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北控清潔能源集團有限公司

BEIJING ENTERPRISES CLEAN ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

DISCLOSEABLE TRANSACTION ENTERING INTO OF THE OPERATING RIGHTS AGREEMENT

THE OPERATING RIGHTS AGREEMENT

On 16 April 2021, the Subsidiary entered into the Operating Rights Agreement with the Lianzhou Company in relation to the transfer of the operating rights of the Hydropower Plant to the Subsidiary, pursuant to which the Lianzhou Company agreed to transfer the operating rights of the Hydropower Plant to the Subsidiary (or its holding company) for a term of 20 years (from the date of transfer of the operating rights of the Hydropower Plant), subject to the obtaining of approval of the pumped-storage project. The basic operating Fees payable by the Subsidiary under the Operating Rights Agreement shall be approximately RMB41,020,000 per annum.

Pursuant to HKFRS16, in light of the entering into of the Operating Rights Agreement as a lessee to the Hydropower Plant, the Group will recognise a right-of-use asset in its consolidated financial statements from the current financial year, during which the Operating Rights Agreement will take effect for an initial estimated value of approximately RMB482.3 million. The above recognition of a right-of-use asset has not been audited or reviewed by the auditors of the Company, and may be subject to adjustments.

As one of the applicable percentage ratios in respect of the entering into of the Operating Rights Agreement exceeds 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Operating Rights Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE OPERATING RIGHTS AGREEMENT

On 16 April 2021, the Subsidiary entered into the Operating Rights Agreement with the Lianzhou Company in relation to the transfer of the operating rights of the Hydropower Plant to the Subsidiary, pursuant to which the Lianzhou Company agreed to transfer the operating rights of the Hydropower Plant to the Subsidiary (or its holding company) for a term of 20 years (from the date of transfer of the operating rights of the Hydropower Plant), subject to the obtaining of approval of the pumped-storage project. The basic operating Fees payable by the Subsidiary under the Operating Rights Agreement shall be approximately RMB41,020,000 per annum. Set out below are the principal terms of the Operating Rights Agreement.

Date

16 April 2021

Parties

- (1) the Lianzhou Company
- (2) the Subsidiary

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Lianzhou Company and its ultimate beneficial owner(s) are Independent Third Parties.

Operation and management of the Hydropower Plant and the operation term

Pursuant to the Operating Rights Agreement, the Lianzhou Company shall transfer the operating rights of the Hydropower Plant to the Subsidiary (or its holding company) for its operation.

Prior to the transfer of the operating rights to the Subsidiary, the Hydropower Plant has been undergoing technical improvements and such technical improvement costs shall be borne by the Lianzhou Company. The Lianzhou Company shall undertake that such technical improvements shall be completed on or before 31 December 2021 and shall comply with the relevant national standards. In the event that the Lianzhou Company and the Subsidiary cannot reach consensus on technical improvements, the Subsidiary shall be entitled to terminate the Operating Rights Agreement.

The term of the operating rights of the Hydropower Plant under the Operating Rights Agreement shall be for a term of 20 years, which shall be commenced from the date of transfer of the operating rights. In order to better utilise the water resources in Tanling Reservoir, the Subsidiary shall apply for approval for the pumped-storage project for the Hydropower Plant. In the event that such approval for the pumped-storage project cannot be obtained, the term of the operating rights of the Hydropower Plant under the Operating Rights Agreement shall be reduced to 5 years after completion of relevant technical improvements.

During the term of the Operating Rights Agreement, the ownership of the Hydropower Plant shall be owned by the Power Plant Company and the Subsidiary shall have the operating rights, right of uses, right of income and management rights of the Hydropower Plant. The Lianzhou Company shall have the right to supervise the daily operations of the Hydropower Plant but shall not involve in the strategic and daily management decisions of it.

After deduction of all costs and expenses (including the operating Fees and staff settlement fees) of the Hydropower Plant, all residual incomes from the Hydropower Plant shall be entitled by the Subsidiary. The Subsidiary shall be responsible for the maintenance and operation of the Hydropower Plant and also profits or losses of the Hydropower Plant during the term. The Subsidiary shall have obligations to pay taxes for such incomes in accordance with the relevant laws and regulations.

On expiry of the term, the Subsidiary shall return the operating rights of the Hydropower Plant to the Lianzhou Company.

Fees

The basic operating Fees payable by the Subsidiary for the operating rights of the Hydropower Plant under the Operating Rights Agreement shall be approximately RMB41,020,000 per annum, which shall be payable by the Subsidiary on an annual basis within ten working days after the issue of relevant audited reports. Such basic operating Fees may be adjusted based on the future change in electricity price.

The Fees were agreed by the parties to the Operating Rights Agreement with arm's length negotiations of the parties after tendering process with reference to, among others, the base price of the tender, the historical operating performance and future development prospects of the hydropower project. The Fees shall be paid by the internal resources of the Group and/or incomes to be generated from the Hydropower Plant.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE OPERATING RIGHTS AGREEMENT

The Group principally focuses on the clean development and use of energy, and aims at building a clean energy business ecosystem featuring multi-energy complement and synergies on varieties of business lines and profit sources, and continuously explores on various clean energy areas including photovoltaic power, wind power, clean heat supply, hydropower, energy storage, distribution and sales of electricity, hydrogen production, etc. with an aim to become a leading integrated clean energy service provider.

