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Beijing Jingneng Clean Energy Co., Limited

北京京能清潔能源電力股份有限公司

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

(Stock Code: 00579)

CONNECTED TRANSACTION IN RELATION TO SALES AND LEASEBACK AGREEMENT

SALES AND LEASEBACK AGREEMENT

Ningxia Tongxin, a wholly-owned subsidiary of the Company, entered into the Sales and Leaseback Agreement with Yuanshen Leasing, pursuant to which Yuanshen Leasing agreed to provide to Ningxia Tongxin the sales and leaseback services with respect to the Photovoltaic Power Station System Equipment.

LISTING RULES IMPLICATIONS

As Yuanshen Leasing is a wholly-owned subsidiary of BEH, the controlling shareholder of the Company as at the date of this announcement, Yuanshen Leasing is a connected person of the Company. Accordingly, the Sales and Leaseback Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

According to IFRS 16, the proposed transaction under the Sales and Leaseback Agreement will be accounted for as a financing arrangement by each of Ningxia Tongxin and Yuanshen Leasing (and not a sale and leaseback transaction).

With respect to the transfer of legal ownership of the Photovoltaic Power Station System Equipment, it consisted a disposal of asset by Ningxia Tongxin. As the highest applicable percentage ratio exceeded 0.1% but was less than 5%, the sale transaction under the Sales and Leaseback Agreement constituted a connected transaction of the Company which was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

According to FAQ No.052-2018 issued by the Stock Exchange, the transaction under the Sales and Leaseback Agreement also constituted the receipt of financial assistance by Ningxia Tongxin from the Company's connected person, Yuanshen Leasing. As the financial assistance was conducted on normal commercial terms and was not secured by the assets of the Company, the financial assistance is fully exempt pursuant to Rule 14A.90.

INTRODUCTION

Ningxia Tongxin, a wholly-owned subsidiary of the Company, entered into the Sales and Leaseback Agreement with Yuanshen Leasing, pursuant to which Yuanshen Leasing agreed to provide to Ningxia Tongxin the sales and leaseback services with respect to the Photovoltaic Power Station System Equipment.

SALES AND LEASEBACK AGREEMENT

The principal terms of the Sales and Leaseback Agreement are summarised as follows:

- Date: 16 March 2021
- Parties:
- (1) Yuanshen Leasing, a wholly-owned subsidiary of BEH, as the lessor
 - (2) Ningxia Tongxin, a wholly-owned subsidiary of the Company, as the lessee
- Scope of services: Yuanshen Leasing will purchase the Photovoltaic Power Station System Equipment owned by Ningxia Tongxin at a consideration of RMB226,000,000 and lease such equipment to Ningxia Tongxin and charge Ningxia Tongxin lease payment. All lease payment will be settled by Ningxia Tongxin by bank transfer.

Lease Term: The lease term under the Sales and Leaseback Agreement is 12 years, from 23 March 2021 to 22 March 2033, subject to the terms and conditions provided therein.

Legal Title: Yuanshen Leasing shall own the legal title of the Photovoltaic Power Station System Equipment under the Sales and Leaseback Agreement during the lease term upon payment of the purchase amount.

Lease Payment: The total lease amount payable to Yuanshen Leasing under the Sales and Leaseback Agreement is approximately RMB337,787,097.5. The estimated total lease amount payable includes:

1. the total principal lease amount of RMB226,000,000, which shall be paid by Ningxia Tongxin in 48 instalments on a quarterly basis over the lease term. The payment amount of each of the first 47 instalments is RMB200,000 and the payment amount of last instalment is RMB216,600,000;
2. the lease interest rate is a floating interest rate calculated by the latest above-five-year loan prime rate as promulgated by the National Interbank Funding Centre with downward adjustment of 0.5 percentage points. The floating interest rate will be automatically adjusted for each 12 months with reference to the then latest above-five-year loan prime rate as promulgated by the National Interbank Funding Centre. The lease interest shall be paid in 48 instalments over the lease term, together with the total principal amounts. The estimated total interest amounted to approximately RMB111,787,097.5, based on the latest loan prime rate of 4.65%; and

Other terms: Upon maturity of the lease term and subject to the fulfilment of all of its obligations under the Sales and Leaseback Agreement, Ningxia Tongxin is entitled to purchase back the Photovoltaic Power Station System Equipment at a nominal consideration of RMB10,600.

The terms of the Sales and Leaseback Agreement, including the lease interest rate were determined after arm's length negotiations between Yuanshen Leasing and Ningxia Tongxin with reference to the prevailing market rates for the similar finance leasing arrangement and consideration of other factors such as the geographical location, performance of operation and risk profile of the Photovoltaic Power Station System Equipment.

INFORMATION ON THE ASSETS

As at 28 February 2021, the net book value of the Photovoltaic Power Station System Equipment was approximately RMB229,168,180.2.

	Year ended 31 December 2019 (Audited) <i>RMB' million</i>	Year ended 31 December 2020 (Audited) <i>RMB' million</i>
The net profit before tax attributable to the Photovoltaic Power Station System Equipment	5.63	13.11
The net profit after tax attributable to the Photovoltaic Power Station System Equipment	5.63	13.07

INFORMATION ON THE PARTIES

The Company and Ningxia Tongxin

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

Ningxia Tongxin is a limited liability company incorporated in the PRC, which principally engages in the development, construction and maintenance of photovoltaic power generation projects. It was acquired by the Company in July 2020 and is a wholly-owned subsidiary of the Company.

