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Beijing Jingneng Clean Energy Co., Limited

北京京能清潔能源電力股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00579)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION

INTRODUCTION

The Board is pleased to announce that, on 30 October 2018, BEH, the Company, Jingneng Power and BEH Finance entered into the Capital Increase Agreement, pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, which comprises: (i) Portion 1 of 61,224,489.80 units, which are offered to be subscribed by the Existing Shareholders of BEH Finance in proportion to their respective shareholdings in BEH Finance at the subscription price of RMB1 per unit BEH Finance Registered Capital, being the nominal value of the BEH Finance Registered Capital, and (ii) Portion 2 of 1,938,775,510.20 units, which are offered to be subscribed by the Company and Jingneng Power at a subscription price of RMB1.27 per unit BEH Finance Registered Capital.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Subscription exceeds 5% but is less than 25%, the Proposed Subscription constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the announcement, BEH directly and indirectly holds 68.68% equity interest in the Company and is a connected person of the Company under Chapter 14A of the Listing Rules. BEH Finance is a subsidiary of BEH and thus constitutes a connected person of the Company by virtue of being an associate of BEH. Accordingly, the Proposed Subscription also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Subscription exceeds 5%, the Proposed Subscription is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



- Increase in Capital of BEH Finance and the Proposed Subscription** : Pursuant to the Capital Increase Agreement, the registered capital of the Target Company will be increased from RMB3 billion to RMB5 billion, which comprises
- (i) Portion 1 of 61,224,489.80 units, which are offered to be subscribed by the Existing Shareholders of BEH Finance in proportion to their respective shareholdings in BEH Finance at the subscription price of RMB1 per unit BEH Finance Registered Capital, being the nominal value of the BEH Finance Registered Capital, and
 - (ii) Portion 2 of 1,938,775,510.20 units, which are offered to be subscribed by the Company and Jingneng Power at a subscription price of RMB1.27 per unit BEH Finance Registered Capital.

Upon completion of the Proposed Subscription, BEH, the Company and Jingneng Power will hold 60%, 20% and 20% of the equity interest in BEH Finance, respectively.

BEH has waived its pre-emptive rights to subscribe for Portion 2 of the increased registered capital of BEH Finance.

- Consideration** : In relation to Portion 1 of the increased registered capital of BEH Finance, BEH and the Company shall contribute RMB60,000,000 and RMB1,224,489.8, respectively.

In relation to Portion 2 of the increased registered capital of BEH Finance, the Company and Jingneng Power shall contribute RMB1,192,244,897.95 and RMB1,270,000,000.00 respectively, of which, a total of RMB1,938,775,510.20 will be credited as registered capital of BEH Finance and a total of RMB523,469,387.75 will be credited as capital reserve of BEH Finance, respectively.

- Basis of Consideration** : (i) In relation to Portion 1 of the increased registered capital of BEH Finance, the subscription price of RMB1 per unit BEH Finance Registered Capital was determined after arm's length discussion between the Existing Shareholders of BEH Finance and Jingneng Power, taking into consideration, among others, the pre-emptive rights the Existing Shareholders of BEH Finance have under the PRC laws and the resources and capital invested by the Existing Shareholders of BEH Finance.

- (ii) In relation to Portion 2 of the increased registered capital of BEH Finance, the subscription price of RMB1.27 per unit BEH Finance Registered Capital was determined after arm's length negotiation between the parties with reference to the appraised net assets value of BEH Finance as stated in the valuation report prepared by CUAA, which is subject to approval by Beijing SASAC, and taking into account the dilutive effect as a result of the issue of BEH Finance Registered Capital pursuant to the Portion 1 of the increased registered capital of BEH Finance.

Accordingly, the final subscription price in relation to Portion 2 of the increased registered capital of BEH Finance will be determined in accordance with the following formula:

Subscription price of each unit BEH Finance Registered Capital in relation to Portion 2 of the increased registered capital of BEH Finance = (appraised net assets value of BEH Finance as approved by the Beijing SASAC + Portion 1 of the increased registered capital of BEH Finance)/(BEH Finance's existing registered capital + Portion 1 of the increased registered capital of BEH Finance).

For illustration purpose, based on the appraised net assets value of BEH Finance as stated in the valuation report prepared by CUAA, the subscription price of each unit BEH Finance Registered Capital in relation to Portion 2 of the increased registered capital of BEH Finance is RMB1.27 per unit BEH Finance Registered Capital.

