
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker 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 Jingneng Clean Energy Co., Limited**, you should at once hand this circular together with the enclosed proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) DISCLOSEABLE TRANSACTIONS AND CONNECTED
TRANSACTIONS — PROPOSED SWAP OF 20% EQUITY INTEREST
IN JINGNENG INTERNATIONAL AND CASH HELD BY
THE COMPANY FOR 84.68% EQUITY INTEREST IN SHENZHEN JINGNENG
LEASING HELD BY BEH
AND
(2) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF
2022**

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



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 43 of this circular. Letter from the Independent Board Committee is set out on page 21 of this circular.

A notice convening the EGM to be held at No. 2 Meeting Room, 8th Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC on Monday, 20 June 2022 at 10:00 a.m. is set out on pages 97 to 98 of this circular. A proxy form for use at the EGM is enclosed with the notice and was also published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM (i.e., no later than 10:00 a.m. on Sunday, 19 June 2022) or any adjournment thereof (as the case may be).

Completion and return of the proxy form will not preclude you from attending and voting at the EGM should you so wish.

Reference to time and dates in this circular are to Hong Kong time and dates.

30 May 2022

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DEFINITIONS

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

“Absorption and Merger Agreement”	the Absorption and Merger Agreement in respect of Beijing Energy Holding Co., Ltd. and Beijing Jingneng International Power Co., Ltd. entered into among the Company, BEH, Jingneng International and Shenzhen Jingneng Leasing on 10 May 2022, pursuant to which BEH proposed to absorb and merge with Jingneng International and transfer its 84.68% equity interest in Shenzhen Jingneng Leasing to the Company, and the Company shall pay the consideration thereof in the form of 20% equity interest in Jingneng International and cash held by the Company
“Articles of Association”	the articles of association of the Company
“Asset Valuation Report of Jingneng International”	the asset valuation report (Zhong Lian Ping Bao Zi [2022] No. 1219) issued by China United Appraisal on 14 April 2022
“Asset Valuation Report of Shenzhen Jingneng Leasing”	the asset valuation report (Da Zheng Ping Bao Zi [2022] No. 099A) issued by China Faith Appraisers on 12 April 2022
“BEH”	Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司), a limited liability company incorporated in the PRC and the controlling shareholder of the Company. As at the Latest Practicable Date, BEH directly and indirectly held 68.68% of the Shares of the Company
“BEI (HK)”	Beijing Energy Investment Holding (Hong Kong) Co., Limited (北京能源投資集團(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BEH
“BHEG”	Beijing Heat Energy Group Co., Ltd. (北京市熱力集團有限責任公司), a limited liability company incorporated in the PRC and wholly-owned by BEH
“BIEE”	Beijing International Electric Engineering Co., Ltd. (北京國際電氣工程有限責任公司), a limited liability company incorporated in the PRC and wholly-owned by BEH
“Board”	the board of Directors of the Company

DEFINITIONS

“BSCOML”	Beijing State-owned Capital Operation and Management Limited (北京國有資本運營管理有限公司). As at the Latest Practicable Date, BEH, the controlling shareholder of the Company, was wholly-owned by BSCOML, which was established and wholly-owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality
“China Faith Appraisers”	China Faith Appraisers Co., Ltd. (北京國友大正資產評估有限公司), a qualified independent valuer in the PRC. China Faith Appraisers issued an asset valuation report on Shenzhen Jingneng Leasing on 12 April 2022
“China United Appraisal”	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), a qualified independent valuer in the PRC. China United Appraisal issued an asset valuation report on Jingneng International on 14 April 2022
“Company” or “Clean Energy”	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 PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange
“Closing”	the closing of swap of Target Equity Interests of BEH and the Company under the Transactions
“Closing Date”	the date on which the parties actually acquired the corresponding interests in accordance with the terms of the Absorption and Merger Agreement and the Equity Transfer Agreement. The parties agreed that the effective date of the Absorption and Merger Agreement and the Equity Transfer Agreement shall be the closing date under the Absorption and Merger Agreement and the Equity Transfer Agreement. On the Closing Date, BEH will actually acquire 100% of the equity interest in Jingneng International and obtain the right to request the Company to pay the difference in value among the Target Equity Interests in cash to BEH, and the Company will actually acquire 84.68% of the equity interest in Shenzhen Jingneng Leasing
“Director(s)”	director(s) of the Company
“EGM”	the second extraordinary general meeting of 2022 of the Company to be held at 10:00 a.m. on Monday, 20 June 2022 at No. 2 Meeting Room, 8th Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC

DEFINITIONS

“Equity Transfer Agreement”	the Equity Transfer Agreement in respect of Shenzhen Jingneng Financial Leasing Co., Ltd. entered into between the Company and BEH on 10 May 2022, and annexed to the Absorption and Merger Agreement, pursuant to which BEH agreed to transfer 84.68% equity interest in Shenzhen Jingneng Leasing and its interests, benefits and all rights related to such equity interest in accordance with law to the Company, and the Company agreed to pay the consideration thereof in form of 20% of its equity interest in Jingneng International, and the Company shall make up the difference in cash to BEH
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee established by the Company, comprising Mr. Huang Xiang, Mr. Chan Yin Tsung, Mr. Xu Daping and Ms. Zhao Jie (all being the independent non-executive Directors), to advise the Independent Shareholders on the Transactions
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transactions
“Independent Shareholders”	Shareholders other than BEH and its associates (who are Shareholders of the Company)
“Jingneng International”	Beijing Jingneng International Power Co., Ltd. (北京京能國際能源股份有限公司), a limited liability company incorporated in the PRC and a subsidiary of BEH. As at the Latest Practicable Date, Jingneng International was held as to 80% by BEH and as to 20% by the Company
“Jingneng Power”	Beijing Jingneng Power Co., Ltd. (北京京能電力股份有限公司), a limited liability company incorporated in the PRC and listed on Shanghai Stock Exchange (stock code: 600578). As at the Latest Practicable Date, Jingneng International held 42.92% equity interest in Jingneng Power
“Latest Practicable Date”	24 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger”	the absorption and merger of Jingneng International by BEH, which refers to the swap of 84.68% equity interest held by BEH in Shenzhen Jingneng Leasing for 20% equity interest held by the Company in Jingneng International, for which the Company shall pay in cash the excess of the consideration for 84.68% of the equity interest held by BEH in Shenzhen Jingneng Leasing over the consideration for 20% of the equity interest held by the Company in Jingneng International. Upon the completion of the Merger, BEH will continue to subsist and Jingneng International will be deregistered in accordance with the law, and the Company will no longer have interests of BEH following the Absorption and Merger
“PRC” or “China”	the People’s Republic of China and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Reporting Accountants” or “Mazars”	Mazars CPA Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the ordinary share(s) of the Company
“Shenzhen Jingneng Leasing”	Shenzhen Jingneng Financial Leasing Co., Ltd. (深圳京能融資租賃有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of BEH. As at the Latest Practicable Date, Shenzhen Jingneng Leasing was directly held as to 84.68% by BEH and as to 15.32% by BEI (HK), a wholly-owned subsidiary of BEH
“Target Equity Interests”	the 84.68% equity interest held by BEH in Shenzhen Jingneng Leasing and the 20% equity interest held by the Company in Jingneng International involved in the Transactions

DEFINITIONS

“Transactions”	the proposed absorption and merger of Jingneng International by BEH, and transfer of its 84.68% equity interest in Shenzhen Jingneng Leasing to the Company, and the settlement of consideration by the Company in form of 20% equity interest in Jingneng International and cash, under the Absorption and Merger Agreement and the Equity Transfer Agreement
“Valuation Benchmark Date”	31 March 2022
“Working Day(s)”	the PRC statutory working day(s) other than Saturday, Sunday and statutory holidays
“%”	per cent

The terms “associate”, “connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless otherwise defined above or where the context otherwise requires.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. ZHANG Fengyang (*Chairman*)
Mr. CHEN Dayu (*General Manager*)
Mr. GAO Yuming
Mr. CAO Mansheng

Non-executive Directors:

Mr. REN Qigui
Mr. SONG Zhiyong
Mr. WANG Bangyi

Independent non-executive Directors:

Mr. HUANG Xiang
Mr. CHAN Yin Tsung
Mr. XU Daping
Ms. ZHAO Jie

Registered Office:

Room 118, 1 Ziguang East Road,
Badaling Economic Development Zone
Yanqing District, Beijing
the PRC

Principal Place of Business in Hong Kong:

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

30 May 2022

To the Shareholders

Dear Sir/Madam,

**(1) DISCLOSEABLE TRANSACTIONS AND CONNECTED
TRANSACTIONS — PROPOSED SWAP OF 20% EQUITY INTEREST
IN JINGNENG INTERNATIONAL AND CASH HELD BY
THE COMPANY FOR 84.68% EQUITY INTEREST IN SHENZHEN JINGNENG
LEASING HELD BY BEH
AND
(2) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF
2022**

I. INTRODUCTION

We refer to the announcement of the Company dated 10 May 2022 in relation to the proposed swap of 20% equity interest in Jingneng International and cash held by the Company for 84.68% equity interest in Shenzhen Jingneng Leasing held by BEH.

LETTER FROM THE BOARD

The purposes of this circular are to set out the notice of the EGM and to provide the Shareholders with details regarding the proposed swap of 20% equity interest in Jingneng International and cash held by the Company for 84.68% equity interest in Shenzhen Jingneng Leasing held by BEH, to enable you to make an informed decision as to whether to vote in favour of or against the resolution to be proposed at the EGM.

II. PROPOSED SWAP OF 20% EQUITY INTEREST IN JINGNENG INTERNATIONAL AND CASH HELD BY THE COMPANY FOR 84.68% EQUITY INTEREST IN SHENZHEN JINGNENG LEASING HELD BY BEH

On 10 May 2022, as considered and approved by the Board, the Company entered into the Absorption and Merger Agreement with BEH, Jingneng International and Shenzhen Jingneng Leasing and the Equity Transfer Agreement with BEH, pursuant to which BEH proposed to absorb and merger with Jingneng International and transfer its 84.68% equity interest in Shenzhen Jingneng Leasing to the Company, and the Company shall pay the consideration thereof in the form of 20% equity interest in Jingneng International and cash held by the Company. The details are as follows:

1. Absorption and Merger Agreement

Parties

- (1) BEH, as the merging party, the acquirer of the 20% equity interest in Jingneng International and the seller of the 84.68% equity interest in Shenzhen Jingneng Leasing;
- (2) Jingneng International, as the merged party and the target company of equity swap;
- (3) the Company, as the seller of the 20% equity interest in Jingneng International and the acquirer of the 84.68% of the equity interest in Shenzhen Jingneng Leasing; and
- (4) Shenzhen Jingneng Leasing, as the target company of equity swap.

Method of Merger

- (1) The Merger will be conducted by way of absorption and merger of Jingneng International by BEH, which refers to the swap of 84.68% equity interest held by BEH in Shenzhen Jingneng Leasing for 20% equity interest held by the Company in Jingneng International, for which the Company shall pay in cash the excess of the consideration for 84.68% of the equity interest held by BEH in Shenzhen Jingneng Leasing over the consideration for 20% of the equity interest held by the Company in Jingneng International. Upon the completion of the Merger, BEH will continue to subsist and Jingneng International will be deregistered in accordance with the law.

LETTER FROM THE BOARD

- (2) Upon the Closing Date, the shareholders' rights and interests corresponding to the 84.68% equity interest in Shenzhen Jingneng Leasing held by BEH shall be succeeded by the Company; all assets, liabilities, licenses, permits, operations and personnel of Jingneng International shall be succeeded by BEH in accordance with the law, and all rights and obligations attached to the assets of Jingneng International shall be enjoyed and assumed by BEH in accordance with the law, and the Company shall not be entitled to the interests of BEH after the Absorption and Merger.
- (3) Upon the Closing Date, the parties shall actively cooperate in the procedures of asset transfer/ownership transfer, personnel placement and industrial and commercial changes in relation to the Merger in accordance with the requirements under the Absorption and Merger Agreement and relevant laws and regulations.

Determination of the Consideration for and Closing of the Merger

- (1) The parties agreed to evaluate the value of the Target Equity Interests in the Merger using 31 March 2022 as the Valuation Benchmark Date, which will be the basis for the price for the value of the Target Equity Interests.
- (2) According to the Asset Valuation Report of Jingneng International, as of the Valuation Benchmark Date, the net asset value of Jingneng International was RMB8,640,802,900, and the appraisal value of net assets corresponding to its 20% equity interest was RMB1,728,160,600. According to the Asset Valuation Report of Shenzhen Jingneng Leasing, as of the Valuation Benchmark Date, the net asset value of Shenzhen Jingneng Leasing was RMB2,681,000,000 and the appraisal value of net assets corresponding to its 84.68% equity interest was RMB2,270,270,800. The difference between the appraisal value of net assets among the Target Equity Interests is RMB542,110,200. The Company agreed to make up such difference to BEH in cash.

The parties confirmed that the final price of the Target Equity Interests shall be determined based on the appraisal results filed with the competent authority, and agreed to adjust the amount of top-up cash stipulated in the preceding paragraph based on the difference of the final price of the Target Equity Interests.

As at the Latest Practicable Date, the appraisal results of the Target Equity Interests have been filed with the competent authority. There was no change in the final price of the Target Equity Interests and the amount of top-up cash.

- (3) The parties agreed to sign the Equity Transfer Agreement as an annex to the Absorption and Merger Agreement in relation to the transfer of the 84.68% equity interest in Shenzhen Jingneng Leasing held by BEH to the Company to further clarify the rights and obligations of the parties to the equity transfer.

LETTER FROM THE BOARD

(4) The parties confirmed that the rights to the Target Equity Interests shall be transferred to the corresponding successor with effect from the Closing Date and the parties shall complete the following post-closing obligations after the Closing Date:

① The Company shall make a lump sum payment to the bank account designated by BEH for the difference in the price of the Target Equity Interests within 30 Working Days after the completion of the procedures of change of industrial and commercial registration of Shenzhen Jingneng Leasing as stipulated in the Absorption and Merger Agreement.

② BEH, Jingneng International and Shenzhen Jingneng Leasing shall cooperate with each other to complete the procedures of change or cancellation of industrial and commercial registration and change of property rights registration in relation to the Merger in a timely manner in accordance with the requirements under the Absorption and Merger Agreement, and the Company shall cooperate with them.

Succession of Creditors' Rights and Debts

All the creditors' rights and debts of BEH and Jingneng International before the Merger shall be succeeded by the merged company after the Merger.

Employees Placement Plan

(1) In the course of the Merger, all employees of Jingneng International will be taken over or properly settled by the merged company.

(2) The labour contracts signed between all employees of Jingneng International and Jingneng International shall continue to be valid and shall be performed by the merged company.

Disposal of Branches and Subsidiaries of the Merged Party

The parties confirmed that, as of the Valuation Benchmark Date, the corresponding assets and interests of branches and subsidiaries of Jingneng International shall be succeeded by the merged company.

Transition Period

(1) During the transition period from the Valuation Benchmark Date to the Closing Date, profit and loss arising from the Target Equity Interests shall be enjoyed and borne by the corresponding successor, and profit and loss arising from the operation of Jingneng International shall be vested in the merged company.

LETTER FROM THE BOARD

- (2) The parties confirmed that during the transition period, unless otherwise expressly provided in the Absorption and Merger Agreement, Jingneng International and Shenzhen Jingneng Leasing shall not take any action that may cause material adverse change to the companies without the written consent of BEH and the Company, respectively.

Liabilities for Breach of Contract

- (1) The parties shall strictly abide by the relevant provisions of the Absorption and Merger Agreement. Any party who violates the provisions of the Absorption and Merger Agreement shall be liable to the abiding party for the breach of contract.
- (2) Any party fails to perform or does not fully perform the Absorption and Merger Agreement shall, in addition to bearing the liability for breach of contract in accordance with the provisions of the Absorption and Merger Agreement, compensate the abiding party for all losses caused to the abiding party.
- (3) If any party breaches any representation, warranty and undertakings made in the Absorption and Merger Agreement, and such breach is not remedied within 30 days after the date on which the defaulting party is served with a written notice by the abiding party to take immediate remedial measures against such breach, the abiding party shall have the right to terminate the Absorption and Merger Agreement and claim against the defaulting party for such breach.
- (4) If this agreement fails to take effect or the Merger fails to be performed due to the restrictions of laws, regulations and regulatory documents or the failure of internal departments of the parties or external competent departments to authorise/approve this agreement, it shall not be considered as a breach of contract by any party.

Validity of the Agreement

The Absorption and Merger Agreement shall be established from the date of signing by all parties, and shall become effective when all of the following conditions are met:

- (1) The parties to the Absorption and Merger Agreement obtaining necessary approval from the competent authorities for the Merger;
- (2) The asset valuation reports of Jingneng International and Shenzhen Jingneng Leasing involved in the Merger having been filed with the competent authorities.

LETTER FROM THE BOARD

2. Equity Transfer Agreement

Equity Transfer of Shenzhen Jingneng Leasing

Pursuant to the terms and conditions of the Equity Transfer Agreement, BEH agreed to transfer its 84.68% equity interest in Shenzhen Jingneng Leasing and its interests, benefits and all rights related to such equity interest in accordance with law to the Company, and the Company agreed to pay 20% of its equity interest in Jingneng International as consideration, with the difference to be satisfied by the Company in cash to BEH.

Prior to the Transactions, the shareholding structure of Shenzhen Jingneng Leasing was as follows:

Name of shareholders	Committed capital (RMB0'000)	Paid-up capital (RMB0'000)	Sharehold- ing Percentage (%)	Capital contribution method
BEH	170,000	170,000	84.68%	Currency
BEI (HK)	30,758	30,758	15.32%	Currency
Total	200,758	200,758	100%	/

Upon completion of the Transactions, the Company will become a shareholder of Shenzhen Jingneng Leasing, holding 84.68% of the equity interest in Shenzhen Jingneng Leasing, and will be entitled to shareholder's rights and assume shareholder's obligations in accordance with the law.

Upon completion of the Transactions, the shareholding structure of Shenzhen Jingneng Leasing is as follows:

Name of shareholders	Committed capital (RMB0'000)	Paid-up capital (RMB0'000)	Sharehold- ing Percentage (%)	Capital contribution method
The Company	170,000	170,000	84.68%	Currency
BEI (HK)	30,758	30,758	15.32%	Currency
Total	200,758	200,758	100%	/

From the Closing Date, the Company shall succeed to all the rights and obligations of BEH in relation to the 84.68% equity interest in Shenzhen Jingneng Leasing, and BEH shall succeed to all the rights and obligations of the Company in relation to the 20% equity interest in Jingneng International, and shall have the right to request the Company to pay the difference in value among the Target Equity Interests to BEH in cash.

LETTER FROM THE BOARD

Consideration and Closing of Equity Transfer

The parties agreed to evaluate the value of the Target Equity Interests using 31 March 2022 as the Valuation Benchmark Date, which will be the basis for determining the price for the value of the Target Equity Interests.

According to the Asset Valuation Report of Shenzhen Jingneng Leasing, as of the Valuation Benchmark Date, the net asset value of Shenzhen Jingneng Leasing was RMB2,681,000,000 and the appraisal value of net assets corresponding to its 84.68% equity interest was RMB2,270,270,800. According to the Asset Valuation Report of Jingneng International, as of the Valuation Benchmark Date, the net asset value of Jingneng International was RMB8,640,802,900 and the appraisal value of net assets corresponding to its 20% equity interest was RMB1,728,160,600. The difference between the net asset value among the Target Equity Interests is RMB542,110,200, and the difference shall be made up by the Company to BEH in cash.

The parties confirmed that the final price of the Target Equity Interests shall be determined based on the appraisal results filed with the competent authority, and agreed to adjust the amount of top-up cash stipulated in the preceding paragraph based on the difference of the final price of the Target Equity Interests.

As at the Latest Practicable Date, the appraisal results of the Target Equity Interests have been filed with the competent authority. There was no change in the final price of the Target Equity Interests and the amount of top-up cash.

The parties agreed that the corresponding rights and interests of the Target Equity Interests will be transferred to the corresponding successor with effect from the Closing Date, and the parties shall complete the following post-closing obligations after the Closing Date:

The Company shall make a lump sum payment in cash to the account of BEH for the difference of the net asset value among the Target Equity Interests within 30 Working Days after the completion of the procedures of change of industrial and commercial registration of Shenzhen Jingneng Leasing as stipulated in the Absorption and Merger Agreement.

The parties shall cooperate with each other in accordance with the Equity Transfer Agreement to complete the procedures of change of industrial and commercial registration and change of property rights registration in relation to the Transactions in a timely manner.

