company Limited\*) which holds a 40MW photovoltaic power plant located in Shandong Province, the PRC, (iii) the entire equity interest of 曲陽綠谷能源科技有限公司(Quyang Lvgu Energy Technologies Company Limited\*), which holds a 32.2MW photovoltaic power plant located in Hebei Province, the PRC and (iv) the entire equity interest of 潤峰電力(鄭西)有限公司 (Runfeng Power (Yunxi) Company Limited\*), which holds a 26.655MW photovoltaic power plant located in Hubei Province, the PRC. Further details of such transactions are set out in the announcements of the Company dated 12 May 2016, 22 June 2016, 23 June 2016 and 29 June 2016 respectively.

The Group's potential projects for development are more than two GW covering different regions in the PRC including Shandong, Anhui, Hebei, Henan, Hubei, Shanxi, Shaanxi, Sichuan, Yunnan, Guangxi, Guangdong and Inner Mongolia. In addition, as at the Latest Practicable Date, the Group had commenced construction of two distributed photovoltaic power plants. Looking ahead, the Group will accelerate the development of distributed power plant business and proactively develop the distributed rooftop resources of water treatment plants held by its shareholders, Beijing Enterprises Water Group Limited (“**BEWG**”) and CITIC Private Equity Funds Management Co., Ltd., (“**CITIC PE Funds**”) as well as distributed rooftop resources owned by Beijing Enterprises Group and CITIC Group.

During 2016, the Company has also entered into strategic cooperation framework agreements with various partners namely BEWG, Beijing Properties (Holdings) Limited and 中國南山開發(集團)股份有限公司 (China Nanshan Development (Group) Incorporation\*) respectively pursuant to which the Company and the partners agreed to have strategic cooperation in relation to the development, construction and operation of distributed photovoltaic power stations.

\* for identification purposes only.



Photovoltaic power plant construction and development is capital intensive in nature and requires significant funding to carry out the construction and development plans. Financing capability is crucial to the fast development of the Group's Photovoltaic Power Business. The Company raised approximately HK\$1,861.4 million and approximately HK\$750.5 million in net proceeds by issuing ordinary shares of the Company and/or convertible preference shares of the Company through share subscriptions by various subscribers in 2015 and 2016, respectively. The subscribers also conditionally agreed to further subscribe shares of the Company and the gross proceeds from such share subscriptions shall be approximately HK\$750.5 million and HK\$375.2 million in 2016 and 2017, respectively. The Group has also obtained bank facilities of approximately HK\$4.36 billion as at the Latest Practicable Date for the development. The Company will continue to explore sources of funding from time to time on commercially reasonable terms for the future development.

The PRC government has promulgated a series of laws and regulations to promote and support the development of photovoltaic power business. The development of the business is also subject to regulation relating to electricity pricing, tariff, building codes, safety and environmental protection. As the regulatory framework in the PRC for photovoltaic power is still evolving, the Group has been closely monitoring the evolution to capitalize on the opportunities and mitigate the effect.

The Directors are of the view that the Photovoltaic Power Business is expected to possess positive potential and will bring long-term benefits to the Group. In addition, the Group has been exploring other emerging clean energy power generation businesses such as geothermal power generation, and will proactively develop business areas such as wind power and hydropower and seize international opportunities for strategic development and diversification.

#### **Cigarette Packaging Business**

Products of the Group in the Cigarette Packaging Business mainly consist of paper cigarette packages for three cigarette brands. The products are primarily sold to provincial tobacco industrial companies (省級中煙工業公司) which are state-owned cigarette manufacturers in the PRC. Last year, Cigarette Packaging Business and relevant industry and market environment remained stable. In 2016, the Group is facing challenges from keen competitive industry environment, and increasing labour costs and cost of production materials.

**4. EFFECT ON EARNINGS, ASSETS AND LIABILITIES OF THE COMPANY**

Following completion of the transactions contemplated under the Cooperation Agreement, the Group's assets will increase by the expansion of its portfolio of photovoltaic power plants in the PRC by approximately RMB1,600,000,000 (being the aggregate of the First Phase Investment Amount and the Second Phase Investment Amount) or approximately RMB800,000,000 (being the First Phase Investment Amount), as the case may be. The Group's earnings are also expected to increase after grid-connected power generation of the Power Plant and sale of electricity to the users. The amount of such earnings will depend on the electricity sale and usage after grid-connected power generation. The Group therefore considered that the transactions contemplated under the Cooperation Agreement are in the best interest of the Group.