Conditions precedent

- : The effectiveness of the Capital Increasing Agreement is conditional upon the fulfilment of the following conditions:
- (i) the internal corporate approvals having been obtained by all parties under the Capital Increase Agreement pursuant to relevant applicable laws and regulations;
 - (ii) the approval from Beijing SASAC for the appraised value of the assets involved in the proposed increase in registered capital of BEH Finance having been obtained; and

- (iii) the approval from the Beijing Branch of China Banking and Insurance Regulatory Commission in relation to the proposed increase in the registered capital of BEH Finance having been obtained.

Payment schedule : Subject to the fulfilment of the above-mentioned conditions, BEH, the Company and Jingneng Power shall pay their respective subscription monies within 10 Business Days after the Capital Increase Agreement takes effect.

Transitional Period : The Existing Shareholders of BEH Finance shall be entitled to all the undistributed profit of the Target Company on or before the Valuation Reference Date.

BEH, the Company and Jingneng Power shall be entitled to the profits, and shall be responsible for any loss, of the Target Company during the Transitional Period in proportion to their respective shareholding in the Target Company upon the completion of the Proposed Subscription. Notwithstanding the above, if the Target Company didn't receive all funds the shareholders shall contribute under the Capital Increase Agreement on or before 31 March 2019, the Existing Shareholders of BEH Finance shall still be entitled to the profits, and shall be responsible for any loss, of the Target Company from 1 September 2018 to 31 December 2018 (both days inclusive) in proportion to their respective shareholding in the Target Company before the Proposed Subscription.

2. PRINCIPAL ASSUMPTIONS OF THE VALUATION

The parties to the Capital Increase Agreement have engaged CUAA to perform the valuation in respect of the net assets of the Target Company.

As the valuation was prepared based on the income approach, which involves the use of the discounted cash flow, the valuation as set out in the valuation report prepared by CUAA is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

The valuation was performed based on the following principal assumptions:

(i) General assumptions

- transaction assumption: all assets to be appraised are assumed to be already in the process of transaction, and the valuer appraise the value based on the trading conditions of the assets to be appraised in a simulated market. The transaction assumption is one of the most basic prerequisites that assets valuation can be carried out.

- open market assumption: it is assumed that for assets to be traded or intended to be traded in the market, the parties to an asset transaction shall have equal status, and also have opportunity and time to gain sufficient market information, so as to make rational judgment on functions, purpose and trading prices of assets. The open market assumption is based on the fact that assets can be publicly traded on the market.
- asset going-concern assumption: the valuation methods, parameters and basis shall be determined correspondingly based on the fact that the assets under valuation will continue to be used according to the current use and the mode, scale, frequency and environment, etc. or used on a change basis when appraising.

(ii) Special assumptions

- There is no significant change in the current macroeconomic and tax policies of PRC.
- There is no significant change in the socio-economic environment where the appraised enterprise is operated as well as the taxes, tax rates and other policies implemented.
- The scope of valuation shall be only limited to the valuation reports provided by BEH Finance without taking into account its contingent assets and contingent liabilities that may exist outside the list provided by the appraised entity.
- The future management team of the appraised enterprise will perform its duties satisfactorily and continue to maintain going concern of its existing business operation model.
- The appraised enterprise will continue to lease and use its current office premise in the future.
- The main business income of the appraised enterprise is mainly derived from the current business operations and investment income without taking into account the incremental business that the enterprise may have in the future.
- The valuation is only based on the current business strategies, operating capabilities and operating conditions as at the Valuation Reference Date without taking into account possible changes in the future due to the change in management team.
- There will be no significant change in the central bank exchange rate during the forecast period.
- The appraised entity shall withdraw the surplus reserve and general risk reserve in accordance with the relevant regulations, and distribute its remaining profits in full if the regulatory standards for capital adequacy ratio are satisfied.
- The business scale of the appraised entity is limited to the existing capital scale without taking into account the impact of future possible capital increase on its business scale development.

If any of the assumption above-mentioned changes, generally the valuation will be invalid.

The letter from the Board and the report from the auditor of the Company as required by Rule 14.62 of the Listing Rules with regards to the calculations of the discounted future cash flows used in the valuation will be published within fifteen (15) Business Days after the publication of this announcement pursuant to Rule 14.60A of the Listing Rules.