Transitional Arrangements

During the transition period from the Valuation Benchmark Date to the Closing Date, profit or loss arising from the Target Equity Interests shall be enjoyed and borne by the corresponding successors.

LETTER FROM THE BOARD

BEH undertook to exercise due diligence and good faith during the transition period and to hold the Target Equity Interests in a reasonable and normal manner. Without the consent of the Company, no action shall be taken that may result in material adverse changes to the Transactions.

Liabilities for Breach of Contract

- (1) The parties shall strictly abide by the relevant provisions of the Equity Transfer Agreement. Any party who violates the provisions of the Equity Transfer Agreement shall be liable to the abiding party for the breach of contract.
- (2) Any party fails to perform or does not fully perform the Equity Transfer Agreement shall, in addition to bearing the liability for breach of contract in accordance with the provisions of the Equity Transfer Agreement, compensate the abiding party for all losses caused to the abiding party.
- (3) If any party breaches any representation, warranty and undertakings made in the Equity Transfer Agreement, and such breach is not remedied within 30 days after the date on which the defaulting party is served with a written notice by the abiding party to take immediate remedial measures against such breach, the abiding party shall have the right to terminate the Equity Transfer Agreement and claim against the defaulting party for such breach.
- (4) If this agreement fails to take effect or the Merger fails to be performed due to the restrictions of laws, regulations and regulatory documents or the failure of internal departments of the parties or external competent departments to authorise/approve this agreement, it shall not be considered as a breach of contract by any party.

Validity of the Agreement

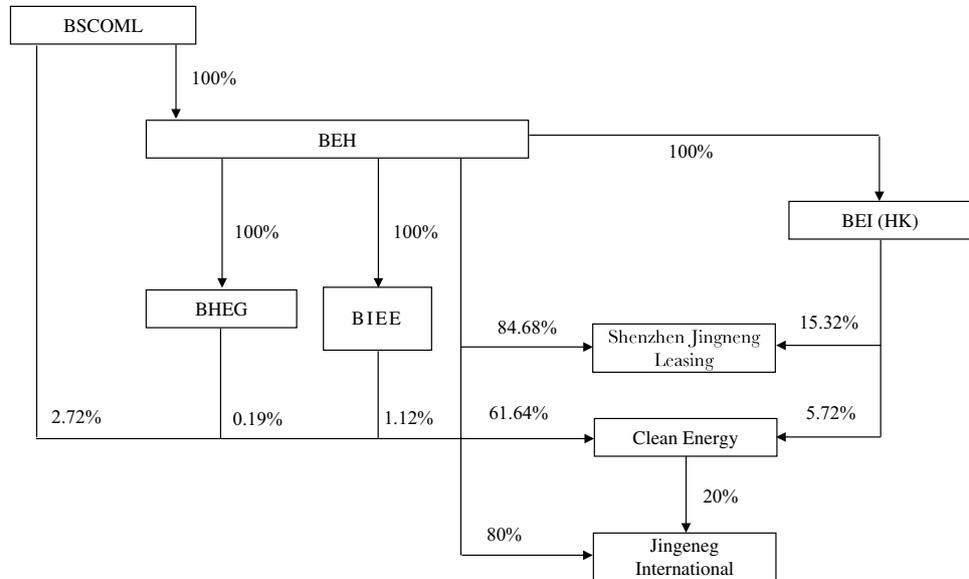
The Equity Transfer Agreement shall be established from the date of signing by all parties, and shall become effective when all of the following conditions are met:

- (1) The parties to the Equity Transfer Agreement obtaining necessary approval from the competent authorities for the Transactions;
- (2) The Absorption and Merger Agreement coming into effect.

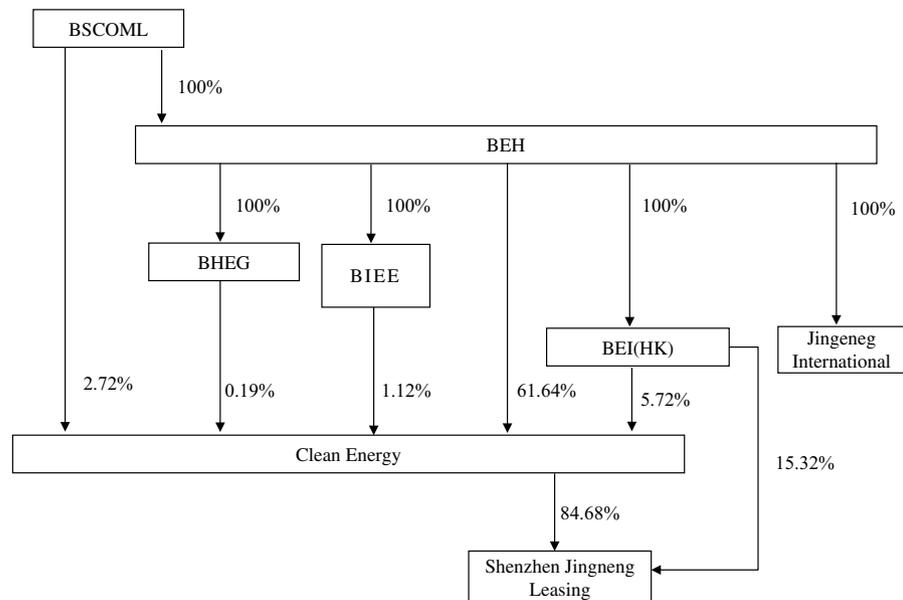
LETTER FROM THE BOARD

3. Shareholding Structure before and after the Transactions

As at the Latest Practicable Date, the shareholding structure was as follows:



Immediately following the completion of the Transactions, the shareholding structure is as follows:



Note: Certain percentages presented in this circular have been rounded. Due to rounding, certain numbers presented in this circular may not precisely equal the arithmetic results.

LETTER FROM THE BOARD

4. Information of the Parties

The Company is the largest gas-fired power provider in Beijing and a leading wind power and photovoltaic power operator in the PRC, with a diversified clean energy portfolio including gas-fired power and heat energy, wind power, photovoltaic power, small to medium hydropower and other clean energy projects.

BEH is principally engaged in the production and supply of electricity and heat, the production and sale of coal and the development of real estate.

Jingneng International is a subsidiary of BEH and its principal asset is the 42.92% equity interest in Jingneng Power. Jingneng International is principally, through Jingneng Power, engaged in the construction and investment management of electricity and energy projects, and its revenue is mainly derived from the dividends from Jingneng Power.

Set out below is certain financial information of Jingneng International prepared in accordance with the PRC Accounting Standards for Business Enterprises (on a consolidated basis):

	<i>RMB</i>	
	As of 31 December 2020	As of 31 December 2021
Total assets	80,523,618,485.08	81,978,270,694.37
Total owners' equity (or shareholders' equity)	31,110,865,386.90	25,851,189,584.15
Total equity attributable to the parent's owners (or shareholders' equity)	10,194,952,191.39	8,236,152,081.18
	For the year ended 31 December 2020	For the year ended 31 December 2021
Operating income	20,097,478,839.34	22,236,992,401.29
Total profit (profit/loss before tax)	1,868,597,549.55	-3,853,626,563.55
Net profit (profit/loss after tax)	1,761,975,134.87	-3,870,368,177.18
Net profit attributable to the parent's owners	598,291,199.70	-1,361,546,253.73

Shenzhen Jingneng Leasing is a wholly-owned subsidiary of BEH. Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public and members of BEH.

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Set out below is certain financial information of Shenzhen Jingneng Leasing prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	<i>RMB</i>	
	As of 31 December 2020	As of 31 December 2021
Total assets	3,370,892,171.71	4,003,319,933.22
Total owners' equity (or shareholders' equity)	1,264,363,709.61	1,321,441,999.81
	For the year ended 31 December 2020	For the year ended 31 December 2021
Operating income	129,166,083.94	157,705,422.05
Total profit (profit/loss before tax)	82,478,673.15	76,133,519.12
Net profit (profit/loss after tax)	61,857,210.96	57,078,290.20

In March 2022, BEH completed the capital injection into Shenzhen Jingneng Leasing in the amount of approximately RMB1,309,077,194.86, of which RMB1,000,000,000.00 was injected as registered capital and RMB309,077,194.86 was injected as capital reserve. The initial cost of the acquisition of 84.68% equity interest in Shenzhen Jingneng Leasing by BEH was RMB2,009,077,194.86.

5. Profit Forecast under the Valuation Report

According to the Asset Valuation Report of Shenzhen Jingneng Leasing, the discounted cash flow method under the income approach was applied in preparing the value of the total shareholders' equity of Shenzhen Jingneng Leasing, which constitutes a profit forecast under Rule 14.61 of the Listing Rules. The Company has fully complied with the requirements of Rule 14.62 of the Listing Rules.

In preparing the value of the total shareholders' equity of Shenzhen Jingneng Leasing, the following key assumptions were made:

- (1) Open market assumption;
- (2) Renewal of assets in situ;
- (3) Business Continuity;
- (4) No significant changes in the macro political, economic and social environment of the target company's location;
- (5) No significant changes in exchange rates, interest rates, tax burden, inflation, population, or industrial policies;

LETTER FROM THE BOARD

- (6) No significant changes in the existing laws, regulations, policies and socio-economic environment followed by the enterprise;
- (7) The market and technology of the industry and field in which the enterprise is located is in a normal state of development, and there are no major market or technological changes;
- (8) The main operating assets of the enterprise can be used effectively and will not be idle and have other inefficient use;
- (9) No significant changes in human resources and management team, and to maintain the current mode of business continuity;
- (10) The business plan formulated by the enterprise and the measures taken as well as the expansion of the scale of additional investment can be realized on schedule and in accordance with the scheduled time and progress, and achieve the expected benefits;
- (11) The occurrence of connected transactions at arm's length market prices;
- (12) Assuming that the accounting policies to be adopted by the Company in the future and the accounting policies used in the preparation of this report are substantially the same in all material respects;
- (13) Assuming that the appraised entity receives net cash flow equally during the year;
- (14) Assuming that the appraised entity may take appropriate adjustments to its business concentration and affiliation requirements in accordance with the Detailed Rules for the Implementation of Supervision and Management of Financial Leasing Companies in Guangdong (Consultation Paper) policy, taking into account its regulatory ratings;
- (15) Assuming that the future operation of the appraised entity can be carried out in accordance with the "14th Five-Year Plan" formulated by the Company;
- (16) The information provided by the client and the relevant parties is true, legal and complete;
- (17) There are no other force majeure factors that would have a significant impact on the operation of the business.

The professional valuers, in accordance with the requirements of the asset valuation, have determined that these hypothetical prerequisites are valid as of the Valuation Benchmark Date, and that the professional valuers will not assume any responsibility for deriving different valuation results due to changes in the prerequisites in the event of more significant changes in the future economic environment and changes in the prerequisites.

LETTER FROM THE BOARD

6. Financial Effect of the Transactions

As at 31 March 2022, the net book value of the 20% equity interest in Jingneng International was RMB1,690,657,000. The Company will recognize the gain on transfer of the 20% equity interest in Jingneng International in the consolidated income statement as of the date of completion of the disposal of Jingneng International.

The Company expects to record an increase of approximately RMB37,503,000 (unaudited) in other gains of the Company upon the disposal of its equity interest in Jingneng International. As the Transactions are equity swap transactions, no proceeds will be generated from the disposal. Based on the above, the Company does not expect that the Transactions will have a material impact on the consolidated financial position of the Group.

7. Reasons for and Benefits of the Transactions

Upon completion of the Transactions, the Company will no longer hold any shares in Jingneng International and Shenzhen Jingneng Leasing will become a subsidiary of the Company.

On the business side, the Transactions will help the Group to further focus on its clean energy business. At the same time, the Transactions will, through deployment of its finance lease business, further provide the Group with long-term capital support for the Group's development in the clean energy sector.

On the financial side, firstly, upon completion of the Transactions, Jingneng International will cease to be accounted for as an associate of the Group and will no longer affect the financial performance of the Group. Secondly, upon the completion of the Transactions, the financial results of Shenzhen Jingneng Leasing will be consolidated into the financial statements of the Group; as of 31 March 2022, monetary funds of Shenzhen Jingneng Leasing exceeded RMB1.6 billion, and thus it has abundant cash on hand, which will further increase the Group's own capital; and the Group may also use the leasing company platform to diversify its financing sources. Lastly, Shenzhen Jingneng Leasing has a good profitability and is expected to steadily increase its scale of business revenue in the future, which will effectively enhance the profitability and sustainable development of the Group.

The Board considers that although the Transactions are not conducted in the ordinary and usual course of business of the Group, the Transactions were entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board has resolved and approved the Transactions. As Mr. Zhang Fengyang holds positions in Jingneng International, Mr. Cao Mansheng and Mr. Ren Qigui hold positions in BEH and Mr. Song Zhiyong holds positions in BSCOML (the sole shareholder of BEH), they have abstained from voting on the Board resolution approving the Transactions. Save as disclosed above, none of the Directors has a material interest in the Transactions.

LETTER FROM THE BOARD

8. Listing Rules Implications

As at the Latest Practicable Date, BEH directly and indirectly holds 68.68% of the Shares of the Company and is a controlling Shareholder and a connected person of the Company. Jingneng International and Shenzhen Jingneng Leasing are subsidiaries of BEH and also constitute connected persons of the Company. Accordingly, the Transactions constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Transactions is above 5% but less than 25%, the Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

III. THE EGM

A notice convening the EGM to be held at 10:00 a.m. on Monday, 20 June 2022 at No. 2 Meeting Room, 8th Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC, is set out on pages 97 to 98 of this circular and will be despatched to the Shareholders on 30 May 2022. A proxy form for use at the EGM will be despatched to the Shareholders together with this circular and also published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Holders of the H Shares whose names appear on the register of members of the Company on the close of business on Tuesday, 14 June 2022 are entitled to attend the EGM and vote at the EGM. The H Share register of members of the Company will be closed from Wednesday, 15 June 2022 to Monday, 20 June 2022 (both days inclusive).

Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time appointed for holding the EGM (i.e., no later than 10:00 a.m., Sunday, 19 June 2022) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish.

IV. VOTING BY POLL

The resolution to be proposed at the EGM will be voted on by poll.

Pursuant to Rule 2.15 and Rule 14A.36 of the Listing Rules, where shareholders' approval is required with regard to a transaction or arrangement, any shareholder that has a material interest in such transaction or arrangement shall abstain from voting on the resolution(s) approving such transaction or arrangement at the general meeting. Accordingly, Shareholders who have a material interest in the Transactions shall abstain from voting on the relevant resolution to be proposed at the EGM to approve the Transactions. As at the Latest Practicable Date, BIEE, BHEG and BEI (HK) were wholly-owned subsidiaries of BEH and BEH is wholly-owned by BSCOML. Therefore, BEH (directly holding 61.64% of the Shares of the Company), BIEE (directly holding 1.12% of the Shares of the Company), BSCOML (directly holding 2.72% of the Shares of the Company), BHEG (directly holding 0.19% of the Shares of the Company) and BEI (HK) (directly holding 5.72% of the Shares of the Company) held in aggregate 5,886,444,144 Shares of the Company, representing 71.4% of the total share capital of the Company, and they shall abstain from voting on the relevant resolution to be proposed at the EGM to approve the Transactions.

LETTER FROM THE BOARD

Save as disclosed above, the Company is not aware of any other Shareholders who are required to abstain from voting on the resolution to be proposed at the EGM.

V. RECOMMENDATIONS

The Independent Board Committee, having considered the advice of Gram Capital, is of the view that the Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution in relation to the Transactions. The letter from the Independent Board Committee is set out on page 21 of this circular.

The Directors are of the view that the resolution in relation to the Transactions is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

VI. OTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

30 May 2022

To the Independent Shareholders

Dear Sir/Madam,

**DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS
PROPOSED SWAP OF 20% EQUITY INTEREST IN JINGNENG
INTERNATIONAL AND CASH HELD BY THE COMPANY FOR 84.68%
EQUITY INTEREST IN SHENZHEN JINGNENG LEASING HELD BY BEH**

We refer to the circular of the Company dated 30 May 2022 (the “Circular”, of which this letter forms part). Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to review the Transactions, and to advise the Independent Shareholders in respect of the Transactions. Gram Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Gram Capital” as set out in the Circular. Having considered the principal factors and reasons, and the advice of Gram Capital as set out in the Letter from Gram Capital, we consider that the Transactions, although are not conducted in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the Transactions at the EGM.

Yours faithfully

On behalf of the Independent Board Committee of
Beijing Jingneng Clean Energy Co., Limited

Huang Xiang
*Independent
non-executive
Director*

Chan Yin Tsung
*Independent
non-executive
Director*

Xu Daping
*Independent
non-executive
Director*

Zhao Jie
*Independent
non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

30 May 2022

*To: The independent board committee and the independent shareholders
of Beijing Jingneng Clean Energy Co., Limited*

Dear Sirs,

DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 May 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 10 May 2022, the Company entered into the Absorption and Merger Agreement with BEH, Jingneng International and Shenzhen Jingneng Leasing and the Equity Transfer Agreement with BEH, pursuant to which BEH proposed to absorb and merger with Jingneng International and transfer its 84.68% equity interest in Shenzhen Jingneng Leasing to the Company, and the Company shall pay the consideration thereof in the form of 20% equity interest in Jingneng International and cash held by the Company.

With reference to the Board Letter, the Transactions constitute discloseable and connected transactions of the Company and are subject to the reporting and announcement, and the independent shareholders’ approval requirement under the Listing Rules.

The Independent Board Committee comprising Mr. Huang Xiang, Mr. Chan Yin Tsung, Mr. Xu Daping and Ms. Zhao Jie (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM GRAM CAPITAL

INDEPENDENCE

Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) voluntary conditional offer and proposed voluntary withdrawal of listing of H Shares (details of which are set out in the Company's composite document dated 31 December 2020); and (ii) discloseable and continuing connected transactions of the Company (details of which are set out in the Company's circular dated 25 November 2021). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Absorption and Merger Agreement and Equity Transfer Agreement (an annex to the Absorption and Merger Agreement). We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group, Jingneng International or Shenzhen Jingneng Leasing, and we have not been furnished with any such evaluation or appraisal, save as and except for the summary of Asset Valuation Report of Jingneng International (which was prepared by China United Appraisal) as contained in Appendix I and summary of Asset Valuation Report of Shenzhen Jingneng Leasing (which was prepared by China Faith Appraisers) as contained in Appendix II to the Circular (collectively, the "**Valuation Reports**"). Since we are not experts in the valuation of business, we have relied solely upon the Valuation Reports for the value of the Target Equity Interests as at the Valuation Benchmark Date (i.e. 31 March 2022).

LETTER FROM GRAM CAPITAL

The 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 the 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, BEH, Jingneng International, Shenzhen Jingneng Leasing and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company is the largest gas-fired power provider in Beijing and a leading wind power and photovoltaic power operator in the PRC, with a diversified clean energy portfolio including gas-fired power and heat energy, wind power, photovoltaic power, small to medium hydropower and other clean energy projects.

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Set out below is the extract of the audited consolidated financial information of the Company for the two years ended 31 December 2021 (which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”)) as extracted from the annual report of the Company for the year ended 31 December 2021 (the “2021 Annual Report”):

	For the year ended 31 December 2021	For the year ended 31 December 2020	Change from 2020 to 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Total operating income	18,358,832	17,003,306	7.97
- Gas-fired power and heat energy generation	12,407,499	12,146,161	2.15
- Wind power	2,984,165	2,314,207	28.95
- Photovoltaic power	2,575,306	2,145,343	20.04
- Hydropower	386,396	395,279	(2.25)
- Others	5,466	2,316	136.01
Share of Results of Associates	(169,195)	167,781	N/A
Profit from operations	4,565,702	3,917,090	16.56
Profit for the year attributable to the equity holders of the Company	2,368,131	2,303,390	2.81

The Group’s total operating income increased by approximately 7.97% from approximately RMB17,003.3 million for 2020 to approximately RMB18,358.8 million for 2021, due to an increase in installed capacity of wind power and photovoltaic power segments, resulting in an increase in revenue from sales of electricity. Operating expenses increased by approximately 5.85% from approximately RMB13,883.6 million for 2020 to approximately RMB14,696.3 million for 2021, due to the cost incurred following the increase in the installed capacity in the wind power segment and the photovoltaic power segment, and the increase in gas cost as a result of the increase in sales volume of electricity of the gas-fired power and heat energy generation segment. The Group also recorded an increase of approximately 16.56% in operating profit from approximately RMB3,917.1 million for 2020 to approximately RMB4,565.7 million for 2021.

