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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 UPDATE ON THE PROPOSED SUBSCRIPTION

The Board hereby announces that on 10 December 2018, based on the contract entered into with the PRC authorities after a lengthy negotiation with the State, BEH, the Company, Ji Jie Power and BEH Finance entered into the New Capital Increase Agreement, pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, of which, RMB0.06 billion, RMB0.94 billion and RMB1 billion are to be subscribed by BEH, the Company and Ji Jie Power, respectively.

Following the execution of the New Capital Increase Agreement, the Original Capital Increase Agreement has been terminated with immediate effect.

The EGM has been held to be conducted on 18 January 2019 to consider and, if thought fit, approve the Proposed Subscription. Please refer to the announcement issued by the Company on 3 December 2018 for details.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2018 in relation to the subscription of the registered capital of BEH Finance by the Company (the **Announcement**). Under the provisions specified, capitalised to be issued in this announcement shall have the same meaning as defined in the Announcement.

As stated in the Announcement, BEH, the Company, Ji Jie Power and BEH Finance entered into a capital increase agreement on 30 October 2018 (the **Original Capital Increase Agreement**), pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, of which consists of: (i) Part 1 of 61,224,489.80 units, which are 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 initial value of the BEH Finance Registered Capital, and (ii) Part 2 of 1,938,775,510.20 units, which are to be subscribed by the Company and Ji Jie Power at a subscription price of RMB1.27 per unit BEH Finance Registered Capital.

Following the approval of the Proposed Subscription by the Board and the filing of the Articles and the minutes of the EGM, BEH Finance has received confirmation of the relevant agreements in the PRC with respect to the Original Capital Increase Agreement.

The Board has approved that on 10 December 2018, based on the relevant agreements in the PRC and after a lengthy negotiation with the parties, BEH, the Company, Ji Jiege Pte and BEH Finance entered into a new capital increase agreement (the **New Capital Increase Agreement**), pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, of which, RMB0.06 billion, RMB0.94 billion and RMB1 billion are to be subscribed by BEH, the Company and Ji Jiege Pte, respectively. Pursuant to the **New Capital Increase Agreement**, the Original Capital Increase Agreement has been terminated with immediate effect.

II. NEW CAPITAL INCREASE AGREEMENT

1. Principal Terms of the New Capital Increase Agreement

Date : 10 December 2018

Parties : BEH;

The Company (together with BEH, the **Existing Shareholders of BEH Finance**);

Ji Jiege Pte; and

BEH Finance (a the **Target Company**)

Increase in Capital of BEH Finance and the Proposed Subscription : Pursuant to the **New Capital Increase Agreement**, the registered capital of the Target Company will be increased from RMB3 billion to RMB5 billion, of which the increase is:

(i) RMB0.06 billion, which are to be subscribed by BEH;

(ii) RMB0.94 billion, which are to be subscribed by the Company; and

(iii) RMB1 billion, which are to be subscribed by Ji Jiege Pte.

Under the terms of the subscription of the registered capital of BEH Finance by the parties to the Non-Capital Increase Agreement (the **Proposed Subscription**), BEH, the Company and Jiagegong will hold 60%, 20% and 20% of the equity of BEH Finance, respectively.

Consideration

: In relation to the increased registered capital of BEH Finance, BEH, the Company and Jiagegong will contribute RMB76,200,000, RMB1,193,800,000 and RMB1,270,000,000, respectively.

Basis of Consideration

: The subscription price is set at RMB1.27 per share of BEH Finance Registered Capital, which is determined after a 'lengthy negotiation between the parties with reference to the market value of BEH Finance as stated in the latest report issued by CUAAC (i.e. RMB3,824,749,500), which is subject to a final audit by Beijing SASAC.

Accordingly, the final subscription price of the increased registered capital of BEH Finance will be determined according to the following formula:

Subscription price of each share of BEH Finance Registered Capital in relation to the increased registered capital of BEH Finance = market value of BEH Finance as stated by the Beijing SASAC/BEH Finance' equity registered capital (i.e. RMB3 billion).

Furthermore, based on the market value of BEH Finance as stated in the latest report issued by CUAAC and above, the subscription price of each share of BEH Finance Registered Capital of the increased registered capital of BEH Finance is RMB1.27 per share of BEH Finance Registered Capital.

Conditions precedent

- : The effectiveness of the Non-Capital Increase Agreement is conditional upon the fulfillment of the following conditions:
 - (i) the intellectual property rights have been obtained by all parties to the Non-Capital Increase Agreement in accordance with applicable laws and regulations;

(ii) the annual fee Beijing SASAC for the acquisition of the assets listed in the schedule is registered capital of BEH Finance has been paid; and

(iii) the annual fee of the Beijing Branch of China Banking and Insurance Regulatory Commission is related to the schedule is the registered capital of BEH Finance has been paid.