3. SHAREHOLDING STRUCTURE OF BEH FINANCE

The following diagram sets out the shareholding structure of BEH Finance immediately before and after completion of the Proposed Subscription:

Name of shareholder	Immediately before the completion of the Proposed Subscription		Immediately after the completion of the Proposed Subscription	
	Registered capital of BEH Finance (in RMB)	Percentage	Registered capital of BEH Finance (in RMB)	Percentage
BEH	2,940,000,000	98%	3,000,000,000	60%
The Company	60,000,000	2%	1,000,000,000	20%
Jingneng Power	–	–	1,000,000,000	20%
Total	3,000,000,000	100%	5,000,000,000	100%

4. FINANCIAL INFORMATION OF BEH FINANCE

Based on the audited consolidated financial statements of the Target Company for the financial years ended 31 December 2016 and 2017 prepared in accordance with the PRC GAAP, the net profits before and after taxation for the financial years ended 31 December 2016 and 2017 are set out below:

	For the year ended 31 December 2016	For the year ended 31 December 2017
Profit before taxation	365,775,617.00	474,057,530.46
Profit after taxation	273,973,829.58	355,000,748.46

Based on the consolidated financial statements of the Target Company for the eight months ended 31 August 2018 prepared in accordance with the PRC GAAP, the net assets of the Target Company as at 31 August 2018 was approximately RMB3,573,850,032.

5. REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION AND THE EFFECT OF THE PROPOSED SUBSCRIPTION

Upon completion of the Proposed Subscription, the shareholding of the Company in BEH Finance will be increased from 2% to 20%, which allows the Company to benefit more from the business expansion and growth in net profits of BEH Finance. Accordingly, the investment in BEH Finance through the Proposed Subscription is expected to generate relatively high investment return for the Company.

The Proposed Subscription also represents a unique opportunity for the Company to invest in a company which engages in the provision of financial services. BEH Finance is a non-banking financial institution approved by the relevant PRC authorities to engage in the provision of various financing services, including taking deposit and providing loans, and is primarily providing financial services to companies within the group members of BEH. Through participating in the business operation of BEH Finance, the Company can have further understanding about the operation of a financial institution and gain more knowledge in relation to its capital management, which enables the Company to negotiate for better terms with commercial banks for capital required for its business development and better manage its own working capital.

In addition, since the incorporation of BEH Finance, the Company has engaged BEH Finance to provide various financial services, details of which were set out in the announcement issued by the

6. LISTING RULES IMPLICATION

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Due to their positions in BEH and/or its associates, Mr. Liu Haixia, Mr. Jin Shengxiang, Mr. Tang Xinbing and Ms. Li Juan have abstained from voting on the Board resolution approving the Proposed Subscription.

BEH and its associates, holding an aggregate of 5,886,444,144 Shares and representing approximately 71.4% of the equity interests in the Company, are required to abstain from voting on the resolution to be proposed at the EGM to approve the Proposed Subscription.

7. INFORMATION OF THE PARTIES

The Company is a clean energy company focusing on gas-fired power and heat energy generation, wind power, photovoltaic power, small to medium hydropower and other clean energy generation businesses, which helps claim the Company the titles of the internationally well-known clean energy enterprise, industry-leading clean energy brand and largest gas-fired power supplier in Beijing and the leading wind power operator in China.

BEH is a limited liability company incorporated in the PRC, which engages in the businesses of generation and supplying of electricity and heat, production and sale of coal and development of real estate. BEH is wholly owned by Beijing State-owned Capital Operation and Management Center.

Jingneng Power is a joint stock limited liability company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 600578), which engages in production of electric power and thermal products, general cargo and cargo transportation (tank type), sales of electric power and thermal products, operation of electric power equipment, detection and repair of power generation equipment, and sale of desulfurization gypsum. Jingneng Power is a subsidiary of BEH.

“PRC” or “China”	the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Subscription”	the proposed subscription of the registered capital of BEH Finance by the Company pursuant to the Capital Increase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	means the ordinary share(s) of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Period”	The period from the Valuation Reference Date (excluding the Valuation Reference Date) to the date when the filing with the relevant administration for industry and commerce authority in relation to the Proposed Subscription are completed (including such date)
“Valuation Reference Date”	31 August 2018
“%”	per cent

In this announcement, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)” and “subsidiary(ies)” shall have the meanings given to such terms in the Listing Rules.

By Order of the Board
Beijing Jingneng Clean Energy Co., Limited
KANG Jian
Company Secretary

Beijing, the PRC
30 October 2018

As at the date of this announcement, the non-executive directors of the Company are Mr. Liu Haixia, Mr. Jin Shengxiang, Mr. Tang Xinbing, Ms. Li Juan and Mr. Zhao Wei; the executive director of the Company is Mr. Zhang Fengyang; and the independent non-executive directors of the Company are Mr. Huang Xiang, Mr. Zhang Fusheng, Mr. Chan Yin Tsung and Mr. Han Xiaoping.