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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)

CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 50% EQUITY INTEREST IN BEIJING TIANYIN

EQUITY TRANSACTION AGREEMENT

The Board is pleased to announce that on 3 August 2023, the Company entered into the Equity Transaction Agreement with BHG, pursuant to which, BHG has agreed to purchase and the Company has agreed to sell 50% equity interest in Beijing Tianyin at a total consideration of RMB69,444,700.

The Company initiated a listing-for-sale process to dispose of its 50% equity interest in Beijing Tianyin on China Beijing Equity Exchange (北京產權交易所有限公司) and BHG won the public bidding for the 50% equity interest in Beijing Tianyin.

LISTING RULES IMPLICATIONS

BEH is the controlling shareholder of the Company, directly and indirectly holding approximately 68.68% interest in the total issued share capital of the Company and is a connected person of the Company. BHG, as a wholly owned subsidiary of BEH, is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Equity Transaction Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Equity Transaction Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Equity Transaction Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 3 August 2023, the Company entered into the Equity Transaction Agreement with BHG, pursuant to which, BHG has agreed to purchase and the Company has agreed to sell 50% equity interest in Beijing Tianyin at a total consideration of RMB69,444,700.

EQUITY TRANSACTION AGREEMENT

The principal terms of the Equity Transaction Agreement are set out below:

Date

3 August 2023

Parties

Vendor: the Company

Purchaser: BHG

Subject Matter

Subject to the terms and conditions of the Equity Transaction Agreement, BHG has agreed to purchase, and the Company has agreed to sell the 50% equity interest in Beijing Tianyin at a total consideration of RMB69,444,700.

Transfer Method

The Company initiated a listing-for-sale process to dispose of its 50% equity interest in Beijing Tianyin on China Beijing Equity Exchange (北京產權交易所有限公司) and BHG won the public bidding for the 50% equity interest in Beijing Tianyin.

Consideration

The total consideration is RMB69,444,700, which was determined with reference to the appraised value of the shareholders' equity of Beijing Tianyin as at 30 June 2022, being the reference date. Such appraisal was prepared by Beijing Tianyuankai Assets Appraisal Co., Ltd. (北京天圓開資產評估有限公司), an independent valuer, based on an asset-based approach. BHG attended the listing-for-sale process and offered the highest price for the 50% equity interest in Beijing Tianyin among the bidders.

Payment

The payment of the consideration (deducting the deposit of RMB15,325,400 made by BHG so as to attend the listing-for-sale process which will be treated as a part of the consideration) should be made in a lump sum in cash within five business days after the effective date of the Equity Transaction Agreement to the designated account of China Beijing Equity Exchange.

Completion

The Disposal will be completed on the date when the 50% equity interest of Beijing Tianyin is registered in the register of members of Beijing Tianyin under the name of BHG and all necessary registration procedures for such change are completed pursuant to the applicable requirements.

The Company shall procure the Target Company to handle the registration procedures for shareholding changes within 30 business days after China Beijing Equity Exchange issues the property transaction certificate which shows that the transaction regarding the state-owned property rights has been concluded after passing the relevant procedures of China Beijing Equity Exchange.

The Company shall transfer the assets, control and management of the Target Company to BHG within 10 days after the signing of the Equity Transaction Agreement. The Company shall transfer the 50% equity interest in Beijing Tianyin as it is to BHG which will fully accept and bear the transaction risks.

INFORMATION ON THE PARTIES

The Company

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.

The Company is held as to approximately 68.68% by BEH. BEH is a limited liability company incorporated in the PRC and wholly-owned by BSCOMC, which was established and wholly-owned by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會). BEH is principally engaged in the businesses of generation and supplying of electricity and heat, production and sale of coal and development of real estate.

BHG

BHG is a limited liability company established in the PRC and a wholly owned subsidiary of BEH. As at the date of this announcement, BHG directly held approximately 0.19% interest in the total issued share capital of the Company. BHG is mainly engaged in the generation and supply of electricity and heat.

The Target Company

The Target Company is a limited liability company established in the PRC and is primarily engaged in the generation and supply of heat.

Set out below is the net profit attributable to the equity to be disposed, that is, 50% equity interest in the Target Company prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	Year ended 31 December 2021 <i>(RMB)</i>	Year ended 31 December 2022 <i>(RMB)</i>
Net profit attributable to the equity to be disposed before taxation	1,198,130.86	1,376,058.76
Net profit attributable to the equity to be disposed after taxation	1,198,130.86	1,376,058.76

The audited total assets and net assets of the Target Company as at 30 June 2022, prepared under the PRC Accounting Standards for Business Enterprises, were approximately RMB140.43 million and RMB97.86 million, respectively. The audited total assets and net assets of the Target Company as at 31 December 2022, prepared under the PRC Accounting Standards for Business Enterprises, were approximately RMB148.67 million and RMB95.99 million, respectively. The valuation amount of the total shareholders' equity of the Target Company as at 30 June 2022 as appraised by the independent valuer was approximately RMB102.17 million.