The transactions contemplated under the Cooperation Agreement are not expected to result in any material impact on the liabilities of the Group upon completion of the construction of the Project given that the Company intends to finance the Project Total Investment, which has included the One-time Poverty Alleviation Payment, using the internal resources of the Group (further details of which are set out in the section headed "Letter from the Board" in this circular).

**5. MATERIAL ADVERSE CHANGE**

The Directors were not aware as at the Latest Practicable Date of any material adverse change in the financing or trading position of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up.

**6. WORKING CAPITAL**

After taking into account the present financial resources available to the Group (including internally generated revenue, funds and other available banking facilities), the Board believes that the Group shall have sufficient working capital to satisfy its requirements for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

## 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 the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF DIRECTORS' INTERESTS

### Interest of Directors and Chief Executive in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### *Long position in the shares and/or underlying shares of the Company*

Name of Directors	Capacity in which shares are held	Number of Shares held	Number of underlying shares held (Note 4)	Approximate percentage of the Company's issued share capital (Note 1)
Mr. Hu Xiaoyong (Note 2)	Interest of controlled corporation	995,227,370	1,004,772,630	5.49%
Mr. Wang Ye (Note 3)	Interest of controlled corporation	398,955,700	398,955,700	2.19%

*Notes:*

- (1) The percentage represents the aggregate number of Shares held and underlying shares held over the total issued shares of the Company of 36,449,536,470 shares (including ordinary shares and convertible preference shares of the Company) as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, Zihua Investments Limited, a company wholly and beneficially owned by Mr. Hu Xiaoyong, an executive Director, held 995,227,370 Shares and 404,772,630 convertible preference shares of the Company and has agreed to further subscribe to 600,000,000 convertible preference shares of the Company.
- (3) As at the Latest Practicable Date, 北京倍思泰科新能源科技開發有限公司 (Beijing Bestech New Energy Technology Development Co., Ltd.\*) (“**Bestech**”), a company incorporated in the PRC of which Mr. Wang Ye, an executive Director, is its controlling shareholder (as defined under the Listing Rules), held 398,955,700 Shares and 159,582,280 convertible preference shares of the Company and has agreed to further subscribe to 239,373,420 convertible preference shares of the Company.
- (4) The number of underlying shares held includes convertible preference shares of the Company held and convertible preference shares of the Company to be subscribed under the Subscription Agreement, details of which are disclosed in the April 2015 Circular.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors nor their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group.

\* for identification purposes only.

## 5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

## 7. INTEREST OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had an interest or short position, in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class or share capital carrying rights to vote in all circumstances at general meetings of the Company:

### Long positions in the shares and/or underlying shares of the Company

Name of Shareholders	Capacity in which shares and underlying shares are held	Number of ordinary shares held	Number of underlying shares held (Note 7)	Approximate percentage of the Company's issued share capital (Note 1)
Beijing Enterprises Group Company Limited ("BE Group") (Note 2)	Interest of controlled corporation	8,818,470,350	8,903,048,650	48.62%
Beijing Enterprises Holdings Limited ("BEHL") (Note 2)	Interest of controlled corporation	8,818,470,350	8,903,048,650	48.62%
BEWG (Note 2)	Interest of controlled corporation	8,818,470,350	8,903,048,650	48.62%

