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 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.

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)

CIRCULAR
(1) UPDATE ON DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION
(2) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION
AND
(3) REVISED NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2019

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 of the Company is set out on pages 5 to 30 of this circular. Letters from the Independent Board Committee of the Company is set out on pages 31 and 32 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 33 to 58 of this circular.

A revised notice convening the EGM to be held at No.2 Meeting Room, 2nd Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, PRC on 18 December 2019 at 10:00 a.m. is set out on pages 98 to 100 of this circular. A revised proxy form for use at the EGM is enclosed with the revised 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 revised 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 17 December 2019) or any adjournment thereof (as the case may be).

Completion and return of the revised form of proxy 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.

29 November 2019

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The following expressions have the meanings set out below unless the context requires otherwise:

"2018 Original Capital Increase Agreement"	the capital increase agreement dated 10 December 2018 entered into between BEH, the Company, Jingneng Power and BEH Finance in relation to the proposed capital increase of BEH Finance in an aggregate amount of RMB2 billion
"2019 New Capital Increase Agreement"	the capital increase agreement dated 5 November 2019 entered into between BEH, the Company, Jingneng Power and BEH Finance in relation to the proposed capital increase of BEH Finance in an aggregate amount of RMB2 billion
"Administrative Measures of Heat Supply and Heating of Beijing Municipality《(北京市供熱採暖管理辦法》)"	Administrative Measures of Heat Supply and Heating of Beijing Municipality (2009 ZHENG FU No.216 Ling)《(北京市供熱採暖管理辦法》(2009年政府216號令))
"BEH"	北京能源集團有限責任公司 (Beijing Energy Holding Co., Ltd.), a limited liability company incorporated in the PRC and the controlling shareholder of the Company
"BEH Finance" or "Target Company"	京能集團財務有限公司 (BEH Finance Co., Ltd.), a limited liability company incorporated in the PRC, with 2% of its equity interest being held by the Company and 98% of its equity interest being held by BEH as at the Latest Practicable Date
"BEH Finance Registered Capital"	means the registered capital of RMB1.00 each in the registered capital of BEH Finance
"Beijing Energy Investment"	Beijing Energy Investment Holding (Hong Kong) Co., Limited (北京能源投資集團(香港)有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of BEH
"Beijing SASAC"	the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality
"Board"	the board of Directors of the Company
"BSCOMC"	北京國有資本經營管理中心 (Beijing State-owned Capital Operation and Management Center), a Shareholder which directly held 2.721% of the total issued share capital of the Company as at the Latest Practicable Date. BSCOMC is the sole shareholder of BEH

"Business Day(s)"	any calendar day (other than a Saturday, a Sunday, or a statutory public holiday) on which banks are open for business in the PRC and/or Hong Kong
"Company", "we", "our" or "us"	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 limited company incorporated in the PRC with limited liability, whose H Shares are listed on Hong Kong Stock Exchange
"CUAA"	China United Assets Appraisal Group Co., Ltd.
"Director(s)"	the director(s) of the Company
"EGM"	the second extraordinary general meeting of 2019 of the Company to be held at No.2 Meeting Room, 2nd Floor, No. 6 Xibahe Road Chaoyang District, Beijing, PRC on 18 December 2019 at 10:00 a.m.
"Financial Services Framework Agreement"	《金融服務框架協議》(Financial Services Framework Agreement), entered between BEH Finance and the Company on 16 October 2019
"Framework Heat Sale and Purchase Agreement"	《熱力銷售框架協議》(Framework Heat Sale and Purchase Agreement), entered into between BEH and the Company on 16 October 2019
"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"	a committee of the Board established for the purpose of considering the terms and the transaction caps of the proposed transaction contemplated under the Framework Heat Sale and Purchase Agreement, the deposit services contemplated under the Financial Services Framework Agreement and the Proposed Subscription, comprising Mr. Huang Xiang, Mr. Zhang Fusheng, Mr. Chan Yin Tsung and Mr. Han Xiaoping, the independent non-executive Directors of the Company

"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 proposed transactions under the Framework Heat Sale and Purchase Agreement and the proposed deposit services under the Financial Services Framework Agreement and the Proposed Subscription
"Independent Shareholders"	Shareholders other than BEH and its associates, and who are not involved in, or interested in the transactions contemplated under the Framework Heat Sale and Purchase Agreement and the Financial Services Framework Agreement and the Proposed Subscription
"Jingneng Power"	Beijing Jingneng Power Co., Ltd., a subsidiary of BEH, whose shares are listed on the Shanghai Stock Exchange
"Latest Practicable Date"	27 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"New Valuation Reference Date"	31 August 2019
"Original Notice"	the original notice of the EGM which has been despatched to the Shareholders on 1 November 2019
"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
"Proposed Subscription"	the proposed subscription of the registered capital of BEH Finance by the Company, BEH and Jingneng Power
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong)
"Share(s)"	means the ordinary share(s) of RMB1.00 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s) of the Company

"Transitional Period"	The period from the Valuation Reference Date (excluding the Valuation Reference Date) to the date when the filing with the relevant administration for industry and commerce authority in relation to the Proposed Subscription are completed (including such date)
"%"	per cent

The terms "associate", "connected person", "connected transaction", "continuing 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.

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 Director
Mr. ZHANG Fengyang *(General Manager)*
Mr. ZHU Jun
Mr. CAO Mansheng

Non-executive Directors
Mr. LIU Haixia *(Chairman)*
Mr. REN Qigui
Ms. LI Juan
Mr. WANG Bangyi

Independent non-executive Directors
Mr. HUANG Xiang
Mr. ZHANG Fusheng
Mr. CHAN Yin Tsung
Mr. HAN Xiaoping

Registered Office:
Room 118, 1 Ziguang East Road
Badaling Economic Development Zone
Yanqing District, Beijing
The PRC

Principal place of business in Hong Kong:
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

29 November 2019

To the Shareholders

Dear Sir/Madam,

CIRCULAR
(1) UPDATE ON DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION
(2) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION
AND
(3) REVISED NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2019

1. INTRODUCTION

We refer to the announcement of the Company dated 16 October 2019 in relation to, among other things, the proposed continuing connected transactions under the Framework Heat Sale and Purchase Agreement and the Financial Services Framework Agreement, the announcements of the Company dated 30 October 2018, 10 December 2018 and 5 November 2019 and circular of the Company dated 15 January 2019 (the "**Proposed Subscription Circular**") in relation to the Proposed Subscription.

The purposes of this circular are, among other matters:

(a) to provide you with details regrading the discloseable and connected transaction in relation to the Proposed Subscription;

(b) to provide you with details regarding the proposed continuing connected transactions under the Framework Heat Sale and Purchase Agreement and the Financial Services Framework Agreement;

(c) to set out the recommendations from the Independent Board Committee in respect of the Proposed Subscription, the proposed transaction under the Framework Heat Sale and Purchase Agreement and the proposed deposit services under the Financial Services Framework Agreement;

(d) to set out the advice from Gram Capital in respect of the Proposed Subscription, the proposed transaction under the Framework Heat Sale and Purchase Agreement and the proposed deposit service under the Financial Services Framework Agreement;

(e) to provide the Shareholders with other information required under the Listing Rules; and

(f) to provide the Shareholders with the revised notice of the EGM.

2. UPDATE ON DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION

As stated in the Proposed Subscription Circular, BEH, the Company, Jingneng Power and BEH Finance entered into the 2018 Original Capital Increase Agreement on 10 December 2018, pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, of which, RMB0.06 billion, RMB0.94 billion and RMB1 billion are to be subscribed by BEH, the Company and Jingneng Power, respectively.

The Proposed Subscription has been approved at the general meeting of the Company held on 30 January 2019 and the assets valuation results of the proposed capital increase of BEH Finance has been approved by the Beijing SASAC on 26 March 2019. As at the Latest Practicable Date, the Proposed Subscription is still subject to certain conditions precedent, among which, the approval of Proposed Subscription by the Beijing Branch of China Banking and Insurance Regulatory Commission. However, the original valuation report on BEH Finance prepared by CUAA dated 28 November 2018 has expired on 30 August 2019 and CUAA was engaged to prepare an updated valuation report on BEH Finance (the "**New Valuation Report**") as required by the relevant government authorities in the PRC.

With reference to the appraised net assets value of BEH Finance as stated in the New Valuation Report, the subscription price of the increased registered capital of BEH Finance has been increased to RMB1.30 per unit BEH Finance Registered Capital (representing an increase of approximately 2.4% as compared with the subscription price under the 2018 Original Capital Increase Agreement (i.e. RMB1.27 per unit BEH Finance Registered Capital)).

Considering the material change to the term under the 2018 Original Capital Increase Agreement (i.e. change of subscription price from RMB1.27 to RMB1.30 per unit BEH Finance Registered Capital) as stated above, after arm's length negotiation among the parties, BEH, the Company, Jingneng Power and BEH Finance entered into the 2019 New Capital Increase Agreement, pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, of which, RMB0.06 billion, RMB0.94 billion and RMB1 billion are to be subscribed by BEH, the Company and Jingneng Power at the subscription price of RMB1.30 per unit BEH Finance Registered Capital, respectively.

Pursuant to the 2019 New Capital Increase Agreement, the 2018 Original Capital Increase Agreement has been terminated with immediate effect.

(a) Principal Terms of the 2019 New Capital Increase Agreement

Date : 5 November 2019

Parties : BEH;

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

Jingneng Power; and

BEH Finance (as the "**Target Company**")

Increase in Capital of BEH Finance and the Proposed Subscription : Pursuant to the 2019 New Capital Increase Agreement, the registered capital of the Target Company will be increased from RMB3 billion to RMB5 billion, which comprises:

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

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

(iii) RMB1 billion, which are offered to be subscribed by Jingneng Power.

Upon completion of the Proposed Subscription pursuant to the 2019 New Capital Increase Agreement, BEH, the Company and Jingneng Power will hold 60%, 20% and 20% of the equity interest in BEH Finance, respectively.

Consideration	:	In relation to the increased registered capital of BEH Finance, BEH, the Company and Jingneng Power shall contribute RMB78,000,000, RMB1,222,000,000 and RMB1,300,000,000, respectively.
Basis of Consideration	:	The subscription price represents RMB1.30 per unit BEH Finance Registered Capital, which was determined after arm's length negotiation between the parties with reference to the appraised net assets value of BEH Finance as stated in the New Valuation Report prepared by CUAA (i.e. RMB3,912.1843 million), which is subject to registration by BEH (as authorized by the Beijing SASAC). Accordingly, the final subscription price of the increased registered capital of BEH Finance will be determined in accordance with the following formula: Subscription price of each unit BEH Finance Registered Capital in relation to the increased registered capital of BEH Finance = appraised net assets value of BEH Finance as registered by BEH (as authorized by the Beijing SASAC)/BEH Finance's existing registered capital (i.e. RMB3 billion). For illustration purpose, based on the appraised net assets value of BEH Finance as stated in the New Valuation Report prepared by CUAA and above, the subscription price of each unit BEH Finance Registered Capital of the increased registered capital of BEH Finance is RMB1.30 per unit BEH Finance Registered Capital.
Conditions precedent	:	The effectiveness of the New Capital Increasing Agreement is conditional upon the fulfilment of the following conditions: (i) the internal corporate approvals having been obtained by all parties under the 2019 New Capital Increase Agreement pursuant to relevant applicable laws and regulations, including but not limited to the Company obtaining approval from the Independent Shareholders;

(ii) the registration by BEH (as authorized by the Beijing SASAC) for the appraised value of the assets involved in the proposed increase in registered capital of BEH Finance having been obtained; and

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

Payment schedule : Subject to the fulfilment of the above-mentioned conditions, BEH, the Company and Jingneng Power shall pay their respective subscription monies within 10 Business Days after the 2019 New Capital Increase Agreement takes effect.

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

BEH, the Company and Jingneng Power shall be entitled to the profits, and shall be responsible for any loss, of the Target Company during the Transitional Period in proportion to their respective shareholding in the Target Company upon the completion of the Proposed Subscription. Notwithstanding the above, if the Target Company didn't receive all monies the parties shall contribute under the 2019 New Capital Increase Agreement on or before 31 March 2020, the Existing Shareholders of BEH Finance shall be entitled to the profits, and shall be responsible for any loss, of the Target Company from 1 September 2019 to 31 December 2019 (both days inclusive) in proportion to their respective shareholding in the Target Company before the Proposed Subscription.

Considering that the Company may enjoy the economic benefits generated before the completion of the Proposed Subscription, the Company is of the view with that such Transitional Period arrangement is fair and reasonable and in the interest of the Shareholders.

(b) Principal Assumptions of the Valuation

The parties to the 2019 New Capital Increase Agreement have engaged CUAA to perform the valuation in respect of the net assets of the Target Company.

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

The valuation was performed based on the following principal assumptions:

(i) General assumptions

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

- open market assumption: it is assumed that for assets to be traded or intended to be traded in the market, the parties to an asset transaction shall have equal status, and also have opportunity and time to gain sufficient market information, so as to make rational judgment on functions, purposes and trading prices of assets. The open market assumption is based on the fact that assets can be publicly traded on the market.

- asset going-concern assumption: the valuation methods, parameters and basis shall be determined correspondingly based on the fact that the assets under valuation will continue to be used according to the current use and the mode, scale, frequency and environment, etc. or used on a change basis when appraising.

(ii) Special assumptions

- There is no significant change in the current macroeconomic and tax policies of PRC.

- There is no significant change in the socio-economic environment where the appraised enterprise is operated as well as the taxes, tax rates and other policies implemented.

- The scope of valuation shall be only limited to the evaluation return provided by BEH Finance without taking into account its contingent assets and contingent liabilities that may exist outside the list provided by the appraised entity.

- The future management team of the appraised enterprise will perform its duties satisfactorily and continue to maintain going concern of its existing business operation model.

- The appraised enterprise will continue to lease and use its current office premise in the future.

- The main business income of the appraised enterprise is mainly derived from the current business operations and investment income without taking into account the incremental business that the enterprise may have in the future.

- The valuation is only based on the current business strategies, operating capabilities and operating conditions as at the New Valuation Reference Date without taking into account possible changes in the future due to the change in management team.

- There will be no significant change in the central bank exchange rate during the forecast period.

- The appraised entity shall withdraw the surplus reserve and general risk reserve in accordance with the relevant regulations, and distribute its remaining profits in full if the regulatory standards for capital adequacy ratio are satisfied.

- The business scale of the appraised entity is limited to the existing capital scale without taking into account the impact of future possible capital increase on its business scale development.

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

Deloitte Touche Tohmatsu, the reporting accountants of the Company, has reported to the Directors as required by Rule 14.62 of the Listing Rules in regards to the calculations of the discounted future cash flows used in the valuation. Gram Capital confirms that it has made the profit forecast of the Target Company after due and careful enquiries.

A report from Deloitte Touche Tohmatsu as required under Rule 14.62 of the Listing Rules and the letter from the Board relating to the profit forecast of the Target Company are set out in the Appendix II and Appendix III to this circular, respectively.

(c) Shareholding Structure of BEH Finance

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

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

(d) Financial Information oF BEH Finance

Based on the audited consolidated financial statements of the Target Company for the financial years ended 31 December 2017 and 2018 prepared in accordance with the PRC GAAP, the net profits before and after taxation for the financial years ended 31 December 2017 and 2018 are set out below:

	For the year ended 31 December 2017	**For the year ended 31 December 2018**
Profit before taxation	474,057,530.46	478,208,086.70
Profit after taxation	355,000,748.46	358,219,690.07

Based on the consolidated financial statements of the Target Company for the eight months ended 31 August 2019 prepared in accordance with the PRC GAAP, the net assets of the Target Company as at 31 August 2019 was approximately RMB3,653,495,444.48.

(e) Reasons for and Benefits of the Proposed Subscription and the Effect of the Proposed Subscription

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

The Proposed Subscription also represents a unique opportunity for the Company to invest in a company which engages in the provision of financial services. BEH Finance is a non-banking financial institution approved by the relevant PRC authorities to engage in the provision of various financing services, including taking deposit and providing loans, and is primarily providing financial services to companies within the group members of BEH.

In addition, since the incorporation of BEH Finance, the Company has engaged BEH Finance to provide various financial services, details of which were set out in the announcements issued by the Company on 25 October 2016 and 16 October 2019. The Company expects to continue to engage BEH Finance to provide such service as BEH Finance has a more thorough understanding of the business development and capital needs of the subsidiaries of the Company and is able to provide such services in a timely manner. Given the Company pays BEH Finance for the services it received based on normal commercial terms, increasing shareholding in BEH Finance by the Company is also in the interest of the Company since the Company will enjoy a larger portion of the profit and revenue earned by BEH Finance.

Based on the above, the Directors (excluding the independent non-executive Directors, whose view will be given in the Letter from the Independent Board Committee in relation to the discloseable and connected transaction regarding the Proposed Subscription) consider that the terms (including but not limited to the subscription price of RMB1.30 per unit BEH Finance Registered Capital determined with reference to the updated appraised net assets value of BEH Finance as stated in the New Valuation Report) of the 2019 New Capital Increase Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As the shareholding of the Company in BEH Finance will increase from 2% to 20% upon completion of the Proposed Subscription, the investment in BEH Finance of the Company will be recognised by the Company as investment in associate under the equity method, instead of currently being recognised by the Company using cost method.

(f) Listing Rules Implication

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

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

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

Beijing International Electric Engineering Co., Ltd., Beijing District Heating (Group) Co., Ltd. and Beijing Energy Investment are wholly-owned subsidiaries of BEH and BEH is wholly-owned by BSCOMC. Therefore, BEH (directly holding approximately 61.639% of the equity interests in the Company), Beijing International Electric Engineering Co., Ltd. (directly holding approximately 1.124% of the equity interests in the Company), BSCOMC (directly holding approximately 2.721% of the equity interests in the Company), Beijing District Heating (Group) Co., Ltd. (directly holding approximately 0.194% of the equity interests in the Company) and Beijing Energy Investment (directly holding approximately 5.72% of the equity interests in the Company), holding an aggregate of 5,886,444,144 Shares and representing approximately 71.4% of the equity interests in the Company, are required to abstain from voting on the resolution to be proposed at the EGM to approve the Proposed Subscription.

(g) Independent Board Committee and Independent Financial Adviser

The Independent Board Committee (comprising Mr. Huang Xiang, Mr. Zhang Fusheng, Mr. Chan Yin Tsung and Mr. Han Xiaoping, all being independent non-executive Directors) has been established to advise the Independent Shareholders in connection with the Proposed Subscription. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed Subscription.

3. CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

(a) Framework Heat Sale And Purchase Agreement

In the ordinary and usual course of business, the Company entered into the Framework Heat Sale and Purchase Agreement with BEH on 16 October 2019.

The Framework Heat Sale and Purchase Agreement is for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

(i) Principal terms

Pursuant to the Framework Heat Sale and Purchase Agreement, the Group agrees to sell and BEH and/or its associates agrees to purchase, from time to time, heat energy produced by power plants of the Group.

Both parties agree that, on the last working day of each month, both parties shall verify the heat supply quantity for the current month as shown on the heat network flowmeter, and both parties shall countersign the heat supply statement and the Company shall send the heat sales invoice and heat supply statement to BEH and/or its associates before the 5th day of the following month. BEH and/or its associates shall settle the heat charges of the previous month before the 15th day of the following month. During winter heat supplying period, both parties shall verify the heat supply quantity on the heat network flowmeter twice a month.

(ii) Pricing policy

Heating is the basic living needs of Beijing urban and rural residents in winter, and heat supply is infrastructural public service directly relating to the public interests. The transaction under the Framework Heat Sale and Purchase Agreement is conducted at state-prescribed unit price, which is determined by Beijing Municipal Commission of Development and Reform from time to time.