Payment schedule

: Subject to the fulfillment of the above-mentioned conditions, BEH, the Company and Jingge PRC shall have the respective obligations within 10 Business Days after the New Capital Increase Agreement take effect.

Transitional Period

: The Existing Shareholders of BEH Finance shall be entitled to all the distributed profits of the Target Company before the Valuation Reference Date.

BEH, the Company and Jingge PRC shall be entitled to the profit, and shall be eligible for a dividend of the Target Company during the Transitional Period in proportion to their respective holdings in the Target Company. The completion of the Proposed Share Issuance. Notwithstanding the above, if the Target Company did not receive all the shares shall contribute to the New Capital Increase Agreement before 31 March 2019, the Existing Shareholders of BEH Finance shall be entitled to the profit, and shall be eligible for a dividend of the Target Company from 1 September 2018 to 31 December 2018 (both dates inclusive) in proportion to their respective holdings in the Target Company before the Proposed Share Issuance.

2. PRINCIPAL ASSUMPTIONS OF THE VALUATION

The valuation is based on CCAA interest to be adjusted. Accordingly, the interest is related to the valuation of the Target Company disclosed in the Assessment Report which has been changed as detailed below.

The ratio to the Net Capital Income Agreement has engaged CCAA to the valuation interest of the Target Company.

As the valuation is based on the income approach, which is the use of the discounted cash flow, the valuation is based on the valuation interest to be based on CCAA interest as a fit for case under Rule 14.61 of the Listing Rules.

The valuation is based on the following principles:

(i) General assumptions

Transaction: all assets to be valued are assumed to be already in the current market, and the value is based on the trading conditions of the assets to be valued in a liquid market. The transaction is based on the basic principle that an asset can be sold.

Marketability: it is assumed that for an asset to be sold it must be traded in the market, the ratio to the asset shall have a market, and all have sufficient liquidity to gain sufficient value, and take into account the factors, and the trading price of the asset. The marketability is based on the fact that an asset can be publicly traded in the market.

Asset-governance: the valuation method, as a standard basis, shall be determined accordingly based on the fact that the asset under valuation will continue to be used according to the current and the future, value, fees, and other factors, etc. and a change in the asset.

(ii) Special assumptions

The insignificant change in the current economic data of PRC.

The insignificant change in the economic interest in the asset is estimated as a constant rate, and the value is based on the value.

The capital value shall be limited to the valuation interest provided by BEH. First, it is taken into account the target asset and the liabilities that are not included in the value provided by the asset.

The future age of the asset will be determined by the actual date of disposal of the asset.

The asset will be liable to capital gains tax in the future.

The value of the asset will be determined by the cost of acquisition with adjustment for indexation that the asset has in the future.

The actual value of the asset, being the actual value at the Valuation Date with adjustment for indexation of the asset and the change in value.

The asset will be subject to capital gains tax at the time of disposal.

The asset will be liable to tax at the time of disposal, and it is expected that the asset will be sold at a profit.

The value of the asset will be determined by the actual value at the time of disposal with adjustment for indexation of the asset.

If a change in the value of the asset, then all the actual value will be valid.

The letter of the Board of Directors of the Company is subject to Rule 14.62 of the Listing Rules with regard to the calculation of the diluted value of the shares. The actual value will be published within fifteen (15) Business Days after the publication of this notice in accordance with 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 (i RMB)	Percentage	Registered capital of BEH Finance (i RMB)	Percentage
BEH	2,940,000,000	98%	3,000,000,000	60%
The Company	60,000,000	2%	1,000,000,000	20%
Jingge Pte			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 profit before and after taxation of 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 profit of the Target Company as at 31 August 2018 is 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 from the business expansion and growth of BEH Finance. Accordingly, the investment in BEH Finance through the Proposed Subscription is expected to generate relatively high investment returns for the Company.

The Proposed Subsidiary will be a wholly owned subsidiary of the Company. The Company has entered into a Share Purchase Agreement with the Government of Karnataka, which provides for the Company to acquire 100% of the equity shares of the proposed subsidiary. The Company has also entered into a Share Purchase Agreement with the Government of Karnataka, which provides for the Company to acquire 100% of the equity shares of the proposed subsidiary. The Company has also entered into a Share Purchase Agreement with the Government of Karnataka, which provides for the Company to acquire 100% of the equity shares of the proposed subsidiary.