Details of the analyses of the major segments of the Group are as follows, which are extracted from the 2021 Annual Report:

- The operating income from the gas-fired power and heat energy generation segment increased by approximately 2.15% from approximately RMB12,146.2 million for 2020 to approximately RMB12,407.5 million for 2021, of which, revenue from sales of electricity increased by approximately 2.67% from approximately RMB10,182.9 million for 2020 to approximately RMB10,455.0 million for 2021, due to the increase in sales volume of electricity of this

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segment. Revenue from sales of heat energy decreased by approximately 0.55% from approximately RMB1,963.3 million for 2020 to approximately RMB1,952.5 million for 2021, due to the decrease in sales volume of heating supply of this segment.

The operating profit of gas-fired power and heat energy generation segment decreased by approximately 5.09% from approximately RMB1,769.6 million for 2020 to approximately RMB1,679.5 million for 2021, due to an increase in maintenance costs in this segment.

- The operating income from wind power segment increased by approximately 28.95% from approximately RMB2,314.2 million for 2020 to approximately RMB2,984.2 million for 2021, due to the increase in sales volume of electricity as a result of an increase in the average wind speed and an increase in the installed capacity of this segment.

The operating profit of wind power segment increased by approximately 48.83% from approximately RMB1,201.0 million for 2020 to approximately RMB1,787.5 million for 2021, due to an increase in average wind speed and equipment utilization and an increase in the installed capacity of this segment after they are put into production.

- The operating income from photovoltaic power segment increased by approximately 20.04% from approximately RMB2,145.3 million for 2020 to approximately RMB2,575.3 million for 2021, due to an increase in sales volume of electricity as a result of increased installed capacity of this segment.

The operating profit of photovoltaic power segment increased by 21.62% from RMB1,124.1 million for 2020 to RMB1,367.1 million for 2021, due to an increase in equipment utilization and an increase in the installed capacity of this segment after they are put into production.

The Group also recorded a slight increase of approximately 2.81% in profit for the year attributable to equity holders of the Company from approximately RMB2,303.4 million for 2020 to approximately RMB2,368.1 million for 2021.

Information on BEH

With reference to the Board Letter, BEH is principally engaged in the production and supply of electricity and heat, the production and sale of coal and the development of real estate. As at the Latest Practicable Date, BEH directly and indirectly held 68.68% of the Shares of the Company.

Information on Jingneng International

With reference to the Board Letter, Jingneng International is a subsidiary of BEH and its principal asset is the 42.92% equity interest in Jingneng Power. Jingneng International is principally, through Jingneng Power, engaged in the construction and investment management of electricity and energy projects. As at the Latest Practicable Date, Jingneng International was held as to 80% by BEH and as to 20% by the Company.

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According to Jingneng International's audited financial statements for the three years ended 31 December 2021 and three months ended 31 March 2022, Jingneng International (company level) did not record any revenue for the aforesaid period. Please refer to section headed "Information of the Parties" of the Board Letter for certain consolidated financial information of Jingneng International, which was prepared in accordance with the PRC Accounting Standards for Business Enterprises (on a consolidated basis).

As at 31 March 2022, the principal assets owned by Jingneng International was its 42.92% equity interests in Beijing Jingneng Power Co., Ltd. ("**Jingneng Power**", a company listed on the Main Board of Shanghai Stock Exchange, stock code: 600578).

According to the Jingneng Power's annual report for the year ended 31 December 2021, Jingneng Power is principally engaged in the generation and sale of power and heat products, the operation of power equipment, detection, repairment of power generation equipment, and sale of desulfurization gypsum etc.. Jingneng Power's revenue was mainly derived from thermal power generation and supply of heat businesses. Jingneng Power's power business is mainly based on coal-fired and heating, and also involves investment in comprehensive energy services, coal mines and other projects.

Set out below is the extract of the consolidated financial information of the Jingneng Power for the two years ended 31 December 2021 as extracted from the annual report of Jingneng Power for the year ended 31 December 2021 prepared in accordance with the PRC Accounting Standards for Business Enterprises and for the three months ended 31 March 2022 (with comparative figures for the corresponding period in 2021) as extracted from the first quarter report of Jingneng Power for the three months ended 31 March 2022:

	For the three months ended 31 March 2022	For the three months ended 31 March 2021	For the year ended 31 December 2021	For the year ended 31 December 2020	Change from 2020 to 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	
Total operating income	7,833,543	5,603,605	22,236,992	20,097,479	10.65
Operating cost	7,199,307	5,162,405	24,009,616	16,561,075	44.98
Profit/(Loss) from operations for the period/year	348,161	98,356	(4,290,900)	1,873,679	N/A
Profit/(Loss) for the period/year	326,175	74,576	(3,872,076)	1,760,796	N/A

Despite Jingneng Power recorded an increase of approximately 10.65% in total operating income (of which revenue generated from sale of power accounted for over 90% to total operating income for both 2020 and 2021) for 2021 as compared to that for 2020, Jingneng Power recorded a loss for 2021 as compared to profit for 2020, which was mainly due to the impact of the continuous increase in thermal coal price (despite that Jingneng Power upward adjusted selling price of power, but the increase in selling price is less than the increase in thermal coal price. Jingneng Power also undertook the people's livelihood task of maintaining the supply of power and heating). Jingneng Power proposed not to distribute cash dividend for 2021.

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Despite that Jingneng Power recorded a significant increase in net profit for the three months ended 31 March 2022 as compared to that for 31 March 2021, both gross profit margins and net profit margins for the three months ended 31 March 2022 were less than those for the three months ended 31 March 2020 and 2019.

As at 31 March 2022, Jingneng Power recorded net asset value attributable to the parent of approximately RMB21.9 billion (31 December 2021: approximately RMB21.6 billion).

Information on Shenzhen Jingneng Leasing

With reference to the Board Letter, Shenzhen Jingneng Leasing is a company established in the PRC with limited liability and a wholly-owned subsidiary of BEH. Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public and members of BEH.

Set out below is the extract of the audited financial information of the Shenzhen Jingneng Leasing for the two years ended 31 December 2021 prepared in accordance with the PRC Accounting Standards for Business Enterprises as extracted from the Board Letter:

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000	Change from 2020 to 2021 %
Operating income	157,705	129,166	22.09
Profit before tax	76,134	82,479	(7.69)
Net profit	57,078	61,857	(7.73)
	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	%
Total assets	4,003,320	3,370,892	18.76
Total owners' equity (or shareholders' equity)	1,321,442	1,264,364	4.51

According to the above table, despite that Shenzhen Jingneng Leasing recorded a substantial increase of approximately 22.09% in operating income for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020, net profit of Shenzhen Jingneng Leasing for the year ended 31 December 2021 decreased by approximately 7.73% as compared to that for the year ended 31 December 2020. As advised by Shenzhen Jingneng Leasing, the aforesaid decrease in net profit for the year ended 31 December 2021 was mainly due to the increase in operating cost for the year ended 31 December 2021 as a result of an one-off waiver of part of Shenzhen Jingneng Leasing's expenses in 2020 (no relevant waiver in 2021).

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Reasons for and benefits of the Transactions

With reference to the statistics issued by China Electricity Council, in 2021, the national electricity consumption reached 8.31 trillion kWh, representing a year-on-year increase of 10.3%. The national electricity consumption in each quarter increased by 21.2%, 11.8%, 7.6% and 3.3% respectively, mainly affected by factors such as the sustained recovery of the domestic economy and the rapid growth of foreign trade exports. As at the end of December 2021, the national electricity installed capacity was 2.38 billion kW in total, representing a year-on-year increase of 7.9%. Among which, the capacity of thermal power generation was 1.30 billion kW, accounting for 54.6% of the total installed capacity, representing a year-on-year increase of 4.1%; the capacity of on-grid wind power generation was 330 million kW, accounting for 13.9% of the total installed capacity, representing a year-on-year increase of 16.6%; the capacity of on-grid solar power generation was 310 million kW, accounting for 13.0% of the total installed capacity, representing a year-on-year increase of 20.9%; the capacity of hydropower generation was 390 million kW, accounting for 16.4% of the total installed capacity, representing a year-on-year increase of 5.6%.

The national power generation from non-fossil fuel installed capacity was 1.12 billion kW, accounting for 47.0% of the total installed capacity, representing a year-on-year increase of 13.4%, increased by 2.3 percentage points over the end of previous year, and exceeded the proportion of the power generation from coal installed capacity for the first time in history.

In 2021, the national power generation in total grew up by 9.8% as compared with the previous year. Among which, the capacity of thermal power generation was 5.6 trillion kWh, representing a year-on-year increase of 9.1%; the capacity of wind power generation was 655.6 billion kWh, representing a year-on-year increase of 40.5%; the capacity of solar power generation was 327.0 billion kWh, representing a year-on-year increase of 25.2%; and the capacity of hydropower generation was 1.3 trillion kWh, representing a year-on-year decrease of 1.1%. The national non-fossil fuel generation was 2.9 trillion kWh, representing a year-on-year increase of 12.0%.

With reference to the Board Letter, upon the Closing, the Company will no longer hold any shares in Jingneng International (and Shenzhen Jingneng Leasing will become a subsidiary of the Company). The transfer of such equity interest will facilitate the Group to continue to focus on the clean energy business.

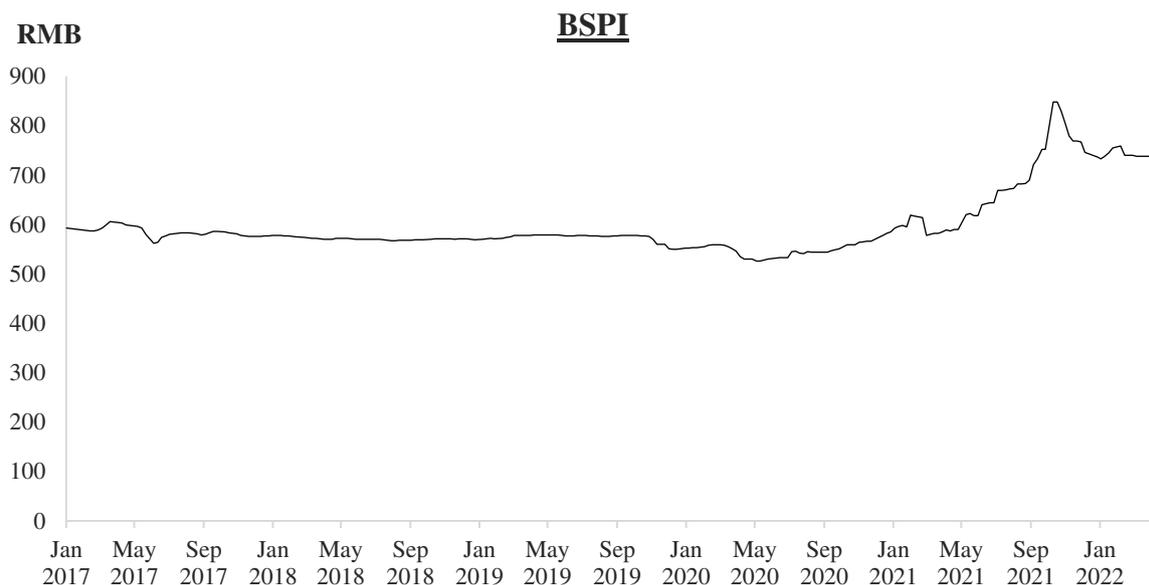
With reference to the 2021 Annual Report, as at 31 December 2021, the consolidated installed capacity of the Group was 12.444 million kW, with an increase in installed capacity of 1.583 million kW, representing a year-on-year increase of 14.6%, which was nearly 7 percentage points higher than the national installed capacity. The installed capacity of the gas-fired power and heat energy generation segment was 4.702 million kW, accounting for 37.8% of the total installed capacity; the installed capacity of the wind power generation segment was 4.110 million kW, accounting for 33.0% of the total installed capacity, with an increase in installed capacity of 1.313 million kW, representing a year-on-year increase of 46.9%, which was 30 percentage points higher than the national wind power installed capacity; the installed capacity of the photovoltaic power generation segment was 3.213 million kW, accounting for 25.8% of the total installed capacity, with an increase in installed capacity of 0.301 million kW, representing a year-on-year increase of 10.3%; the installed capacity of the hydropower segment was 0.419 million kW, accounting for 3.4% of the total installed capacity.

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In addition, as also stated in the 2021 Annual Report, the Group will follow the strategic guidance to further improve the green development, of which, the Group will continue to implement the development concepts and goals under the “14th Five-Year Plan”, practically implement the “wind power and photovoltaic power integration strategy”, promote the scale of energy base projects, and highlight the features of distributed projects in 2022.

As mentioned above, Jingneng Power recorded loss for 2021 as compared to profit for 2020, which was mainly due to the impact of the continuous increase in thermal coal price.

Set out below is a summary of the Bohai-Bay Thermal Coal Price Index for 5,500 kcal/kg (“**BSPI**”) from 1 January 2017 to the date of the Absorption and Merger Agreement (the “**Review Period**”), being approximately five years immediately before the date of the Absorption and Merger Agreement. We consider the five-year BSPI implied the movement of coal price for a medium to long period and is appropriate for us to perform a thorough analysis on the historical coal price:



As the BSPI moved between RMB500 per tonne to RMB600 per tonne in the majority time during the Review Period, it is uncertain that the recent year increasing in the coal price would be sustainable for a long time. As Jingneng Power is principally engaged in coal-fired power generation and business related to power production and operation, the increase in coal price will lead to the increase in cost of power generation of Jingneng Power.

As stated in the 2021 Annual Report, in regions with traditional advantages, the Group will focus on introducing enterprises to cooperate in accelerating the development of the industry. In regions newly expanded into, the Group will create new cooperation models, and seize resources through increased cooperation efforts. The Group will increase efforts in projects of high-quality resource mergers and acquisitions, and ensure that the priority can be given to projects of asset mergers and acquisitions; take a two-pronged approach for both self-construction and mergers and acquisitions to ensure both areas are

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properly handled; and seize resources of the counties of Beijing, Tianjin and Hebei, especially Beijing, to promote distributed photovoltaic power projects, with priority given to the development of projects which have significant demonstration and leading role.

As advised by the Directors, to maintain competitive advantages in the process of achieving “Carbon Peak and Carbon Neutral” (碳達峰及碳中和), the major competitors of the Company have announced the plan to install a considerable amount of equipment to increase their clean-energy generating capacity during the Fourteenth Five Year Plan of the PRC (十四五規劃). As the power generation business is a capital-intensive business and the development of the Group requires a lot of capital, in response to such fierce competition, it is important for the Company to satisfy its demand of funds for project construction in a timely manner and avoid large amount of capital expenditure for the purchase of machinery equipment.

With reference to the Board Letter, at the same time, the Transaction will, through deployment of its finance lease business, further provide the Group with long-term capital support for the Group’s development in the clean energy sector.

According to the financial information of Shenzhen Jingneng Leasing, Shenzhen Jingneng Leasing is a profit-making company with growth in business in recent three years. It is expected that the Group’s financial performance will improve as a result of the Closing.

Having considered the above factors, we concur with the Directors that although the Transactions are not conducted in the ordinary and usual course of business of the Group, the Transactions are in the interests of the Company and Shareholders as a whole.

Principal terms of the Transactions

Set out below are the key terms of the Transactions, details of which are set out under the sections headed “Absorption and Merger Agreement” and “Equity Transfer Agreement” of the Board Letter.

Date: 10 May 2022

Parties:

- (1) BEH;
- (2) Jingneng International;
- (3) the Company; and
- (4) Shenzhen Jingneng Leasing

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Method of merger

- (1) The Merger will be conducted by way of absorption and merger of Jingneng International by BEH, which refers to the swap of 84.68% equity interest held by BEH in Shenzhen Jingneng Leasing for 20% equity interest held by the Company in Jingneng International, for which the Company shall pay in cash the excess of the consideration for 84.68% of the equity interest held by BEH in Shenzhen Jingneng Leasing over the consideration for 20% of the equity interest held by the Company in Jingneng International. Upon the completion of the Merger, BEH will continue to subsist and Jingneng International will be deregistered in accordance with the law.
- (2) Upon the Closing Date, the shareholders' rights and interests corresponding to the 84.68% equity interest in Shenzhen Jingneng Leasing held by BEH shall be succeeded by the Company; all assets, liabilities, licenses, permits, operations and personnel of Jingneng International shall be succeeded by BEH in accordance with the law, and all rights and obligations attached to the assets of Jingneng International shall be enjoyed and assumed by BEH in accordance with the law, and the Company shall not be entitled to the interests of BEH after the Absorption and Merger.
- (3) Upon the Closing Date, the parties shall actively cooperate in the procedures of asset transfer/ownership transfer, personnel placement and industrial and commercial changes in relation to the Merger in accordance with the requirements under the Absorption and Merger Agreement and relevant laws and regulations.

Determination of the Consideration and Closing of the Merger and Completion

- (1) The parties agreed to evaluate the value of the Target Equity Interests using 31 March 2022 as the Valuation Benchmark Date, which will be the basis for determining the price for the value of the Target Equity Interests.
- (2) According to the Asset Valuation Report of Jingneng International, as at the Valuation Benchmark Date, the net asset value of Jingneng International was RMB8,640,802,900, and the appraisal value of net assets corresponding to its 20% equity interest was RMB1,728,160,600. According to the Asset Valuation Report of Shenzhen Jingneng Leasing, as at the Valuation Benchmark Date, the net asset value of Shenzhen Jingneng Leasing was RMB2,681,000,000 and the appraisal value of net assets corresponding to its 84.68% equity interest was

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RMB2,270,270,800. The difference between the appraisal value of net assets among the Target Equity Interests is RMB542,110,200. The Company agreed to make up such difference to BEH in cash.

The parties confirmed that the final price of the Target Equity Interests shall be determined based on the appraisal results filed with the competent authority, and agreed to adjust the amount of top-up cash stipulated in the preceding paragraph based on the difference of the final price of the Target Equity Interests.

With reference to the Board Letter, as at the Latest Practicable Date, the appraisal results of the Target Equity Interests have been filed with the competent authority. There was no change in the final price of the Target Equity Interests and the amount of top-up cash.

- (3) The parties agreed to sign the Equity Transfer Agreement as an annex to the Absorption and Merger Agreement in relation to the transfer of the 84.68% equity interest in Shenzhen Jingneng Leasing held by BEH to the Company to further clarify the rights and obligations of the parties to the equity transfer.
- (4) The parties confirmed that the rights to the Target Equity Interests shall be transferred to the corresponding successor with effect from the Closing Date and the parties shall complete the following post-closing obligations after the Closing Date:
 - ① The Company shall make a lump sum payment to the bank account designated by BEH for the difference in the price of the Target Equity Interests within 30 working days after the completion of the procedures of change of industrial and commercial registration of Shenzhen Jingneng Leasing as stipulated in the Absorption and Merger Agreement.
 - ② BEH, Jingneng International and Shenzhen Jingneng Leasing shall cooperate with each other to complete the procedures of change or cancellation of industrial and commercial registration and change of property rights registration in relation to the Merger in a timely manner in accordance with the requirements under the Absorption and Merger Agreement, and the Company shall cooperate with them.

Our assessment on the consideration for the Merger

To assess the fairness and reasonableness of the consideration (which is based on value of the Target Equity Interests), we obtained and reviewed the Valuation Reports. We noted that the total appraised values of the Jingneng International and Shenzhen Jingneng Leasing were approximately RMB8,640.80 million and RMB2,681.00 million approximately as at the Valuation Benchmark Date. Please refer to Appendices I and II to the Circular for details.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of China United Appraisal and China Faith Appraisers; (ii) each of China United Appraisal's and China Faith Appraisers' qualification in relation to the preparation of the Valuation Reports; and (iii) the steps and due diligence measures taken by each of China United Appraisal and China Faith Appraisal for conducting the

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respective valuation of Jingneng International and Shenzhen Jingneng Leasing (collectively, the “**Valuations**”). China United Appraisal was engaged by the Company and China Faith Appraisers was engaged by BEH.

As regard to the qualifications and experience of China United Appraisal and China Faith Appraisers (collectively, the “**Valuers**”), we conducted reasonable checks to assess the relevant qualifications, experience and expertise of the Valuers, including reviewing supporting documents and discussed with the Valuer in respect of their qualifications and experience.

The Valuers obtained relevant qualifications and registered in China Appraisal Society, completed filing procedures in CSRC and is allowed to conduct valuation engaged in securities. Based on the supporting documents provided by the Valuers, the Valuers conducted various appraisal works for PRC companies.

From the mandate letters and other relevant information provided by each of China United Appraisal and China Faith Appraisers and based on our interview with each of China United Appraisal and China Faith Appraisers, we were satisfied with the terms of engagement of each of China United Appraisal and China Faith Appraisers as well as their qualifications and experiences for the preparation of the respective Valuation Reports. China Faith Appraisers and China Faith Appraisers also confirmed that they are independent to the Group, Shenzhen Jingneng Leasing, Jingneng International and BEH.