The Company is of the view that the pricing in respect of the transaction under the Framework Heat Sale and Purchase Agreement is reasonable and sufficient to cover the costs incurred by the Company after taking into account the following considerations: (i) according to the Interim Measures for the Price Control of Urban Heat Supply (FA GAI JIA GE [2007] No.1195)《(城市供熱價格管理暫行辦法》(發改價格[2007]1195號)), the state-prescribed unit price is determined by reference to, among other things, the costs incurred by the heat suppliers (such as the price of natural gas, electricity, water, fixed asset depreciation, repairs, wages), the consideration for the profitability of the heat suppliers and the tax imposed on the heat suppliers. In particular, according to the Notice on Heat Factory Price Fluctuation of Local Gas-fired Thermal Power Plants during 2018-2019 Heat Supply Period (Jing Fa Gai [2018] No. 2469)(《關於2018-2019供暖季本市燃氣熱電廠熱力出廠價格浮動問題的通知》(京發改[2018]2469號)), the prescribed unit price set by Beijing municipal government is determined with reference to the cost, profit and tax payables of all the gas-fired thermal power plants in Beijing (i.e., heat suppliers); and (ii) the gas-fired power and heat energy generation business of the Company based on the operation model of "heat-power cogeneration" (熱電聯產) is profitable as evidenced by the historical financial results of the Company. Under such pricing mechanism, the range of the Company's profit margin for the two years ended 2018 and six months ended 30 June 2019 was approximately 16.73% to 19.37%.

(iii) Historical transaction amounts and proposed annual caps

Set out below are a) the historical transaction amounts between the Group and BEH and/or its associates in respect of the transaction under the Framework Heat Sale and Purchase Agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019; and b) the proposed annual caps for the three years ending 31 December 2022. The Company expects that the actual transaction amount for the year ending 31 December 2019 will not exceed the existing annual cap of RMB2,271.80 million.

(A) Historical transaction amounts

	For the year ended 31 December		For the six months ended 30 June
	2017	**2018**	**2019**
	(in RMB million)		
Transaction amounts	1,439.83	1,728.00	996.06

(B) Proposed annual caps

	For the year ending 31 December		
	2020	**2021**	**2022**
	(in RMB million)		
Proposed annual caps	2,271.80	2,271.80	2,271.80

The proposed annual caps for the three years ending 31 December 2022 are determined after taking into account: (i) the aforesaid historical amounts of such transactions (ii) the total production capacity and historical heat supply volume (in GJ) of the power plants of the Group, (iii) the current state-prescribed unit price of 91 RMB/GJ in respect of the heat energy, as stipulated in the Notice of the Beijing Development and Reform Commission on the Fluctuation of the Thermal Ex-Factory Price of the Gas-Fired Thermal Power Plant in the City during the Heating Season of 2018-2019 (《北京市發展和改革委員會關於2018-2019供暖季本市燃氣熱電廠熱力出廠價格浮動問題的通知》); and (iv) the prescribed 4-month heat supply period (which is usually determined by local government authorities based on the location and temperature of such city) in Beijing, which is from 15 November to 15 March next year, as stipulated in the Administrative Measures of Heat Supply and Heating of Beijing Municipality (《北京市供熱採暖管理辦法》), i.e., the expected heating supply period of Beijing each year lasts approximately 120 days.

The Company currently operates seven gas-fired cogeneration plants. Historically, only four gas-fired cogeneration plants of the Company supplies to BEH. According to Guiding Opinions on the Separation and Transfer of "Three Supply and One Property" in the Family Areas of Staff and Workers of State-Owned Enterprises (《關於國有企業職工家屬區"三供一業"分離移交工作指導意見》) (the "**Three Supply and One Property**"), state-owned enterprises (including enterprises and scientific research institutes) are required to separate its functions of water supply, power supply, heat supply and property management from state-owned enterprises and transfer them to specialized units (such as BDHG) for management. In response to the above policy and for a better centralized management and aftersales management (e.g. dispute resolution, payment collection, etc.), the Company is optimizing its heat supply mechanism from "the Group supplies to BEH and also other clients/end-users at the same time" (the "**Existing Heat Supply Mechanism**") to "the Group supplies to BEH and then BEH supplies to other clients/end-users" (the "**New Heat Supply Mechanism**"). Such change will not have a material impact on the Company's financial and operating status and the Company will continue to determine the prices of the transactions under the Framework Heat Sale and Purchase Agreement according to the above-mentioned pricing policy. Despite that the Group may also supply heat to other clients/end-users directly in the future, having considered that (i) the aforesaid possible heat supply volume would be immaterial to total expected heat supply volume (in GJ) for the three years ending 31 December 2022; and (ii) the heat supply mechanism for the aforesaid heat supply may also change from the Existing Heat Supply Mechanism to the New Heat Supply Mechanism and for the sake of prudence, the Directors included the aforesaid possible heat supply volume (in GJ) in the total expected heat supply volume (in GJ) to be supplied by the Group to BEH for the three years ending 31 December 2022.

In light of the historical heat supply volume (in GJ) for the six months ended 30 June 2019 was similar to that for the six months ended 30 June 2018, the Company expects the heat supply volume (in GJ) to be supplied by the Group for the year of 2019 would remain similar level as compared to that for the year of 2018.

The state-prescribed unit prices of heat supply period of 2016, 2017 and 2018 were 87 RMB/GJ, 89 RMB/GJ and 91 RMB/GJ, respectively, which is prescribed by Beijing Development and Reform Commission (北京市發展和改革委員會). Based on the historical trend, the state-prescribed unit price is expected to be stable with minor fluctuations. Based on the above, the estimated amounts (in RMB) (calculated by the multiple of estimated daily heat supply volume (in GJ) and expected heat supply days and estimated state-prescribed unit price, and excluding of tax) for the three years ending 31 December 2022 is close to the proposed annul caps above.

The Company considers such annual caps, based on the abovementioned factors are reasonable, taking into account the following circumstances: (i) the implementation of the relevant clean-air action plans of Beijing Municipal, which will further reduce the coal-fired heat supply and increase the use of gas-fired heat in Beijing; (ii) the Company's objective to make full use of the current production capacity so as to increase utilization rate and improve production efficiency; and (iii) as the construction of gas-fired thermal power plants in Beijing is subject to the overall planning of the Beijing municipal government while the public policy related to heat supply in Beijing is formulated based on the operation of each gas-fired thermal enterprises in Beijing and the heat supply demand of Beijing citizens, the heat supplied to BEH and/or its associates by the Company is used for heating during winter times for citizens in Beijing under the public policy.

In order to protect the interests of the Company's shareholders (including minority shareholders) as a whole, the Company has adopted internal approval and monitoring procedures for the transactions under the Framework Heat Sale and Purchase Agreement, including:

A. the relevant functional departments will conduct prior review each time before the Company entering into a specific agreement under the Framework Heat Sale and Purchase Agreement. The senior management of the Company will re-examine the decision making and approval procedure in relation to such specific agreement to ensure the price of the heat energy is on normal commercial terms or on terms no less favourable to those provided by independent third parties;

B. the Company will prepare a report on the continuing connected transaction on a quarterly basis, or on a monthly/weekly basis if the actual transaction amounts are likely to exceed the estimated transaction amount forming the basis of the annual caps based on the records kept by and the reports from the relevant functional departments of the Company as stated below to review the actual amount of the proposed annual caps, so as to ensure that the proposed annual caps will not be exceeded;

C. the relevant functional departments of the Company will keep records of and monitor the transactions conducted under the Framework Heat Sale and Purchase Agreement (including but not limited to the transaction amounts) and regularly monitor, supervise, inspect and evaluate the execution of such transactions in real time and report to the Company if the actual transaction amounts are likely to exceed the estimated transaction amount forming the basis of the annual caps according to the Company's Management Measures on Connected Transactions. The Company will monitor at the Group level to confirm that the aggregated transaction amounts are within the annual caps; and

D. the independent non-executive Directors and auditors of the Company will conduct annual reviews of the transactions under the Framework Heat Sale and Purchase Agreement and provide annual confirmations in accordance with the Listing Rules, confirming that the transactions are conducted in accordance with the terms of the agreement on normal commercial terms and in line with the pricing policy.

Having considered the above-mentioned monitoring procedures, the Company is of the view that such measures are effective to ensure the proposed annual caps will not be exceeded.

(iv) Reasons for benefits of the continuing connected transaction

Under the "heat-power cogeneration" (熱電聯產) operating model, part of the steam from the power generator is further utilized to heat the water in the city's heat supply network to supply heat energy to residential and industrial end-users. Alternatively, the steam can be sold to industrial end-users directly, instead of omitted to the air. Because heat and energy cogeneration can further utilize the waste steam, cogeneration plants can achieve a higher energy utilization rate and lower cost than non-cogeneration power plants. As such, the gas-fired power and heat energy generation business of the Company based on the "heat-power cogeneration" operating model is more profitable than the single power generation or single heat generation business model.

According to Administrative Measures of Heat Supply and Heating of Beijing Municipality (《北京市供熱採暖管理辦法》), heat supply should comply with the principle of unified planning and localized management. As Beijing District Heating (Group) Co., Ltd. (the "**BDHG**"), a wholly-owned subsidiary of BEH, is the only central heat supply company whose network covers the area where power plants of of the Group are located and thus, the Company must sell the gas-fired heat energy through BDHG network in the absence of any alternative purchasers, and more importantly, the Company must sell heat energy generated by power centers to BDHG in order to meet the requirement of "subject to the unified schedule by BDHG based on heat supply standard". The provisions of the Administrative Measures of Heat Supply and Heating of Beijing Municipality (《北京市供熱採暖管理辦法》) are different from those of the Three Supply and One Property, but both require the Company to sell the heat produced by its thermal power plants to BDHG. Since the Administrative Measures of Heat Supply and Heating of Beijing Municipality (《北京市供熱採暖管理辦法》) was promulgated in 2009, the Company has strictly abided by its relevant requirements. Therefore, the Company's financial and operating conditions will not be significantly affected in the future.

As heating is the basic living needs of Beijing urban and rural residents in winter, and heat supply is infrastructural public cause directly relates to the public interests, heat supply during the heat supply period is and will become the Group's yearly permanent and stable source of income. As such, the Board is of the view that the entering into of the Framework Heat Sale and Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

(b) Financial Services Framework Agreement

On 25 October 2016, the Company entered into a financial services framework agreement with BEH Finance, pursuant to which BEH Finance has agreed to provide the Group with deposit services, loan services and other financial services. Details of the aforesaid agreement were set out in the announcement of the Company dated 25 October 2016. As the Company and BEH Finance wish to continue the continuing connected transaction thereunder, the Company entered into the Financial Services Framework Agreement and proposed the annual caps for the transactions for the years 2020, 2021 and 2022.

BEH Finance and the Company entered into the Financial Services Framework Agreement on 16 October 2019.

The Financial Services Framework Agreement is for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.

(i) Principal terms, pricing policy and payment

Pursuant to the Financial Services Framework Agreement, BEH Finance shall provide the following financial services to the Group on normal commercial terms no less favourable than those available to the Group from independent third parties:

(A) Deposit Services

The Group may from time to time deposit cash with BEH Finance. The terms (including the interest rates and commission charged) offered by BEH Finance in respect of the transactions under the Financial Services Framework Agreement shall be no less favourable than those offered by independent domestic commercial banks for provision of similar services to the Group and the interest rate to be paid by BEH Finance for the Group's deposits with BEH Finance shall not be lower than the same level deposit interest rate as published by the People's Bank of China for the same periods.

(B) Loan Services

The Group may from time to time request BEH Finance to provide loan services to it. The interest rate for loans granted to the Group by BEH Finance shall refer to the benchmark interest rates as published by the People's Bank of China from time to time and should not be higher than the interest rates granted by independent commercial banks which provide similar service on the same conditions. The Company shall settle the principal and interests in accordance with the payment terms of the individual loan agreement may be entered into between the Company and BEH Finance.

(C) Other Financial Services

The other financial services which may be provided by BEH Finance to the Group, including but not limited to: accounting and financing consulting service, credits and related consulting and agency, insurance agency, providing guarantees, acceptance and discount of bills, entrusted loans and underwriting of corporate bonds.

BEH Finance charges fees/commission for the other financial services provided to the Group. For fees/commissions charged by BEH Finance for the provision of other financial services, if there is a standard of fees/commission set by the People's Bank of China or the China Banking and Insurance Regulatory Commission, fees/commissions shall be charged according to such standard, and if there is no such standard, fees/commissions shall be charged with reference to those charged by general commercial banks for financial services of the same type. In practice, the Group will obtain quotes of interest rate during the same period, fees and terms from at least two general commercial banks in the PRC (mainly PRC state-owned commercial banks) located in the same or adjacent regions. The Group may select the general commercial banks to obtain quotes based on their market positions and the competitiveness of their terms in past transactions or quotes. The Finance Management Department of the Company will be in charge of obtaining the quotes. The general commercial banks are generally willing to offer quotes to the Group from time to time for business development purposes.

According to the above principles, such service fees/commissions shall be equal to or lower than the fees/commissions charged by BEH Finance to an independent third party for similar financial services. The other financial services to be provided by BEH Finance to the Group shall be made on normal commercial terms and on terms similar to or no less favourable than those offered by independent third parties for same type of services in the PRC.

The payment of relevant interests, commissions and service fees of the deposit services, loan services and other financial services under the above Financial Services Framework Agreement shall be settled by the parties on a one-off basis or by installments in accordance with specific circumstances.

(ii) Historical transaction amounts and proposed annual caps

Set out below are a) the historical transaction amounts of deposit services for the two years ended 31 December 2018 and the six months ended 30 June 2019 and other financial services for the two years ended 31 December 2018 and the nine months ended 30 September 2019 between the Group and BEH Finance under the Financial Services Framework Agreement; and b) the proposed annual caps for the three years ending 31 December 2022. The Company expects that the actual transaction amount for the year ending 31 December 2019 will not exceed the existing annual cap of RMB2.03 billion.

(A) Historical transaction amounts

The maximum daily deposit balance (including interest accrued thereon) under the Financial Services Framework Agreement for the two years ended 2018 and the six months ended 30 June 2019 were RMB1,220.00 million, RMB1,455.00 million and RMB1,899.75 million, respectively. The historical transaction amounts of other financial services for the two years ended 2018 and the nine months ended 30 September 2019 were RMB7.56 million, RMB10.55 million and RMB8.59 million, respectively.

(B) Proposed annual caps

	For the year ending 31 December		
	2020	**2021**	**2022**
		(in RMB million)	
Deposit services (maximum daily deposit balance (including any interest accrued thereon))	3,000.00	4,000.00	5,000.00
Loan Services	–	–	–
Other Financial Services	30.00	30.00	30.00

Deposit Services

The proposed annual caps of the deposit services under the Financial Services Framework Agreement for the three years ending 31 December 2022 are determined after taking into account: (i) the maximum daily deposit balance (including interest accrued thereon) for the two years ended 2018 and the six months ended 30 June 2019 were RMB1,220.00 million, RMB1,455.00 million and RMB1,899.75 million, respectively, which are close to the approved annual cap of RMB1,500 million, 1,750 million and 2,000 million during the relevant periods; (ii) the anticipated increase in the daily outstanding balances of deposits of the Group attributable to the expected increase in revenue, which is in line with the increase in revenue in recent years (i.e. the Group recorded an increase in revenue from approximately RMB14,227.4 million for the year of 2017 to approximately RMB16,238.8 million for the year of 2018, representing an increase of approximately 14.14%) and the expected increase of the Group's business operation; and (iii) the cash and equivalents and trade and bills receivable (which will convert into cash if such trade receivables are settled) of our Group as of 30 June 2019 of approximately RMB3.94 billion and RMB5.67 billion, respectively, due to the nature of business, the concentrated settlement arrangements and internal funds allocation requirements of the Group. Given that BEH Finance has a more thorough understanding of the business operation and development of the Group and can provide the financial services in a more timely manner and at comparable or better terms to the Group, the Company intends to place more deposit with BEH Finance to further strengthen its capital management.

Loan Services

As the loan services provided by BEH Finance to the Group are on normal commercial terms which are similar to or no less favourable than those offered by independent third parties for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of such loan services, the loan services are exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As such, no cap has been set for such services.

Other Financial Services

The proposed annual caps for the other financial services under the Financial Services Framework Agreement for the three years ending 31 December 2022 are determined after taking into account the following factors: (i) the historical transaction amounts of such services for the two years ended 2018 and the nine months ended 30 September 2019 were RMB7.56 million, RMB10.55 million and RMB8.59 million, respectively; (ii) given the development of the Group's business operation, the Group needs larger and more flexible services of capital investment and management; and (iii) under the Company's development strategy and expansion plan, there will be an increase of subsidiaries of the Company in the future. The Company plans to leverage its low cost financing advantages (such as bonds issuance) to provide loans to its subsidiaries by using the entrusted loan services provided by BEH Finance.

To safeguard the interests of our shareholders as whole, including the minority shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions under the Financial Services Framework Agreement, which include the followings:

A. Before entering into any new deposit arrangements with BEH Finance, the Company will obtain quotes from other independent financial institutions for similar deposit services for similar duration. Such quotes, together with the offer from BEH Finance, will be reviewed by the Finance Management Department and finally approved by the chief accountant of the Company before it can be accepted;

B. BEH Finance shall provide the Company with a daily report on each Business Day on the status of the Group's deposits with it to allow it to monitor and ensure that the aggregate daily deposit balance (including interests accrued thereon) would not exceed the caps;

C. BEH Finance shall set up and maintain, or procure the setting up and maintaining of, secured and stable on-line systems through which the relevant member of the Group which deposits money with it can view the balance of such deposits at any time on any day; and

D. the independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Financial Services Framework Agreement (including the rates and fees charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy.

(iii) Reasons for and benefits of the continuing connected transaction

BEH Finance is under the supervision of the China Banking Regulatory Commission and it has been maintaining satisfactory operating results and financial position with good risks control and well-regulated management in the past years.

We believe BEH Finance has a more thorough understanding of the business development and capital needs of the fellow subsidiaries of the Company at a lower cost and in a more timely manner. As such, BEH Finance has an advantage in communicating information on capital needs and business development of the Company with its fellow subsidiaries.

The entering into of the Financial Services Framework Agreement will not prevent the Group from using services offered by other independent PRC commercial banks. The Group may still select other major and independent PRC commercial banks to act as its financial services providers as it thinks fit and appropriate for the benefits of the Group.

The transactions under the Financial Services Framework Agreement form part of the daily operations of the Group. In addition, the operation of the Group requires flexible and diversified financial services. The terms (including the interest rates and commission charged) offered by BEH Finance in respect of the transactions under the Financial Services Framework Agreement shall be no less favourable than those offered by domestic commercial banks for provision of similar services to the Group and the interest rate to be paid by BEH Finance for the Group's deposits with BEH Finance shall not be lower than the same level deposit interest rate as published by the People's Bank of China for the same periods. The Company is of the view that the transactions do not have any adverse effect on the assets and liabilities of the Group. Instead, the Group can earn interests out of the deposit transactions and enjoy benefits derived from diversified financing channels.

(iv) Financial impact on the Company

The Company expects increase in earnings due to interest income from the funds deposited to BEH Finance. The transactions under the Financial Services Framework Agreement will not affect the assets or liabilities of the Company.

(c) Listing Rules Implications

(i) Framework Heat Sale And Purchase Agreement

BEH is the controlling shareholder of the Company, holding approximately 68.68% of the issued share capital of the Company as at the Latest Practicable Date and thus a connected person of the Company. Accordingly, the transaction between the Group and BEH and/or its associates constitutes continuing connected transaction of the Company under the Listing Rules.