In addition, since the incorporation of BEH Finance, the Company has engaged BEH Finance to provide advisory services, details of which are set out in the annexure attached to the Company's 25 October 2016. The Company expects to continue to engage BEH Finance to provide advisory services to the Company and its subsidiaries. The Company has also entered into a Share Purchase Agreement with the Government of Karnataka, which provides for the Company to acquire 100% of the equity shares of the proposed subsidiary.

Based on the above, the Director (including the independent Director), will give their opinion after taking into account the advice of the Government of Karnataka, details of which will be included in the circular of the EGM) to advise that the terms of the Non-Cash Interest Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As the shareholders of the Company in BEH Finance will receive 2% to 20% of the profits of the Proposed Subsidiary, the interest of BEH Finance in the Company will be recognised by the Company as an interest in the subsidiary. The interest of BEH Finance in the Company will be recognised by the Company as an interest in the subsidiary.

6. LISTING RULES IMPLICATION

As the highest applicable percentage of the Proposed Subsidiary is less than 5% but more than 25%, the Proposed Subsidiary is not a listed company under the Companies Act, 2013. The Proposed Subsidiary is not a listed company under the Companies Act, 2013.

As at the date of the above certificate, BEH directly and indirectly held 68.68% equity interest in the Company and is controlled by the Company under Chapter 14A of the Listing Rules. BEH is a wholly owned subsidiary of BEH and the controlling interest is held by BEH. According to the Proposed Subsidiary's controlling interest in the Company under Chapter 14A of the Listing Rules. At the highest applicable percentage interest of the Proposed Subsidiary exceed 5%, the Proposed Subsidiary is subject to the reporting, disclosure and dividend shareholder's approval requirements under Chapter 14A of the Listing Rules.

Directors of BEH and its associate, Mr. Li Haiqiang, Mr. Ji Shengqiang, Mr. Tang Xibing and Mr. Li Jiahua have abstained from voting on the Board resolution regarding the Proposed Subsidiary.

BEH and its associate, holding an aggregate of 5,886,444,144 Shares and exercising a controlling interest of 71.4% of the equity interest in the Company, are entitled to abstain from voting on the resolution to be considered at the EGM of the Proposed Subsidiary.

7. INFORMATION OF THE PARTIES

The Company is a clean energy company engaged in the design, construction, operation, maintenance, and investment of power generation facilities, including hydro, wind, solar, and clean energy storage, which hold the title of the intellectual property rights, including the leading clean energy brand and technology. The company is located in Beijing and the leading company is located in China.

BEH is a limited liability company incorporated in the PRC, which engages in the business of power generation and distribution of electricity and heat, distribution and sale of coal and other fuel resources. BEH is wholly owned by Beijing State-owned Capital Operation and Management Center.

Jigegp is a joint stock limited liability company incorporated in the PRC, which has a listed company on the Shanghai Stock Exchange (stock code: 600578), which engages in distribution of electricity and the sale of coal, gas, and other energy products (take), sale of electricity and the sale of coal, gas, and other energy products, distribution and sale of electricity, and sale of distribution. Jigegp is a wholly owned subsidiary of BEH.

BEH is a limited liability company incorporated in the PRC, which engages in distribution of electricity, coal, gas, and other energy products, distribution and sale of coal, gas, and other energy products, distribution and sale of coal, gas, and other energy products, distribution and sale of coal, gas, and other energy products. BEH is a wholly owned subsidiary of BEH.

III. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (consisting of M. Huang Xiaogang, M. Zhang Fenghe, M. Chang Yi, Tang and M. Han Xiaoli), all being independent executive Directors) have been established to advise the Independent Shareholders in connection with the Proposed Share Repurchase. Ga Caital will be advised by the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed Share Repurchase.

IV. EGM

The EGM has been convened on 18 January 2019 to consider and, if thought fit, approve the Proposed Share Repurchase. Please refer to the announcement issued by the Company on 3 December 2018 for details.

As a circular containing, among other things, (i) the details relating to the Proposed Share Repurchase, (ii) the resolutions of the Independent Board Committee relating to the Proposed Share Repurchase, (iii) a letter from Ga Caital relating to the Proposed Share Repurchase and (iv) the information regarding the Listing Rules, is expected to be dispatched to the Shareholders in due course.

Board of the Board
Beijing Jingneng Clean Energy Co., Limited
KANG Jian
Chairman

Beijing, the PRC
10 December 2018

At the date of this announcement, the executive directors of the Company are M. Li Haiqiang, M. Ji Shengqiang, M. Tang Xibing, M. Li Jia and M. Zhang Wei; the executive directors of the Company are M. Zhang Fenghe, Tang and M. Han Xiaoli.