Despite that China Faith Appraisers was engaged by BEH. Having considered the following factors, including:

- (i) as required under provision four of 《資產評估基本準則》 (Asset Evaluation Standards – Basic Standards*, the “**Valuation Standards**”) as issued by Ministry of Finance of the PRC and updated in 2017, valuation institution and its professional staff shall carry out valuation activities in accordance with provisions of laws and administrative regulations, uphold to the principle of independence, objectivity and impartiality;
- (ii) as required under provision six of the Valuation Standards, when valuation institution and its professional staff shall carry out valuation activities, they (a) should perform independently in analysing, evaluating and forming their opinion; (b) should not be affected by client or its relevant persons; and (c) should not determine the value on pre-setting basis;
- (iii) 《資產評估職業道德準則—獨立性》 (Code of Professional Ethics for Asset Evaluation-Independence*) as issued by China Appraisal Society in 2012 further elaborate and emphasis the independence of valuation institution and certified valuers; and
- (iv) as mentioned above, China Faith Appraisers also confirmed that they are independent to the Group, Shenzhen Jingneng Leasing, Jingneng International and BEH,

we are satisfied with the independence of the China Faith Appraisers in respect of the preparation of the Asset Valuation Report of Shenzhen Jingneng Leasing.

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We also reviewed the Valuation Reports and enquired into each of China United Appraisal and China Faith Appraisers on the methodologies adopted and the bases and assumptions adopted in arriving at the Valuations in order for us to understand the Valuation Reports. Details of the assumptions are set out in the section headed “VIII THE ASSUMPTION OF VALUATION” of the summary of the Asset Valuation Report of Jingneng International as contained in Appendix I to the Circular and the section headed “VIII THE ASSUMPTION OF VALUATION” of the summary of the Asset Valuation Report of Shenzhen Jingneng Leasing as contained in Appendix II to the Circular. We noted from the Valuation Reports that the Valuation Reports were prepared by each of China United Appraisal and China Faith Appraisers in accordance with various requirements/standards, including 《資產評估準則－基本準則》 (Asset Evaluation Standards – Basic Standards*) as issued by the Ministry of Finance of the PRC.

According to the 《資產評估準則－基本準則》 (Asset Evaluation Standards – Basic Standards*), (i) the fundamental valuation approaches of assets valuation include income approach, market approach and asset-based approach, and (ii) the valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation methodology.

Asset Valuation Report of Jingneng International

In preparing the Asset Valuation Report of Jingneng International, China United Appraisal concluded the valuation of Jingneng International with asset-based approach. With reference to the Asset Valuation Report of Jingneng International and as confirmed by China United Appraisal, China United Appraisal considered the selection of fundamental appraisal methods and we understood that:

- Jingneng International is a holding company where its incomes were primarily derived from dividend income from investee entities. As the future dividends from the investee entities are subject to various uncertain factors that are difficult to predict accurately, income approach is not applicable to the valuation of Jingneng International.
- Asset-based approach consider the reconstruction or replacement costs of the appraisee, less the relevant impairment, as the appraisee’s value, thus it is applicable to the valuation of Jingneng International.

Having considered that (i) the Asset Valuation Report of Jingneng International was prepared by China United Appraisal in accordance with various requirements/standards; (ii) China United Appraisal considered three fundamental valuation approaches before rejecting the use of income approach; (iii) the aforementioned rationale of China United Appraisal in selecting asset-based approach; (iv) as mentioned above, Jingneng International (company level) did not record any revenue for the three years ended 31 December 2021 and three months ended 31 March 2022 and its principal assets was the 42.92% equity interests in Jingneng Power, we are of the view that the adoption of asset-based approach for the valuation of Jingneng International is fair and reasonable and we did not consider other approaches to assess the valuation of Jingneng International.

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In arriving at the valuation of Jingneng International, China United Appraisal categorised the assets and liabilities of Jingneng International into (A) current assets; (B) long-term investment; (C) fixed assets; (D) intangible assets; and (E) liabilities. Set out below are our findings and analyses:

- **Current assets:** the book value and the appraisal value of the current assets of Jingneng International were the same, which was approximately RMB236.03 million as at the Valuation Benchmark Date, which comprised of dividend receivable of approximately RMB228.13 million and monetary fund of approximately RMB7.90 million. We noted from the Asset Valuation Report of Jingneng International that China United Appraisal had (i) reviewed all the bank statements of Jingneng International to verify the monetary fund of Jingneng International; and (ii) reviewed all of the relevant board resolution and resolution of shareholders' meeting of the investee company in relation to the declaration of dividend and verified Jingneng International's shareholding percentage in the investee company to ascertain the value of the dividend receivable balance.
- **Long-term investment:** the book value of the long-term investment of Jingneng International was approximately RMB5,225.03 million as at the Valuation Benchmark Date, which represented the investment cost of Jingneng Power. Since Jingneng Power is a company listed on the Shanghai Stock Exchange and its share price is publicly available, China United Appraisal has made reference to the share price of Jingneng Power as at the Valuation Benchmark Date in arriving at the appraisal value of long-term investment. The appraisal value of the long-term investment of Jingneng International was approximately RMB8,403.8 million.

We noted the following from the Asset Valuation Report of Jingneng International:

- 1) China United Appraisal reviewed the investment agreement, resolution of shareholders' meetings, articles of association and accounting record to confirm the accuracy and completeness of the long-term investment.
- 2) In arriving at the appraisal value of the long-term investment, China United Appraisal made reference to Measures for the Supervision and Administration of State-owned Equities of Listed Companies 《上市公司國有股權監督管理辦法》 (the "**Administrative Measures**") in determining the share price of Jingneng Power, assuming Jingneng International would have to replace its investment in Jingneng Power as at the Valuation Benchmark Date.

For our due diligence purpose, we obtained the calculation of the appraisal value of Jingneng International and noted that the appraisal value of its long-term investment was calculated based on the share price of Jingneng Power of approximately RMB2.93 (being the average daily trading price of the shares of Jingneng Power for the 30 trading days prior to and including the Valuation Benchmark Date) times the number of Jingneng Power's shares held by Jingneng International as at the Valuation Benchmark Date. We also noted that the "average daily trading price of the shares for the 30 trading days" shall be made reference to as one of the transfer price of a listed company during a non-public transfer by a state-owned shareholder pursuant to the Administrative Measures.

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- **Fixed assets:** the book value and the appraisal value of the fixed assets as at the Valuation Benchmark Date were approximately RMB314,000 and RMB931,000 respectively. Fixed assets mainly comprised of motor vehicles and electronic equipment.

We noted from the Asset Valuation Report of Jingneng International that in determining the appraisal value of the fixed assets, China United Appraisal (i) obtained and reviewed the breakdown of the fixed assets to verify the existence of each fixed assets; (ii) performed physical inspection to determine the actual operating conditions of the fixed assets; and (iii) considered the market value of same or similar fixed assets and the newness rates of each fixed asset.

- **Intangible asset:** the book value and the appraisal value of intangible asset as at the Valuation Benchmark Date were nil and approximately RMB259,000 respectively. Intangible asset solely consists of an accounting software which had been fully amortised as at the Valuation Benchmark Date. We noted that the appraisal value of the intangible asset was determined with reference to market price for the same software as at the Valuation Benchmark Date.
- **Liabilities:** the book value and the appraisal value of liabilities as at the Valuation Benchmark Date were approximately RMB192,800. Liabilities consist of quality guarantee deposits of approximately RMB46,000 and tax payable of approximately RMB146,800.

We noted from the Asset Valuation Report of Jingneng International that China United Appraisal had reviewed the relevant accounting entries and record to verify the figures.

Having considered the aforementioned and during our discussion with China United Appraisal, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the valuation of Jingneng International.

Asset Valuation Report of Shenzhen Jingneng Leasing

In preparing the Asset Valuation Report of Shenzhen Jingneng Leasing, China Faith Appraisers concluded the valuation of Shenzhen Jingneng Leasing by income approach. With reference to the Asset Valuation Report of Shenzhen Jingneng Leasing and as confirmed by China Faith Appraisers, China Faith Appraisers considered each of the fundamental appraisal methods and we understood that:

- Shenzhen Jingneng Leasing's assets and liabilities included in the financial statements are identifiable as at the Valuation Benchmark Date. As each identifiable assets and liabilities can be separately appraised using applicable appraisal method and there is no significant unidentifiable assets or liabilities associated with Shenzhen Jingneng Leasing, asset-based approach is applicable for the valuation of Shenzhen Jingneng Leasing;
- Based on the historical operating conditions, the entity is in continuous operations with sufficient and correlated historical operating and financial data to estimate and quantify future income and risk. As such, income approach is applicable to the valuation of Shenzhen Jingneng Leasing; and

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- As Shenzhen Jingneng Leasing is an unlisted entity operating in the financial leasing industry, (i) listed companies within the financial leasing industry have different business structures, operating models, sizes, asset allocation and usage, operating and financial risks; and (ii) there are limited comparable transactions involving target companies operating in the financial leasing industry in the PRC around the Valuation Benchmark Date, market approach is not applicable to the valuation of Shenzhen Jingneng Leasing.

We further understood from China Faith Appraisers that as asset-based approach focus on the replacement costs of the asset and liabilities of Shenzhen Jingneng Leasing as at the Valuation Benchmark Date whereas income approach can comprehensively reflect the value of any unrecorded asset such as management level, industry experience, corporate brand, customer resources and financial capabilities, which thereby reflects the overall value of the entity. As such, China Faith Appraisers concluded the valuation of Shenzhen Jingneng Leasing using income approach.

Having considered that (i) the Asset Valuation Report of Shenzhen Jingneng Leasing was prepared by China Faith Appraisers in accordance with various requirements/standards; (ii) China Faith Appraisers considered three fundamental valuation approaches before rejecting the use of market approach; and (iii) the aforementioned rationale of China Faith Appraisers in selecting income approach over asset-based approach despite both approaches are applicable to the valuation of Shenzhen Jingneng Leasing; and (iv) income approach can comprehensively reflect the value of any unrecorded asset such as management level, industry experience, corporate brand, customer resources and financial capabilities, which thereby reflects the overall value of the entity, we are of the view that the adoption of income approach for the valuation of Shenzhen Jingneng Leasing is fair and reasonable and we did not consider other approaches to assess the valuation of Shenzhen Jingneng Leasing.

As China Faith Appraisers adopted income approach to conduct the valuation of Shenzhen Jingneng Leasing, in such case, it is stipulated under Rule 14.62 of the Listing Rules that the Company is required to obtain (i) a letter from its auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and containing their report; and (ii) a report from its financial advisers confirming that they are satisfied that the forecasts in such valuations have been made by the Directors after due and careful enquiry, if no financial advisers have been appointed in connection with the transaction, the Company must provide a letter from the Board confirming they have made the forecast after due and careful enquiry. We consider that the above stipulation of the Listing Rules could safeguard the interest of the Shareholders and we noted that the Company has complied with the said requirements (see Appendix III and Appendix IV to the Circular).

Upon our enquiry, we also understood from China Faith Appraisers that the valuation is based on operating results recorded in 2018, 2019, 2020, 2021 and first quarter of 2022 of Shenzhen Jingneng Leasing. The estimates on future operation and revenue of Shenzhen Jingneng Leasing are conducted through analyses over segments, revenue, costs, growth movements, etc. As advised by China Faith Appraisers, China Faith Appraisers consider that the free cash flow to equity was reasonable after considering the historical performance of Shenzhen Jingneng Leasing, “14th Five Years” plan of Shenzhen Jingneng Leasing and relevant assumptions regarding the valuation. As mentioned above, we also noted that the Board issued the letter confirming that they have made the profit forecast of the Shenzhen Jingneng Leasing after due and careful enquiry.

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- (1) As Shenzhen Jingneng Leasing is operating within the financial leasing industry, the operating income were formulated based on (i) the movement in value of assets underlying the finance leases (including direct leases, sale and leaseback transactions and factoring transactions) contracted by Shenzhen Jingneng Leasing during the forecast period (from April 2022 to December 2027) while no growth rate applied from 2027 onward; and (ii) the applicable interest rates and finance costs associated with each type of finance leases.

We noted from the calculation that, the operating income is estimated to increase by approximately 12.25% to 38.45% during the period from 2023 to 2027, and the estimated operating income for 2022 (comprised of the actual operating income for the period from January 2022 to March 2022 and the estimated operating income for the period from April 2022 to December 2022) increased by approximately 65.87% as compared to the actual operating income for 2021. The aforesaid estimated growth rates from 2022 to 2027 is primarily driven by the increase in value of assets underlying direct leases. As advised by the Directors, such estimated growth is in line with Shenzhen Jingneng Leasing's business plan to increase the scale of direct lease business and to scale down the sale and leaseback business during the "14th Five Years". As the scale of Shenzhen Jingneng Leasing's factoring business is substantially smaller than other businesses and the Directors assumed that it will cease upon the expiry of current on-hand contracts.

In addition, with reference to the Board Letter, BEH completed capital injection of approximately RMB1,309.08 million in Shenzhen Jingneng Leasing in March 2022. As advised by the Directors, to the best of their knowledge, the proceeds from the aforesaid capital injection will be utilised as to the expansion of Shenzhen Jingneng Leasing's business.

Based on the above, we consider the operating income for 2022 to 2027 to be justifiable.

- (2) Operating costs mainly comprised of the finance costs associated with each type of finance leases, which were formulated based on (i) the estimated size of interest-bearing liabilities for each of the forecast period; (iii) the estimated tax benefit associated with the interest-bearing liabilities; (iv) the estimated initial costs of additional interest-bearing liabilities; (v) the estimated factoring costs; and (vi) the estimated commissioned management fees.

We noted from the calculation that the (i) estimated gross profit during the forecast period ranged from approximately 41.42% to 50.76%, which is comparable to the historical gross profit margin of 42.92% to 57.13% during the historical period from 2018 to 2021.

- (3) Selling expenses mainly comprised of staff costs, travelling and hospitality expenses, outsourcing service fees and agency fees, while administrative expenses mainly comprised of travelling and hospitality expenses, other office expenses and rental expenses. We noted that the percentage of selling expenses and administrative expenses to total operating income ranged from approximately 0.31% to 0.87% during the forecast period, which reflected the possible increase in selling expenses due to the expansion of Shenzhen Jingneng Leasing's business (as a result of the proposed use of proceeds from capital injection as mentioned above) and also indicated the selling expenses were not underestimated in general as compared to the historical percentage of 0.08% to 0.42% during the period from 2018 to 2021.

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- (4) The discount rate (i.e. required rate of return on equity) applied to the valuation of Shenzhen Jingneng Leasing was 9.11%.

We noted that China Faith Appraisers adopted the capital asset pricing model (“CAPM”) to assess the discount rate of Shenzhen Jingneng Leasing. In arriving at the cost of equity, China Faith Appraisers took into account a number of factors including (i) risk-free rate; (ii) market risk premium; (iii) beta; and (iv) specific risk premium.

For our due diligence purpose, we conducted the following works:

- We searched through the internet and noted that the CAPM technique is widely adopted for the purpose of estimating the required rate of return on equity;
- China Faith Appraisers adopted 4.00% as risk free rate, which was determined with reference to 10-year yield of PRC sovereign debt. We noted from the website of China Foreign Exchange Trade System – National Interbank Funding Center that 10-year yield of PRC sovereign debt was approximately 2.7844% as at 31 March 2022. Despite that the risk free rate adopted by China Faith Appraisers was higher than the 10-year yield of PRC sovereign debt as at 31 March 2022, having considered that a lower required rate of return of equity (which risk free rate forms part) will not lead to an overestimated in the valuation of Shenzhen Jingneng Leasing and such estimation is beneficial to the Company (as purchaser). Therefore, we consider the risk-free rate of 4.00% adopted by China Faith Appraisers to be justifiable.
- We obtained a list of comparable companies used for the calculation of the re-levered beta. We cross-checked the beta of the selected comparable companies through Wind Financial Terminal and noted that the beta adopted by China Faith Appraisers are in line with our findings; and
- We noted China Faith Appraisers adopted the market risk premium of 9.03% to the valuation of Shenzhen Jingneng Leasing, which was determined with reference to the market yield of China Securities Index 300.

Having considered the aforementioned and during our discussion with China Faith Appraisers, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the valuation of Shenzhen Jingneng Leasing.

Based on the above and information/documents (e.g. explanation to key factors, calculations, etc.) in respect of the valuation provided to us by China Faith Appraisers/Company and having considered China Faith Appraisers’ qualification and experience, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the valuation of Shenzhen Jingneng Leasing (including value of the surplus or non-operating assets (liabilities)).

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Having considered (i) our due diligence work on the Valuation Reports; and (ii) the Rule 14.62 of Listing Rules requirement, in particular, the Board confirmed that they are of the opinion that the forecast has been made after due and careful enquiry, we consider that principal bases and assumptions adopted for the Valuations to be reasonable.

Having considered that value of 20% equity interest in Jingneng International plus the cash consideration of RMB542,110,200 is approximately the same as 84.68% equity interest in Shenzhen Jingneng Leasing, we are of the opinion that the consideration for the Transactions is fair and reasonable.

Succession of Creditors' Rights and Debts

All the creditors' rights and debts of BEH and Jingneng International before the Merger shall be succeeded by the merged company after the Merger.

Employees Placement Plan

- (1) In the course of the Merger, all employees of Jingneng International will be taken over or properly settled by the merged company.
- (2) The labour contracts signed between all employees of Jingneng International and Jingneng International shall continue to be valid and shall be performed by the merged company.

Disposal of Branches and Subsidiaries of the Merged Party

The parties confirmed that, as of the Valuation Benchmark Date, the corresponding assets and interests of branches and subsidiaries of Jingneng International shall be succeeded by the merged company.

Transition Period

- (1) During the transition period from the Valuation Benchmark Date to the Closing Date, profit and loss arising from the Target Equity Interests shall be enjoyed and borne by the corresponding successor, and profit and loss arising from the operation of Jingneng International shall be vested in the merged company.
- (2) The parties confirmed that during the transition period, unless otherwise expressly provided in the Absorption and Merger Agreement, Jingneng International and Shenzhen Jingneng Leasing shall not take any action that may cause material adverse change to the companies without the written consent of BEH and the Company, respectively.

As the transition period arrangement are the same to transferor and transferee regardless of its identity, we are of the view that the transition period arrangement is justifiable.

LETTER FROM GRAM CAPITAL

Validity of the Agreement

The Absorption and Merger Agreement shall be established from the date of signing by all parties, and shall become effective when all of the following conditions are met:

- (1) The parties to the Absorption and Merger Agreement obtaining necessary approval from the competent authorities for the Merger;
- (2) The asset valuation reports of Jingneng International and Shenzhen Jingneng Leasing involved in the Merger having been filed with the competent authorities.

Equity Transfer Agreement (as an annex to the Absorption and Merger Agreement)

Pursuant to the terms and conditions of the Equity Transfer Agreement, BEH agreed to transfer its 84.68% equity interest in Shenzhen Jingneng Leasing and its interests, benefits and all rights related to such equity interest in accordance with law to the Company, and the Company agreed to pay 20% of the equity interest in Jingneng International held by BEH as consideration, with the difference to be satisfied by the Company in cash to BEH.

Terms of the Equity Transfer Agreement reflects the matters as set out in the Absorption and Merger Agreement. The Equity Transfer Agreement shall be established from the date of signing by all parties, and shall become effective when all of the following conditions are met: (i) the parties to the Equity Transfer Agreement obtaining necessary approval from the competent authorities for the Transactions; and (ii) the Absorption and Merger Agreement coming into effect.

Please also refer to the section headed “Equity Transfer Agreement” of the Board Letter for detailed terms of the Equity Transfer Agreement.

Our conclusion on terms of the Transactions

Having reviewed and considered the terms of the Transactions, in particular the key terms as listed above (including the consideration of the Transactions being fair and reasonable, the transition period arrangement is justifiable; terms of the Equity Transfer Agreement (as an annex to the Absorption and Merger Agreement) reflects the matters as set out in the Absorption and Merger Agreement; and no abnormal term observed), we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

Possible financial effects of the Transactions

With reference to the Board Letter, upon Closing, the Company will no longer hold any shares in Jingneng International; and Shenzhen Jingneng Leasing will become a subsidiary of the Company.

As at 31 March 2022, the net book value of the 20% equity interest in Jingneng International was approximately RMB1.69 billion. With reference to the Board Letter, the Company will recognize gain on transfer of the 20% equity interest in Jingneng International in the consolidated income statement as of the date of completion of the disposal of Jingneng International.