As the highest percentage ratio applicable to the transaction under the Framework Heat Sale and Purchase Agreement for each of the three years ending 31 December 2022 is more than 5% on an annual basis, such transaction constitutes a non-exempt continuing connected transaction and is subject to the reporting, annual review, announcement and the independent shareholders' approval requirements.

(ii) Financial Services Framework Agreement

BEH is the controlling shareholder of the Company, holding approximately 68.68% of the issued share capital of the Company and thus a connected person of the Company. BEH Finance is a subsidiary of BEH, and is therefore a connected person of the Company by virtue of being an associate of the Company's connected person. Accordingly, the transactions between the Group and BEH Finance constitute connected transactions of the Company under the Listing Rules.

As the highest percentage ratio applicable to the deposit services under the Financial Services Framework Agreement for each of the three years ending 31 December 2022 is more than 5% on an annual basis, such transactions constitute non-exempt continuing connected transactions and are subject to the reporting and announcement requirements and the independent shareholders' approval requirement.

The deposit services contemplated under the Financial Services Framework Agreement also constitute financial assistance under Rule 14.04(1)(e) of the Listing Rules and given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) exceeds 25% but is less than 100%, the deposit services contemplated under the Financial Services Framework Agreement constitute major transactions of the Company and are subject to the reporting and announcement requirements and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the loan services provided by BEH Finance to the Group are on normal commercial terms which are similar to or no less favourable than those offered by independent third parties for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of such loan services, the loan services are exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the percentage ratio(s) applicable to the other financial services under the Financial Services Framework Agreement for each of the three years ending 31 December 2022 is more than 0.1% but less than 5% on an annual basis, respectively, such transactions constitute non-exempt continuing connected transactions and are subject to the reporting and announcement requirements but are exempted from the independent shareholders' approval requirement.

(iii) Gram Capital and Independent Board Committee

To comply with the requirements of the Listing Rules, the Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the proposed transaction under the Framework Heat Sale and Purchase Agreement and the proposed deposit service under the Financial Services Framework Agreement and the proposed annual caps thereof.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms in respect of the sale of heat (including the proposed annual caps) contemplated under the Framework Heat Sale and Purchase Agreement and the receiving of deposit services by the Group (including the proposed annual caps) contemplated under the Financial Services Framework Agreement, and whether it is in the interests of the Company and its Shareholders as a whole.

The letter from Gram Capital to the Independent Board Committee and the Independent Shareholders and the letter from the Independent Board Committee to the Independent Shareholders are included in this circular.

Independent Shareholders are advised to read this circular carefully for details of the continuing connected transactions before making decision as regards voting.

(d) Shareholders' voting arrangement

BSCOMC (the sole shareholder of BEH) and Beijing International Electric Engineering Co., Ltd. (a wholly owned subsidiary of BEH) are associates of BEH as defined under the Listing Rules.

BEH, Beijing International Electric Engineering Co., Ltd. and BSCOMC will abstain from voting at the EGM on the ordinary resolutions approving the proposed transaction under the Framework Heat Sale and Purchase Agreement and the proposed deposit services under the Financial Services Framework Agreement. As at the Latest Practicable Date, BEH, Beijing International Electric Engineering Co., Ltd. and BSCOMC directly hold 61.64%, 1.12%, 2.72% of the issued share capital of the Company, respectively.

Any vote of the Independent Shareholders at the EGM shall be taken by poll for the resolutions proposed at the EGM.

(e) Board Confirmation

The Board (excluding the independent non-executive Directors, whose view will be given in the Letter from the Independent Board Committee in relation to the continuing connected transactions and major transaction) is of the view that the terms of the Framework Heat Sale and Purchase Agreement and the Financial Services Framework Agreement are (i) on normal commercial terms; (ii) arrived at after arm's length negotiations between the parties; and (iii) entered into in the ordinary course of business of the Group (save for the transactions contemplated under the Financial Services Framework Agreement) and are of the view that the transactions under the Framework Heat Sale and Purchase Agreement and the Financial Services Framework Agreement and their respective annual caps for the three years ending 31 December 2022 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As of the Latest Practicable Date, save as disclosed below, none of the Directors is a director or employee of the companies which have an interest or short position in the Shares and underlying shares of the Company.

Name	Positions in the Company	Other interests
Mr. Liu Haixia	Non-executive Director	Deputy general manager of BEH
Mr. Ren Qigui	Non-executive Director	Employee of BEH (Full-time expatriate director)
Ms. Li Juan	Non-executive Director	Senior manager of the second department of investment management of BSCOMC

Due to their positions in BEH or BSCOMC, Mr. Liu Haixia, Mr. Ren Qigui and Ms. Li Juan have all abstained from voting on the Board resolutions approving the continuing connected transactions and the annual caps thereof.

4. BACKGROUND AND GENERAL INFORMATION OF THE PARTIES OF THE 2019 NEW CAPITAL INCREASE AGREEMENT, THE CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

(a) Background and general information of the Company

The Company is a clean energy company focusing on gas-fired power and heat energy generation, wind power, photovoltaic power, small to medium hydropower and other clean energy generation businesses, which helps claim the Company the titles of the internationally well-known clean energy enterprise and industry-leading clean energy brand. The installed capacity, power generation and heat supply of the Group's gas-fired thermal power plants account for approximately 48%, 50% and 60% of gas-fired thermal power plants in Beijing, respectively, making the Group the largest gas-fired power supplier in Beijing and the leading wind power operator in China.

(b) Background and general information of the BEH

BEH is a limited liability company incorporated in the PRC which engages in the businesses of generation and supplying of electricity and heat, production and sale of coal and development of real estate. BEH is wholly owned by BSCOMC. BEH is the controlling shareholder of the Company, holding approximately 68.68% of the issued share capital of the Company as at the Latest Practicable Date.

(c) Background and general information of BEH Finance

BEH Finance, a limited liability company incorporated in the PRC, which engages in providing financial services such as financial consulting, payment, insurance agency, bill acceptance and discounting, entrusted loans to its member units. BEH Finance is a subsidiary of BEH.

(d) Background and general information of Jingneng Power

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

5. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the ordinary resolutions in relation to: (i) the Proposed Subscription; (ii) the proposed transaction (including the respective annual caps) contemplated under the Framework Heat Sale and Purchase Agreement between the Company and BEH; and (iii) the proposed deposit service (including the respective annual caps) contemplated under the Financial Services Framework Agreement between the Company and BEH Finance are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that Independent Shareholders vote in favour of such resolutions to be proposed at the EGM.

6. THE EGM

A revised notice convening the EGM to be held at No.2 Meeting Room, 2nd Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, PRC on 18 December 2019 at 10:00 a.m. is set out on pages 98 to 100 of this circular. As a result of the additional resolution proposed subsequent to the despatch of the Original Notice, the original proxy form for the EGM sent together with the Original Notice does not contain updated information about the EGM in the announcement dated 5 November 2019 and the new ordinary resolution no. 3 set out in the revised notice. In this connection, a revised proxy form (the "**Revised Proxy Form**") for the EGM has been prepared and is sent together with the revised notice.

Important: The Revised Proxy Form shall supersede the original proxy form enclosed with the Original Notice (the "**Original Proxy Form**"). Shareholders who had lodged the Original Proxy Form with the Company's H Share Registrar in Hong Kong for holders of H shares should note that the Original Proxy Form is no longer applicable to the EGM.

Shareholders who intend to appoint a proxy to attend and vote on the EGM are required to complete and return the Revised Proxy Form in accordance with the instructions printed thereon to the Company's H Share Registrar no less than 24 hours before the time fixed for the holding of the EGM (i.e. not later than 10:00 a.m. on Tuesday, 17 December 2019) or any adjournment thereof (as the case may be). Completion and return of the Revised Proxy Form will not prevent you from attending and voting in person at the EGM if you so wish.

All resolutions proposed at the EGM will be voted by poll.

In order to determine the holders of H Shares who are entitled to attend the EGM, the H Share register of members of the Company has been closed since Monday, 18 November 2019 until Wednesday, 18 December 2019 (both days inclusive). Holders of H Shares who wish to attend the EGM are required to deposit the transfer documents together with the relevant share certificates at the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 15 November 2019 for registration.

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

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)

29 November 2019

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION

We refer to the circular issued by the Company on 29 November 2019 (the "**Circular**") which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider the Proposed Subscription, and to advise the Independent Shareholders in respect of the Proposed Subscription. 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 considered by, and the advice of Gram Capital as set out in their letter of advice, we consider that the Proposed Subscription, although is 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 that the Independent Shareholders to vote in favour of the resolution approving the Proposed Subscription at the EGM.

Yours faithfully
For and on behalf of the Independent Board Committee of
Beijing Jingneng Clean Energy Co., Limited

Huang Xiang	**Zhang Fusheng**	**Chan Yin Tsung**	**Han Xiaoping**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

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)

29 November 2019

To the Independent Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

We refer to the circular of the Company dated 29 November 2019 (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 to consider the fairness and reasonableness of the terms of the proposed transaction (including the proposed annual caps) under the Framework Heat Sale and Purchase Agreement and the receiving of deposit services by the Group (including the proposed annual caps) under the Financial Services Framework Agreement, and whether it is in the interests of the Company and its Shareholders as a whole.

Details of the Framework Heat Sale and Purchase Agreement and the Financial Services Framework Agreement and the proposed transactions contemplated thereunder, respectively, are set out in the "Letter from the Board" on pages 5 to 30 of the Circular.

Gram Capital has been appointed as our Independent Financial Adviser to advise us on the proposed transaction under the Framework Heat Sale and Purchase Agreement and the proposed deposit service under the Financial Services Framework Agreement. Details of the relevant advice and recommendation of Gram Capital, together with the principal factors and reasons taken into account by it in arriving at its advice and recommendation, are set out on pages 33 to 58 of the Circular.

Having taken into account the advice and recommendation of Gram Capital, we consider that (i) the proposed transaction under the Framework Heat Sale and Purchase Agreement has been entered into in ordinary and usual course of business of the Company, and (ii) the proposed transaction under the Framework Heat Sale and Purchase Agreement and the proposed deposit services under the Financial Services Framework Agreement are on normal commercial terms and that their respective terms and annual caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favor of the resolutions proposed at the EGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. HUANG Xiang	**Mr. ZHANG Fusheng**	**Mr. CHAN Yin Tsung**	**Mr. HAN Xiaoping**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

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 Proposed Subscription, the Heat Supply Transaction and the Deposit Service for the purpose of inclusion in this circular.

Gram Capital Limited
嘉林資本有限公司

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

29 November 2019

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

Dear Sirs,

(1) UPDATE ON DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION; AND (2) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Proposed Subscription; and (ii) (a) the transactions contemplated under the Framework Heat Sale and Purchase Agreement (the "**Heat Supply Transaction**"); and (b) the deposit services under the Financial Services Framework Agreement (the "**Deposit Service**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 29 November 2019 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.

A. THE PROPOSED SUBSCRIPTION

The Proposed Subscription has been approved at the general meeting of the Company held on 30 January 2019 and the assets valuation results of the proposed capital increase of BEH Finance has been approved by the Beijing SASAC on 26 March 2019. As at the Latest Practicable Date, the Proposed Subscription is still subject to certain conditions precedent, among which, the approval of Proposed Subscription by the Beijing Branch of China Banking and Insurance Regulatory Commission. However, the original valuation report on BEH Finance prepared by CUAA dated 28 November 2018 has expired on 30 August 2019 and CUAA was engaged to prepare an updated valuation report on BEH Finance (the "**New Valuation Report**") as required by the relevant government authorities in the PRC. With reference to the appraised net assets value of BEH Finance as stated in the New Valuation Report, the subscription price of the increased registered capital of BEH Finance has been increased to RMB1.30 per unit BEH Finance Registered Capital (representing an increase of approximately 2.4% as compared with the subscription price under the 2018 Original Capital Increase Agreement (i.e. RMB1.27 per unit BEH Finance Registered Capital)).

Considering the change of subscription price as stated above, the Board hereby announces that on 5 November 2019, after arm's length negotiation among the parties, BEH, the Company, Jingneng Power and BEH Finance entered into a new capital increase agreement (the "**2019 New Capital Increase Agreement**"), pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, of which, RMB0.06 billion, RMB0.94 billion and RMB1 billion are to be subscribed by BEH, the Company and Jingneng Power at the subscription price of RMB1.30 per unit BEH Finance Registered Capital, respectively.

Following the execution of the 2019 New Capital Increase Agreement, the 2018 Original Capital Increase Agreement has been terminated with immediate effect.

With reference to the Board Letter, the Proposed Subscription constitutes a discloseable and connected transaction of the Company and is subject to the reporting and announcement requirements, and the independent shareholders' approval requirement under the Listing Rules.

B. THE CONTINUING CONNECTED TRANSACTIONS

On 25 October 2016, the Company entered into a heat supply and purchase agreement with Beijing District Heating (Group) Co., Ltd. (i.e. the BDHG), a wholly-owned subsidiary of BEH, pursuant to which BDHG and/or its associates may from time to time purchase heat produced by the Group. The term of such agreement was three years commencing from 1 January 2017 and ending on 31 December 2019. On 16 October 2019, the Company entered into the new Framework Heat Sale and Purchase Agreement with BEH for a term commencing from 1 January 2020 and ending on 31 December 2022.

On the 25 October 2016, the Company entered into a financial services framework agreement with BEH Finance, a wholly-owned subsidiary of BEH, pursuant to which BEH Finance has agreed to provide the Group with deposit services, loan services and other financial services. The term of such agreement was three years commencing from 1 January 2017 and ending on 31 December 2019. On 16 October 2019, the Company entered into the new Financial Services Framework Agreement with BEH Finance for a term commencing from 1 January 2020 and ending on 31 December 2022.

With reference to the Board Letter, each of the Heat Supply Transaction and Deposit Service constitutes the non-exempt continuing connected transactions and is subject to the reporting and announcement requirements, annual review and the independent shareholders' approval requirement under the Listing Rules. In addition, the Deposit Service also constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Huang Xiang, Mr. Zhang Fusheng, Mr. Chan Yin Tsung and Mr. Han Xiaoping (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Proposed Subscription, the Heat Supply Transaction and the Deposit Service are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Subscription, the Heat Supply Transaction and Deposit Service 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 Proposed Subscription, the Heat Supply Transaction and the Deposit Service 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.

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 Proposed Subscription, the Heat Supply Transaction and the Deposit Service. 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.

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 herein 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 are not experts in the valuation of business and we have not made any independent evaluation or appraisal of the assets and liabilities of the Group or BEH Finance, and we have not been furnished with any such evaluation or appraisal, save as and except for the New Valuation Report on BEH Finance as contained in Appendix I to the Circular (i.e. the New Valuation Report). The New Valuation Report was prepared by CUAA.

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, BEH Finance, 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 Proposed Subscription, the Heat Supply Transaction and/or the Deposit Service. 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 while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Subscription, the Heat Supply Transaction and the Deposit Service, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company is a clean energy company focusing on gas-fired power and heat energy generation, wind power, photovoltaic power, small to medium hydropower and other clean energy generation businesses, which helps claim the Company the titles of the internationally well-known clean energy enterprise and industry-leading clean energy brand.

Set out below are the financial information of the Group for the six months ended 30 June 2019 and the two years ended 31 December 2018 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "**2019 Interim Report**") and the Company's annual report for the two year ended 31 December 2018 (the "**2018 Annual Report**"), respectively:

	For the six months ended 30 June 2019	**For the year ended 31 December 2018**	**For the year ended 31 December 2017**	**Change from FY2017 to FY2018**
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(unaudited)	(audited)	(audited)	
Revenue	**8,064,971**	**16,238,805**	**14,227,365**	**14.14**
– Gas-fired power and heat energy generation	*6,199,656*	*12,579,782*	*11,073,884*	*13.60*
– Wind power	*1,028,875*	*2,115,028*	*1,902,478*	*11.17*
– Photovoltaic power	*685,668*	*1,171,286*	*868,913*	*34.80*
– Hydropower	*149,896*	*362,640*	*364,759*	*(0.58)*
– Others	*876*	*10,069*	*17,331*	*(41.90)*
Profit for the period/year attributable to the equity holders of the Company	**1,268,270**	**1,995,943**	**1,774,473**	**12.48**

	As at 30 June 2019 *(in RMB'000)* (unaudited)	As at 31 December 2018 *(in RMB'000)* (audited)	As at 31 December 2017 *(in RMB'000)* (audited)
Cash and cash equivalents	3,940,384	5,420,937	2,675,087
Trade and bills receivables	5,672,556	5,364,872	3,867,593
Net Assets	22,266,810	21,511,600	18,905,101

As illustrated in the above table, the total revenue of the Group increased from approximately RMB14,227.4 million for the year ended 31 December 2017 (the "**FY2017**") to approximately RMB16,238.8 million for the year ended 31 December 2018 (the "**FY2018**"), representing an increase of approximately 14.14% of revenue for FY2018 as compared to that for FY2017. With reference to the 2018 Annual Report, the aforesaid increase in revenue was due to the increase in revenue from sales of electricity as a result of increased utilization hours in the gas-fired power and heat energy generation segment, wind power segment and photovoltaic power segment in FY2018.

Revenue derived from gas-fired power and heat energy generation (being approximately 77.47% of total revenue for FY2018) represented an increase of approximately 13.6% for FY2018 as compared to that for FY2017. With reference to the 2018 Annual Report, due to the increase in sales volume of heat, revenue from sales of heat energy increased by 18.55% from RMB1,538.6 million for FY2017 to RMB1,824.0 million for FY2018.

As at 30 June 2019, the Group recorded cash and cash equivalents of approximately RMB3.94 billion, trade and bills receivables of approximately RMB5.67 billion and net assets of approximately RMB22.27 billion.

INFORMATION ON THE PARTIES TO THE PROPOSED SUBSCRIPTION, THE HEAT SUPPLY TRANSACTION AND THE DEPOSIT SERVICE

Information on BEH

BEH is a limited liability company incorporated in the PRC and is principally engaged in the businesses of generation and supplying of electricity and heat, production and sale of coal and development of real estate. BEH is wholly owned by BSCOMC. BEH is the controlling shareholder of the Company.

Information on the Jingneng Power

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

Information on the BEH Finance

With reference to the Board Letter, BEH Finance is a limited liability company incorporated in the PRC, which engages in providing financial services such as financial consulting, payment, insurance agency, bill acceptance and discounting, entrusted loans to its member units. BEH Finance is a subsidiary of BEH.

As further advised by the Directors, BEH Finance is a non-banking financial institution and is required to operate in compliance with《企業集團財務公司管理辦法》(Measures on Administration of the Finance Companies of Enterprise Groups*, the "**Measures**") promulgated by China Banking Regulatory Commission (now known as CBIRC) to regulate the operation of group financing companies and reduce the possible financial risk. We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times.

Pursuant to the Measures, in the event that a group finance company faces any difficulty in making payment, its controlling shareholder(s) will increase such group finance company's capital accordingly based on the actual need. We noted from BEH Finance's articles of association that BEH, being the controlling shareholder of the Company, undertook that BEH will provide funding to BEH Finance to satisfy its capital needs in the event that BEH Finance experiences any urgent payment difficulties.

Set out below are the net profits before and after taxation and extraordinary items of BEH Finance based on the audited consolidated financial statements of BEH Finance for the two years ended 31 December 2018 prepared in accordance with the PRC GAAP as extracted from the Board Letter:

	For the year ended 31 December 2018	**For the year ended 31 December 2017**
	RMB	*RMB*
Profit before taxation	478,208,086.70	474,057,530.46
Profit after taxation	358,219,690.07	355,000,748.46

With reference to the Board Letter, based on the unaudited consolidated financial statements of BEH Finance for the eight months ended 31 August 2019 prepared in accordance with the PRC GAAP, the unaudited net assets of BEH Finance as at 31 August 2019 was approximately RMB3.65 billion.