**APPENDIX II**
**GENERAL INFORMATION**

Name of Shareholders	Capacity in which shares and underlying shares are held	Number of ordinary shares held	Number of underlying shares held (Note 7)	Approximate percentage of the Company's issued share capital (Note 1)
Fast Top (Note 2)	Beneficial interest	8,818,470,350	8,903,048,650	48.62%
CITIC Securities Company Limited (Notes 3 and 4)	Interest of controlled corporation	4,520,714,190	10,669,159,220	41.67%
CITIC Securities International Co. Ltd. (Note 3)	Interest of controlled corporation	2,260,357,100	5,334,579,610	20.84%
CITIC Securities International Asset Management Limited (Note 3)	Interest of controlled corporation	2,260,357,100	5,334,579,610	20.84%
CITICPE Holdings Limited (Note 3)	Interest of controlled corporation	2,260,357,100	5,334,579,610	20.84%
CITIC PE Funds II Limited (Note 3)	Interest of controlled corporation	2,260,357,100	5,334,579,610	20.84%
CITIC PE Associates II, L.P. (Note 3)	Interest of controlled corporation	2,260,357,100	5,334,579,610	20.84%
CPEChina Fund II, L.P. (Note 3)	Interest held jointly with another person	2,260,357,100	5,334,579,610	20.84%
CPEChina Fund IIA, L.P. (Note 3)	Interest held jointly with another person	2,260,357,100	5,334,579,610	20.84%
Green Power (Note 3)	Beneficial interest	2,260,357,100	5,334,579,610	20.84%
中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd. *) (Note 4)	Interest of controlled corporation	2,260,357,090	5,334,579,610	20.84%

\* for identification purposes only.

**APPENDIX II**
**GENERAL INFORMATION**

Name of Shareholders	Capacity in which shares and underlying shares are held	Number of ordinary shares held	Number of underlying shares held <i>(Note 7)</i>	Approximate percentage of the Company's issued share capital <i>(Note 1)</i>
上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*) <i>(Note 4)</i>	Interest of controlled corporation	2,260,357,090	5,334,579,610	20.84%
北京宥德投資管理中心 (有限合夥) (Beijing Youde Investment Management Center (Limited Partnership)*) <i>(Note 4)</i>	Interest of controlled corporation	2,260,357,090	5,334,579,610	20.84%
北京中信投資中心(有限合夥) (CITIC Private Equity Fund III (RMB)*) (“CITIC PEF III”) <i>(Note 4)</i>	Interest of controlled corporation	2,260,357,090	5,334,579,610	20.84%
New Energy <i>(Note 4)</i>	Beneficial interest	2,260,357,090	5,334,579,610	20.84%
清華大學 (Tsinghua University) <i>(Note 5)</i>	Interest of controlled corporation	4,045,000,000	–	11.10%
清華控股有限公司 (Tsinghua Holdings Co., Ltd.*) <i>(Note 5)</i>	Interest of controlled corporation	4,045,000,000	–	11.10%
啟迪控股股份有限公司 (Tus- Holdings Co., Ltd*) <i>(Note 5)</i>	Interest of controlled corporation	4,045,000,000	–	11.10%
Tuspark Technology Innovation Ltd. (啟迪科創有限公司) <i>(Note 5)</i>	Beneficial interest	4,045,000,000	–	11.10%
Ms. Huang Li <i>(Note 6)</i>	Interest of controlled corporation	2,279,580,000	–	6.25%

\* for identification purposes only.

*Notes:*

- (1) The percentage represents the aggregate number of Shares held and underlying shares held over the total issued shares of the Company of 36,449,356,470 shares (including ordinary shares and convertible preference shares of the Company) as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, BE Group is deemed to be interested in 17,721,519,000 shares as a result of its indirect holding of such shares through the following entities including its subsidiaries:

Name	Number of Shares held	Number of underlying shares held <i>(Note 7)</i>
Fast Top	8,818,470,350	8,903,048,650
BEWG	8,818,470,350	8,903,048,650
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	8,818,470,350	8,903,048,650
BEHL	8,818,470,350	8,903,048,650
Beijing Enterprises Group (BVI) Company Limited	8,818,470,350	8,903,048,650
BE Group	8,818,470,350	8,903,048,650

- (a) As at the Latest Practicable Date, Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 8,818,470,350 Shares and 3,586,592,950 convertible preference shares of the Company and has agreed to further subscribe to 5,316,455,700 convertible preference shares of the Company. As at the Latest Practicable Date, BEWG is directly held as to approximately 43.93% (representing 3,824,367,831 shares of BEWG) by BE Environmental. BE Environmental is a wholly-owned subsidiary of BEHL, which is in turn held as to approximately 61.96% by Beijing Enterprises Group (BVI) Company Limited (by itself and through its subsidiaries) as at the Latest Practicable Date, and which is in turn wholly owned by BE Group. Beijing Enterprises Group (BVI) Company Limited also directly holds 3,010,000 shares in the share capital of BEWG. BEWG is indirectly held as to approximately 43.97% (representing 3,827,377,831 shares of BEWG) by BE Group as at the Latest Practicable Date.