LETTER FROM GRAM CAPITAL

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Closing.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) although the Transactions are not conducted in the ordinary and usual course of business of the Group, the Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purposes only*

The following is an English translation of the summary of the valuation report dated 14 April 2022 in respect of Jingneng International, which is prepared by China United Appraisal for the purpose of inclusion in this circular. Such report is prepared in Chinese and this English translation is provided for your reference only. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

China United Appraisal holds the domestic assets appraisal qualification jointly granted by the China Securities Regulatory Commission and the Ministry of Finance of the PRC.

**THE VALUE OF ALL SHAREHOLDERS' EQUITY OF BEIJING JINGNENG
INTERNATIONAL POWER CO., LTD. INVOLVED IN THE PROPOSED
ABSORPTION AND MERGER OF BEIJING JINGNENG INTERNATIONAL
POWER CO., LTD. BY BEIJING ENERGY HOLDING CO., LTD.**

SUMMARY OF THE ASSET VALUATION REPORT

Zhong Lian Ping Bao Zi [2022] No. 1219

I. THE PURPOSE OF VALUATION

Pursuant to the Resolution (II) of the Fourth Meeting of the Board of Directors of Beijing Energy Holding Co., Ltd. in 2022, Beijing Energy Holding Co., Ltd. proposed to absorb and merge with Beijing Jingneng International Power Co., Ltd. and acquire 20% equity interest in Beijing Jingneng International Power Co., Ltd. held by Beijing Jingneng Clean Energy Co., Limited. For this purpose, an asset valuation of the value of all equity interest of the shareholders of Beijing Jingneng International Power Co., Ltd. involved in the economic activity is required.

The purpose of this asset valuation is to reflect the market value of all equity interests of the shareholders of Beijing Jingneng International Power Co., Ltd. as at the Valuation Benchmark Date and to provide a value reference for the above-mentioned economic behaviour.

II. THE TARGET OF VALUATION AND THE SCOPE OF VALUATION

The target of valuation is the value of all equity interests of the shareholders of Beijing Jingneng International Power Co., Ltd. The scope of valuation covers all assets and all liabilities of Beijing Jingneng International Power Co., Ltd. as at the Valuation Benchmark Date, with the book values of total assets of RMB5,461,377,200, liabilities of RMB192,800 and net assets of RMB5,461,184,400. Specifically, it includes current assets of RMB236,029,900; non-current assets of RMB5,225,347,300; and current liabilities of RMB192,800.

The figures of assets and liabilities above are extracted from the balance sheet of Beijing Jingneng International Power Co., Ltd. as at 31 March 2022 in the Audit Report (Zhong Huan Shen Zi No. (2022) 3210036), which was issued by Mazars Certified Public Accountants LLP, and is a standard unqualified Audit Report, and the appraisal was conducted on the basis of the appraised entity after the audit.

The target of valuation and the scope of valuation commissioned are consistent with the target of valuation and the scope of valuation involved in the economic conduct.

(I) Valuation of major assets

The major assets in the scope of this valuation of the appraised entity are monetary funds, dividends receivable, long-term equity investments and fixed assets.

1. Long-term equity investments

(1) Beijing Jingneng Power Co., Ltd.

Table 1 Information sheet of Beijing Jingneng Power Co., Ltd.

Name	Beijing Jingneng Power Co., Ltd.	Abbreviation	Jingneng Power
Type of listing	SSE Main Board A shares	Stock code	600578
Industry sector	Public Utilities – Electricity – Thermal Power Generation		
Type of company	Other joint stock companies (listed)	Address	No.10 Guangning Road, Shijingshan District, Beijing
Legal representative	Geng Yangmou	Registered capital	RMB6,677,617,900
Date of establishment	10 March 2000	Term of business	10 March 2000 to 9 March 2050
Uniform social credit code	91110000722601879M		
Scope of business	Production of electricity and heat products; electricity supply; general cargo transportation, special cargo transportation (tank); power generation, transmission and supply business; professional contracting; general construction contracting; labour subcontracting; sales of heat products; power equipment operation; power generation equipment inspection and repair; sales of desulphurisation gypsum; solid waste management; contract energy management; technology development, technology consultation, technology transfer, technology services, technology promotion; construction project management. (Market entities independently choose their own business projects in accordance with the law, to carry out business activities; projects subject to approval in accordance with the law, may only carry out business activities upon obtaining approvals from the relevant departments in accordance with the approved content; operating activities of the products prohibited and restricted by the national and municipal industrial policy shall not be engage in.)		

As of the Valuation Benchmark Date, the corporate shareholding structure is as follows:

Table 2 Name of top ten shareholders, shareholding ratio and number of shares held

No.	Name of shareholder	Shareholding ratio (%)	number of shares held (shares)
1	Beijing Jingneng International Power Co., Ltd.	42.93	2,869,161,970
2	Beijing Energy Holding Co., Ltd.	23.91	1,598,336,144
3	China Life Insurance Company Limited – 005L – FH002 Shanghai	6.45	431,432,509
4	Shanxi International Electricity Group Co., Ltd.	6.35	424,686,128
5	China Life Insurance Company Limited – 005L – CT001 Shanghai	4.48	299,589,763
6	Li Zhuo	1.26	84,046,824
7	Guotai Junan Securities Capital Management – Guojun Capital Management 3012 Single Asset Management Plan	1.08	72,340,000
8	Harbin Daoli District Charity Foundation	0.44	29,671,771
9	Central Huijin Asset Management Ltd.	0.39	26,063,300
10	Harbin Hadao Investment Management Co., Ltd.	0.29	19,421,900
Total		87.58	5,854,750,309.00

The assets and financial position of the enterprise for the last two years are as follows:

Table 3 Assets, liabilities and financial position of the Company

Unit: RMB0'000

Project	31 December 2020	31 December 2021	31 March 2022
Total assets	8,074,674.33	8,263,116.21	8,234,966.43
Liabilities	4,947,497.45	5,634,452.14	5,573,021.65
Total equity attributable to owners of the parent	2,561,333.92	2,159,672.29	2,189,619.86
Ownership interests	3,127,176.89	2,628,664.06	2,661,944.78
Project	2020	2021	January to March 2022
Operating income	2,009,747.88	2,223,699.24	783,354.30
Total profit	186,741.62	-429,090.02	34,816.12
Net profit attributable to the parent company	139,626.77	-311,093.22	29,316.53
Net profit	176,079.64	-387,207.63	32,617.54
Mazars Certified Public Accountants LLP			

2. *Physical assets*

The book value of the physical assets included in the valuation is RMB313,700, accounting for 0.01% of the total assets within the scope of valuation, which are mainly fixed assets. These assets have the following characteristics:

- (1) The physical assets are mainly located in the office area of the appraised entity.
- (2) The equipment assets included in the valuation are mainly vehicles and electronic device.

1) *Equipment assets – vehicles*

A total of 12 vehicles were included in the valuation, mainly Passat sedans and Audi sedans purchased between 2007 and 2013. The vehicles are owned by Beijing Jingneng International Power Co., Ltd. They passed the annual inspection and were found to be in good repair and serviceable after an on-site survey.

2) *Equipment assets – electronic device*

A total of 34 items of electronic device were included in the valuation, mainly computers, printers and video conferencing systems purchased between 2010 and 2013, which can basically meet the functions of use.

(II) Recorded or unrecorded intangible assets declared by the enterprise

As of the Valuation Benchmark Date, one intangible asset included in the valuation declared by the appraised entity was a Yonyou financial software purchased in 2008, which had been amortised and was in normal use as at the Valuation Benchmark Date. Apart from this, there are no recorded or unrecorded intangible assets.

(III) Type and quantity of off-balance-sheet assets declared by the enterprise

As of the Valuation Benchmark Date, there were no off-balance-sheet assets included in the valuation declared by the appraised entity.

(IV) Type, quantity and carrying amount of the assets involved in citing the conclusions of the reports issued by other institutions

The carrying value of each of assets and liabilities as at the Valuation Benchmark Date in this valuation report are based on the audit results of the standard unqualified audit report dated 31 March 2022 of Beijing Jingneng International Power Co., Ltd. made by Mazars Certified Public Accountants LLP.

Apart from the above, no content of the reports issued by other intermediary service providers is cited for this valuation.

III. TYPE OF VALUE

The type of value is determined as the market value according to the purpose of such valuation.

Market value is the estimated amount at which the target of the valuation would have been valued in an arm's length transaction on the Valuation Benchmark Date, where the voluntary purchaser and the voluntary vendor are each acting rationally and without any compulsion.

IV. THE VALUATION BENCHMARK DATE

The Valuation Benchmark Date of this project is 31 March 2022.

The Valuation Benchmark Date is determined by the client after taking into account a combination of the assets size, workload, the estimated time required, compliance and other factors of the appraised entity.

V. THE BASIS OF VALUATION

The valuation basis mainly include the economic behavior basis, the legal basis, the criteria basis, the property right basis as well as the price basis adopted in the valuation and estimation and other references, the details of which are as follows:

(I) The Economic Behavior Basis

1. Resolution (II) of the Fourth Meeting of the Board of Directors in 2022 of Beijing Energy Holding Co., Ltd.

(II) The Legal Basis

1. Asset Appraisal Law of the People's Republic of China (as adopted at the 21st Session of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on 2 July 2016);
2. Civil Code of the People's Republic of China (as adopted at the 3rd Session of the Thirteenth National People's Congress of the People's Republic of China on 28 May 2020);
3. Company Law of the People's Republic of China (as amended at the 6th Session of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China on 26 October 2018);
4. Securities Law of the People's Republic of China (as adopted at the 15th Session of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China on 28 December 2019);
5. Vehicle Acquisition Tax Law of the People's Republic of China (as adopted at the 7th Session of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
6. Enterprise Income Tax Law of the People's Republic of China (as amended at the 7th Session of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China on 29 December 2018);
7. Beijing Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Beijing Guo Zi Fa [2008] No. 5);
8. Interim Regulations of the People's Republic of China on Value-added Taxes (State Council Order No. 538);

9. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Taxes (Ministry of Finance State Administration of Taxation Order No. 50);
10. Notice of the Ministry of Finance and the State Administration of Taxation on Several Issues concerning the National Implementation of Value-added Tax Reform (Cai Shui [2008] No. 170);
11. Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36);
12. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32);
13. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Ministry of Finance, the State Taxation Administration and the General Administration of Customs Announcement 2019 No. 39);
14. Measures for the Supervision and Administration of State-owned Equities of Listed Companies (The State-owned Assets Supervision and Administration Commission of the State Council, the Minister of Finance and the China Securities Regulatory Commission Order No. 36);
15. Opinions of Beijing Municipal Finance Bureau on the Implementation of the Regulations on the Supervision and Management of Enterprise State-owned Assets Transactions (Beijing Guo Zi Fa [2017] No. 10);
16. Implementation Opinions of the People's Government on of Beijing Reforming and Improving the State-owned Assets Management System (Beijing Zheng Fa [2017] No. 3);
17. Notice on Issues Related to the Strengthening of Enterprise State-owned Assets Appraisal and Management Reform (Beijing Guo Zi Fa [2019] No. 2);
18. Other laws, regulations and rules and regulations related to the evaluation work.

(III) Evaluation Criteria Basis

1. Asset Valuation Criteria – Basic Criteria (Cai Zi [2017] No. 43);
2. Assets Valuation Professional Ethics Standards (Zhong Ping Xie [2017] No. 30);
3. Assets Valuation Practicing Standards – Assets Valuation Report (Zhong Ping Xie [2018] No. 35);

4. Assets Valuation Practicing Standards – Assets Valuation Procedures (Zhong Ping Xie [2018] No. 36);
5. Assets Valuation Practicing Standards – Assets Valuation File (Zhong Ping Xie [2018] No. 37);
6. Assets Valuation Practicing Standards – Assets Valuation Method (Zhong Ping Xie [2019] No. 35);
7. Assets Valuation Practicing Standards – Enterprise Value (Zhong Ping Xie [2018] No. 38);
8. Assets Valuation Practicing Standards – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
9. Assets Valuation Practicing Standards – Assets Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
10. Assets Valuation Practicing Standards – Use of Expert Work and Related Report (Zhong Ping Xie [2017] No. 35);
11. Guidance on Assets Valuation Reports on State-owned Enterprises (Zhong Ping Xie [2017] No. 42);
12. Quality Control Guidelines for the Business of Assets Valuation Agencies (Zhong Ping Xie [2017] No. 46);
13. Guidance on Legal Ownership of Asset Target of Valuation (Zhong Ping Xie [2017] No. 48);
14. Guidance on Types of Assets Valuation (Zhong Ping Xie [2017] No. 47);
15. Other criteria related to valuation.

(IV) The Property Right Basis

1. Vehicle license;
2. Business No. 60057820220415103446 “Shareholdings of Shareholders Holding more than 5% of the Shares” of Jingneng Power downloaded from China Securities Depository and Clearing Corporation Limited;
3. Significant asset acquisition contracts or certificates;
4. Other references.

(V) The Price Basis

1. haicj.com (<https://haicj.com/>);
2. yiche.com (<https://www.yiche.com/>);
3. Other references.

(VI) Other Basis

1. Zhong Huan Shen Zi No. (2022) 3210036 Audit Report;
2. Relevant statistics from iFinD Information Finance Terminal;
3. Other references.

VI. THE METHODS OF VALUATION**(I) Introduction of the methods of valuation**

According to the requirements of the Assets Valuation Practicing Standards – Enterprise Value (Zhong Ping Xie [2018] No. 38) and Assets Valuation Practicing Standards – Assets Valuation Method (Zhong Ping Xie [2019] No. 35), when performing the valuation for enterprise value, the valuer shall, based on the purpose of valuation, the target of valuation, type of value, the conditions for the application of the valuation method, and the quality and quantity of the data on which the valuation method is based on, analyze the applicability of the three basic approaches, namely income approach, market approach and asset-based approach, and select method of valuation.

The income approach in the valuation for enterprise value refers to the valuation method of determining the value of the target of valuation by capitalizing or discounting the expected income. The professional valuer shall consider the applicability of the income approach appropriately after taking into account a combination of the nature of business, asset size, historical operating conditions, the predictability of future earnings, and the adequacy of the valuation data obtained.

The market approach in the valuation for enterprise value refers to the valuation method of determining the value of the target of valuation by comparing the target of valuation with comparable listed enterprises or comparable transaction cases. The professional valuer shall consider the applicability of the market approach based on the adequacy and reliability of the operation and financial information available of the comparable enterprises, and the number of comparable enterprises that can be collected.

The asset-based approach in the valuation for enterprise value refers to the method of determining the value of the target of valuation by reasonably valuating the value of each on-balance-sheet and identifiable off-balance-sheet asset and liability of the enterprise based on the balance sheet of the appraised entity on the Valuation Benchmark Date.

(II) Selection of valuation methods

The purpose of this valuation is to reflect the market value of the entire equity interest of the shareholders of Beijing Jingneng International Power Co., Ltd. as at the Valuation Benchmark Date, and to provide a value reference for the proposed absorption and merger of Beijing Jingneng International Power Co., Ltd. by Beijing Energy Holding Co., Ltd. and the acquisition of 20% equity interest in Beijing Jingneng International Power Co., Ltd. held by Beijing Jingneng Clean Energy Co., Limited.

As Beijing Jingneng International Power Co., Ltd. is a shareholding platform company, its revenue is mainly derived from dividends from investees. Since the future dividends from investees are affected by various factors and it is difficult to make accurate forecasts, the income method is not used for this evaluation. In addition, the appraised entity has not actually commenced business operations on the Valuation Benchmark Date, has no operating revenues, relevant costs and expenses and business personnel, has no plans to commence relevant business operations in the future and is not expected to generate revenues or expenses other than investment income in the future, and it is difficult to find a sufficient number of comparable companies in the open market, therefore the market approach is not applicable.

The asset-based approach uses reconstruction or replacement cost as the basis for determining the value of the target of valuation from the perspective of business construction, less related depreciation, in order to determine the value of the target of valuation. It is applicable to this valuation. This valuation took into account the target of valuation, the purpose of the valuation, the type of value and the applicability of various methods, and determined that one method, the asset-based approach, would be adopted for the valuation of the Company.

(III) Asset-based approach

The asset-based approach is an approach to determine the overall asset value based on the amount of investment required to reconstruct an enterprise or an independent profit-making entity that is the same as the target of valuation as of the Valuation Benchmark Date. Specifically, it is an approach of obtaining the enterprise value by adding up the appraised values of the various elemental assets that make up the enterprise and subtracting the appraised values of the liabilities.

The valuation methods for various types of assets and liabilities are set out below:

1. Current assets**(1) Monetary funds**

For monetary funds denominated in RMB, the appraised value is determined by the verified book value.

(2) *Dividends receivables*

In respect of dividends receivable, the valuer inspected the resolutions of the board of directors and the general meeting of the investee's profit distribution, verified the total amount of dividends receivable and the Company's shareholding ratio, and confirmed the authenticity of the dividends receivable by checking the books of accounts and relevant documents of the enterprise, with the verified book value of dividends receivable as the appraised value.

2. *Long-term equity investments*

The valuers first verified the reasons for the formation of long-term equity investments, their carrying amounts and actual positions, and examined information such as investment agreements, resolutions of general meetings, articles of association and relevant accounting records to ensure the authenticity and completeness of long-term equity investments, on the basis of which valuations of investees were conducted. Appropriate methods of valuation are adopted to value long-term equity investments based on the specific circumstances of the investments.

According to the Measures for the Supervision and Administration of State-owned Equities of Listed Companies (The State-owned Assets Supervision and Administration Commission of the State Council, the Minister of Finance and the China Securities Regulatory Commission Order No. 36) Article 23, the price at which a state-owned shareholder may publicly solicit the transfer of shares of a listed company shall not be less than the higher of the following:

- (I) The arithmetic average of the daily weighted average price for the 30 trading days preceding the date of the indicative announcement;
- (II) The audited net asset value per share of the listed company for the most recent fiscal year.

Combining the economic behavioral objectives and Long-term equity investments – stock market conditions”, and with reference to the Measures for the Supervision and Administration of State-owned Equities of Listed Companies (The State-owned Assets Supervision and Administration Commission of the State Council, the Minister of Finance and the China Securities Regulatory Commission Order No. 36), the valuation method for this valuation – long-term equity investments was determined.

Long-term investments valuation = average of 30-day transaction price before the Valuation Benchmark Date × number of shares held

The specific situation of the method of valuation adopted by the appraised entity in the scope of valuation.

Table 4 List of methods of valuation used by the appraised entity

No.	Name of investee	Shareholding ratio	Methods of valuation used
1	Beijing Jingneng Power Co., Ltd.	42.93%	Market price approach

The valuer of this valuation has not considered the premium arising from the controlling interest and draws the attention of the users of the report.

3. Fixed assets – equipment assets

The equipment assets included in the scope of this valuation are mainly vehicles and electronic device. According to the purpose of this valuation, we adopted the replacement cost approach on sustainable use basis based on the market price, combining with the characteristics of the equipment included in the scope of the valuation and the information collected. The calculation formula is as follows:

The appraised value = Replacement cost × Newness rate

(1) Determination of replacement cost

1) Replacement cost of transportation vehicles

The value-added tax credit is calculated and deducted, based on the recent vehicle market price information of local automobile market sales information, determining the current tax-exclusive purchase price of the transportation vehicle, on which basis the vehicle purchase tax, license fees and other miscellaneous fees are included in accordance with the provisions of the Vehicle Acquisition Tax Law of the People's Republic of China, and in accordance with the document Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2018] No. 32), with the policy of crediting fixed assets purchased after the Valuation Benchmark Date of 1 May 2018, while according to the Ministry of Finance Announcement No. 39 of 2019 on the adjusted tax rate of value-added tax, for those who meet the conditions of value-added tax credit.

For enterprises eligible for value-added tax credit, the full replacement cost of vehicles is:

Replacement cost = Purchase price + Vehicle purchase tax + License fees and other miscellaneous fees – Deductible value-added tax

- a. Vehicle purchase price: According to the vehicle market information and haicj.com, yiche.com and other recent vehicle market price information, the valuation of the vehicle purchase price is determined by reference to the market price of the latest transactions of similar vehicle models in the location of the vehicle. For the purchase price of vehicles with longer purchase time and model number specifications cannot be found, the price of similar vehicles with the same displacement is used as a reference price for assessing the purchase price of vehicles.
- b. Vehicle purchase tax: in accordance with the relevant provisions of the Vehicle Acquisition Tax Law of the People's Republic of China (The People's Republic of China Order of the President No. 19), the taxable amount of vehicle purchase tax = taxable price × 10%. The "taxable price of a taxpayer's purchase of a vehicle for personal use shall not include value-added tax". Therefore: Purchase Surtax = Purchase price/(1+13%)×10%.
- c. New vehicle license fee: The details and amount of such fees are determined according to the location of the vehicle.