A. THE PROPOSED SUBSCRIPTION

1. Reasons for and benefits of the Proposed Subscription

We noted from website of China National Association of Finance Companies that average capital adequacy ratio of finance companies was approximately 20.88% as at 30 June 2019. As advised by the Directors, BEH Finance's capital adequacy ratio (after profit distribution) was approximately 17.48% as at 30 June 2019, which was lower than the average ratio. Based on the preliminary calculation by the Directors, BEH Finance's capital adequacy ratio (after profit distribution) would be increased upon the completion of the Proposed Subscription and above the average, based on BEH Finance's information as at 30 June 2019. In addition, the Proposed Subscription will allow BEH Finance to increase its registered capital and working capital, facilitate its business expansion and improve its overall profitability and shareholders' return level. The Company, as its shareholder, is also expected to benefit from such improvement.

With reference to the Board Letter, upon completion of the Proposed Subscription, the shareholding of the Company in BEH Finance will be increased from 2% to 20%, which allows the Company to benefit more from the business expansion and growth in net profits of BEH Finance (e.g. BEH Finance's increasing trend in profit after taxation for the most recent three financial years). Accordingly, the further investment in BEH Finance through the Proposed Subscription is expected to generate more investment return for the Company.

The Proposed Subscription also represents a unique opportunity for the Company to invest in a company which engages in the provision of financial services. BEH Finance is a non-banking financial institution approved by the relevant PRC authorities to engage in the provision of various financing services, including taking deposit and providing loans, and is primarily providing financial services to companies within the group members of BEH.

Upon our further enquiry, the Directors advised us that the size of increased registered capital (i.e. RMB2 billion) was mainly determined with reference to, among other things, the registered capital of major large-scale power group's group finance company. For our due diligence purpose, we searched group finance companies which was owned by major large-scale power group (the "**Power Group Finance Companies**"). Set out below is the public information as extracted from National Enterprise Credit Information Publicity System.

Power Group Finance Companies	**Registered capital** *(RMB' billion)*
國電財務有限公司 (Guodian Finance Company Limited*)	5.05
中國華電集團財務有限公司 (China Huadian Corporation Finance Company Limited*)	5
中國華能財務有限責任公司 (China Huaneng Finance Corporation Limited*)	5
中國大唐集團財務有限公司 (China Datang Finance Co., Ltd*)	Approximately 4.87
國家電投集團財務有限公司 (SPIC Financial Company Limited*)	6

Based on the above findings and that registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion upon completion of the Proposed Subscription, we do not doubt the reasonableness of the size of increased registered capital (i.e. RMB2 billion).

With reference to the Board Letter, as at the Latest Practicable Date, the Proposed Subscription is still subject to certain conditions precedent, among which, the approval of Proposed Subscription by the Beijing Branch of China Banking and Insurance Regulatory Commission. However, the valuation report on BEH Finance prepared by CUAA has expired on 30 August 2019 and CUAA was engaged to prepare the New Valuation Report as required by the relevant government authorities in the PRC.

Having considered the above, in particular that (i) the Proposed Subscription was approved by the then independent shareholders of the Company on 30 January 2019, but the valuation report on BEH Finance prepared by CUAA has expired on 30 August 2019 and CUAA was engaged to prepare the New Valuation Report as required by the relevant government authorities in the PRC; and (ii) the Proposed Subscription allows the Company to benefit more from the business expansion and growth in net profits of BEH Finance, we concur with the Directors that the Proposed Subscription, although is not conducted in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the 2019 New Capital Increase Agreement

Set out below are the principal terms of the 2019 New Capital Increase Agreement, details of which are set out under section headed "Principal Terms of the 2019 New Capital Increase Agreement" of the Board Letter.

Date

5 November 2019

Parties

(i) BEH;

(ii) the Company (together with BEH, the "**Existing Shareholders of BEH Finance**")

(iii) Jingneng Power; and

(iv) BEH Finance (the "**Target Company**")

Increase in Capital of BEH Finance and the Proposed Subscription

The registered capital of the Target Company will be increased from RMB3 billion to RMB5 billion, which comprises:

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

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

(iii) RMB1 billion, which are offered to be subscribed by Jingneng Power.

Upon completion of the Proposed Subscription pursuant to the 2019 New Capital Increase Agreement, BEH, the Company and Jingneng Power will hold 60%, 20% and 20% of the equity interest in BEH Finance, respectively.

Consideration and basis of Consideration

In relation to the increased registered capital of BEH Finance, BEH, the Company and Jingneng Power shall contribute RMB78,000,000, RMB1,222,000,000 and RMB1,300,000,000, respectively.

The subscription price represents RMB1.30 per unit BEH Finance Registered Capital, which was determined after arm's length negotiation between the parties with reference to the appraised net assets value of BEH Finance as stated in the New Valuation Report prepared by CUAA (i.e. RMB3,912.1843 million as at 31 August 2019 (i.e. the New Valuation Reference Date), the "**Valuation**"), which is subject to approval by BEH (as authorized by the Beijing SASAC).

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

Subscription price of each unit BEH Finance Registered Capital in relation to the increased registered capital of BEH Finance = appraised net assets value of BEH Finance as approved by the Beijing SASAC/BEH Finance's existing registered capital (i.e. RMB3 billion).

For illustration purpose, based on the appraised net assets value of BEH Finance as stated in the New Valuation Report prepared by CUAA and above, the subscription price of each unit BEH Finance Registered Capital of the increased registered capital of BEH Finance is approximately RMB1.30 per unit BEH Finance Registered Capital.

The New Valuation Report was issued by CUAA, an independent valuer. For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of CUAA as valuer to conduct the Valuation; (ii) CUAA's qualification and experience in relation to the preparation of the New Valuation Report; and (iii) the steps and due diligence measures taken by CUAA for conducting the Valuation.

We noted that CUAA was engaged by BEH Finance and BEH to prepare the New Valuation Report. 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 RPC and updated in 2017, asset appraisal institution and its professional staff shall carry out asset appraisal 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 asset appraisal institution and its professional staff shall carry out asset appraisal 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; and

(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 asset appraisal institution and certified valuers,

we do not doubt the independence of CUAA in respect of the preparation of the New Valuation Report.

As regards the qualifications and experience of CUAA, we conducted reasonable checks to assess the relevant qualifications, experience and expertise of CUAA, including reviewing supporting documents such as CUAA's introduction material, historical deal list, etc.. Moreover, we interviewed CUAA as to its qualifications, expertise and independence, and their terms of engagement.

From the mandate letter and other relevant information provided by CUAA and based on our interview with them, we are satisfied with the terms of engagement of CUAA as well as their qualification and experience for preparation of the New Valuation Report. CUAA also confirmed that they are independent to the Group, BEH Group, BEH Finance and their respective associates.

We further reviewed the New Valuation Report and enquired into CUAA on the methodology adopted and the basis and assumptions adopted in arriving at the Valuation in order for us to understand the New Valuation Report. When preparing the New Valuation Report, CUAA applied asset-based approach and income approach (which involved discounted cash flow method) as valuation approach. CUAA finally adopted the income approach (which involved discounted cash flow method) in concluding the New Valuation Report. As confirmed by CUAA, the income approach is a commonly adopted approach for valuation of companies and is also consistent with normal market practice.

We further understood from the Valuer that:

(i) considering that there is no finance company which has been listed on a stock exchange, and the financial and business data of unlisted finance companies with comparable transactions are difficult to collect, the market approach was not adopted in this valuation;

(ii) taking into account the special nature of the enterprise as a group finance company, on the one hand, it has the franchise license for collecting and lending funds within the group, on the other hand, the assets it managed and the loans it released are mostly off-balance-sheet assets, there are certain limitations in the measurement of the value of its franchise license and the value of off-balance-sheet assets by adopting the asset-based approach;

(iii) Since the valuation results by using the income approach focuses on the overall profitability of the appraised entity in future and reflects the actual value of the enterprise by discounting the expected cash flow, the actual profitability of the enterprise can be more accurately reflected from the income approach. By comparing the two valuation approaches above, it is considered that valuation results by using the income approach can reflects the value of total equity interests of the shareholders of BEH Finance more appropriately.

Having considered (i) the fact that a comfort letter was made by the Directors regarding profit forecast; (ii) qualification and experience of CUAA; (iii) the New Valuation Report was prepared by CUAA in accordance with, among other things, the Valuation Standards; and (iv) based on information provided by the Company, BEH Finance is able to generate incomes, we do not doubt the reasonableness of adoption of income approach for the Valuation by CUAA.

As CUAA adopted income approach (which involved discounted cash flow method) to appraise the net assets value of BEH Finance, 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.

We noted that (i) the Company's auditor confirmed that in their opinion, the discounted future estimated cash flows of the Target Group, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions (as defined in Appendix II to the Circular).; and (ii) the Board confirmed that they have made the profit forecast of the Target Company after due and careful enquiry. For details of principal assumptions of the valuation, please refer to the section headed "Principal assumptions of the Valuation" of the Board Letter.

We also understood from CUAA in respect of various factors/assumptions that CUAA considered/adopted during the course of valuation, such as discount rate, risk-free rate, market expectation rate of return, etc..

Free cash flow to equity

The valuation is based on operating results recorded in previous years of BEH Finance. The estimates on future operation and revenue of BEH are conducted through analysis over segments, revenue, costs, growth movements, etc.. As advised by CUAA, CUAA believed that the free cash flow to equity was reasonable after considering the historical performance of BEH Finance 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 Target Company after due and careful enquiry. Having also considered (i) that the Board confirmed that they have made the profit forecast of the Target Company after due and careful enquiry; and (ii) CUAA's qualification and experience, we do not doubt the fairness and reasonableness of expected free cash flow to equity of BEH Finance.

Discount rate

When applying the income approach (which involved discounted cash flow method) to estimate the Valuation, an appropriate discount rate for the assets under review was necessary. We noted that CUAA used the capital asset pricing model (the "**CAPM**") to estimate discount rate of BEH Finance. In arriving at the discount rate, CUAA took into account a number of factors including (i) risk free rate; (ii) market expectation rate of return; (iii) specific risk adjustment factor of the target company; and (iv) expected market risk factor for equity capital (i.e. β). As there was no listed finance company, beta was determined with reference to a number of comparable banks. Details of the calculation for discount rate was set out under the section headed "Discount rate" in the New Valuation Report as contained in Appendix I to the Circular.

For our due diligence purposes, we understood that (i) the CAPM technique is widely accepted for the purpose of estimating a company's required rate of return on equity; and (ii) there was no group finance company which is listed on PRC (including Hong Kong) stock exchange.

In addition, we also obtained list of mid-term and long-term treasury bond (國債) with maturities and interest rates. Furthermore, according to "國債、地方政府債券發行和市場運行情況(2019年9月)" (The National Debt, the Issuance of Local Government Bond and the Market Operation (September 2019)*) as published by Ministry of Finance of the PRC on 28 October 2019, average interest rates for mid-term and long-term treasury bond (10 years, 30 years and 50 years) were approximately 3.17%, 3.84% and 3.96% for the first nine months of 2019. Therefore, we consider the risk free rate of 3.79%, which the CUAA adopted, was justifiable.

We noted from Wind Info (Wind諮詢)*note* that based on closing prices (from 1 September 2014 to 31 August 2019) of companies, which were engaged in monetary financial services (貨幣金融服務) as classified by the China Securities Regulatory Commission, listed on the PRC stock exchange, the implied beta of such companies ranged from approximately 0.59 to 1.06, with average of 0.80. The beta of 0.9052 fell within the aforesaid range. Accordingly, we consider that the beta adopted by CUAA to be justifiable.

We noted from "Country Risk: Determinants, Measures and Implications – The 2019 Edition" updated on 23 July 2019, the author of which is Aswath Damodaran (being a Professor of Finance at New York University Stern School of Business), equity risk premium of China was 6.46%. According to the New Valuation Report, CUAA adopted 6.26% as market risk premium (i.e. market expectation rate of return – risk free rate), which was close to the estimated equity risk premium as mentioned in the above research.

According to the New Valuation Report, CUAA adopted 2% as the specific risk adjustment factor. The specific risk adjustment factor is determined according to the difference in financing conditions, capital liquidity and governance structure between the appraised target and comparable listed companies and the relative risk level of the industry in which the appraised target operates. Despite that according to statistics on the website of China National Association of Finance Companies, the overall risk indicators of the finance company industry suffers adverse change (i.e. from the end of 2018 to the first and second quarters of 2019, the overall non-performing asset ratio of the finance company industry increased from 0.46% to 0.74%, and the liquidity ratio decreased from 63.17% to 58.84%, mainly due to the influence of external economic environment), however, the risks of which are relatively moderate and will not affect the specific risk adjustment factor. Having considered that (i) BEH Finance's main customers are intra-group companies and as such is under lower competitive pressure; and (ii) the risks are relatively moderate and will not affect the specific risk adjustment factor; we consider that the specific risk adjustment factor of 2% adopted by CUAA in the New Valuation Report, which was the same as that adopted by CUAA in the original valuation report, to be justifiable.

Furthermore, the discount rate of 11.46% as adopted in the New Valuation Report was close to the discount rate of 11.15% which was adopted in the original valuation report on BEH Finance prepared by CUAA dated 28 November 2018.

Note: Based on the website of Wind Info, Wind Info was founded in 1994. As the market leader in China's financial information services industry, Wind Info is dedicated to provide accurate and real-time information, as well as sophisticated communication platforms for financial professionals.

Having considered the above factors, in particular (i) the CUAA's experience and qualification; and (ii) the discount rate of 11.46% as adopted in the New Valuation Report was close to the discount rate of 11.15% which was adopted in the original valuation report on BEH Finance prepared by CUAA dated 28 November 2018, we do not doubt the fairness and reasonableness of discount rate (which was calculated based on risk free rate and other factors of CAPM model) as applied by CUAA.

Based on the above and information/documents (e.g. explanation to key factors, calculations, etc.) in respect of the Valuation provided to us by CUAA/Company and having considered CUAA's 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 (including forecast period and value of the surplus or non-operating assets (liabilities)).

Having also considered (i) our due diligence work on the Valuer in respect of the New Valuation Report; and (ii) the Rule 14.62 of Listing Rules requirement, in particular, the Board confirmed that they have made the profit forecast of the Target Company after due and careful enquiry, we consider that principal bases and assumptions adopted for the Valuation to be reasonable.

However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the BEH Finance's valuation may or may not reflect the value of BEH Finance as at 31 August 2019 accurately.

Having considered the principal terms of the Proposed Subscription, we are of the opinion that the terms of Proposed Subscription are on normal commercial terms and are fair and reasonable.

3. Possible financial effects of the Proposed Subscription

As advised by the Directors, upon completion of the Proposed Subscription, the Company will hold 20% of equity interest in BEH Finance and the aforesaid equity interest will be accounted for as investments in associates of the Company.

With reference to the 2019 Interim Report, the unaudited consolidated net asset value ("**NAV**") of the Group was approximately RMB22.3 billion as at 30 June 2019. The Directors expect that the Proposed Subscription would not have material impact on the NAV of the Group.

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 completion of the Proposed Subscription.

4. Recommendation on the Proposed Subscription

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Proposed Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Proposed Subscription is not conducted in the ordinary and usual course of business of the Group, it is 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 Proposed Subscription and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

B. THE CONTINUING CONNECTED TRANSACTIONS

I. Heat Supply Transaction

1. Reasons for benefit of the Heat Supply Transaction

With reference to the Board Letter, under the "heat-power cogeneration" (熱 電 聯 產) operating model, part of the steam from the power generator is further utilized to heat the water in the city's heat supply network to supply heat energy to residential and industrial end-users. Alternatively, the steam can be sold to industrial end-users directly, instead of omitted to the air. Because heat and energy cogeneration can further utilize the waste steam, cogeneration plants can achieve a higher energy utilization rate and lower cost than non-cogeneration power plants. As such, the gas-fired power and heat energy generation business of the Company based on the "heat-power cogeneration" operating model is more profitable than the single power generation or single heat generation business model.

With reference to the 2018 Annual Report, gas-fired power generation and heat energy generation is the core business segment of the Company. As at 31 December 2018, the Company operates seven gas-fired cogeneration plants with 4,702 megawatt of consolidated installed capacity in Beijing.

According to《北京市供熱採暖管理辦法》(Administrative Measures of Heat Supply and Heating of Beijing Municipality*) (the "**Measures**"), heat supply should comply with the principle of unified planning and localized management. With reference to the Board Letter, as BDHG, a wholly-owned subsidiary of BEH, is the only central heat supply company whose network covers the area where power plants of the Group are located and thus, the Company must sell the gas-fired heat energy through BDHG network in the absence of any alternative purchasers, and more importantly, the Company must sell heat energy generated by power centers to BDHG in order to meet the requirement of "subject to the unified schedule by BDHG based on heat supply standard".

As heating is the basic living needs of Beijing urban and rural residents in winter, and heat supply is infrastructural public cause directly relates to the public interests, heat supply during the heat supply period is and will become the Group's yearly permanent and stable source of income.

Having considered the above reasons, we concur with the Directors that the Heat Supply Transaction is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Framework Heat Sale and Purchase Agreement

Date:	16 October 2019
Parties:	(1) The Company; and (2) BEH
Subject	The Group agrees to sell and BEH and/or its associates agrees to purchase, from time to time, heat energy produced by power plants of the Group.
Term	The Framework Heat Sale and Purchase Agreement is for a term of three years commencing from 1 January 2020 and ending on 31 December 2022.
Pricing	The transaction under the Framework Heat Sale and Purchase Agreement is conducted at state-prescribed unit price, which is determined by Beijing Municipal Commission of Development and Reform from time to time. The state-prescribed unit price was a fixed price.

With reference to the Board Letter, the Company is of the view that the pricing in respect of the transaction under the Framework Heat Sale and Purchase Agreement to be reasonable and sufficient to cover the costs incurred by the Company after taking into account the following considerations: (i) according to the Interim Measures for the Price Control of Urban Heat Supply (FA GAI JIA GE [2007] No. 1195) (《城市供熱價格管理暫行辦法》(發改價格[2007]1195號)), the state-prescribed unit price is determined by reference to, among other things, the costs incurred by the heat suppliers (such as the price of natural gas, electricity, water, fixed asset depreciation, repairs, wages), the consideration for the profitability of the heat suppliers and the tax imposed on the heat suppliers. In particular, according to the Notice on Heat Factory Price Fluctuation of Local Gas-fired Thermal Power Plants during 2018-2019 Heat Supply Period (Jing Fa Gai [2018] No. 2469)(《關於2018-2019供暖季本市燃氣熱電廠熱力出廠價格浮動問題的通知》(京發改[2018]2469號)), the prescribed unit price set by Beijing municipal government is determined with reference to the cost, profit and tax payables of all the gas-fired thermal power plants in Beijing (i.e. heat suppliers); and (ii) the gas-fired power and heat energy generation business of the Company based on the operation model of "heat-power cogeneration" (熱電聯產) is profitable as evidenced by the historical financial results of the Company. Under such pricing mechanism, the range of the Company's profit margin for the two years ended 2018 and six months ended 30 June 2019 was approximately 16.73% to 19.37%.

For our due diligence purpose, we enquired into the Directors regarding the pricing policy and understood that there was no specific heat price which were determined in past heat supply contracts given that heat energy price shall be consistent with the state-prescribed unit price. Having considered that (i) the state-prescribed unit price is the only determinant of heat energy price in respect of the Framework Heat Sale and Purchase Agreement; (ii) the execution of state-prescribed unit price is mandatory to both parties to the individual agreements under the Framework Heat Sale and Purchase Agreement, we consider that such pricing principle is justifiable.