- (3) As at the Latest Practicable Date, Green Power, a company jointly controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 2,260,357,100 Shares and 3,056,098,600 convertible preference shares of the Company and has agreed to further subscribe 2,278,481,010 convertible preference shares of the Company. 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 the CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P. is CITIC PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CITIC PE Associates II, L.P. is CITIC PE Funds II Limited. CITIC PE Funds II Limited is wholly owned by CITICPE Holdings Limited, which is owned as to 35% by CITIC Securities International Asset Management Limited. CITIC Securities International Asset Management Limited is wholly owned by CITIC Securities International Co. Ltd., which is in turn wholly owned by CITIC Securities Company Limited, a company listed on the Stock Exchange and Shanghai Stock Exchange.
- (4) As at the Latest Practicable Date, New Energy, a wholly-owned subsidiary of CITIC PEF III, beneficially holds 2,260,357,090 Shares and 3,056,098,600 convertible preference shares of the Company and has agreed to further subscribe 2,278,481,010 convertible preference shares of the Company. CITIC PEF III is a limited partnership registered under the laws of the PRC. The general partner of CITIC PEF III is 北京宥德投資管理中心(有限合夥) (Beijing Youde Investment Management Center (Limited Partnership)\*), a limited partnership registered under the laws of the PRC whose general partner is 上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited\*), a limited liability company incorporated in the PRC. 上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited\*) is wholly owned by 中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd\*), which is in turn owned as to 35% by CITIC Securities Company Limited, a company listed on the Stock Exchange and Shanghai Stock Exchange.
- (5) As at the Latest Practicable Date, Tuspark Technology Innovation Ltd. (啟迪科創有限公司) was deemed to be interested in 4,045,000,000 Shares by virtue of its having entered into a subscription agreement with the Company on 20 July 2016 in relation to the subscription for 4,045,000,000 Shares, which has not been completed as at the Latest Practicable Date. Further details of such subscription are set out in the announcement of the Company dated 20 July 2016. Tuspark Technology Innovation Ltd. (啟迪科創有限公司) is a wholly-owned subsidiary of 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd\*), which is in turn held as to 44.92% by 清華控股有限公司 (Tsinghua Holdings Co., Ltd\*). 清華控股有限公司 (Tsinghua Holdings Co., Ltd.\*) is wholly-owned by 清華大學 (Tsinghua University).
- (6) As at the Latest Practicable Date, 2,279,580,000 Shares are held by Ocean Ahead International Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Huang Li, director of certain subsidiaries of the Company.
- (7) The number of underlying shares held includes convertible preference shares of the Company held by certain Shareholders and convertible preference shares of the Company to be subscribed by certain Shareholders under the Subscription Agreement.

\* for identification purposes only.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, other than a Director or chief executive of the Company, no persons had interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## **8. LITIGATION**

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

## **9. MATERIAL CONTRACTS**

Save for the Subscription Agreement dated 9 December 2014 entered into between the Company and Fast Top, CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., CITIC PEF III and More Surplus Investments Limited in respect of the subscription of 14,136,452,910 ordinary shares and 33,362,884,900 convertible preference shares of the Company for a total consideration of approximately HK\$3,752.4 million, as supplemented by the first supplemental agreement dated 29 December 2014, the second supplemental agreement dated 31 January 2015 and the third supplemental agreement dated 30 April 2015, no contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material.

## **10. GENERAL**

- (a) The company secretary of the Company is Mr. Sit Hon Cheong. Mr. Sit is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst (CFA) charterholder.
- (b) The registered office of the Company is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108 Cayman Islands.
- (c) The head office and principal place of business of the Company in Hong Kong is situated at Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (d) The principal share registrar and transfer agent of the Company in the Cayman Islands is Estera Trust (Cayman) Limited at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) In the event of inconsistency, the English text shall prevail over the Chinese text.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours 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 for a period of not less than 14 days from the date of this circular:

- (a) the memorandum of association and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (c) the annual reports of the Company for the year ended 31 December 2014 and the year ended 31 December 2015; and
- (d) this circular.