2) Replacement cost of electronic device

Based on local market information and recent market price information such as ZOL and JD.com, the prices of electronic device on the valuation base date were determined. Generally, free transportation and installation and debugging were provided by the manufacturing manufacturers or agents, and the full replacement cost was determined for this valuation based on the purchase price excluding tax.

Replacement cost = Purchase price (excluding tax)

For the replacement cost of electronic device purchase earlier which model number specifications cannot be found in the market, reference to the market price of used equipment to determine the full replacement price.

(2) *Determination of newness rate*

1) Newness rate of vehicles

For transportation vehicles, according to the Provisions on Mandatory Vehicle Scrapping Standards (the Order 2012 No. 12 issued by the Ministry of Commerce, the Development and Reform Commission, Ministry of Public

Security, the Ministry of Environmental Protection), the lower of the two methods of vehicle mileage and service life to determine the theoretical replacement rate, and then combined with the site survey to adjust the situation.

Newness rate of service life = $(1 - \text{serviced life} / \text{stipulated or economic use life}) \times 100\%$

Newness rate of mileage = $(1 - \text{travelled mileage} / \text{stipulated mileage}) \times 100\%$

Newness rate = $\text{Min}(\text{newness rate of service life, newness rate of mileage}) + a$

a: Adjustment factors for special vehicle conditions

2) Newness rate for electronic device

The age method was used to determine the newness rate.

Newness rate = $(1 - \text{serviced life} \div \text{economic life}) \times 100\%$

Or newness rate = $[\text{remaining useful life} \div (\text{serviced life} + \text{remaining useful life})] \times 100\%$

(3) *Determination of appraised value*

The appraised value = Replacement cost \times Newness rate

For electronic device purchased earlier, discontinued and there are no comparable prices of the electronic device, the value is mainly valued using the second hand transaction prices using the market approach.

4. *Intangible assets – others*

For software-type assets in normal use, the valuer first understood the main functions and features of the above intangible assets, verified the purchase contracts, invoices, payment certificates and other information of the intangible assets, and confirmed the valuation from the software suppliers, developers or through internet inquiries on their current market prices.

5. *Liabilities*

Through the review and verification of the actual debtor and the amount of each liability after the valuation purpose was realized, the appraised value was determined based on the items and amount of liabilities that the property owners were actually required to assume after the valuation purpose was realized.

VII. THE IMPLEMENTATION OF THE VALUATION PROCESS

The overall valuation work is conducted in four phases:

(I) Preparation phase of valuation

1. The client convenes the kick-off meeting of the project and the coordination meeting of the intermediaries, and the relevant parties agree on the purpose of valuation, the Valuation Benchmark Date and the scope of valuation, and formulate the work plan of the asset valuation.
2. The valuers of the valuation project team cooperated with enterprises to conduct asset inventories, fill in Detailed Asset Appraisal Declaration Forms, gained a detailed understanding of the appraised assets of each appraised entity, set up asset valuation work, assisted enterprises in the declaration of valued assets and collected documents and information required for asset valuation.

(II) On-site valuation phase

The project team's on-site valuation phase is in April 2022. The main work is as follows:

1. To interview the client, the subject enterprise and the relevant parties.
2. To listen to the introduction of the general situation of the enterprise and the history and current status of the appraised assets by the client and the relevant personnel of the appraised entity, and to understand the financial system, operating conditions, technical status of fixed assets of the enterprise.
3. To audit and identify the Detailed Asset Appraisal Declaration Forms provided by the enterprises, and to check with the relevant financial record data of the enterprises, and to assist the enterprises in making adjustments to the problems identified.
4. To conduct the necessary inventory verification of fixed assets based on the Detailed Asset Appraisal Declaration Forms.
5. To determine the specific valuation methods for each type of asset based on the actual condition and characteristics of the assets to be valued.
6. To check the ownership information provided by the enterprise.
7. To make preliminary appraisals and estimates of the assets and liabilities within the scope of valuation on the basis of inventory verification.

(III) Summary phase of valuation

We will analyze and summarize the preliminary results, make necessary adjustments, amendments and improvements to the valuation results.

(IV) Report submission phase

On the basis of the above work, we will preliminarily draft the asset valuation report and after the preliminary review, exchange opinions with the client on the valuation results. After independently analysis of the relevant opinions, revise and adjust the report according to the report review system and procedures of the internal assets valuation report of valuation agency, and finally issue the formal asset valuation report.

VIII. THE ASSUMPTIONS OF VALUATION

In this valuation, the valuer followed the below valuation assumptions:

(I) General assumption**1. *Transaction assumption***

In the transaction assumption, all assets to be evaluated are assumed to be already in the process of transaction, and the valuer assess the value base on the trading conditions of the assets to be evaluated in a simulated market. The transaction assumption is one of the most basic prerequisites that assets valuation can be carried out.

2. *Open market assumption*

In the 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.

3. *Asset going-concern assumption*

The assumption of asset going concern means that 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 evaluating.

(II) Special assumptions

1. There is no significant change in the current macroeconomic, financial and industrial policies of the country;

2. There are no unforeseen significant changes in the external economic environment in the future after the Valuation Benchmark Date;
3. There are no significant changes in the macroeconomic policies, industrial policies and regional development policies of the country where the evaluated unit is located after the Valuation Benchmark Date;
4. There is no significant change in the socio-economic environment in the future operating period where the appraised entity is operated as well as the taxes, tax rates and other policies implemented;
5. The management of the appraised entity will exercise due diligence during the future operating period and no significant changes will occur in the operating strategy during the forecast period;
6. This evaluation assumes that the underlying information and financial information provided by the client and the appraised entity are true, accurate and complete.

When the above conditions change, the valuation results may usually become invalid.

IX. THE CONCLUSION OF VALUATION

Based on the judgment of the appraised entity and the management of the enterprise on the future development trend and business planning, in accordance with national laws, regulations, rules and assessment criteria on assets valuation, we have implemented legal and necessary procedures for assets valuation by adhering to the principle of independence, fairness, science and objectivity, adopted the asset-based method, The market value of all shareholders' equity of the appraised entity as of 31 March 2022, the Valuation Benchmark Date, was evaluated in accordance with the necessary valuation procedures.

(I) Conclusion of valuation by using the asset-based approach

The valuation results regarding the appraised entity by using the asset-based approach on the Valuation Benchmark Date were as follows:

The book value, appraised value and valuation incremental value of assets were RMB5,461,377,200, RMB8,640,995,700 and RMB3,179,618,500, respectively, representing an increase ratio of 58.22%.

The book value, appraised value and impairment value of liabilities were RMB192,800 and RMB192,800, respectively, with no increase or decrease in value.

The book value, appraised value and valuation incremental value of net assets were RMB5,461,184,400, RMB8,640,802,900 and RMB3,179,618,500 respectively, representing an increase ratio of 58.22%. See the table below for details:

Table 5 Summary of valuation results
Valuation Benchmark Date: 31 March 2022

Unit: RMB0,000

Items		Book Value	Appraised Value	Increase or Decrease in Value	Increase ratio (%)
		B	C	D=C-B	E=D/B×100%
1	Current assets	23,602.99	23,602.99	-	-
2	Non-current assets	522,534.73	840,496.58	317,961.85	60.85
3	Long-term equity investments	522,503.36	840,377.54	317,874.18	60.84
4	Fixed assets	31.37	93.13	61.76	196.88
5	Intangible assets	-	25.91	25.91	-
6	Other non-current assets	-	-	-	-
7	Total assets	546,137.72	864,099.57	317,961.85	58.22
8	Current liabilities	19.28	19.28	-	-
9	Non-current liabilities	-	-	-	-
10	Total liabilities	19.28	19.28	-	-
11	Net assets (ownership interests)	546,118.44	864,080.29	317,961.85	58.22

Details of the conclusion of valuation by using the asset-based approach are set out in the valuation breakdown.

(II) Conclusion of valuation and changes in book value and its reasons

The appraised value of the value of all shareholders' equity of Beijing Jingneng International Power Co., Ltd. was RMB8,640,802,900, with a valuation incremental value of RMB3,179,618,500, representing an increase ratio of 58.22%.

The valuation result by using the asset-based approach of the target of valuation is higher than its net asset book incremental value. It was mainly due to the valuation incremental value of the appraised long-term equity investment in the appraised entity – Beijing Jingneng Power Co., Ltd. Its long-term investment entity, Jingneng Power, has accumulated and developed over a long period of time and has a certain degree of profitability, and its value is judged by the market to be higher than the book value of the corporate investment.

X. SPECIAL INSTRUCTIONS**(I) Citation of Conclusions of Reports Issued by Other Institutions**

The carrying amounts of the assets and liabilities of the appraised entity as at the Valuation Benchmark Date of this appraisal report represent the results of an unqualified audit opinion issued by Mazars Certified Public Accountants LLP.

Other than that, no other institution's reports are cited.

(II) Incomplete ownership information or ownership defects

As at the Valuation Benchmark Date, no incomplete ownership information or ownership defects of the appraised entity were identified.

(III) Situations where assessment procedures are limited or assessment information is incomplete

As of the Valuation Benchmark Date, situations where assessment procedures are limited or assessment information is incomplete were not found.

(IV) Legal, economic and other outstanding issues as of the Valuation Benchmark Date

As of the Valuation Benchmark Date, there were no legal, economic and other outstanding issues.

(V) The nature and amount of guarantees and contingent liabilities (contingent assets), and their relationship to the target of valuation

As of the Valuation Benchmark Date, there were no nature and amount of guarantees and contingent liabilities (contingent assets), and their relationship to the target of valuation.

(VI) Significant Subsequent Events

As of the Valuation Benchmark Date, there were no significant subsequent events.

(VII) Defects in the economic behavior corresponding to this valuation that may have a significant impact on the conclusion of valuation

As of the Valuation Benchmark Date, no defects in the economic behavior corresponding to this valuation that may have a significant impact on the conclusion of valuation were found.

(VIII) Other matters to be noted

1. The principal assets of the target of valuation are the shares of Beijing Jingneng Power Co., Ltd. held by Beijing Jingneng International Power Co., Ltd. The market value approach was used in this valuation to value them. The user of the report is reminded to pay attention to the impact of the change in share price on the transaction consideration of this economic act at the time of equity settlement.
2. The legal responsibility of the valuer and the valuation agency is to make a professional judgment about the amount of asset value for the purpose of the valuation described in this report and does not involve any judgment on the part of the valuer and the valuation agency about the economic behavior corresponding to that purpose of the valuation. The evaluation relies heavily on the information provided by the client and the appraised entity. Therefore, the valuation is based on the premise that the relevant economic conduct documents, relevant asset ownership documents, certificates and accounting vouchers provided by the client and the appraised entity, and the relevant legal documents are true and legitimate.
3. The purpose of the valuer's asset valuation activity is to estimate and express a professional opinion on the value of the target of valuation, and does not assume responsibility for the decision-making of the relevant parties. The conclusion of the valuation should not be considered as a guarantee of the achievable price of the target of valuation.
4. The client and the appraised entity shall be responsible for the truthfulness and completeness of the information provided by the appraised entity in relation to the scope of valuation and the data, statements and relevant information provided by the appraised entity.
5. The relevant documentary proof of ownership and related information involved in the valuation report shall be provided by the appraised entity, and the client and the appraised entity shall bear legal responsibility for their authenticity and legality.
6. In the event of changes in the quantity of assets and valuation standards during the validity period after the Valuation Benchmark Date, the following principles shall apply:
 - (1) When there is a change in the quantity of assets, the amount of assets should be adjusted accordingly, according to the original valuation method;
 - (2) When there is a change in the asset price standard which has an obvious impact on the asset valuation results, the client shall promptly engage a qualified asset valuation agency to re-establish the appraised value;

- (3) The client shall give full consideration to changes in the quantity and price standards of the assets after the Valuation Benchmark Date and make adjustments accordingly when the assets are actually valued.

- 7. The scope of the valuation is based solely on the schedule of asset valuation provided by the client and the appraised entity, without taking into account contingent assets and contingent liabilities that may exist outside the list provided by the client and the appraised entity.

The following is an English translation of the summary of the valuation report dated 12 April 2022 in respect of Shenzhen Jingneng Leasing, which is prepared by China Faith Appraisers for the purpose of inclusion in this circular. Such report is prepared in Chinese and this English translation is provided for your reference only. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.

China Faith Appraisers holds the domestic assets appraisal qualification jointly granted by the China Securities Regulatory Commission and the Ministry of Finance of the PRC.

**ITEMS ON THE VALUE OF ALL SHAREHOLDERS' EQUITY OF
SHENZHEN JINGNENG FINANCIAL LEASING CO., LTD. IN CONNECTION
WITH THE PROPOSED EQUITY SWAP OF BEIJING ENERGY HOLDING
CO., LTD. IN VIEW OF THE PROPOSED ABSORPTION AND MERGER OF
SHARES OF BEIJING JINGNENG INTERNATIONAL POWER CO., LTD. BY
BEIJING ENERGY HOLDING CO., LTD.**

SUMMARY OF THE ASSET VALUATION REPORT

Da Zheng Ping Bao Zi (2021) No. 099A

I. THE PURPOSE OF VALUATION

In view of the proposed absorption of Beijing Jingneng International Power Co., Ltd. by Beijing Energy Holding Co., Ltd., the consideration of acquiring 20% equity interest or its corresponding interest in Beijing Jingneng International Power Co., Ltd. held by Beijing Jingneng Clean Energy Co., Limited will be settled by the equity interest in Shenzhen Jingneng Financial Leasing Co., Ltd. held by Beijing Energy Holding Co., Ltd. The purpose of this valuation is to value the entire shareholders' equity of Shenzhen Jingneng Financial Leasing Co., Ltd. and provide its market value as at the Valuation Benchmark Date, so as to provide a value reference for the proposed equity swap of Beijing Energy Holding Co., Ltd.

The economic behavior document involved in this valuation is: Resolution (II) of the Fourth Meeting of the Board of Directors in 2022 of Beijing Energy Holding Co., Ltd. (24 March 2022).

II. THE TARGET OF VALUATION AND THE SCOPE OF VALUATION

(I) THE TARGET OF VALUATION AND THE SCOPE OF VALUATION

The subject of this project is the entire shareholders' equity of Shenzhen Jingneng Financial Leasing Co., Ltd., and the scope of valuation is all the assets and liabilities of Shenzhen Jingneng Financial Leasing Co., Ltd. The carrying values of the assets and liabilities are as follows:

APPENDIX II**SUMMARY OF SHENZHEN JINGNENG
LEASING VALUATION REPORT**

Unit: RMB

Subject Name	Book Value
I. Total current assets	2,406,290,297.25
Monetary funds	1,650,480,883.04
Accounts receivable	10,506,795.78
Advances	386,950,400.00
Other receivables	58,892.90
Non-current assets maturing within one year	339,869,936.55
Other current assets	18,423,388.98
II. Total non-current assets	2,521,127,154.29
Long-term receivables	2,094,993,151.01
Fixed assets	3,646.67
Right-of-use assets	394,987.90
Other non-current assets	425,735,368.71
III. Total assets	4,927,417,451.54
IV. Total current liabilities	662,775,019.74
Short-term borrowings	470,818,085.52
Accounts payable	6,204,646.27
Taxes payable	3,748,943.20
Other payables	53,301,190.56
Non-current liabilities maturing within one year	122,759,840.91
Other current liabilities	5,942,313.28
V. Total non-current liabilities	1,623,521,394.97
Long-term borrowings	1,581,120,000.00
Leasing Liabilities	215,731.91
Other non-current liabilities	42,185,663.06
VI. Total liabilities	2,286,296,414.71
VII. Net assets (ownership interests)	2,641,121,036.83

The above data was audited by Grant Thornton (Special General Partnership), which issued a standard unqualified audit report No. 110C007408 (2022).

Except for the above-mentioned assets and liabilities included in the scope of valuation, there were no assets not recorded in the books. The target of valuation and the scope commissioned are consistent with the target of valuation and the scope involved in the economic conduct.

The physical assets in the scope of this valuation are mainly fixed assets. Office electronic equipment is mainly distributed in the Company's offices, and most of the office electronic equipment was purchased in 2014, which is relatively old after the Valuation Benchmark Date.

It is noted from the Lease Contract for Block A of China Resources Qianhai Building signed between Shenzhen Jingneng Financial Leasing Co., Ltd. and China Resources Land Qianhai Co., Ltd. (華潤置地前海有限公司) that the appraised entity has leased a property of 159.17 square metres as office premises for a term from 31 December 2020 to 30 December 2023. It has been verified with the appraised entity that the lease of the office premises can be renewed normally upon expiry.

(II) Type and quantity of off-balance-sheet assets declared by the enterprise

The enterprise has not declared foreign assets.

(III) Citation of asset status in relation to the results of reports issued by other institutions

The book value of all assets and liabilities of Shenzhen Jingneng Financial Leasing Co., Ltd. as reported on the Valuation Benchmark Date. was audited by Grant Thornton (Special General Partnership), which issued a standard unqualified audit report No. 110C007408 (2022).

III. TYPE OF VALUE AND ITS DEFINITION

Based on the economic behavior and purpose of the valuation, market conditions, and the target of valuation's own conditions, the value type for this valuation is market value, which is the estimated amount at which the target of the valuation would have been valued in an arm's length transaction on the Valuation Benchmark Date, where the voluntary purchaser and the voluntary vendor are each acting rationally and without any compulsion.

IV. THE VALUATION BENCHMARK DATE

The Valuation Benchmark Date is 31 March 2022.

The Valuation Benchmark Date is determined by the client. The Valuation Benchmark Date was determined by taking into account factors such as the end of the accounting period and factors favorable to the realization of this economic activity.

V. THE BASIS OF VALUATION**(I) The Economic Behavior Basis**

Resolution (II) of the Fourth Meeting of the Board of Directors in 2022 of Beijing Energy Holding Co., Ltd. (24 March 2022).

(II) The Legal Basis

1. Asset Appraisal Law of the People's Republic of China (Order of the President No. 46 on 2 July 2016);
2. Company Law of the People's Republic of China (Order of the President No. 15 as amended in 2018);
3. Civil Code of the People's Republic of China (as adopted at the 3rd Session of the Thirteenth National People's Congress of the People's Republic of China on 28 May 2020);
4. Measures for the Fiscal Supervision and Administration of the Asset Appraisal Industry (Order No. 86 of the Ministry of Finance, as amended in Order No. 97 of the Ministry of Finance);
5. Administrative Measures for State-Owned Assets Assessment (Order No. 91 of the State Council in 1991);
6. Law of the People's Republic of China on the State-Owned Assets of Enterprises (Order of the President No. 5 in 2008);
7. Administrative Measures for State-Owned Assets Assessment (Revised version in 2020) (29 November 2020);
8. Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Assessment (No. 36 [1992] of the Office of the National State-Owned Assets Administration Bureau);
9. Interim Measures for the Supervision and Administration of State-Owned Assets of the Enterprises (Order No. 378 of the State Council in 2003);
10. Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (Order No. 32 of the Ministry of Finance and the State-owned Assets Supervision and Administration Commission in 2016);

11. Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission in 2005);
12. Notice on Issues Related to Strengthening the Management of Evaluation of State-owned Assets of Enterprises (No. 274 [2006] of State-owned Assets Supervision and Administration Commission);
13. Notice on Issuing the Guidelines for the Filing for Recordation of the Assessment Projects of State-owned Assets of Enterprises (No. 64 [2013] of the State-owned Assets Supervision and Administration Commission);
14. Measures for the Administration of Finance Leasing Companies (Order No. 3 of China Banking Regulatory in 2014);
15. Notice by the China Banking and Insurance Regulatory Commission of Issuing the Interim Measures for the Supervision and Administration of Financial Leasing Companies (No. 22 [2020] of the China Banking and Insurance Regulatory Commission);
16. Notice of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration of Foreign-Funded Finance Leasing Companies on 1 July 2013;
17. Measures for the Supervision and Administration of Financial Leasing Companies (No. 337 [2013] of the Ministry of Commerce);
18. Guiding Opinions of the General Office of the State Council on Accelerating Development of the Financial Leasing Industry (No. 68 [2015] Issued by the General Office the State Council);
19. Guiding Opinions of the General Office of the State Council on Promoting the Sound Development of the Financial Leasing (Financial Institutions) Sector (No. 69 [2015] Issued by the General Office the State Council);
20. Detailed Rules for the Implementation of Supervision and Management of Financial Leasing Companies in Guangdong (Consultation Paper);
21. Beijing Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Beijing Guo Zi Fa [2008] No. 5);
22. Interim Regulations for the Administration of Valuation of Approved Projects for the Assessment of State-owned Assets of Enterprises in Beijing (Beijing Guo Zi Fa [2012] No. 32);

23. Opinions on the Implementation of the Regulations on the Supervision and Management of Enterprise State-owned Assets Transactions (Beijing Guo Zi Fa [2017] No. 10);
24. Notice on Issues Related to the Strengthening of Enterprise State-owned Assets Appraisal and Management Reform (Beijing Guo Zi Fa [2019] No. 2);
25. Notice on Issues Related to the Further Strengthening of Enterprise State-owned Assets Appraisal and Management Reform (Beijing Guo Zi Fa [2020] No. 9);
26. Other laws, regulations and rules and regulations related to the evaluation work.