In light of the above, we are of the view that the terms of the Heat Supply Transaction are on normal commercial terms and are fair and reasonable.

3. Proposed annual caps

The table below set out are (i) the historical transaction amounts of the previous heat sale and purchase agreement for the two years ended 31 December 2018 and the six months ended 30 June 2019 with the existing annual caps; and (ii) the proposed annual caps for the three years ending 31 December 2022 under the Framework Heat Sale and Purchase Agreement (the "**Heat Cap(s)**"):

	For the year ended 31 December 2017 *RMB' million*	**For the year ended 31 December 2018** *RMB' million*	**For the six months ended 30 June 2019** *RMB' million*
Historical transaction amounts	1,439.83	1,728.00	996.06 *(Note)*
Historical annual caps	2,271.80	2,271.80	2,271.80
Utilisation rate	63.38%	76.06%	N/A *(Note)*

	For the year ending 31 December 2020 *RMB' million*	**For the year ending 31 December 2021** *RMB' million*	**For the year ending 31 December 2022** *RMB' million*
Heat Caps	2,271.80	2,271.80	2,271.80

Note: As the figure was for the six months ended 30 June 2019, the calculation of utilisation rate (based on full year transaction amounts over the existing annual caps) was not available.

With reference to the Board Letter, the Heat Caps for the three years ending 31 December 2022 are determined after taking into account of various factors, details of which were set out under the section headed "Framework Heat Sale And Purchase Agreement" of the Board Letter.

For our due diligence purpose, we obtained calculations (the "**Calculations**") regarding the Heat Caps for the three years ending 31 December 2022. According to the Calculations, we noted that the Heat Caps for the three years ending 31 December 2022 were calculated by (i) estimated heat supply volume (in GJ) of 27,000,000 GJ; and (ii) the estimated unit selling price (RMB/GJ) of RMB95/GJ.

Estimated heat supply volume

As advised by the Directors, the estimated heat supply volume (in GJ) was determined based on historical volume of heat as supplied by the Group to both connected persons and independent third parties. According to《關於國有企業職工家屬區"三供一業"分離移交工作指導意見》(Guiding Opinions on the Separation and Transfer of "Three Supply and One Property" in the Family Areas of Staff and Workers of State-Owned Enterprises*) state-owned enterprises (including enterprises and scientific research institutes) are required to separate its functions of water supply, power supply, heat supply and property management from state-owned enterprises and transfer them to specialized units (such as BDHG) for management. In response to the above policy and for a better centralized management and aftersales management (e.g. dispute resolution, payment collection, etc.), the Company is optimizing its heat supply mechanism from "the Group supplies to BEH and also other clients/end-users at the same time" (the "**Existing Heat Supply Mechanism**") to "the Group supplies to BEH and then BEH supplies to other clients/end-users" (the "**New Heat Supply Mechanism**"). Despite that the Group may also supply heat to other clients/end-users directly in the future, having considered that (i) the aforesaid possible heat supply volume would be immaterial to total expected heat supply volume (in GJ) for the three years ending 31 December 2022; and (ii) the heat supply mechanism for the aforesaid heat supply may also change from the Existing Heat Supply Mechanism to the New Heat Supply Mechanism and for the sake of prudence, the Directors included the aforesaid possible heat supply volume (in GJ) in the total expected heat supply volume (in GJ) to be supplied by the Group to BEH for the three years ending 31 December 2022.

As further advised by the Directors, in light of the historical heat supply volume (in GJ) for HY2019 (as defined below) was similar to that for HY2018 (as defined below) (decrease by approximately 3.9%), the Directors expected the heat supply volume (in GJ) to be supplied by the Group for 2019 would remain similar level as compared to that for 2018.

Based on the Calculations, the Company expects that the heat supply volume (in GJ) to be supplied by the Group for each of the three years ending 31 December 2022 represented an increase of approximately 10.7% as compared to that for 2018 (the "**Expected Increase**").

For our due diligence purpose, we also obtained the historical heat supply volume of the Group (in GJ) for FY2017, FY2018, the six months ended 30 June 2018 ("**HY2018**") and the six months ended 30 June 2019 ("**HY2019**"). The growth rate of actual volume of heat as supplied by the Group to both connected persons and independent third parties for the three years ended 31 December 2018 are summarized below.

(Based on actual amounts)	**Change from 2016 to 2017**	**Change from 2017 to 2018**
Heat supply volume (in GJ)	11.2%	16.8%
Average change	**14.0%**	

According to the above table, the Expected Increase, which was lower than the change of heat supply volume (in GJ) from 2016 to 2017 and 2017 to 2018 and indicated that the Directors' estimation was determined for sake of prudence, was justifiable. Accordingly, we consider that the expected heat supply volume (in GJ) for the three years ending 31 December 2022 (calculated by heat supply volume in 2018 (in GJ) × (1 + 10.7%)) to be justifiable.

Estimated state-prescribed unit price

According to the Calculations, the estimated unit selling price (RMB/GJ) is RMB95/GJ.

For our due diligence purpose, we obtained information regarding the ex-factory state-prescribed unit price during recent heat supply periods, details of which are as follows:

	2016-2017 heat supply period	**2017-2018 heat supply period**	**2018-2019 heat supply period**
State-prescribed unit price (RMB/GJ)	87	89	91
% Change as compared to previous year		2.3%	2.2%

Based on the above table and the Calculations, we noted that the change of estimated state-prescribed unit price for 2020 was in line with the trend of previous state-prescribed unit prices as mentioned above. For the sake of prudence, the Directors assumed expected state-prescribed unit price for the three years ending 31 December 2022 to be the same. In light of the above, we consider the Directors' estimation of the unit selling price for the three years ending 31 December 2022 to be justifiable.

Based on the Calculation, the estimated amounts (in RMB) (calculated by the multiple of estimated heat supply volume (in GJ) and estimated state-prescribed unit price (both of which are justifiable as analysed above), and excluding of tax)[*(Note)*] (i.e. 27,000,000 GJ × RMB95/GJ/(1+13%) = approximately RMB2,269.9 million) for the three years ending 31 December 2022 were closed to (difference was less than 0.1%) the Heat Caps. Accordingly, we concur with the Directors that the Heat Caps for the three years ending 31 December 2022 are fair and reasonable.

Shareholders should note that as the Heat Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and it does not represent forecasts of revenue to be recorded from the Heat Supply Transaction. Consequently, we express no opinion as to how closely the actual revenue, purchase or income to be incurred under the Heat Supply Transaction will correspond with the Heat Caps.

Note: The Company applied value-added tax rate of beginning of 2017 (i.e. 13%) when determining the Heat Caps after taking into consideration of (among other things) possible effect of value-added tax rate adjustment during 2017 to 2019.

4. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Heat Supply Transaction must be restricted by the Heat Caps for the period concerned under the Framework Heat Sale and Purchase Agreement; (ii) the terms of the Heat Supply Transaction must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Heat Supply Transaction must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Heat Supply Transaction (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Heat Caps. In the event that the total amounts of the Heat Supply Transaction are anticipated to exceed the Heat Caps, or that there is any proposed material amendment to the terms of the Framework Heat Sale and Purchase Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures (e.g. (i) the Company will prepare a report on the continuing connected transaction on a quarterly basis or on a monthly/weekly basis, if the actual transaction amounts are likely to exceed the estimated transaction amount forming the basis of the annual caps based on the records, to review the actual amount of the proposed annual caps, so as to ensure that the proposed annual caps will not be exceeded; (ii) the above stipulated requirements) in place to monitor the Heat Supply Transaction and thus the interest of the Independent Shareholders would be safeguarded.

5. Recommendation on Heat Supply Transaction

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Heat Supply Transaction are on normal commercial terms and are fair and reasonable; and (ii) the Heat Supply Transaction is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. 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 Framework Heat Sale and Purchase Agreement and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

B. THE DEPOSIT SERVICE

1. Reasons for benefit of entering into the Deposit Service

According to the Board Letter, the Directors believe that BEH Finance has a more thorough understanding of the business development and capital needs of the Company and its fellow subsidiaries of the Company at a lower cost and in a more timely manner. As such, BEH Finance has an advantage in communicating information on capital needs and business development of the Company and its fellow subsidiaries.

With reference to the Board Letter, the entering into of the Financial Services Framework Agreement will not prevent the Group from using services offered by other independent PRC commercial banks. The Group may select other major and independent PRC commercial banks to act as its financial services providers as it thinks fit and appropriate for the benefits of the Group.

Pursuant to the Financial Services Framework Agreement, the interest rate to be paid by BEH Finance for the Group's deposits with BEH Finance shall not be lower than the same level deposit interest rate as published by the People's Bank of China for the same periods and shall be no less favourable than those available to the Group from independent third parties.

In light of the above, we consider that the Deposit Service is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Deposit Service

Date:	16 October 2019
Parties:	The Company; and BEH Finance
Description of transactions	The Group may from time to time deposit cash with BEH Finance.
Pricing and payment terms:	The terms (including the interest rates and commission charged) offered by BEH Finance in respect of the transactions under the Financial Services Framework Agreement shall be no less favourable than those offered by independent domestic commercial banks for provision of similar services to the Group and the interest rate to be paid by BEH Finance for the Group's deposits with BEH Finance shall not be lower than the same level deposit interest rate as published by the People's Bank of China for the same periods.

For our due diligence purpose, we obtained over five deposit records of the Company's deposits in BEH Finance (the "**Deposit Records**"). We noted from the Deposit Records that the deposit rates as shown in the Deposit Records are not lower than the deposit rates as announced by PBOC for the same type of deposits ("**Our Findings on Deposit Record**").

With reference to the Board Letter, to safeguard the interests of our Shareholders as whole, including the minority shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions under the Financial Services Framework Agreement, details of which are set out under the sub-section headed "Historical transaction amounts and proposed annual caps" under the section headed "Financial Services Framework Agreement" of the Board Letter. Having considered that there would be deposit rates comparison procedures before the entering into any new deposit arrangements with BEH Finance (i.e. before entering into any new deposit arrangements with BEH Finance, the Company will obtain quotes from other independent financial institutions (at least two general commercial banks in the PRC) for similar deposit services for similar duration. Such quotes, together with the offer from BEH Finance, will be reviewed by the Finance Management Department and finally approved by the chief accountant of the Company before it can be accepted), we consider that the implementation of the aforesaid measures would help to ensure fair pricing of the Deposit Service according to the pricing policies.

We also discussed with staffs of Company's (a) Finance Management Department; and (b) subsidiaries finance departments, and understood that the staffs conducted deposit rates comparison procedures before the entering into any new deposit arrangements with BEH Finance with the quotes obtained from at least two general commercial banks in the PRC. In addition, as confirmed by the staffs, they will continue to comply with aforesaid comparison procedures when conducting the Deposit Service.

Having considered (i) Our Findings on Deposit Record; (ii) our discussion with the staffs who complied and will continue to comply with deposit rates comparison procedures before the entering into any new deposit arrangements with BEH Finance as mentioned above, we do not doubt the effectiveness of the implementation of the internal procedures for the Deposit Service.

In light of the above, we are of the view that the terms of the Deposit Service are on normal commercial terms and are fair and reasonable.

3. The proposed annual caps

Set out below are (i) the historical maximum daily deposit balance and the existing annual caps under the Previous Framework Agreement; and (ii) the proposed annual caps for the Deposit Service for the three years ending 31 December 2022 (the "**Deposit Caps**"):

Historical transaction amounts	**For the year ended 31 December 2017** *(in RMB'million)*	**For the year ended 31 December 2018** *(in RMB'million)*	**For the year ending 31 December 2019** *(in RMB'million)*
Maximum daily deposit balance (including any interest accrued thereon)	1,220.00	1,455.00	1,899.75 *(Note)*
Existing annual caps	1,500	1,750	2,000
Utilisation rate	81.3%	83.1%	95.0%

	Proposed annual caps		
	for the year ending 31 December 2020 *(in RMB'million)*	**for the year ending 31 December 2021** *(in RMB'million)*	**for the year ending 31 December 2022** *(in RMB'million)*
Maximum daily outstanding balance placed by the Group with BEH Finance (including accrued interest)	3,000	4,000	5,000

Note: The figure was recorded during the first six months ended 30 June 2019.

With reference to the Board Letter, the Proposed Annual Caps have been determined after taking into account of various factors, details of which are set out under the sub-section headed "Historical transaction amounts and proposed annual caps" under the section headed "Financial Services Framework Agreement" of the Board Letter.

According to the table above, we noted that the utilisation rates for the existing annual caps were at high level.

We noted from the 2019 Interim Report that as at 30 June 2019, (i) total amount of Group's cash and cash equivalents amounted to RMB3.94 billion; and (ii) trade and bills receivable (which will convert into cash if such trade receivables are settled) amounted to RMB5.67 billion. The sum of the aforesaid two items (the "**Sum**") amounted to RMB9.61 billion as at 30 June 2019. The Sum (which is larger than the Deposit Caps) indicates the Group's possible demand of deposit services to be provided by commercial banks and the BEH Finance.

The Deposit Caps for each of the three years ending 31 December 2022 represents an increase of RMB1,000 million (the "**Increase**") as compared to the respective annual cap in the preceding year. To further assess the fairness and reasonableness of the Increase, we summarised the relevant financial information (i) for the year ended 31 December 2018, being the latest available public full-year financial information immediately prior to the date of the Financial Services Framework Agreement; (ii) for the year ended 31 December 2015, being the latest available public full-year financial information immediately prior to the date of Previous Framework Agreement. We also listed out the Group's (a) cash and cash equivalents; and (b) trade and bills receivables as at 30 June 2019 and 30 June 2016 respectively, being the latest available public financial information immediately prior to the date of the Financial Services Framework Agreement and the date of Previous Framework Agreement respectively, as follows:

	For the year ended 31 December 2018 *(in RMB' million)*	**For the year ended 31 December 2015** *(in RMB' million)*	**Amount Change** *(in RMB' million)*	**Change**
Revenue	16,238.81	14,346.03	1,892.78	13.19%

	As at 30 June 2019 *(in RMB' million)*	**As at 30 June 2016** *(in RMB' million)*	**Amount Change** *(in RMB' million)*	**Change**
Cash and cash equivalents	3,940.38	3,291.32	649.06	19.72%
Trade and bills receivables	5,672.56	2,652.77	3,019.78	113.84%
The Sum	9,612.94	5,944.09	3,668.85	61.72%

Based on the above table, we noted that there was a substantial increase in revenue for FY2018 (being the latest available public full-year financial information immediately prior to the Latest Practicable Date) as compared to that for 2015 (being the latest available public full-year financial information immediately prior to the date of Previous Framework Agreement). There was also a substantial increase in cash and cash equivalents and significant increase in trade and bills receivables as at 30 June 2019 (being the latest available financial information immediately prior to the date of Financial Services Framework Agreement) as compared to those as at 30 June 2016 (being the latest available financial information immediately prior to the date of Previous Framework Agreement).

As illustrated in the section earlier, the Group recorded an increase in revenue from approximately RMB14,227.4 million for FY2017 to approximately RMB16,238.8 million for FY2018, representing an increase of approximately 14.14% for FY2018 (being the latest full year financial information of the Group) as compared to that for FY2017.

In addition, based on the above table, the degrees of increase in the amount of Deposit Caps for each of the three years ending 31 December 2022 (i.e. RMB1,000 million per annum) were less than the degrees of increase in the Sum and the Group's revenue. Furthermore, the maximum increase between the Deposit Caps for the three years ending 31 December 2022 and the Deposit Caps for the three years ending 31 December 2019 (i.e. RMB3,500 million, calculated by RMB5,000 million for the year ending 31 December 2022 – RMB1,500 million for the year ended 31 December 2017) was also less than the degrees of increase in the Sum.

Furthermore, in July 2018, the Company completed a subscription of domestic Shares and H Shares to raise approximately RMB2,021 million and HK$1,207 million (net proceeds). With reference to the 2018 Annual Report, the Proceeds have been used to repay the bonds and loans as well as for working capital and general corporate purposes.

In lights of the above, we consider the Increase to be justifiable.

Having considered that (i) the proposed annual caps are less than the Sum as at 30 June 2019 (which also indicates the Group's possible demand of deposit services); and (ii) the Increase is justifiable as mentioned above, we are of the view that the Deposit Caps for the three year ending 31 December 2022 are fair and reasonable.

As advised by the Directors, it is difficult to forecast the total cash level for whole period of three years for the three years ending 31 December 2022. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Deposit Caps.

4. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Deposit Service must be restricted by the Deposit Caps for the period concerned under the Financial Services Framework Agreement; (ii) the terms of the Deposit Service must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Deposit Service must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit Service (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the Deposit Caps. In the event that the total amounts of the Deposit Service are anticipated to exceed the Deposit Caps, or that there is any proposed material amendment to the terms of the Financial Services Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposit Service and thus the interest of the Independent Shareholders would be safeguarded.

5. Recommendation on Deposit Service

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Deposit Service are on normal commercial terms and are fair and reasonable; and (ii) the Deposit Service is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group. 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 Deposit Service 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

* *For identification purposes only*

The following is an English translation of the summary of the valuation report dated 8 November 2019 in respect of the target of valuation, which is prepared by CUAA 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.

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

The Valuation Project in relation to the Total Shareholders' Equity Interest of BEH Finance Co., Ltd. (京能集團財務有限公司) Involved in its Proposed Capital Increase

Summary of the Valuation Report

Zhong Lian Ping Bao Zi [2019] No.1604

I. THE PURPOSE OF VALUATION

The purpose of such assets valuation is to reflect the market value of the total shareholders' equity interest of BEH Finance on the Valuation Reference Date, and to provide a value reference basis for its economic activities of proposed capital increase of BEH Finance.

II. THE TARGET OF VALUATION

The target of valuation is the total shareholders' equity interest of BEH Finance as at the Valuation Reference Date.

III. THE SCOPE OF VALUATION

The scope of valuation covers the total assets and related liabilities of BEH Finance. As of the Valuation Reference Date, i.e. 31 August 2019, the total assets, total liabilities and total net assets in the audited financial statements of BEH Finance were RMB23,840.4857 million, RMB20,186.9903 million and RMB3,653.4954 million, respectively. From January 2019 to August 2019, the operating income and net profits of BEH Finance were RMB427.9563 million and RMB292.9680 million, respectively.

The assets and liabilities information above were extracted from the audit report issued by Baker Tilly China Certified Public Accountants (Special General Partnership) (Tian Zhi Ye Zi [2019] No. 34014). According to the audit opinion, the financial statements of the appraised entity were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and fairly reflected the financial position of BEH Finance as at 31 August 2019 and 31 December 2018 and the operating results and cash flow from January 2019 to August 2019 and throughout 2018. The valuation was carried out on the basis that the enterprise has been audited.

The entrusted target of valuation and scope of valuation are consistent with those involved in economic behavior.

(1) Major assets

Major assets involved in the valuation are loans and advances, inter-bank deposits, placement with the central bank and available-for-sale financial assets.

In particular, loans and advances primarily represent short-term loans, mid-to-long-term loans and syndicated loans granted to group members. Inter-bank deposits primarily represent deposits with Industrial and Commercial Bank of China, Industrial Bank, Postal Savings Bank of China and other institutions by BEH Finance. Placements with the central bank primarily represent the deposit placed with the business management department of the People's Bank of China by BEH Finance. Available-for-sale financial assets primarily represent the corporate bonds.