The Directors are of the view that the entering into of the Operating Rights Agreement will strengthen the Group's position in clean energy area in the PRC. The Hydropower Plant is located in 連州市 (Lianzhou City*), Guangdong Province, the PRC and such location is considered by the Company to be favourable for the development of hydropower business. Whilst the Operating Rights Agreement was entered into in the ordinary and usual course of business of the Group and is on normal commercial terms, the entering into of the Operating Rights Agreement represents an extension of the current clean energy businesses of the Group.

Relying on this opportunity to develop the hydropower project, the Group may establish energy bases which integrate the storage and transmission of wind power, photovoltaic power and hydropower, so as to deliver greater scale advantages and operating benefits, which is expected to contribute more stable income and cash flow to the Group in the future, optimises the Group's clean energy power station asset portfolio and ultimately deliver greater returns to the Shareholders. Meanwhile, it will contribute to the early accomplishment of "CO₂ Emissions Peak" and "Carbon Neutrality" goals by Guangdong Province.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Operating Rights Agreement and the transactions contemplated thereunder (including the leasing of the Hydropower Plant and the transfer of the relevant operating rights) are entered on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Company and the Group

The principal activity of the Company 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.

The Subsidiary

The Subsidiary is a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company. It is principally engaged in the investment and development of photovoltaic power businesses and wind power businesses in the PRC. As at the date of this announcement, the Subsidiary is held as to approximately 88.31% interest by the Group and approximately 11.69% interest by the other shareholders of the Subsidiary.

The Lianzhou Company, the Power Plant Company and the Hydropower Plant

The Lianzhou Company is a limited liability company established in the Lianzhou City, Guangdong Province, the PRC. It is principally engaged in the investment of medical treatment, water affairs, tourism, transportation, mineral resources, agriculture and forestry projects and other investment projects; urban land and real estate development; municipal facilities construction and operation (including underground integrated pipe ditch); market development and management; property management; wholesale and retail of building materials; cement product production; advertising business operation; real estate business leasing; motor vehicle driver examination room operation; parking lot operation and management. Based on publicly available information, the Lianzhou Company is wholly owned by 連州市國有資產監督管理局 (the State-owned Assets Supervision and Administration Commission of the People's Government of Lianzhou City*). The Lianzhou Company was appointed by 連州市國有資產監督管理局 (the State-owned Assets Supervision and Administration Commission of the People's Government of Lianzhou City*) as the tenderer of this transaction.

The Power Plant Company is a limited liability company established in the PRC, which is mainly engaged in the business of power generation, transmission and power supply. Based on publicly available information, the Power Plant Company is wholly owned by 連州市國有資產監督管理局 (the State-owned Assets Supervision and Administration Commission of the People's Government of Lianzhou City*).

The Hydropower Plant is a hydropower plant located in Tanling Reservoir, Lianzhou City, Guangdong Province, the PRC. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Power Plant Company is the owner of the Hydropower Plant and is Independent Third Party.

The unaudited financial information of the Hydropower Plant for each of the two years ended 31 December 2019 and 2020 (prepared under the PRC GAAP) are as follows:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000
Turnover	83,778	54,875
Total asset value	207,745	240,130

Pursuant to HKFRS16, in light of the entering into of the Operating Rights Agreement as a lessee to the Hydropower Plant, the Group will recognise a right-of-use asset in its consolidated financial statements from the current financial year, during which the Operating Rights Agreement will take effect for an initial estimated value of approximately RMB482.3 million. The above recognition of a right-of-use asset has not been audited or reviewed by the auditors of the Company, and may be subject to adjustments.

To the best knowledge of the Directors, having made reasonable enquiry, the Lianzhou Company, the Power Plant Company and their respective ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to HKFRS16, in light of the entering into of the Operating Rights Agreement as a lessee to the Hydropower Plant, the Group will recognise a right-of-use asset in its consolidated financial statements from the current financial year, during which the Operating Rights Agreement will take effect for an initial estimated value of approximately RMB482.3 million. The above recognition of a right-of-use asset has not been audited or reviewed by the auditors of the Company, and may be subject to adjustments.

As one of the applicable percentage ratios in respect of the entering into of the Operating Rights Agreement exceeds 5% but all of the applicable percentage ratios are less than 25%, the entering into of the Operating Rights Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of the Directors
“Company”	Beijing Enterprises Clean Energy Group Limited (北控清潔能源集團有限公司), 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: 01250)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Fees”	the fees payable by the Subsidiary under the Operating Rights Agreement
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKFRS16”	Hong Kong Financial Reporting Standards 16 “Leases”
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Lianzhou Company”	連州市嘉潤投資發展有限公司 (Lianzhou City Jiarun Investment Development Co., Ltd.*), a limited liability company established in the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operating Rights Agreement”	the operating rights agreement dated 16 April 2021 entered into between the Subsidiary and the Lianzhou Company
“Hydropower Plant”	連州市潭嶺水電廠 (Lianzhou City Tanling Hydropower Plant*), being the subject matter under the Operating Rights Agreement
“Power Plant Company”	連州市潭嶺水電廠有限公司 (Lianzhou City Tanling Hydropower Plant Co., Ltd.*), a limited liability company established in the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	天津北清電力智慧能源有限公司 (Tianjin Beiqing Electric Smart Energy Co., Ltd.*), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

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

Hong Kong, 16 April 2021

As at the date of this announcement, the Board comprises seven Directors, namely Mr. Hu Xiaoyong, Mr. Shi Xiaobei, Mr. Tan Zaixing and Ms. Huang Danxia as executive Directors; and Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik as independent non-executive Directors.

* *For identification purposes only*