(III) Evaluation Criteria Basis

1. Asset Valuation Expert Guidance No. 1 – Financial Regulatory Indicators that Should Be Concerned to in Financial Enterprise Valuation;
2. Assets Valuation Expert Guidance No. 3 – Income Approach Valuation Model and Parameter Determination for Financial Enterprises;
3. Asset Valuation Criteria – Basic Criteria (Cai Zi [2017] No. 43);
4. Assets Valuation Professional Ethics Standards (Zhong Ping Xie [2017] No. 30);
5. Assets Valuation Practicing Standards – Assets Valuation Report (Zhong Ping Xie [2018] No. 35);
6. Assets Valuation Practicing Standards – Assets Valuation Procedures (Zhong Ping Xie [2018] No. 36);
7. Assets Valuation Practicing Standards – Assets Valuation Method (Zhong Ping Xie [2019] No. 35);
8. Assets Valuation Practicing Standards – Assets Valuation File (Zhong Ping Xie [2018] No. 37);
9. Assets Valuation Practicing Standards – Assets Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
10. Quality Control Guidelines for the Business of Assets Valuation Agencies (Zhong Ping Xie [2017] No. 46);
11. Guidance on Legal Ownership of Asset Target of Valuation (Zhong Ping Xie [2017] No. 48);

12. Assets Valuation Practicing Standards – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
13. Guidance on Types of Assets Valuation (Zhong Ping Xie [2017] No. 47);
14. Assets Valuation Practicing Standards – Use of Expert Work and Related Report (Zhong Ping Xie [2017] No. 35);
15. Assets Valuation Practicing Standards – Enterprise Value (Zhong Ping Xie [2018] No. 38).
16. Interim Measures of the China Appraisal Society for the Uniform Code Management of Asset Valuation Reports (Zhong Ping Xie [2018] No. 44);
17. Guidelines for the Valuation Reports of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 43);
18. Asset Valuation Expert Guidance No. 8 Verification and Validation in Asset Valuation (Zhong Ping Xie [2019] No. 39);
19. Administrative Measures of the China Appraisal Society for Asset Valuation Reports (Zhong Ping Xie [2021] No. 30).

(IV) The Property Right Basis

1. Significant asset acquisition contracts or invoices;
2. Other documents proving the ownership of assets.

(V) The price basis of valuation

1. Amendments to Accounting Standards for Enterprises No. 21 Leases (Cai Hui [2018] No. 35);
2. Other contracts, accounting certificates and other information related to the acquisition and use of assets by the enterprise;
3. A breakdown of the asset inventory appraisal provided by the appraised enterprise;
4. Valuer site survey questionnaires, other information collected and collated;
5. Valuer market research data;
6. Other information relevant to the valuation;

7. Development planning information and economic forecast data provided by Shenzhen Jingneng Financial Leasing Co., Ltd.;
8. Relevant statistics from iFinD Information;
9. Other references.

VI. VALUATION METHODS

Asset valuation methods mainly include three basic methods, namely the asset-based approach, the income approach and the market approach. When performing asset valuation activities, professional valuers should analyze the applicability of the three basic methods of asset valuation and appropriately select the valuation method based on relevant conditions such as the purpose of the valuation, the target of valuation, the type of value and the data collection situation. Based on the applicability of the valuation method, both the income approach and the asset-based approach were adopted in this appraisal, and after a comprehensive analysis and comparison, the income approach valuation was adopted as the valuation result.

The asset-based approach refers to a valuation method based on the balance sheet of the appraised enterprise as of the Valuation Benchmark Date to reasonably assess the contribution value of the value of various on-balance-sheet and off-balance-sheet assets and liabilities of the enterprise to the enterprise as a whole and reasonably determine the value of the target of valuation.

The appraised entity in this report is based on the premise of going concern, each asset and liability can be identified as at the Valuation Benchmark Date, each identifiable asset and liability can be individually valued using appropriate valuation methods, the appraised enterprise has complete financial information and asset management information available, and the relevant data and information sources for asset acquisition costs are relatively extensive, so the asset-based approach can be adopted for this valuation.

The income approach is an appraisal method that capitalizes or discounts expected income to determine the value of the target of valuation.

The specific methods commonly used in the income approach include the dividend discount method and the cash flow discount method.

The discounted dividend method is a specific method of discounting expected dividends to determine the value of the target of valuation, and is usually applied to the valuation of partial interests of shareholders who lack control.

The discounted cash flow method usually includes the corporate free cash flow discount model and the equity free cash flow discount model.

The appraised enterprise in this report belongs to the financial industry and is based on its historical year of operation, the enterprise shall have going concern basis and conditions, historical operating and financial data is sufficient, there is a relatively stable correspondence between operation and income and the future income and risk shall be predictable and quantifiable. Therefore, the discounted cash flow method can be used for the evaluation.

The market approach refers to the valuation method of determining the value of the target of valuation by comparing the target of valuation with comparable listed enterprises or comparable transaction cases.

Two specific methods commonly used in the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method refers to the specific method of obtaining and analyzing operating and financial data of comparable listed companies, calculating appropriate value ratios, and determining the value of the target of valuation on the basis of comparative analysis with the appraised enterprise.

The transaction case comparison method refers to the specific method of obtaining and analyzing information on purchase, sale, acquisition and merger cases of comparable enterprises, calculating appropriate value ratios, and determining the value of the target of valuation on the basis of comparative analysis with the appraised enterprise.

The appraised enterprise belongs to the finance lease industry. As the appraised enterprise is an unlisted company, factors such as business structure, business model, enterprise scale, asset allocation and utilization, operating stage, growth, operating risks and financial risks of the enterprise of listed companies in the same industry differ significantly from those of the appraised enterprise, and there are relatively few cases of sale and purchase, acquisition and merger of comparable enterprises in the same industry in the PRC in the vicinity of the Valuation Benchmark Date. As such, relevant and reliable operating and financial data of comparable transaction cases are difficult to obtain to calculate the appropriate value ratios, and therefore the market approach is not used in this valuation.

(I) Asset-based approach

1. Current assets

Current assets within the scope of evaluation include monetary funds, accounts receivable, prepayments, other receivables, non-current assets due within one year and other current assets.

- (1) Monetary funds: including bank deposits. The reconciliation of bank deposits is carried out on the basis of the verification of accounts and statements of accounts and the reconciliation of bank statements in conjunction with the return of correspondence to banks. After reconciliation, the appraised value is recognized at the verified carrying amount.

- (2) Accounts receivable and other receivables: The professional valuers examined the books and statements and conducted correspondence for large amounts on the basis of economic content and aging analysis, and were aware of the time of occurrence, the reasons for the formation of outstanding amounts and the settlement of debts by units, and the capital, credit and operation management status of the debtors. After specific analysis, the professional valuers make judgments on the likelihood of collection of each receivable and use a combination of individual recognition and aging analysis to determine the appraised value of the receivables by synthesizing the recoverable amounts of the receivables.
- (3) Prepayment: The professional valuers reviewed the book records, examined the original certificates, business contracts and other related information, and verified the authenticity of the transactions, aging, business contents and amounts. Prepayments that are relatively young and in progress or transactions that can be realized in the near future are valued at their verified carrying amounts.
- (4) Non-current assets due within one year: Long-term receivables due within one year, which are finance lease receivables, were reclassified from long-term receivables due within one year. By verifying the relevant finance lease contracts, certificates and other information, the valuers determine the authenticity and completeness of the non-current assets due within one year on the basis of verifying that they are correct, and use the verified carrying amount as the appraised value.
- (5) Other current assets: Specifically, the accrual of value-added tax to be deducted within one year. The valuers verified the authenticity of the financial contracts and the accuracy of the recorded amounts by checking the books of accounts and various original certificates. Other current assets are recognized at their assessed value based on the carrying amount after verification of the inventory.

2. *Non-current assets*

Non-current assets include long-term receivables, fixed assets, right-of-use assets and other non-current assets.

(1) Long-term receivables: All long-term receivables are finance lease receivables. The long-term receivables within the scope of this valuation mainly account for receivables arising from financing leases and receivables arising from operating activities such as the sale of goods and provision of labor services that are in essence of a financing nature and are collected in installments using the deferred method. The valuers inspected the relevant finance lease contracts and the original recording certificates to verify the authenticity and accuracy of the contents of the long-term receivables accounting. Long-term receivables are estimated using individually recognized methods to assess risk losses. The total amount of long-term receivables less the assessed risk loss is used to determine the valuation. The allowance for bad debts is assessed to be zero in accordance with the relevant provisions of the valuation.

(2) Valuation of equipment fixed assets

The valuation methods for machinery and equipment assets are the cost approach, the income approach and the market approach. Based on the purpose of valuation, type of value and data collection, the applicability of the three methods is analyzed and the valuation method is selected.

Based on the purpose of this valuation, the type of value and the premise of business continuity of the enterprise assumption, in combination with the specific conditions of the equipment, and in accordance with the principle of continuity of use in situ, market prices were used as the basis for machinery and equipment for normal production and operation that were in use, combined with the characteristics of the equipment and the collection of data and other circumstances. If there is an active market for trading of used equipment and transaction cases can be easily collected, the market approach is used for valuation. Conversely, if there is a market for selling new equipment of the same model or similar equipment, the cost approach is used for valuation.

The market approach was adopted for the appraisal of the electronic equipment as the valuation was conducted from 2014 to 2016, which is a long time after the Valuation Benchmark Date.

(3) Right-of-use assets

The right-of-use asset professional valuers first check the schedules, accounting statements, general ledger and ledger balances, and then collect important information such as the basis for the corresponding real estate leases and audit measurements, and randomly check the relevant accounting certificates to verify the authenticity and amounts of the relevant matters. Through verification, the amounts in the accounts and statements match.

The valuation was based on the verified book value.

- (4) Other non-current assets: Specifically, the accrual of value-added tax to be deducted over one year. The valuers verified the authenticity of the financial contracts and the accuracy of the recorded amounts by checking the books of accounts and various original certificates. Other non-current assets are recognized at their assessed value based on the carrying amount after verification of the inventory.

3. *Liabilities*

Verify the actual debtors and the amount of liabilities of each liability, and determine the appraised value based on the actual items and amounts of liabilities to be assumed by the appraised entity as of the Valuation Benchmark Date.

(II) Income approach

1. *Definition and Principle of Income Approach*

The income approach in the valuation for enterprise value refers to the valuation method of determining the value of the target of valuation by capitalizing or discounting the expected income of the appraised enterprise.

2. *Prerequisites for the application of the income approach*

The following prerequisites must be met in order to apply the income approach to the valuation of the shareholders' equity of an enterprise:

- (1) The appraised entity must have the ability to continue as a going concern and be able to predict the expected number of years of profitability;
- (2) it is possible and necessary to measure the future expected return of the target of valuation in monetary terms;
- (3) it is possible to measure in monetary terms the risk assumed in the expected return obtained by the target of valuation;
- (4) The target of valuation is able to meet the operating expectations of the asset owner.

3. *Valuation model*

Combined with the purpose of valuation and the target of valuation, the discounted cash flow (DCF) method was adopted, in which the cash flow from shareholders' equity was used for the expected future earnings of the enterprise and the return on equity capital was used for the discount rate, and the basic model was:

$$E = P + \sum C_i$$

In the formula:

E – Value of total equity interests of shareholders of the appraised entity

P – Free cash flow valuation of shareholders' equity

$\sum C_i$ – Value of non-operating and surplus assets existing at the Valuation Benchmark Date of the appraised entity

(1) *The formula for calculating the cash flow assessment P for shareholders' equity is:*

$$P = \sum_{i=1}^n \frac{R_i}{\prod_{j=1}^i (1+r_j)} + \frac{R_{n+1}}{(r_{n+1} - g) \prod_{j=1}^n (1+r_j)}$$

In the formula:

R_i – Expected earnings of the appraised entity in future the i th year (free cash flow from shareholders' equity)

r – Discount rate

n – The number of years that the appraised entity has reached a stable operating period

g – Perpetual growth rate

a. Discount rate

The discount rate adopted in this valuation was 9.11%, calculation of which is as follows:

The discount rate was determined based on the Capital Asset Pricing Model (CAPM) as the basis for income adopted in this valuation was equity cash flow.

$$r_e = r_f + \beta \times (r_m - r_f) + \varepsilon$$

Of which:

R_f : The valuers used the average yield to maturity of the treasury bonds with the remaining period from the Valuation Benchmark Date to the date of maturity exceeding 10 years selected from Shanghai stock market and Shenzhen stock market, i.e. 4.00%, as the rate of return free from risks in this valuation

β : By obtaining the beta coefficients with financial leverage, ratio of interest-bearing debt to equity capital and corporate income tax rate of comparable listed companies and using the average of the beta coefficients without financial leverage of comparable listed companies as the beta without financial leverage of the appraised entity, the β coefficient with financial leverage was calculated as 0.8162

R_m : By obtaining the historical average rate of return on the stock market, r_m was determined as 9.03%

ε : Taking into account the size of the enterprise, stage of operation of the enterprise, stage of development of main products, business, products and regional distribution of the enterprise, operating conditions of the enterprise, internal management and control mechanism of the enterprise, experience and qualifications of management staff, expected rate of return on investment, etc., the risk-adjusted factor ε of the appraised entity was determined as 1%

b. Forecast years

This income approach appraisal was made on the premise of business continuity of the enterprise. Based on relevant national laws and regulations, the current status and development prospects of the industry in which the appraised entity is located, agreements and articles of association, operating conditions, asset characteristics, resources conditions and other factors, there is no information indicating the existence of an indefinite period for the operation of the enterprise, and therefore, the period of revenue is determined to be indefinite.

According to the information of the enterprise's operation history and industry development trend, based on the comprehensive analysis of the enterprise's revenue and cost structure, capital structure, capital expenditure, investment income, risk level and others, combined with macro policies, industry cycles and other factors affecting the enterprise's entry into the stable period, the forecast period of the enterprise's operation from the Valuation Benchmark Date to the time period before the relative stability was determined to be 5 years, i.e. until 2027; a two-stage model was adopted, i.e. the forecast data of earnings for each year after the forecast period from the 6th year onwards was the same as that of the 5th year.

c. Data of income and profit

The breakdown of income and profit is shown in the table below:

Unit: RMB0'000

	April to December						
	2022	2023	2024	2025	2026	2027	Perpetual
Operating income	22,291.52	36,216.29	45,129.02	55,322.49	63,747.86	71,557.95	71,557.95
Total profit	8,974.66	18,543.77	22,402.65	26,638.98	30,260.43	33,703.18	33,703.18

This valuation took into account the composition of the appraised enterprise's operating income as at the Valuation Benchmark Date, lease interest rate, interest rate and financial consultancy fee. The operating income for future years was estimated taking into consideration the capital increase of Shenzhen Jingneng Financial Leasing Co., Ltd. by Beijing Energy Holding Co., Ltd. in cash on 8 April 2022, and with reference to the "14th Five-Year" development plan formulated by the appraised enterprise.

Starting from 2022, Shenzhen Jingneng Leasing will focus on the medium-and-long-term strategic plan and the “14th Five-Year Plan” and concentrate on its principal business of direct leasing of wind and hydrogen energy, supplemented by mergers and acquisitions and collaborative marketing, to continuously diversify the offering of the “direct leasing+” business and give full play to the synergistic expansion effect of the internal financial platform of financial leasing to fully support the high-quality development of the group’s principal business on energy. During the 14th Five-Year Plan period, the group will invest a total amount of approximately RMB180 billion, and Shenzhen Jingneng Leasing is expected to invest a total amount of approximately RMB22.7 billion from 2022 to 2027, accounting for approximately 12.6%. With reference to its 14th Five-Year Plan, the scale of leasing assets from 2022 to 2027 will increase year by year in line with its business plan, but the growth rate will slow down as the leverage ratio increases. The amount of new investment will be determined by taking into account the payback.

Based on the above, it can be seen that the forecast income increases year by year. The sales profit margin for the future forecast period is between 40% and 50%, and the increase in total profit is mainly due to the growth in income.

d. Perpetual growth rate

In this valuation, a two-stage model was adopted for future forecast. Starting from 2027, the enterprise will enter into a stable period, that is, the forecasted income for the years starting from 2027 is the same as that of 2026, so g is zero.

1) Determination of discount rate r

The discount rate for this valuation was calculated using the return on equity capital, which was calculated according to the capital asset pricing model (CAPM), with the formula:

$$r = r_f + \beta \times (r_m - r_f) + \varepsilon$$

In the formula:

r – Return on equity capital

r_f – Risk-free rate of return

r_m – Expected market rate of return

β – Expected market risk factor for equity capital of the appraised entity

ε – Risk-adjusted factor of the appraised entity's characteristics

2) Determination of the prediction period n

This income approach appraisal was made on the premise that business continuity of the enterprise. Based on relevant national laws and regulations, the current status and development prospects of the industry in which the appraised entity is located, agreements and articles of association, operating conditions, asset characteristics, resources conditions and other factors, there is no information indicating the existence of an indefinite period for the operation of the enterprise, and therefore, the period of revenue is determined to be indefinite.

According to the information of the enterprise's operation history and industry development trend, based on the comprehensive analysis of the enterprise's revenue and cost structure, capital structure, capital expenditure, investment income, risk level and others, combined with macro policies, industry cycles and other factors affecting the enterprise's entry into the stable period, the forecast period of the enterprise's operation from the Valuation Benchmark Date to the time period before the relative stability was determined to be 5 years, i.e. until 2027; a two-stage model was adopted, i.e. the forecast data of earnings for each year after the forecast period from the 6th year onwards was the same as that of the 5th year.

- (2) *The value of non-operating and surplus assets existing at the Valuation Benchmark Date of the appraised entity, $\sum C_i$, is calculated with the following formula:*

$$\sum C_i = C_1 + C_2$$

In the formula:

C_1 – Value of cash assets existing at the Valuation Benchmark Date of the appraised entity

C_2 – Value of other surplus and non-operating assets existing at the Valuation Benchmark Date of the appraised entity

Non-operating assets and surplus assets do not generate operating cash flows and therefore it is not appropriate to use the discounted cash flow approach to calculate them using their cost-plus approach of valuation.

VII. THE IMPLEMENTATION OF THE VALUATION PROCESS

China Faith Appraisers Co., Ltd. was appointed by Beijing Energy Holding Co., Ltd. to conduct a valuation of Shenzhen Jingneng Financial Leasing Co., Ltd. with the agreed Valuation Benchmark Date of 31 March 2022.

The entire valuation process includes specifying the basic matters of the valuation business, signing the valuation commission contract, preparing the valuation plan, on-site investigation, collecting and organizing the valuation data, evaluating the estimates, preparing, reviewing and submitting the valuation report, and filing the report. The main valuation process was implemented as follows:

(I) Pre-valuation preparation stage

1. To understand the basic situation of the appraised entity and the target of valuation, and to clarify the purpose of valuation, the target of valuation and the scope of valuation;
2. To conduct a comprehensive analysis and valuation of professional competence, independence and business risks based on the purpose of the valuation and the background of the transaction, and to sign the asset valuation commission contract;
3. To collect the basic policies, laws and regulations of the industry in which the appraised entity is located as well as the market operation of the industry;
4. To prepare an evaluation plan and basic valuation considerations based on the understanding of the situation and to determine the focus of the valuation;
5. To identify project evaluation teams and conduct business training;
6. To guide the appraised entity to collect and prepare the relevant valuation information;
7. To cooperate with the appraised entity in conducting asset inventories and filling in the “Detailed Asset Appraisal Form” and others.