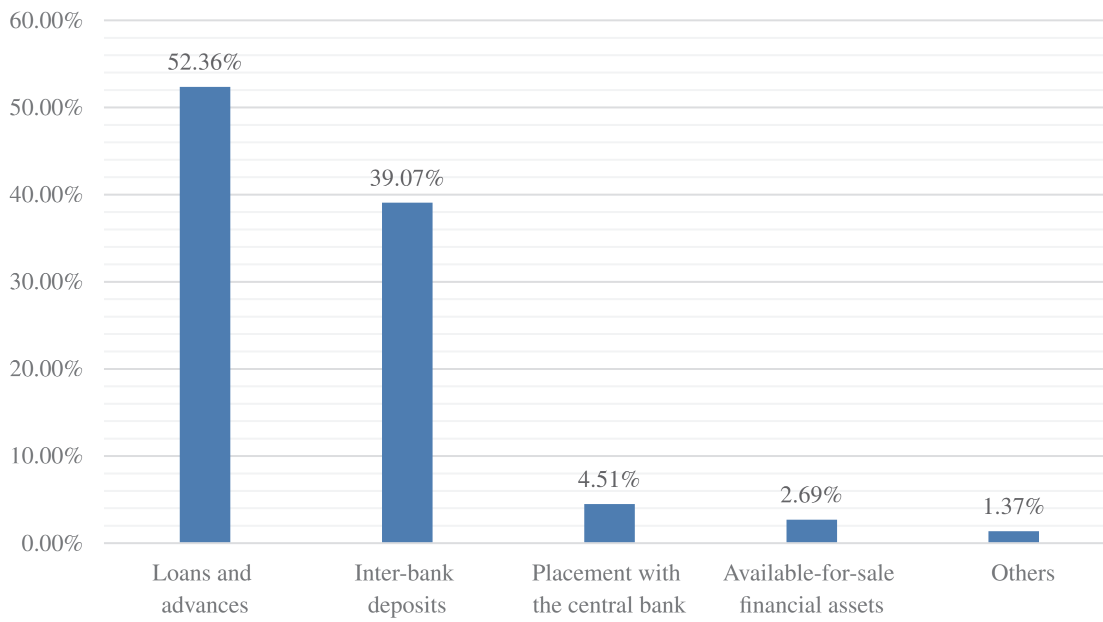

Chart 1 Distribution of major assets of BEH Finance

(2) Distribution and characteristics of physical assets

The book value of the physical assets included in the valuation is RMB9.0550 million, accounting for 0.04% of the total assets of RMB23,840.4857 million within the scope of valuation, which mainly include office equipment, electronic equipment, vehicles and furniture, etc. These assets have the following characteristics:

1. The distribution of assets is relatively concentrated, and the physical assets are mainly located in Beijing.

2. Equipment assets mainly include office equipment, computer software, and electronic equipment, etc. The enterprise has established strict system regarding the use and maintenance of equipment, and such system has been effectively implemented to meet its production and operation needs.

The current office premise of BEH Finance is primarily located at the 23rd floor of CBD International Building rented from a branch of Beijing Energy Group Co., Ltd. managing CBD International Building. According to the "Office Building Lease Contract" signed by both parties, Jingneng Finance pays the rent and other related expenses on time, and does not own any real estate or land.

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

The intangible assets declared by BEH Finance are various software and business-related management systems currently used, including Oracle 11gR2 database software, information integration system of enterprise cluster collaborative supply chain and ERP professional software, etc. As of the Valuation Reference Date, BEH Finance has no intangible assets that are not recorded on its accounting books, and the intangible assets declared within the scope of valuation are all in normal use.

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

As of the Valuation Reference Date, i.e. 31 August 2019, the off-balance-sheet business was a loan of RMB21,709.5900 million entrusted by BEH. Except for this, the assets declared for valuation by the enterprise are all assets recorded in its accounting books with no off-balance-sheet assets.

(5) 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 Reference Date in this valuation report represents the audit results made by Baker Tilly China Certified Public Accountants (Special General Partnership). Except for this, no content of the reports issued by other institutions is cited.

IV. TYPE OF VALUE AND ITS DEFINITION

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

V. THE VALUATION REFERENCE DATE

The Valuation Reference Date is 31 August 2019.

The selection of the Valuation Reference Date is determined after taking into account the realization of economic behavior and the factors at end of the accounting period. It was jointly determined by the client and the valuation agency after considering a combination of the assets size, workload, the estimated time required, compliance and other factors of the appraised entity.

VI. THE BASES OF VALUATION

The valuation bases 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:

(1) The Economic Behavior Basis

Resolution of the 12th Meeting of the Board of Directors in 2018 of Beijing Energy Holding Co., Ltd. (9th) (《北京能源集團有限責任公司董事會2018年度第十二次會議決議(九)》) (26 November 2018).

(2) The Legal Basis

1. *Assets Valuation Law of the People's Republic of China* (《中華人民共和國資產評估法》) (People's Republic of China Presidential Order No. 46 promulgated by the 21st Meeting of the Standing Committee of the 12th National People's Congress of the People's Republic of China on 2 July 2016, and implemented on 1 December 2016);

2. *Company Law of the People's Republic of China* (《中華人民共和國公司法》) (Revised at the 6th Meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018);

3. *Banking Supervision Law of the People's Republic of China* (《中華人民共和國銀行業監督管理法》) (People's Republic of China Presidential Order No. 58, adopted on 27 December 2003, and amended at the 24th meeting of the Standing Committee of the Tenth National People's Congress on 31 October 2006);

4. *Law of the People's Republic of China on the State-Owned Assets of Enterprises* (《中華人民共和國企業國有資產法》) (Adopted at the fifth meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);

5. *Rules on the Valuation and Management of State Assets* (《國有資產評估管理辦法》) (State Council Decree No. 91, 1991);

6. *Measures for the Administration of Enterprise Group Finance Companies* (《企業集團財務公司管理辦法》) (CBRC (2006) No. 8) (Adopted at the 55th Chairman's Meeting of China Banking Regulatory Commission, 28 December 2006);

7. *Interim Measures for the Supervision and Administration of Assessment of State-owned Assets of Financial Enterprise* (《金融企業國有資產評估監督管理暫行辦法》) (Ministry of Finance Decree No. 47, 12 October 2007);

8. *Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises* (《金融企業國有資產轉讓管理辦法》) (Ministry of Finance Decree No. 54, 17 March 2009);

9. *Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises* (《企業國有資產交易監督管理辦法》) (State-owned Assets Supervision and Administration Commission of State Council and Ministry of Finance Decree No. 32, 1 July 2016);

10. *Opinions of the State-owned Assets Supervision and Administration Commission of the Beijing Municipal People's Government and the Beijing Municipal Finance Bureau on Implementing the Measures for the Supervision and Administration of State-owned Assets Transactions of Enterprises* (北京市人民政府國有資產監督管理委員會北京市財政局關於貫徹落實《企業國有資產交易監督管理辦法》的意見) (Beijing Guozifa [2017] No.10, 31 May 2017);

11. *Interim Measures of Beijing Municipality on the Evaluation and Management of State-owned Assets of Enterprises (*《北京市企業國有資產評估管理暫行辦法》) (Beijing Guozifa [2008] No.5)；

12. *Notice of Issues concerning the Supervision and Administration of Assessment of State-owned Assets of Financial Enterprises* (《關於金融企業國有資產評估監督管理有關問題的通知》) (Cai Jin [2011] No. 59, 16 June 2011);

13. *Notice of the Ministry of Finance on Issues concerning Further Strengthening the Administration of Equities of State-Owned Financial Enterprises* (《財政部關於進一步加強國有金融企業股權管理工作有關問題的通知》) (Cai Jin [2016] No. 122);

14. *Notice on Strengthening the Supervision and Administration of the Transfer of State-owned Property Rights of Enterprises* (《關於加強企業國有產權轉讓監督管理工作的通知》) (Beijing Guozifa [2006] No. 3)；

15. *Notification Concerning Adjustments to Commercial Bank Loan Loss Provision Regulatory Requirements* (《關於調整商業銀行貸款損失準備監管要求的通知》) (Yin Jian Fa [2018] No. 7, 28 February 2018)；

16. *Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax* (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36);

17. *Announcement on Policies Concerning Deepening VAT Reform* (《關於深化增值稅改革有關政策的公告》) (Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs [2019] No.39, 20 March 2019);

18. *Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting VAT Rate* (《財政部、國家稅務總局關於調整增值稅稅率的通知》) (Cai Shui [2018] No.32, issued on 4 April 2018 and implemented from 1 May 2018);

19. *Administrative Measures for the Provision of Reserves of Financial Enterprises* (《金融企業準備金計提管理辦法》) (Cai Jin [2012] No.20);

20. *Ministry of Finance Regulations on Acknowledgement and Measurement of Financial Instruments (Trial)* (《金融工具確認和計量暫行規定(試行)》) (Cai Kuai [2005] No. 14);

21. Decree No. 12 of 2012 *Provisions on the Standards for Compulsory Retirement of Motor Vehicles* (《機動車強制報廢標準規定》) of Ministry of Commerce, Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection (Implemented on 1 May 2013);

22. *Notice of the Ministry of Finance on the Relevant Issues about Implementing the Revised General Rules for Enterprise Finance* (《財政部關於實施修訂後的〈企業財務通則〉有關問題的通知》) (Cai Qi [2007] No.48);

23. *Interim Provisions on the Review and Administration of Beijing Enterprises' State-Owned Assets Appraisal and Approved Projects* (《北京市企業國有資產評估核准項目評審管理暫行規定》) (Jingguozifa [2012] No. 32, 7 December 2012);

24. *Notice on Deepening the Reform of the Evaluation and Management of State-owned Assets of Enterprises* (《關於深化企業國有資產評估管理改革工作有關事項的通知》) (Jingguozifa [2019] No.2).

(3) The Criteria Basis

1. Basic Standards for Assets Valuation (《資產評估基本準則》) (Cai Zi [2017] No. 43);

2. Professional Codes of Ethics for Assets Valuation (《資產評估職業道德準則》) (Zhong Ping Xie [2017] No. 30);

3. Assets Valuation Practicing Standards – Assets Valuation Report (《資產評估執業準則－資產評估報告》) (Zhong Ping Xie [2017] No. 32);

4. Assets Valuation Practicing Standards – Assets Valuation Procedures (《資產評估執業準則－資產評估程序》) (Zhong Ping Xie [2017] No. 31);

5. Assets Valuation Practicing Standards – Machine Equipment (《資產評估執業準則－機器設備》) (Zhong Ping Xie [2017] No. 39);

6. Assets Valuation Practicing Standards – Assets Valuation Commission Contract (《資產評估執業準則－資產評估委託合同》) (Zhong Ping Xie [2017] No. 33);

7. Practice Guidelines for Asset Appraisal – Asset Appraisal Files (《資產評估執業準則－資產評估檔案》) (China Appraisal Association [2018] No.37)；

8. Guiding Opinions on Assets Valuation Value Type (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47);

9. Guidelines for Service Quality Controls for Valuation Institutions (《資產評估機構業務質量控制指南》) (Zhong Ping Xie [2017] No. 46);

10. Assets Valuation Practicing Standards – Enterprise Value (《資產評估執業準則－企業價值》) (Zhong Ping Xie [2018] No. 38);

11. Assets Valuation Practicing Standards – Application of Experts' Work and Related Reports (《資產評估執業準則－利用專家工作及相關報告》) (Zhong Ping Xie [2017] No. 35);

12. Guiding Opinions on Legal Ownership of Asset of Valuation Target (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48);

13. Guidelines of the Valuation Report on State-owned Assets of Financial Enterprises (《金融企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 43);

14. Asset Valuation Expert Guidance No. 1 – Financial Regulatory Indicators that Should Be Concerned to in Financial Enterprise Valuation (《資產評估專家指引第1號－金融企業評估中應關注的金融監管指標》) (Zhong Ping Xie [2015] No. 62);

15. Assets Valuation Expert Guidance No. 3 – Income Approach Valuation Model and Parameter Determination for Financial Enterprises (《資產評估專家指引第3號－金融企業收益法評估模型與參數確定》) (Zhong Ping Xie [2015] No. 64) etc.;

16. Accounting Standards for Business Enterprises – Basic Standards (《企業會計準則－基本準則》) (Ministry of Finance Decree No. 33);

17. 38 Specific Standards including Accounting Standards for Business Enterprises No. 1 – Inventory (《企業會計準則第1號－存貨》) (Cai Kuai [2006] No. 3);

18. Accounting Standards for Business Enterprises – Application Guidelines (《企業會計準則－應用指南》) (Cai Kuai [2006] No. 18).

(4) The Property Right Basis

1. Motor Vehicle Driving License (《機動車行駛證》);

2. Deposit and loan related agreements;

3. Fixed asset purchase invoices and contract agreements;

4. Rental contracts for houses and parking spaces;

5. Financial product distribution agreement.

(5) The Price Basis

1. The balance sheet, income statement, account balance sheet, detailed list and other relevant declaration materials and other relevant evaluation materials provided by the enterprise;

2. Relevant business forecast data, financial and accounting statements and other financial and operational data provided by the enterprise;

3. The audit report issued by Tianzhi International Accounting Firm (LLP) (Tianzhi Ye Zi [2019] No. 34014);

4. Relevant information published by wind financial terminal;

5. Relevant information published on the website of the China Association of Financial Companies;

6. Relevant information published on the Shanghai Inter-bank Interest Rate website;

7. Interim Regulations of the People's Republic of China on Vehicle Purchase Tax (《中華人民共和國車輛購置稅暫行條例》) (Order of the State Council [2000] No. 294);

8. Pacific Auto Network, Car Home Network and local auto dealers;

9. Zhongguancun Quotation Network, JD Mall and the local furniture market;

10. Other reference materials provided by BEH Finance in accordance with the law.

(6) Other References

1. Audit report issued by Baker Tilly China Certified Public Accountants (Special General Partnership) (Tian Zhi Ye Zi [2018] No. 20568); audit report issued by Grant Thornton (Special General Partnership) (Zhi Tong Shen Zi [2018] No. 110ZB5699); audit report issued by Ruihua Certified Public Accountants (Special General Partnership) (Rui Hua Shen Zi [2017] No. 02080014);

2. Measures for the Performance Evaluation of Financial Enterprises (《金融企業績效評價辦法》) (Cai Jin [2016] No.35);

3. Guidelines for Asset Appraisal Experts No.1-Financial Supervision Indicators to Pay Attention to in Financial Enterprise Appraisal (《資產評估專家指引第1號－金融企業評估中應關注的金融監管指標》) (Zhong Ping Xie [2015] No.62);

4. Guidelines for Asset Evaluation Experts No.3-Determination of Evaluation Models and Parameters for Financial Enterprise Income Law (《資產評估專家指引第3號－金融企業收益法評估模型與參數確定》) (Zhong Ping Xie [2015] No.64);

5. Asset Valuation Common Data and Parameter Manual (Second Edition) (《資產評估常用數據與參數手冊(第二版)》) (Beijing Science and Technology Press);

6. *Investment Valuation* (《投資估價》) ([US] written by Damodanran, [Canada] translated by Lin Qian (林謙), Tsinghua University Press);

7. *Valuation: Measuring and Managing the Value of Companies (Third Edition)* (《價值評估：公司價值的衡量與管理(第3版)》) (written by [US] Copeland, T. and etc., translated by Hao Shaolun (郝紹倫) and Xie Guanping (謝關平), Electronic Industry Press).

VII. THE METHODS OF VALUATION

(1) Selection of valuation methods

According to the requirements of the Assets Valuation Practicing Standards – Enterprise Value (Zhong Ping Xie [2017] No. 36), when performing the valuation for enterprise value, the valuer shall, based on the purpose of valuation, the target of valuation, type of value and materials collection and other relevant conditions, analyze the applicability of the three assets valuation approaches, namely income approach, market approach and asset-based approach, and appropriately select one or more assets valuation 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. The valuer shall consider the applicability of the income approach appropriately after taking into account a combination of the historical operating conditions and 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 valuer shall consider the applicability of the market approach appropriately 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 asset and liability of the enterprise based on the balance sheet of the appraised enterprise on the Valuation Reference Date.

The purpose of this valuation is to increase capital, and the asset-based approach reflects the value of the enterprise from the perspective of enterprise construction, which provides a basis for the management and assessment of the enterprise after the realization of economic behaviors. Therefore, the asset-based approach shall be adopted in this assets valuation.

Considering that the historical annual operating income of the appraised enterprise is relatively stable and its income and risks can be reliably estimated in the future, the income approach can be adopted in this assets valuation.

Considering that there is no finance company which has been listed on a stock exchange, and the financial and business data of unlisted finance companies with comparable transactions are difficult to collect, the market approach was not adopted in this valuation.

In summary, the asset-based approach and the income approach are adopted in this valuation.

(2) Introduction of the asset-based approach

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

1. Monetary funds

As of the Valuation Reference Date, monetary funds primarily represented demand and term deposits with People's Bank of China, Industrial and Commercial Bank of China, Industrial Bank, Postal Savings Bank of China and other institutions by BEH Finance. The valuer verified the deposits with the above banks to prove the true existence of the bank deposits, and checked that the amounts of the confirmation letter are consistent with the amounts of the evaluation return, without any pending items. The valuer checked the bank statement and balance reconciliation form of bank deposits and acknowledged that the accounting books were consistent with the accounting statements and the accounting records were consistent with actual situation. The appraised value was determined on the basis of the verified book value.

2. Loans and advances

As of the Valuation Reference Date, loans and advances primarily represented short-term loans, mid-to-long-term loans and syndicated loans granted to the members of BEH by BEH Finance, of which, short-term loans primarily represent loans with a term of one to two years and an interest rate of 4.35%; mid-to-long-term loans primarily represent loans with a term of two to six years and an interest rate ranging from 4.75% to 5.00% and syndicated loans primarily represent long-term loans with a term of over ten years and an interest rate of 6.55%. The valuer verified the accounting records, conducted spot-check on part of original evidence, loan contracts and related materials, verified the authenticity, aging, business content and amounts of the transactions and concluded that the amounts in the accounts, statements and notes were consistent. After verification, the loans granted and advances issued by BEH Finance include normal loans and special-mentioned loans, among them, the proportion of impairment provision for normal loans was 1%, and the proportion of impairment provision for special-mentioned loans was 10%. The appraised value was determined by aggregating the verified book value less the amount of risk assessment loss.

3. Available-for-sale financial assets

As of the Valuation Reference Date, the available-for-sale financial assets primarily represented the corporate bonds that BEH Finance purchased from Beijing Haohua Energy Resource Co., Ltd. (北京昊華能源股份有限公司) and the enterprise bonds purchased from Beijing Jingneng Clean Energy Co., Limited (北京京能清潔能源電力股份有限公司) and BEH. The valuer have reviewed the standard distribution agreement of relevant non-financial corporate debt financing instruments, accounting vouchers and other documents, and concluded that the quantity of assets in the accounts, statements and notes was consistent. According to the Wind public data, the appraised value was determined based on the assessed net value for bonds and number of bonds held on the Valuation Reference Date.

4. Fixed assets

As of the Valuation Reference Date, the equipment assets included in the valuation represented vehicles and operating office equipment declared by BEH Finance. According to the purpose of the valuation and in the principle of on-going utilization, the cost approach was adopted with reference to market price after taking into consideration of characteristics of the equipment to be appraised and information collected and the market approach is adopted for certain equipment.

The appraised value = Replacement cost × Newness rate

A. Determination of replacement cost

Upon verification, the Company shall be deemed as a VAT general taxpayer and is eligible for VAT deduction. Therefore, the tax-free price was adopted to determine replacement cost in evaluating various types of equipment.

(a) replacement cost of transportation vehicles

Replacement cost = Current purchase price (tax inclusive)/1.13 + Vehicle purchase tax + New vehicle handling charge

(b) replacement cost of electronic device and other fixed assets

The equipment within the scope of valuation all represented the office equipment with insignificant value and low transportation cost, for which no installation was required (or the seller was responsible for the installation), and the value of which was determined with reference to the prevailing market purchase price.