FINANCIAL EFFECTS OF THE DISPOSAL

As at 31 December 2022, the net book value of the 50% equity interest in Beijing Tianyin was approximately RMB45.29 million. Accordingly, based on the difference between the consideration under the Equity Transaction Agreement and the net book value of the 50% equity interest in Beijing Tianyin as at 31 December 2022, a gain of approximately RMB24.15 million is expected to accrue to the Company, which will be affected by the profit and loss of Beijing Tianyin during the period from 1 January 2023 to the completion date of the Disposal. The Company will recognize a gain on disposal of the 50% equity interest in Beijing Tianyin in its consolidated income statement as at the completion date of the Disposal.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSACTION AGREEMENT AND USE OF PROCEEDS

Beijing Tianyin is mainly engaged in the generation and supply of heat and is not engaged in the power generation business. The Board believes that the disposal of the 50% equity interest in Beijing Tianyin is in line with the Company's strategy to focus on the development of its clean energy power generation business and is beneficial to optimize the allocation of the Company's resources.

It is intended that the net proceeds from the Disposal after deducting the expenses in relation to the Disposal will be used for the development of the Group's main business, that is, as capital funds for the construction of new energy projects.

The Directors of the Company (except for Mr. Zhou Jianyu due to his position as a director of BHG and Mr. Song Zhiyong due to his position in BSCOMC, who have abstained from expressing views on entering into the Equity Transaction Agreement and the transaction contemplated thereunder) are of the view that the transaction contemplated under the Equity Transaction Agreement is ordinary commercial conducts and the consideration under the Equity Transaction Agreement was determined through public bidding, on a fair, transparent basis and at a fair and reasonable price, and under no foreseeable circumstances which will harm the interests of the Company and all shareholders of the Company, especially the minority shareholders, or will adversely affect the Company. Save as disclosed above, none of the Directors has any material interest in the Equity Transaction Agreement and the transaction contemplated thereunder.

The Directors (including the independent non-executive Directors, but other than Mr. Zhou Jianyu and Mr. Song Zhiyong who have abstained from expressing views for reasons as mentioned above) are of the view that the terms of the Equity Transaction Agreement and the transaction contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

BEH is the controlling shareholder of the Company, directly and indirectly holding approximately 68.68% interest in the total issued share capital of the Company and is a connected person of the Company. BHG, as a wholly owned subsidiary of BEH, is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Equity Transaction Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Equity Transaction Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Equity Transaction Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“BEH”	北京能源集團有限責任公司 (Beijing Energy Holding Co., Ltd.), a limited liability company established in the PRC and a controlling shareholder of the Company
“Beijing Tianyin” or “Target Company”	北京市天銀地熱開發有限責任公司 (Beijing Tianyin Geothermal Development Co., Ltd.), a limited liability company established under the laws of the PRC on 7 September 2001 and owned as to 50% by the Company, 33.33% by Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司) and 16.67% by Beijing Institute of Ecological Geology (北京市生態地質研究所) and an associate of the Company
“BHG” or “Purchaser”	北京市熱力集團有限責任公司 (Beijing District Heating (Group) Co., Ltd.), a limited liability company established under the laws of the PRC on 3 March 1987 and a wholly owned subsidiary of BEH
“Board”	the board of Directors of the Company
“BSCOMC”	北京國有資本運營管理有限公司 (Beijing State-owned Capital Operation Management Co., Ltd.), which was established and wholly-owned by State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“business day”	a day on which banks in the PRC are open to the general public for business
“Company”	北京京能清潔能源電力股份有限公司 (Beijing Jingneng Clean Energy Co., Limited), a joint stock company incorporated in the PRC with limited liability and the H shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 00579)
“Director(s)”	the directors of the Company
“Disposal”	the disposal of 50% equity interest in the Target Company by the Company and sale to BHG

“Equity Transaction Agreement”	the equity transaction agreement entered into by the Company and the Purchaser on 3 August 2023 in relation to the disposal of the 50% equity interest in the Target Company by the Company to BHG
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percentage

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

Beijing, the PRC
3 August 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Fengyang, Mr. Chen Dayu, Mr. Gao Yuming and Mr. Cao Mansheng; the non-executive Directors are Mr. Zhou Jianyu, Mr. Song Zhiyong and Ms. Zhang Yi; and the independent non-executive Directors are Mr. Huang Xiang, Mr. Chan Yin Tsung, Mr. Xu Daping and Ms. Zhao Jie.