(II) On-site verification and evaluation stage

1. To determine the entry working hours according to the specific situation of the enterprise;
2. To be briefed on site by the relevant staff of the client and the appraised entity on the general situation of the enterprise and the history and current status of the appraised assets, and to understand the financial system, operating conditions, allocation and utilization of the assets of the enterprise and others;

3. Based on the “Detailed Asset Appraisal Form” provided by the appraised entity, the book value of each account is checked against the general accounts, detailed accounts and accounting statements of the enterprise, so that the accounts and statements are in line with each other, and any problems identified are adjusted in cooperation with the appraised entity to make them consistent;
4. In accordance with the requirements of the asset valuation standards, we have conducted a verification and investigation of the various assets within the scope of the enterprise valuation, taking into account the characteristics of the assets, to ensure that the accounts are consistent with the actual situation. Specifically:
 - (1) To conduct investigation work such as verification of original certificates and inquiries on current assets and current liabilities;
 - (2) To verify the physical assets by verification, survey, inspection and inquiry;
 - (3) The information obtained and known during the investigation process is checked and verified by observation, inquiry, written examination, inspection of records or documents, field investigation, inquiry and correspondence, analysis, calculation and review according to the principle of materiality.
5. To check and collect relevant information related to this valuation and have the company stamp to confirm, including:
 - (1) General information on the enterprise, documentation of economic behavior;
 - (2) Documents proving the property rights of the appraised assets;
 - (3) To collect technical information for evaluation;
6. To check, verify, analyze and organize the data with the corresponding assets based on the collected data, maintaining the integrity and reasonableness of the data;
7. To determine the valuation methods applicable to each type of asset in accordance with the asset valuation criteria by combining the actual conditions and characteristics of the assets based on the information collected on the appraised assets and the market price information obtained through market research;
8. Based on the various asset valuation methods selected, to utilize the valuation models to select reasonable relevant parameters to perform valuation measurements on the various assets within the scope of valuation and obtain preliminary valuations.

(III) Preparation of preliminary asset valuation report stage

After compiling the measurement results of various types of asset valuation, forming the measurement results and conducting a comprehensive and integrated analysis of the convergence between various professional groups, the occurrence of reassessments and omissions, the reasonableness of the results of the relevant assets, completing the necessary adjustments, modifications and improvements, forming the conclusion of valuation and preparing the preliminary asset valuation report, and conducting internal audits of the preliminary asset valuation report in accordance with laws, administrative regulations, asset valuation standards and the Company's internal quality control system.

(IV) Submission of asset valuation report stage

Based on the draft asset valuation report adjusted by the internal audit opinion, the asset appraisal report is issued after communication with the client or other relevant parties agreed by the client regarding the relevant contents of the asset appraisal report and after reaching a consensus on the premise that the independent judgment on the appraisal conclusion is not affected.

(V) Asset valuation file archiving

After the asset valuation report issued has been approved or filed by the authorities, the working draft, asset valuation report and other relevant information shall be assembled to form the asset valuation file in accordance with the provisions of laws, administrative regulations and asset valuation standards, and shall be submitted to the Company's quality control department for review and transfer to the Company's filing department for filing.

VIII. THE ASSUMPTIONS OF VALUATION

- (1) Open market assumption;
- (2) Renewal of assets in situ;
- (3) Business Continuity;
- (4) No significant changes in the macro political, economic and social environment of the target company's location;
- (5) No significant changes in exchange rates, interest rates, tax burden, inflation, population, or industrial policy;
- (6) No significant changes in the existing laws, regulations, policies and socio-economic environment followed by the enterprise;
- (7) The market and technology of the industry and field in which the enterprise is located is in a normal state of development, and there are no major market or technological changes;

- (8) The main operating assets of the enterprise can be used effectively and will not be idle and other inefficient use;
- (9) No significant changes in human resources and management team, and to maintain the current mode of business continuity;
- (10) The business plan formulated by the enterprise and the measures taken as well as the expansion of the scale of additional investment can be realized on schedule and in accordance with the scheduled time and progress, and achieve the expected benefits;
- (11) The occurrence of connected transactions at arm's length market prices;
- (12) Assuming that the accounting policies to be adopted by the Company in the future and the accounting policies used in the preparation of this report are substantially the same in all material respects;
- (13) Assuming that the appraised entity receives net cash flow equally during the year;
- (14) Assuming that the appraised entity may take appropriate adjustments to its business concentration and affiliation requirements in accordance with the Detailed Rules for the Implementation of Supervision and Management of Financial Leasing Companies in Guangdong (Consultation Paper) policy, taking into account its regulatory ratings;
- (15) Assuming that the future operation of the appraised entity can be carried out in accordance with the "14th Five-Year Plan" formulated by the Company;
- (16) The information provided by the client and the relevant parties is true, legal and complete;
- (17) There are no other force majeure factors that would have a significant impact on the operation of the business.

The professional valuers, in accordance with the requirements of the asset valuation, have determined that these hypothetical prerequisites are valid as of the Valuation Benchmark Date, and that the professional valuers will not assume any responsibility for deriving different valuation results due to changes in the prerequisites in the event of more significant changes in the future economic environment and changes in the prerequisites.

IX. THE CONCLUSION OF VALUATION

The valuation was estimated using the income approach and the asset-based approach.

(I) Asset-based approach

Under the premise of business continuity, until 31 March 2022, the Valuation Benchmark Date, Shenzhen Jingneng Financial Leasing Co., Ltd.'s (included in the valuation) carrying value of total assets was RMB4,927,417,500, appraisal value was RMB4,927,417,800, valuation incremental value was RMB300; carrying value of liabilities was RMB2,286,296,400, appraised value was RMB2,286,296,400; and carrying value of ownership interests (net assets) was RMB2,641,121,100, appraisal value was RMB2,641,121,400, increase amount was RMB300. Details of the conclusion of valuation are set out in the valuation breakdown:

Summary of valuation results

Unit: RMB0,000

Items		Book Value	Appraised Value	Increase or Decrease in Value	Increase ratio (%)
		A	B	C=B-A	D=C/A×100%
1	Current assets	240,629.03	240,629.03	—	—
2	Non-current assets	252,112.72	252,112.75	0.03	0.00
3	Long-term receivables	209,499.32	209,499.32	—	—
4	Fixed assets	0.36	0.40	0.03	9.14
5	Right-of-use assets	39.50	39.50	—	—
6	Other non-current assets	42,573.54	42,573.54	—	—
7	Total Assets	492,741.75	492,741.78	0.03	0.00
8	Current liabilities	66,277.50	66,277.50	—	—
9	Non-current liabilities	162,352.14	162,352.14	—	—
10	Total liabilities	228,629.64	228,629.64	—	—
11	Net assets (ownership interests)	264,112.11	264,112.14	0.03	0.00

(II) Income approach

The value of all shareholders' equity of Shenzhen Jingneng Financial Leasing Co., Ltd. using the income approach was RMB2,681,000,000, which was assessed to have increased in value by RMB39,878,900 compared with the verified book value, representing an increase ratio of 1.51%.

(III) Analysis of the differences in evaluation results between the two valuation methods

There is, to a certain extent, a difference between the equity value derived from the valuation using the asset-based approach and the valuation using the income approach, due to: The valuation of Shenzhen Jingneng Financial Leasing Co., Ltd. using the asset-based approach is based on the replacement cost of various assets as the value standard, reflecting the socially necessary labor spent on asset investments (acquisition cost), which will usually change with the development of the national economy. The appraised enterprise's physical assets mainly include electronic equipment, and the appraisal results of the asset-based method have a greater correlation with the replacement value of these assets and the value of assets and liabilities carried at the Valuation Benchmark Date.

The expected return on assets value is deemed as the value standard of the income approach, reflecting the level of operating capacity (profitability) of assets. Such profitability is usually affected by a variety of conditions such as macro-economy, government control and effective use of assets. As the appraised enterprise belongs to the leasing industry and its revenue is mainly derived from business such as finance leasing, the valuation result of the income approach is not only related to the Company's book physical assets to a certain extent, but also reflects the value contribution of the Company's asset allocation and management level, team management advantages, industry operation experience, market development capability, customer relationship, financing capability, risk management capability and other factors.

(IV) Determination of valuation results

For the leasing industry in which the appraised enterprise is located, the valuation results of the income approach can reflect more comprehensively the value of its unrecorded asset allocation and management level, industry experience, corporate brand, customer resources, financing capacity and other resources, and can reflect the overall value of the appraised enterprise more fully and comprehensively than the asset-based approach. Therefore, the professional valuers adopted the income approach conclusion of valuation as the final conclusion of valuation, i.e. the market value of the entire shareholders' equity of Shenzhen Jingneng Financial Leasing Co., Ltd. as at 31 March 2022 was RMB2,681,000,000.

X. SPECIAL INSTRUCTIONS

The special instructions stated in this appraisal report refer to matters that have been identified by the professional valuers during the valuation process that may affect the appraisal results but are not within the level of practice and competence of the professional valuers to assess the valuation results, provided that the professional valuers have carried out the valuation procedures and determined the valuation results based on the information collected through the valuation estimates.

(I) Use of expert work and related reports to conclude indicative notes

It is audited by Grant Thornton (Special General Partnership), which issued a standard unqualified audit report No. 110C007408 (2021).

(II) Capital Increase

In March 2022, in accordance with the resolution of the Board of Directors and the revised Articles of Association, the appraised entity applied for an increase in registered capital of RMB1,000,000,000, which was financed by Beijing Energy Holding Co., Ltd. in cash, and the registered capital following the change was RMB2,007,580,000 with a capital reserve of RMB309,077,200. The capital contribution was received on 30 March 2022. The change of industrial and commercial registration was completed on 8 April 2022, which shall be brought to the attention of the users of the report.

(III) Legal and regulatory issues

According to Article 29 of the Notice by the China Banking and Insurance Regulatory Commission of Issuing the Interim Measures for the Supervision and Administration of Financial Leasing Companies (No. 22 [2020] of the China Banking and Insurance Regulatory Commission) document, “The balance of all finance leasing business of a finance leasing company to a single lessee shall not exceed 30% of its net assets, and the balance of all finance leasing business of a finance leasing company to a single group shall not exceed 50% of its net assets.” As Shenzhen Jingneng Financial Leasing Co., Ltd. mainly provides finance leasing business for the Group, it actually does not meet this requirement. However, according to Article 52, “The financial leasing companies that have been established before the implementation of these Measures shall meet the requirements stipulated in these Measures within the transitional period stipulated by the local financial supervision departments at the provincial level, and in principle, the transitional period shall not exceed three years. Local financial regulatory authorities at the provincial level may extend the transitional arrangements in accordance with the actual situation of specific industries as appropriate.”

As of the Valuation Benchmark Date, Guangdong Province has not published any official document on the implementation rules for the supervision and management of finance leasing companies. However, according to Article 44 of the latest Detailed Rules for the Implementation of Supervision and Management of Financial Leasing Companies in Guangdong (Consultation Paper) on Concentration Management, “The finance leasing companies shall comply with the regulatory indicators related to the concentration and affiliation of the Interim Measures for the Supervision and Administration of Financial Leasing Companies. According to the national and provincial economic and social development plans, the provincial supervisory departments may, in conjunction with the supervisory ratings, make appropriate adjustments to the business concentration and affiliation requirements for finance leasing companies in aircraft, ships, offshore equipment, energy, integrated circuits and other industries that are in line with the national and provincial development-oriented industries, and where the leasing assets of the above industries account for more than 80% of the total leasing assets.”

After understanding with the client and the appraised entity, the appraised entity has met the appropriate adjustment conditions. Therefore, this revenue projection has been made with reference to the “14th Five-Year Plan” formulated by the enterprise, without considering the three-year transition period, for the attention of users of the report.

(IV) Assets with restricted ownership and use rights

As of the Valuation Benchmark Date, assets with restricted ownership and use rights of the appraised entity were as follows:

Item	Book Value as at 31 March 2022	Reasons for restriction
Account receivable	1,434,434,255.01	Long-term receivables pledged for borrowings for finance lease operations

(V) Events between the Valuation Benchmark Date and the date of the asset valuation report that may have an impact on the conclusion of valuation

The valuation professionals have conducted due diligence and have not identified any material matters from the Valuation Benchmark Date to the date of the asset valuation report that may have an impact on the conclusion of valuation. In the event of changes in the quantity of assets and valuation standards during the validity period of conclusion of valuation after the Valuation Benchmark Date, the following principles shall apply:

1. When there is a change in the quantity of assets, the amount of assets should be adjusted accordingly, according to the original valuation method;
2. When there is a change in the asset price standard which has an obvious impact on the asset valuation value, the client shall promptly engage a qualified valuation agency to re-establish the appraised value;
3. The client shall give full consideration to changes in the quantity and price standards of the assets after the Valuation Benchmark Date and make adjustments accordingly when the assets are actually valued.

(VI) This report involves business licenses, property rights certification documents, financial statements, accounting vouchers, asset details and other relevant materials provided and confirmed by the entrusting party and relevant parties, which are the basis for the preparation of this report. The entrusting party, the owner of the property rights and the relevant parties shall be responsible for the authenticity, legality and completeness of the above-mentioned evaluation original materials.

(VII) The appraisal institution and the professional valuer shall not be held responsible for the defects in the enterprise that may affect the appraised value of assets if they are not specifically stated at the time of the appointment and the professional valuer does not aware of them despite having performed the valuation procedures.

The above-mentioned special event professional valuers have raised the users of the asset evaluation report to pay attention to the impact on economic behaviour.

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTERESTS IN SHENZHEN JINGNENG FINANCIAL LEASING CO., LTD.

To the Board of Directors of Beijing Jingneng Clean Energy Co., Limited (the “**Company**”)

We refer to the discounted future estimated cash flows of Shenzhen Jingneng Financial Leasing Co., Ltd. on which the business valuation dated 12 April 2022 prepared by China Faith Appraisers Co., Ltd. (the “**Valuation**”) with respect to the valuation of the entire equity interest of Shenzhen Jingneng Financial Leasing Co., Ltd. as at 31 March 2022 is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and was included in the circular dated 30 May 2022 issued by the Company in connection with the proposed acquisition of 84.68% equity interest in Shenzhen Jingneng Financial Leasing Co., Ltd. (the “**Circular**”).

Directors’ Responsibility for the discounted future estimated cash flows

The directors of the Company (the “**Directors**”) are responsible for the preparation of the discounted future estimated cash flows of Shenzhen Jingneng Financial Leasing Co., Ltd. in accordance with the bases and assumptions determined by the Directors and set out in the Circular (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 “*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*” issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based, and to report solely to you, as a body, and for no other purpose. We do not assume responsibility toward or accept liability to any other person for the contents of this letter.

We conducted our work in accordance with the terms of our engagement and Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions made by the Directors. Our works consisted primarily of checking the arithmetical accuracy of the calculations of the discounted future estimated cash flows prepared based on the Assumptions made by the Directors. Our work does not constitute any valuation of Shenzhen Jingneng Financial Leasing Co., Ltd.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions.

Mazars CPA Limited*Certified Public Accountants*

Hong Kong

30 May 2022



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)

Listing Division
The Stock Exchange of Hong Kong Limited
12/F Two Exchange Square
8 Connaught Place, Central
Hong Kong

30 May 2022

Dear Sirs,

**CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS
LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST
OF SHENZHEN JINGNENG FINANCIAL LEASING**

We refer to the asset valuation report (“**Asset Valuation Report**”) dated 12 April 2022 prepared by China Faith Appraisers Co., Ltd. (“**China Faith Appraisers**”) in relation to Shenzhen Jingneng Financial Leasing Co., Ltd. (“**Shenzhen Jingneng Leasing**”), which constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have reviewed the bases and assumptions upon which China Faith Appraisers has prepared its valuation of Shenzhen Jingneng Leasing and for which China Faith Appraisers is responsible. We have also considered the report from the Reporting Accountants regarding whether the discounted cash flows, so far as the calculation are concerned, have been properly applied, in all material respects, in accordance with the respective bases and assumptions.

On the basis of the foregoing, we are of the view that the Asset Valuation Report prepared by China Faith Appraisers has been made after due and careful enquiry.

By order of the Board
Beijing Jingneng Clean Energy Co., Limited
Zhang Fengyang
Chairman

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 INTERESTS

As at the Latest Practicable Date, none of the Directors, supervisors or member of the senior management of the Company had any interest or short position in the Shares and underlying Shares or debentures of the Company or 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 and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Save for Mr. Cao Mansheng, Mr. Ren Qigui and Mr. Song Zhiyong concurrently serving as Directors and holding positions in BEH or BSCOML, as at the Latest Practicable Date, none of the Directors was a director or an employee of any shareholders of the Company or a company which has an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

BEH, BIEE, BHEG, BEI (HK) and BSCOML are required to abstain from voting on relevant resolutions in relation to the Transactions at the EGM.

3. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company and its subsidiaries since 31 December 2021, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any 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 the Company or any member of the Group.

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

The qualifications of the experts who have given the opinion or advice in this circular with the inclusion of their letters, reports, and/or opinions or statements and references to their names and logos in the form and context in which they are included are as follows:

Name	Qualification
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
China United Appraisal	an independent valuer qualified in the PRC
China Faith Appraisers	an independent valuer qualified in the PRC
Mazars	reporting accountants

As at the Latest Practicable Date, the experts mentioned above: (i) have given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and content in which it is respectively included; (ii) have no direct or indirect shareholding in any member of the Group to subscribe for or to nominate persons to subscribe for any right (whether legally enforceable or not) of shares in any member of the Group; and (iii) have no direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any member of the Group and any Director.

7. INTERESTS IN THE ASSETS OR CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors, the supervisors and the above experts had any interest, direct or indirect in any asset which have been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were prepared, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for Mr. Cao Mansheng, Mr. Ren Qigui and Mr. Song Zhiyong concurrently serving as Directors and holding positions in BEH or BSCOML, in so far as the Directors are aware, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of the Company.

9. MISCELLANEOUS**Company Secretary**

Mr. Kang Jian is the company secretary of the Company. He holds a bachelor's degree in international trading, and a master's degree in business administration. He's a member of the Hong Kong Institute of Chartered Secretaries.

Registered Office

The registered office of the Company is situated at Room 118, No. 1 Ziguang East Road, Badaling Economic Development Zone, Yanqing District, Beijing, the PRC. The head office of the Company is situated at 7-9 Floor, No. 6 Xibahe Road Chaoyang District, Beijing, the PRC.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Absorption and Merger Agreement and the Equity Transfer Agreement annexed thereto will be available for inspection on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jncec.com) from the date of this circular up to and including the date of the EGM.



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)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2022

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting of 2022 (the “EGM”) of Beijing Jingneng Clean Energy Co., Limited (the “Company”) will be held at 10:00 a.m. on Monday, 20 June 2022 at No.2 Meeting Room, 8th Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC for the purposes of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. To consider and approve the proposed swap of 20% equity interest in Jingneng International and cash held by the Company for 84.68% equity interest in Shenzhen Jingneng Leasing held by BEH.

By Order of the Board

Beijing Jingneng Clean Energy Co., Limited

KANG Jian

Deputy General Manager and Company Secretary

Beijing, the PRC

30 May 2022

As at the date of this notice, the executive directors of the Company are Mr. Zhang Fengyang, Mr. Chen Dayu, Mr. Gao Yuming and Mr. Cao Mansheng; the non-executive directors of the Company are Mr. Ren Qigui, Mr. Song Zhiyong and Mr. Wang Bangyi; the independent non-executive directors of the Company are Mr. Huang Xiang, Mr. Chan Yin Tsung, Mr. Xu Daping and Ms. Zhao Jie.

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2022

Notes:

1. CLOSURE OF REGISTER FOR H SHARES, ELIGIBILITY FOR ATTENDING THE EGM

Holders of H shares are advised that the share register for H shares will be closed from Wednesday, 15 June 2022 to Monday, 20 June 2022 (both days inclusive). The shareholders whose names appear on the register of members of the Company on the close of business on Tuesday, 14 June 2022 are entitled to attend and vote at the EGM. Holders of H shares of the Company who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Tuesday, 14 June 2022 for registration.

2. The directors of the Company (including the chairman of the Board) may attend the EGM remotely through video or telephone conference facilities if needed. The chairman of the Board and chairmen of the special committees under the Board will be available either in person or through video or telephone conference facilities to answer questions from shareholders of the Company at the EGM. Depending on the evolution of the COVID-19 outbreak, the Company may adjust or reschedule the EGM in accordance with the applicable laws and regulations.

3. APPOINTMENT OF PROXY

Shareholders entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in their stead. A proxy need not be a shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorised attorney(s). If the proxy form is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisations document must be notarized.

For holders of H shares, the proxy form together with the power of attorney or other authorisation document (if any) must be lodged at the H Share Registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in person or by post not less than 24 hours before the time fixed for holding the EGM (i.e. by no later than 10:00 a.m. on Sunday, 19 June 2022) or any adjournment thereof (as the case may be). Shareholders can still attend and vote at the EGM upon completion and return of the proxy form.

4. ADDRESS AND TELEPHONE NUMBER OF THE COMPANY'S PRINCIPAL PLACE OF BUSINESS IN THE PRC

Address: No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC

Telephone: (86 10) 8740 7188

5. PROCEDURES FOR VOTING AT THE EGM

Any vote of shareholders at the EGM must be taken by poll.

6. OTHER BUSINESS

Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents.

7. All times and dates mentioned in this notice refer to Hong Kong times and dates.