Replacement cost = prevailing purchase price (tax inclusive)/1.13

B. Determination of newness rate

(a) 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) (《機動車強制報廢標準規定》(商務部、發改委、公安部、環境保護部令2012年第12號), the final newness rate shall be determined with reference to the newness rate calculated by using the following methods, whichever is lower:

Newness rate of useful life = (1 − serviced life/stipulated or economic use life) × 100%

Newness rate of mileage = (1 − travelled mileage/stipulated mileage) × 100%

Newness rate = Min (newness rate of useful life, newness rate of mileage) + a

a: Adjustment factors for special vehicle conditions

(b) Newness rate for electronic device

In this valuation, the newness rate was determined by estimating the remaining useful lives of the electronic device on the basis of its economic life and on-site investigations. The formula was as follows:

Newness rate = remaining useful life/(practical serviced life + remaining useful life) × 100%

C. Determination of appraised value

Appraised value = Replacement cost × Newness rate

In addition, for equipment purchased for a long time, the second-hand market price shall be adopted to determine the appraisal value.

5. Intangible assets

As of the Valuation Reference Date, the intangible assets included in the valuation represented software declared by BEH Finance, mainly including Oracle database, core system Oracle11gR2 database software and enterprise cluster collaborative supply chain information integration system. According to the valuation purpose, the appraisal value is determined through public price inquiry of all intangible assets based on the principle of on-going utilization with reference to market price after taking into account market conditions.

6. Deferred income tax assets

As of the Valuation Reference Date, deferred income tax assets primarily represented deductible temporary difference arising from the impairment provision of loans and intangible assets of BEH Finance. The valuer carefully reviewed the consistency of debit statement of deferred taxes, general ledger and subsidiary ledger, and learned from financial staff about the reasons, time, original amount and contents of the deferred taxes and reviewed the related documents and made provision of deferred tax assets arising from the change in fair value of the available-for-sale financial assets. The appraised value was determined based on the verified book value.

7. Other receivables

As of the Valuation Reference Date, other receivables primarily represented the interests, personal loans and rental deposit receivables of BEH Finance. On the basis of the correct verification of other receivables, the valuer specifically analyzed the amount, the time and reasons of debts, the collection of debts, the funds, credit and operation and management status of the debtors by leveraging on historical materials and current investigations. For other receivables, an individual identification method shall be adopted to evaluate risk loss depending on the specific situation of the enterprise. For those that were reasonably believed to be recoverable in full, the assessed risk loss was nil. The appraised value was determined by the book value minus the assessed risk loss.

8. Other assets

As of the Valuation Reference Date, other assets primarily represented various services and engineering amounts receivable by BEH Finance. The valuer investigated the book values and reasons thereof based on historical information and current investigation. The valuer also looked through accounting vouchers and relevant information. Upon verification, the book records were true. The valuation was determined based on the verified book value.

9. 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.

(3) Introduction of the income approach

1. Overview

According to the Assets Valuation Practicing Standards – Enterprise Value (《資產評估執業準則－企業價值》) (Zhong Ping Xie [2017] No. 36), the discounted cash flow method is a method of assessing the value of assets by discounting the expected future net cash flow of an enterprise into its present value. Its basic idea is that the appraised value is arrived by estimating the expected net cash flow of assets in the future and discounting it into the present value by adopting an appropriate discount rate. The basic conditions applicable are as follows: the appraised entity shall have going concern basis and conditions; there is a relatively stable correspondence between operation and income and the future income and risk shall be predictable and quantifiable. The most difficulty in using the discounted cash flow method is the prediction of the expected future cash flow and the objectivity and reliability in collecting and processing data. When the prediction of the expected future cash flow is objective and fair and the discount rate is reasonable, the valuation results are relatively objective.

2. Basic idea of valuation

Based on the due diligence for such valuation and the asset composition and the characteristics of main business of BEH Finance, the basic idea of this valuation is to estimate the value of total equity interests of its shareholders (net assets) based on the financial statements and profit forecasts provided by the enterprise, that is, the value of the enterprise is arrived after first estimating the value of the enterprise's operating assets by adopting the discounted cash flow method (DCF) per the income approach and then plus the value of other non-operating or surplus assets on the Valuation Reference Date.

3. Valuation model

(1) Basic model:

$$E = P + C \quad (1)$$

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n} = \text{RMB3,912.1843 million} \quad (2)$$

C = RMB554.0362 million – RMB554.0362 million = RMB0

E: Value of total equity interests of shareholders of the target of valuation;

The value of total equity interests of the shareholders of BEH Finance is:

E = P + C

= RMB3,912.1843 million + (RMB554.0362 million – RMB554.0362 million)

= RMB3,912.1843 million + RMB0

= RMB3,912.1843 million

P: Value of the operating assets of the target of valuation;

1. Phase of rapid revenue growth

The present value of the target of valuation in stable rapid growth phase is arrived by introducing the net cash flow obtained in rapid growth phase into the Phase I model:

= RMB1,541.1937 million

2. Phase subsequent to the forecast period

In view of the capital sufficiency ratio limitation, this evaluation assumes that the business scale and revenue level at the end of forecast period are maintained after the forecast period and revenue will no longer be retained.

The sum of present value of sustainable operation after the forecast period of the target of valuation = 0.5607 × 484.4255 million ÷ 11.46%

= RMB2,370.9906 million

Among them, 0.5607 represents the discount factor, and its calculation formula is $1/(1+\text{discount rate})^{\text{discount period}}$ = $1/(1 + 11.46\%)^{5.33}$ = 0.5607; the discount period is the sum of the four months from the Valuation Reference Date to 31 December 2019 and the forecast period of five years, i.e. approximately 5.33 years; 484.4255 million represents the net cash flow during the sustainable period, and its calculation formula is net profit during the sustainable period – income in equity interests during the sustainable period = 484.4255 million – 0 = 484.4255 million; 11.46% represents the discount rate. As the sustainable non-growth model is adopted in this valuation, the growth rate of cash flow during the sustainable period is 0.

The value of the operating assets of the target of valuation is:

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

= RMB1,541.1937 million + RMB2,370.9906 million

= RMB3,912.1843 million

C: Value of the surplus or non-operating assets (liabilities) of the target of valuation on the Valuation Reference Date;

Surplus or non-operating assets and liabilities refer to other assets and liabilities that are not directly related to the predicted earning cash flow in the sustainable operation of an enterprise.

Upon verification, as of the date of the Valuation Reference Date, based on the audited financial report of BEH Finance as at the Valuation Reference Date, the carrying amount of the dividends payable of the appraised enterprise of RMB554.0362 million represented the dividends payable to BEH and Jingneng Clean Energy from January to August 2019, which was recognized as surplus liabilities in this valuation; BEH Finance expects that they will use its monetary funds of RMB554.0362 million to pay the above mentioned dividends payable (i.e. RMB554.0362 million). Such monetary funds will not used in the future business operation of BEH Finance and have nothing to do with the forecasting future cash flows of BEH Finance. Therefore, in this valuation, RMB554.0362 million is recognized by the valuer as surplus assets and accordingly, the surplus assets and surplus liabilities related to the dividends payable are equal in amount. In view of the correspondence between the surplus assets and the surplus liabilities, the valuer separates the liabilities corresponding to the surplus assets and recognizes such liabilities as deductions of the appraised value of the surplus assets. Therefore, the net amount of surplus assets (liabilities) C is 0.

Save as those disclosed above, from the valuer's point of view, the remaining assets and liabilities of the appraised enterprise (including monetary funds after deducting above mentioned RMB554.0362 million) as recorded on the audited financial report of BEH Finance are all directly related to the forecast of revenue cash flows from the on-going operation of the enterprise, which has been considered in the valuation. Therefore, there are no other surplus or non-operating assets (liabilities). For intangible assets and goodwill, most of the declared intangible assets in the book are business systems and office software, which are closely related to the daily operation of the enterprise, so they are not recognized as surplus assets. The influence of intangible assets and goodwill (such as financial license and customer value) that are not accounted for in the book have been considered in the profit forecast under the income approach, and their values have been reflected in the evaluation results, so they have not been separately considered and calculated.

R_i: Free cash flow to equity of the target of valuation in the i year in future;

r: Discount rate;

See below for details.

n: Future operating period of the target of valuation.

The five-year forecast period and sustainable period are adopted for discounting by the valuer. The forecast period (rapid growth period) refers to the period before an enterprise has reached a stable profit level, which is not fixed and subject to the actual operation of the appraised enterprise. Upon calculation, during the five-year forecast period (from 2020 to 2024), the return on equity of BEH Finance will be fluctuating within the range between 9% to 13%. In the last year of the forecast period, BEH Finance's financial operation position has gradually become stable and is in line with the overall development trend of the industry. Also, in the last year of the forecast period, the level of return on equity of BEH Finance remains stable and it is able to enter into the sustainable period. Therefore, it is reasonable to use the five-year period before the sustainable period as the forecast period. Therefore, based on the professional judgement of the valuer, as well as the historical project experience and market economic cycle, the five-year rapid growth period is selected and the valuer is of the view that it is the industry practice for valuation of finance industries. The post-forecast period refers to the stage when the enterprise has reached stable operation and the profit level will not fluctuate significantly. As the operating period of BEH Finance is permanent, the valuer assumed that the appraised enterprise will operate on a going basis. In general, the five-year forecast period and sustainable period is adopted for discounting.

(2) Income indicator

In such valuation, free cash flow to equity is used as the income indicator of the target of valuation, which is basically defined as:

R = Net profit – increase in equity interests

= (operating income – operating expenses – net non-operating income and expenses – income tax expenses) – (owner's equity interests of the current period – owner's equity interests of the last period)

According to the forecast data and other relevant information of the enterprise, taking into account the operating conditions in the historical period and the development trend of each business segment in the future period of the target of valuation and on the basis of meeting all the regulatory indicators, the valuer measured the free cash flow to equity in the future period and made the adjustment after discounting in consideration of the surplus assets and liabilities factors, and finally arrived the value of total equity interests of shareholders of BEH Finance on the Valuation Reference Date under the assumptions of this valuation.

Among them, the forecast of operating income mainly involved the interest income from loans granted, the interest income from deposits in the central bank, the interest income from deposits in other banks, the interest income from lending funds, income from intermediate business handling charge and investment income; the forecast of operating expenses mainly involved the interest expense on accepting deposits, business taxes and surcharges, business and management fees, assets impairment losses and other business cost; the owner's equity interests at the end of the year mainly involved share capital, other comprehensive income, surplus reserve, general risk reserve and undistributed profit. Overall, the operating income showed an upward trend in history, which was mainly due to steady increase of loan scale and other factors; the operating expenses showed a downward trend in history, which was mainly due to the decrease of tax expense caused by the replacement of business tax with value added tax and other factors.

(3) Discount rate

The Capital Asset Pricing Model (CAPM) is adopted to determine the r (discount rate) in this valuation.

$$r = r_f + \beta_e(r_m - r_f) + \varepsilon \qquad (3)$$

In the formula:

r_f: Risk-free rate of return;

The approximate risk-free rate of return 'r_f' was determined based on the average interest rate of treasury bond with the term of over ten years with reference to the average interest rate of mid-and-long term treasury bond issued by the state in recent five years, i.e. $r_f = 3.79\%$.

β_e: Expected market risk factor for equity capital;

Considering there is no finance company which was listed on a stock exchange, and taking into account that the profit model of finance companies is mainly to earn interest margin, which is most similar to banks, we selected stocks of 16 comparable listed banks in SSE Composite Index, and considering the discrepancy of relevant indicators in terms of total share capital, asset scale, business structure and background of substantial shareholders between the banks and the appraised enterprise, for example, the minimum total share capital of Agricultural Bank of China Limited, Bank of Communications Limited, Industrial and Commercial Bank of China Limited, China Construction Bank Co., Ltd. and Bank of China Limited (collectively referred to as the "Five Major Banks") exceeds 70 billion shares while BEH Finance's total share capital represents only 3 billion shares and the substantial shareholders of the Five Major Banks include Central Huijin Investment Ltd., and the Ministry of Finance while the substantial shareholder of BEH Finance is BEH, 11 listed banks were selected as comparable companies after excluding the Five Major Banks. It is finally determined that the estimated value of expected risk factor of equity capital of the value analysis object is arrived by calculating and estimating the market price from 1 September 2014 to 31 August 2019, i.e. $\beta_e = 0.9052$.

r_m: Market expectation rate of return;

In terms of market expectation rate of return 'r_m', it is generally considered that the volatility of the stock index would reflect the volatility of overall market. Considering the cyclical performance of the industry, the short-term return rate fluctuates significantly, while the long-term average rate of return of the index would reflect the average rate of return expected by the market. The valuer is of the view that using of such long-term average return rate is a market practice. On 21 May 1992, the Shanghai Stock Exchange implemented free bidding trading. Since then, the long-term average return rate of the Shanghai Composite Index can represent the comprehensive return rate of the entire market industry to a certain extent. By calculating the average rate of return of the index for the period from 21 May 1992 to 30 June 2019, the approximate market expectation rate of return is arrived, i.e. $r_m = 10.05\%$.

$(r_m - r_f)$: Market risk premium (r_{pm});

ε : Specific risk adjustment factor of the target of valuation.

The specific risk adjustment factor ε is determined according to the difference in financing conditions, capital liquidity and governance structure between the appraised target and comparable listed companies and the relative risk level of the industry in which the appraised target operates. Based on the practice of the valuation industry and the experience of the valuer, the specific risk adjustment factor of the enterprise is generally between 1% and 3%. For industries with relatively limited risks, such as electricity and other infrastructure industries relating to the national economy and people's livelihood, such factor is usually set at 1%; for industries with higher risks, such as the Internet industry, such factor is usually set at 3% while for general enterprises with ordinary risk, such factor is usually set at 2%. BEH Finance's main customers are intra-group companies and as such is under lower competitive pressure. Also, BEH Finance is now at a stable operating stage. In addition, according to statistics on the website of China National Association of Finance Companies, the overall risk indicators of the finance company industry suffers adverse change (i.e. from the end of 2018 to the first and second quarters of 2019, the overall non-performing asset ratio of the finance company industry increased from 0.46% to 0.74%, and the liquidity ratio decreased from 63.17% to 58.84%, mainly due to the influence of external economic environment), however, the risks of which are relatively moderate and will not affect the specific risk adjustment factor being set at 2%. Having taken comprehensive consideration of the above factors, the specific risk adjustment factor of the Company is set at $\varepsilon = 2.00\%$ in this valuation.

The equity capital cost "r" of the target of valuation is finally arrived as follows:

$r = 0.0379 + 0.9052 \times (10.05\% - 3.79\%) + 2.00\%$

$= 11.46\%$

VIII. THE IMPLEMENTATION OF THE VALUATION PROCESS

The overall valuation work is conducted in four phases:

(1) Preparation phase of valuation

1. Determine the valuation scheme and prepare the work plan.

After communicating with the client and having a knowledge of basic matters of assets valuation, we prepared the preliminary work program and the valuation plan.

2. Submit the information list and the interview outline.

We submitted a list of the targeted due diligence materials as well as the list of assets, profit forecasts and other sample forms in light of the characteristics of the assets under valuation and require the appraised entity to prepare for the valuation.

3. Instruct to fill out the form.

We contacted with the relevant staff of the appraised entity and instruct the appraised entity to prepare the required information and complete the relevant forms according to the requirements of the assets valuation.

(2) On-site valuation phase of due diligence

The main work of the project team in the on-site valuation phase includes:

1. reviewing and verifying the information

We reviewed and identified the declaration information provided by the enterprise, and verify against the relevant financial record data to adjust the problems identified with the assistance of the enterprise.

2. checking with a focus

We conducted the key inspection on the operating assets and office premises of the appraised enterprise in accordance with the declaration materials. Especially for the declared financial assets, we checked and verified its statements, confirmation letters and various business contracts to confirm its existence and analyze its risks. For its office premises, we conducted a spot check on the fixed assets and reviewed the lease contracts of its premises in accordance with the fixed assets ledger provided by the enterprise.

3. conducting the due diligence interview

We interviewed with the management of the enterprise and seek to reach a consensus in relation to the future development trend based on the declaration materials relating to the future development plan and the profit forecast provided by the appraised entity.

4. identifying the methods and means of valuation

We determined the specific models and methods for assets valuation according to the actual status and features of the assets under valuation.

5. conducting the valuation and estimation

We determined the valuation models and calculated the valuation results and draft the relevant text descriptions based on the agreed understanding.

(3) Summary phase of valuation

We will analyze and summarize the preliminary work results of various assets and methods, make necessary adjustments, amendments and improvements to the valuation results and submit them to the BEH Finance for internal review.

(4) Report submission phase

On the basis of the above work, we will draft the asset valuation report and exchange opinions with the client on the valuation results, and after full consideration of the relevant opinions, revise and rectify the report repeatedly according to the third-instance system and procedures of the internal assets valuation report of valuation agency, and finally issue the formal asset valuation report.

IX. THE ASSUMPTIONS OF VALUATION

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

(1) 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.

(2) Special assumptions

1. There is no significant change in the current macroeconomic and tax policies of the country.

2. There is no significant change in the socio-economic environment where the appraised enterprise is operated as well as the taxes, tax rates and other policies implemented.

3. The scope of valuation shall be only limited to the evaluation return provided by BEH Finance without taking into account its contingent assets and contingent liabilities that may exist outside the list provided by the appraised entity.

4. The future management team of the appraised enterprise will perform its duties satisfactorily and continue to maintain going concern of its existing business operation model.

5. The appraised enterprise will continue to lease and use its current office premise in the future.

6. The main business income of the appraised enterprise is mainly derived from the current business operations and investment income without taking into account the incremental business that the enterprise may have in the future.

7. The valuation is only based on the current business strategies, operating capabilities and operating conditions as at the Valuation Reference Date without taking into account possible changes in the future due to the change in management team.

8. There will be no significant change in the central bank exchange rate during the forecast period.

9. The appraised entity shall withdraw the surplus reserve and general risk reserve in accordance with the relevant regulations, and distribute its remaining profits in full if the regulatory standards for capital adequacy ratio are satisfied.

10. The business scale of the appraised entity is limited to the existing capital scale without taking into account the impact of future possible capital increase on its business scale development.

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

X. THE CONCLUSION OF VALUATION

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, and conducted on-site investigation, market research, inquiry and valuation on the assets of BEH Finance included in the scope of valuation by adopting the asset-based approach and income approach, and reached the following conclusions:

(1) Valuation results by using the asset-based approach

The book value, appraised value and incremental value of the assets were RMB23,840.4857 million, RMB23,847.3130 million and RMB6.8273 million, respectively, representing an increase ratio of 0.03%.

The book value and the appraised value of liabilities were RMB20,186.9903 million and RMB20,186.9903 million, respectively, with no increase or decrease in value.

The book value, appraised value and incremental value of net assets were RMB3,653.4954 million, RMB3,660.3227 million and RMB6.8273 million, respectively, representing an increase ratio of 0.19% See the table below for details:

Table 1 Summary of valuation results

The appraised entity: BEH Finance Co., Ltd.

Valuation Reference Date: 31 August 2019

Unit: RMB Ten thousand

Items		**Book Value A**	**Appraised Value B**	**Increase or Decrease in Value C = B – A**	**Increase ratio (%) D = C/A × 100**
1	**Total assets**	2,384,048.57	2,384,731.30	682.73	0.03
2	Monetary funds	1,038,946.74	1,038,946.74	–	–
3	Lending funds	–	–	–	
4	Financial assets held for trading	–	–	–	
5	Financial assets purchased under resale agreement	–	–	–	
6	Derivative financial assets	–	–	–	
7	Precious metal	–	–	–	
8	Prepayment	457.48	457.48	–	–
9	Interest receivables	–	–	–	
10	Dividends receivables	–	–	–	
11	Loans and advances	1,248,233.85	1,248,233.85	–	–
12	Available-for-sale financial assets(1)	64,191.38	64,304.61	113.23	0.18
13	Held-to-maturity investment	–	–	–	
14	Long-term receivables	–	–	–	
15	Long-term equity investment	–	–	–	
16	Investment property	–	–	–	
17	Fixed assets(2)	905.50	1,121.89	216.39	23.90
18	Construction in process	–	–	–	
19	Disposal of fixed assets	–	–	–	
20	Intangible assets(3)	458.86	783.66	324.80	70.78
21	Goodwill	–	–	–	
22	Long-term deferred expenses	–	–	–	
23	Deferred income tax assets	14,680.26	14,708.56	28.30	0.19
24	Investment in receivables	–	–	–	
25	Agency assets	–	–	–	
26	Debt-repaid assets	–	–	–	
27	Other receivables	16,174.51	16,174.51	–	–
28	Other assets	–	–	–	–
29	**Total liabilities**	**2,018,699.03**	**2,018,699.03**	**–**	**–**
30	**Net assets (owner's equity)**	**365,349.54**	**366,032.27**	**682.73**	**0.19**

Notes:

(1) As of the Valuation Reference Date, the available-for-sale financial assets mainly represents the corporate bonds that BEH Finance purchased from Beijing Haohua Energy Resource Co., Ltd. (北京昊華能源股份有限公司) and the enterprise bonds purchased from the Company and BEH. The appraisal value is determined based on the net price of the medium-term bonds on the Valuation Reference Date and the quantity held, which can reflect the fair value of the asset on the Valuation Reference Date. Since the book value does not include the revenue to be recorded in the current period, there is a certain discrepancy between the appraisal value and the book value.

(2) The equipment assets included in the valuation are vehicles and electronic equipment declared by BEH Finance as of the Valuation Reference Date. In accordance with the principle of on-going utilization, based on the market price and combined with the characteristics of the appraisal equipment, the market method is adopted for evaluation. The book value of fixed assets is mainly the value after simple straight-line depreciation according to the depreciation period, which will be different from the evaluation results under the market method to certain extent, mainly because the purchase price of vehicles and equipment will change along with the market situation. The appraised value is to recognize the current value of the equipment. The book value is the value from accounting treatment arrived at by depreciation according to accounting standards, which cannot objectively reflect the actual market value of equipment assets while the market method valuation can better reflect the current value of various assets on the Valuation Reference Date. Therefore, the valuer is of the view that adopting the market approach for valuation is fair and reasonable.

(3) As of the Valuation Reference Date, the intangible assets included in the valuation are mainly software declared by BEH Finance, including Oracle Database, Core System Oracle11gR2 Database Software and Enterprise Cluster Collaborative Supply Chain Information Integration System. The valuation is based on the market price and for the purpose of price inquiring, the valuer recognized the software development company whose software is used by the Target Company by querying purchase invoices of the Target Company, and contacted such software development company by phone to understand the current market price of the software. The valuer also took into account the market situation by inquiring the market price of such products in the market to confirm whether the quotation of the software development company is reasonable, and then determine the appraised value of the intangible assets after comprehensive comparison. For softwares with limited terms of license, the valuer has already determined the useful life of such softwares according to such terms of license. For softwares without limited terms of license, the useful life is determined by the valuer according to its economic useful life. Similar to fixed assets, the book value is the value after straight-line amortization, and the evaluation result of market method can better reflect the real value of intangible assets on the Valuation Reference Date.

(2) Valuation results by using the income approach

We have appraised the value of total equity interests of the shareholders of the enterprise by using the discounted cash flow method (DCF) through conducting the valuation procedures including verification, on-site investigation, market research and inquiries, valuation and estimation. The book value of net assets of BEH Finance on the Valuation Reference Date, i.e. 31 August 2019, was RMB3,653.4954 million, the appraised value of total equity interests of the shareholders (value of net assets) was RMB3,912.1843 million, and the incremental value was RMB258.6888 million, representing an increase ratio of 7.08%.

(3) Analysis of valuation results and selection of final results

1. Analysis of differences in valuation results

The value of total equity interests of the shareholders arrived by adopting the income approach was RMB3,912.1843 million, which was RMB251.8616 million and 6.88% higher than the value of total equity interests of the shareholders of RMB3,660.3227 million by adopting the asset-based approach, The difference between the two valuation approaches is mainly due to the fact that:

(i) The replacement cost of assets is deemed as the value standard of the asset-based approach, reflecting the necessary social labor consumed by asset investment (purchase and construction cost), and such purchase and construction cost normally changes with the change of national economy.

(ii) 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 considered as the intrinsic value of an enterprise, usually affected by a variety of conditions such as macro-economy, government control and effective use of assets.

The above together caused the differences between the two valuation approaches.

2. Determination of valuation results

The asset-based approach, with the replacement cost of assets as its value standard, objectively reflects the value of net assets of the enterprise from the perspective of asset construction. However, taking into account the special nature of the enterprise as a group finance company, on the one hand, it has the franchise license for collecting and lending funds within the group, on the other hand, the assets it managed and the loans it released are mostly off-balance-sheet assets, there are certain limitations in the measurement of the value of its franchise license and the value of off-balance-sheet assets by adopting the asset-based approach. Since the valuation results by using the income approach focuses on the overall profitability of the appraised entity in future and reflects the actual value of the enterprise by discounting the expected cash flow, the actual profitability of the enterprise can be more accurately reflected from the income approach. By comparing the two valuation approaches above, it is considered that valuation results by using the income approach can reflects the value of total equity interests of the shareholders of BEH Finance more appropriately.

Combining the above analysis with the purpose of such valuation, the income approach was adopted in arriving the final results of valuation, and the value of total equity interests of the shareholders of BEH Finance was RMB3,912.1843 million.

3. Analysis of reasons for incremental value

The income approach regards judging the profitability of the enterprise as its core, which relatively reflects the value of an enterprise and the value of equity interests of the shareholders objectively. The value of BEH Finance is deemed as an organic whole. In addition to the value of individual asset, the intangible assets formed by integrated factors such as goodwill, excellent management experience, market channels, customers and brands are also integral part of the value. These factors together contributed to the incremental value of assets.

XI. SPECIAL INSTRUCTIONS

(1) Special events

Nil.

(2) Disclosure of subsequent events

According to the Resolution of the 12th Meeting of the Fourth Session of the Board of BEH Finance Co., Ltd., the Proposal on Profit Pre-distribution from January to August 2019 was deliberated and passed. It was agreed that the net profit realized from 1 January to 31 August 2019, after the surplus reserve and general risk reserve were fully provided in accordance with relevant financial regulations and the articles of association of the Company, would be pre-distributed according to the proportion of current shareholders' investment. The specific profit distribution amount would be subject to the audit results. According to the audit report (Tian Zhi Ye Zi [2019] No. 34014), as of the valuation reference date, BEH Finance's dividend payable totaled RMB554.0362 million. In the valuation engagement, full consideration has been given to the matters after the above-mentioned period.

(3) Defective property rights events

Nil.

(4) Pending matters, legal disputes and other uncertainties

Nil.

(5) Citation of other reports

All valuation work of this project was performed by China United Assets Appraisal Group Co., Ltd (中聯資產評估集團有限公司). Except for the carrying amount of assets and liabilities as at the Valuation Reference Date which were evaluated by Baker Tilly China Certified Public Accountants (Special General Partnership), we cited no reports issued by other institutions.

The following is the text of a report received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this circular.

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN BEH FINANCE CO., LTD.

TO THE DIRECTORS OF BEIJING JINGNENG CLEAN ENERGY CO., LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司) dated 8 November 2019, of the entire equity interest in BEH Finance Co., Ltd. (京能集團財務有限公司) as at 31 August 2019 (the "**Valuation**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in a circular dated 29 November 2019 to be issued by Beijing Jingneng Clean Energy Co., Limited (the "**Company**") in connection with the proposed subscription of registered capital of BEH Finance Co., Ltd. (the "**Circular**").

Director's Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows 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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statement, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains 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 Accountants' Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with 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 the assurance engagement 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. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of BEH Finance 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. According, 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, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 November 2019

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)

29 November 2019

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED SUBSCRIPTION

We refer to the valuation report dated 8 November 2019 prepared by CUAA in relation to the appraised value of the Target Company as at 31 August 2019 (the "**Valuation**"). The Valuation was prepared based on income approach, which involves the use of the discounted cash flow approach. Accordingly, the Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Capitalized terms used herein shall have the same meanings as defined in the circular of the Company dated 29 November 2019 unless the context otherwise requires.

We have reviewed the bases and assumptions upon which the Valuation has been prepared and for which CUAA is responsible. We have also considered the report from the reporting accountants of the Company, Deloitte Touche Tohmatsu, regarding whether the discounted future estimated cash flows of the Target Company, so far as the calculation are concerned, have been properly applied, in all material respects, in accordance with the respective bases and assumptions as set out in the Valuation.

On the basis of the foregoing, we confirm that we have made the profit forecast of the Target Company after due and careful enquiry.

For and on behalf of the Board
Beijing Jingneng Clean Energy Co., Limited
Zhang Fengyang
Director

FINANCIAL INFORMATION OF THE GROUP

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2019 together with the relevant notes can be found on pages 24-64 of the interim report of the Company for the six months ended 30 June 2019. The audited consolidated financial statements of the Company for the years ended 31 December 2018, 2017 and 2016 together with the relevant notes can be found on pages 77-216 of the annual report of the Company for the year ended 31 December 2018, pages 69-183 of the annual report of the Company for the year ended 31 December 2017 and pages 72-191 of the annual report of the Company for the year ended 31 December 2016. Please also see below the hyperlinks to the said documents:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0920/2019092000384.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904262665.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn20180427918.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0425/ltn20170425467.pdf

STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Indebtedness	**30 September 2019** *RMB'000*
Secured bank loans	
Current portion	157,815
Non-current portion	1,120,108
	1,277,923
Guaranteed bank loans	
Current portion	523,865
Non-current portion	6,138,357
	6,662,222
Unsecured and unguaranteed bank loans	
Current portion	5,120,419
Non-current portion	4,594,278
	9,714,697
Debentures	
Current portion	6,500,000
Non-current portion	3,490,094
	9,990,094
Other loans	
Current portion	200,000
Non-current portion	280,422
	480,422
Total borrowings	28,125,358

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, at the close of business on 30 September 2019, none of the members of the Group had (a) any debt securities issued and outstanding, and authorized or otherwise created but unissued; (b) any term loans; (c) any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptances credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or other material contingent liabilities.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources of the Group (including the internal resources and the present available facilities and debentures to be raised in the future), and in the absence of any unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

TRADING AND FINANCIAL PROSPECTS

The Group is adhering to the "two-wheel drive" model (i.e. giving due consideration to both models of independent development and project merger and acquisition), and will follow the development path of "intensification, regionalization, scale-up, specialization and high efficiency", which is different from decentralized and scattered management. The Company has established regional branches to categorize projects across the country into major regions, and has adopted intensive management and centralized control within a certain range to form a certain scale. At the same time, the management mode and personnel training are also trending towards a more professional and efficient direction. After more than a year of practice, the "two-wheel drive" model has achieved initial results. In the second half of 2019, the Company will accelerate its pace of progress to create a brand-new situation through giving due consideration and importance to both acquisition, merger and self-built development.

Based on active tracking of the Beijing-Tianjin-Hebei market, the Company will make great efforts to explore the national electricity market and closely follow up the subsequent work of Zhangjiakou-Beijing clean energy heating demonstration project. The Company will continue to promote the layout of key projects in Beijing-Tianjin-Hebei Region, Beijing city sub-center, the Winter Olympics, the "Belt and Road Initiative", Guangdong-Hong Kong-Macau Greater Bay Area and seek for breakthroughs. The Company will actively promote Shanghaimiao, Ulanqab wind power base, Datong Green-Power-to-Beijing and other projects. It will proactively carry out the preliminary work of Shandong Rizhao Gas Project and Hubei Yichang Zhongji Comprehensive Energy Service Project. Great efforts will be made to secure new progress in the research and application of strategic emerging projects such as the implementation of major projects, acquisition of strategic projects, offshore wind power, affordable on-grid projects, and "three-energy, two-heat and one-network" projects.

In the future, the Company expects that the above-mentioned reform and integration will basically come to an end, showing that the Company has achieved phased results. In the future, in order to improve the efficiency of management and control, further carry out reform and integration, expand the scale of clean energy and make it the core competitiveness in the market, the Company will continuously improve efforts in management and control to strengthen the core competitiveness of the Company. In combination with the regional distribution, asset type, production characteristics and regional development potential of affiliated enterprises, the Group has carried out regional management of affiliated businesses and set up seven regional management branches, including those in Beijing, southwest region, Inner Mongolia, northeast region, northwest region, South China region and Australia. At present, such branches have been basically set up. The regional branches will be responsible for market development, engineering construction, production and operation and grass-roots party construction within the region, so as to continuously realize regionalization, specialization and refined management, and lay a solid foundation for the Company's quality and sustainable development in the future.

I. 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.

II. 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. Liu Haixia, Mr. Ren Qigui and Ms. Li Juan concurrently serving as Directors and directors and/or management members of BEH or BSCOMC, 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, Beijing International Electric Engineering Co., Ltd. (a wholly owned subsidiary of BEH) and BSCOMC are required to abstain from voting on relevant resolutions in relation to the Framework Heat Sale and Purchase Agreement and the Financial Services Framework Agreement and the transactions (including the proposed annual caps thereof) contemplated thereunder at the EGM.

III. 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 2018, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

IV. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

V. MATERIAL CONTRACTS

The members of the Group have entered into the following material contracts within the two years immediately preceding the date of this circular:

- The capital increase agreement dated 10 December 2018 entered into between BEH, the Company, Jingneng Power and BEH Finance in relation to the proposed capital increase of BEH Finance in an aggregate amount of RMB2 billion

Save as disclosed above, no material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the issue of this circular.

VI. QUALIFICATIONS AND CONSENTS OF EXPERTS

The qualifications of the expert who has given the opinion or advice in this circular with the inclusion of its letters, reports, and/or opinions dated 29 November 2019 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 Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
CUAA	an independent valuer qualified in the PRC
Deloitte Touche Tohmatsu	Certified Public Accountants

As of the Latest Practicable Date, each of the experts mentioned above: (i) has 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 context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets which have been, since 31 December 2018 (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.

VII. 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.

VIII. INTERESTS IN THE ASSETS OR CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors the supervisors and the above expert had any interest, direct or indirect in any asset which have been, since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up, 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.

IX. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for Mr. Liu Haixia, Mr. Ren Qigui and Ms. Li Juan concurrently serving as Directors and directors and/or management members of BEH or BSCOMC, 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.

X. 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 Disctrict, Beijing, PRC. The head office of the Company is situated at 7-9 Floor, No. 6 Xibahe Road Chaoyang District, Beijing, PRC.

XI. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of EGM:

(a) The articles of the association;

(b) 2019 New Capital Increase Agreement;

(c) The Framework Heat Sale and Purchase Agreement;

(d) The Financial Services Framework Agreement;

(e) The Letter from the Independent Board Committee in relation to the discloseable and connected transaction regarding the Proposed Subscription;

(f) The Letter from the Independent Board Committee in relation to the continuing connected transaction and major transaction;

(g) The Letter from Gram Capital;

(h) The report from Deloitte Touche Tohmatsu relating to the profit forecast of the Target Company;

(i) The letter from the Board relating to the profit forecast of the Target Company;

(j) The valuation report of the Target Company prepared by CUAA;

(k) The written consents referred to in the section headed "Qualifications and Consents of Experts" in this appendix;

(l) The material contract referred to in the paragraph headed "Material Contracts" in this appendix;

(m) The annual reports of the Company for the three years ended 31 December 2016, 31 December, 2017 and 31 December 2018; and

(n) This circular.

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)

REVISED NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2019

References are made to the notice of the extraordinary general meeting (the "**EGM**") of Beijing Jingneng Clean Energy Co., Limited (the "**Company**") dated 1 November 2019 (the "**Original Notice**"), the announcement of the Company dated 16 October 2019 in relation to the continuing connected transactions and major transaction and the announcement of the Company dated 5 November 2019 in relation to the disclosable and connected transaction and update on the Proposed Subscription (the "**Announcements**"). Unless otherwise specified, capitalised terms used in this revised notice shall have the same meanings as defined in the Announcements.

REVISED NOTICE IS HEREBY GIVEN that the EGM will be held as originally scheduled at 10:00 a.m. on Wednesday, 18 December 2019 at No. 2 Meeting Room, 2nd Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, PRC, for the purposes of considering and, if thought fit, passing the following resolutions, including the new ordinary resolution no. 3:

ORDINARY RESOLUTIONS

1. To consider and approve the continuing connected transaction of the Company under the Framework Heat Sale and Purchase Agreement and the proposed annual caps thereof;

2. To consider and approve the deposit service received by the Company under the Financial Services Framework Agreement and the proposed annual caps thereof; and

3. To consider and approve the Proposed Subscription.

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

Beijing, the PRC
29 November 2019

As at the date of this revised notice, the non-executive directors of the Company are Mr. Liu Haixia, Mr. Ren Qigui, Ms. Li Juan and Mr. Wang Bangyi; the executive directors of the Company are Mr. Zhang Fengyang, Mr. Zhu Jun and Mr. Cao Mansheng; and the independent non-executive directors of the Company are Mr. Huang Xiang, Mr. Zhang Fusheng, Mr. Chan Yin Tsung and Mr. Han Xiaoping.

Notes:

Details of the resolutions are set out in the circular of the Company dated 29 November 2019.

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 has been closed since Monday, 18 November 2019 to Wednesday, 18 December 2019 (both days inclusive), during which period no transfer of shares will be effected. The Shareholders whose names appear on the register of members of the Company on the close of business on Wednesday, 18 December 2019 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 Friday, 15 November 2019 for registration.

2. PROXY

Since the Original Notice and proxy form (the "**Original Proxy Form**") enclosed thereof did not contain certain updated information about the EGM in the Announcements and the new ordinary resolution no. 3 set out in this revised notice, a revised proxy form (the "**Revised Proxy Form**") for the EGM to be held on 18 December 2019 (or any adjournment thereof) has been prepared and is sent together with this revised notice.

Important: The Revised Proxy Form shall supersede the Original Proxy Form. Those shareholders who had lodged the Original Proxy Form with the Company's H Share Registrar in Hong Kong for holders of H shares should note that the Original Proxy Form is no longer applicable to the EGM.

Holders of H shares who intend to appoint a proxy to attend and vote on the EGM are required to lodge the Revised Proxy Form and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned above with the Company's H Share Registrar 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. not later than 10:00 a.m. on Tuesday, 17 December 2019) or any adjournment thereof (as the case may be).

Completion and delivery of the Revised Proxy Form will not preclude shareholders from attending and voting in person at the EGM or any adjournment thereof should they so wish.

Shareholders may, by completing the Revised Proxy Form of the Company, appoint one or more proxies to attend and vote at the EGM (or any adjournment thereof) on his or her behalf.

3. REPLY SLIP

The reply slip for use at the EGM sent together with the Original Notice (the "**Reply Slip**") will be valid reply slip for the EGM. The last date for returning the Reply Slip will remain on 28 November 2019. For the avoidance of doubt, any Reply Slip duly completed and returned in accordance with the instructions printed thereon remains valid for the EGM and the relevant Shareholders are not required to return another reply slip.

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

Name:	The Company Secretary
Address:	7/8/9F No. 6 Xibahe Road, Chaoyang District Beijing, the PRC
Telephone:	(86 10) 8740 7289

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.