BEH and Yuanshen Leasing

BEH is a limited liability company incorporated in the PRC which principally 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 BSCOML. BEH directly and indirectly holds approximately 68.68% of the issued share capital of the Company as of the date of this announcement, and therefore is the controlling shareholder of the Company and a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

Yuanshen Leasing is a financial leasing company incorporated in the PRC with approval of the Ministry of Commerce of the PRC and a wholly-owned subsidiary of BEH. Yuanshen Leasing primarily provides financing lease services to the public and member enterprises within BEH group. Yuanshen Leasing, as a wholly-owned subsidiary of BEH, is a connected person of the Company according to Rule 14A.07 of the Listing Rules.

FINANCIAL EFFECTS AND USE OF PROCEEDS

Pursuant to FAQ No. 052-2018 issued by the Stock Exchange, the transactions contemplated under the Sales and Leaseback Agreement will be accounted for as a financing arrangement by each of Ningxia Tongxin and Yuanshen Leasing (and not a sale and leaseback transaction) according to IFRS 16, and will not give rise to any gain or loss of the Group.

The net proceeds of the Group under the Sales and Leaseback Agreement is the purchase price of the Photovoltaic Power Station System Equipment payable by Yuanshen Leasing, which equals to the total principal lease amount payable to Yuanshen Leasing by the Group. The net proceeds will be used for general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALES AND LEASEBACK AGREEMENT

The Sales and Leaseback Agreement provides the Group with more financial resources and enables the Group to make better allocation of resources. Pursuant to the Sales and Leaseback Agreement, the Group would enjoy terms of finance lease that are on normal commercial terms from Yuanshen Leasing.

Having considered the above, the Board (including the independent non-executive Directors) are of the view that the terms of Sales and Leaseback Agreement were arrived at after arm's length negotiations between the parties, entered into in the ordinary course of business of the Group and are of the view that the terms of the Sales and Leaseback Agreement and the transaction contemplated under such agreement are on normal commercial terms and fair and reasonable and are also in the interests of the Company and its Shareholders as a whole. Due to their positions in BEH or BSCOML (the sole shareholder of BEH), Mr. Ren Qigui and Ms. Li Juan have abstained from voting on the Board resolution approving the afore-mentioned transaction.

LISTING RULES IMPLICATIONS

As Yuanshen Leasing is a wholly-owned subsidiary of BEH, the controlling shareholder of the Company as at the date of this announcement, Yuanshen Leasing is a connected person of the Company. Accordingly, the Sales and Leaseback Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

According to IFRS 16, the proposed transaction under the Sales and Leaseback Agreement will be accounted for as a financing arrangement by each of Ningxia Tongxin and Yuanshen Leasing (and not a sale and leaseback transaction).

With respect to the transfer of legal ownership of the Photovoltaic Power Station System Equipment, it consisted a disposal of asset by Ningxia Tongxin. As the highest applicable percentage ratio exceeded 0.1% but was less than 5%, the sale transaction under the Sales and Leaseback Agreement constituted a connected transaction of the Company which was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

According to FAQ No. 052-2018 issued by the Stock Exchange, the transaction under the Sales and Leaseback Agreement also constituted the receipt of financial assistance by Ningxia Tongxin from the Company's connected person, Yuanshen Leasing. As the financial assistance was conducted on normal commercial terms and was not secured by the assets of the Company, the financial assistance is fully exempt pursuant to Rule 14A.90.

Due to the inadvertent oversight of the Company's personnel involved in the Sales and Leaseback Agreement, the announcement in relation to the Sales and Leaseback Agreement was not made at the time when the agreement was entered into. The announcement was made by the Company as soon as practicable after the Company became aware of the inadvertent oversight. The Company has taken a series of remedial measures to ensure timely compliance with relevant connected transaction requirements under the Listing Rules, including (i) re-circulated to all Directors, management personnel and accounting staff of the Group the internal control policies governing connected transactions and the list of connected persons. The Company will also be updating the list on an ongoing basis; (ii) designated specific persons to monitor connected transactions on an ongoing basis; and (iii) arranged internal trainings in relation to the procedures for connected transactions, with emphasis laid on the importance of identifying connected transactions before signing the contract.

DEFINITIONS

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

“BEH”	Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), a limited liability company established in the PRC and a controlling shareholder of the Company
“Board”	the board of Directors of the Company
“BSCOML”	Beijing State-owned Capital Operation and Management Limited (北京國有資本運營管理有限公司), an enterprise with limited liability, which was controlled by State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“Company”	Beijing Jingneng Clean Energy Co., Limited (北京京能清潔能源電力股份有限公司), a joint stock company incorporated in the PRC with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 00579)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	Megawatts
“Ningxia Tongxin”	Ningxia Tongxin Dadi Risheng New Energy Co., Ltd.* (寧夏同心大地日盛新能源有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company

“Photovoltaic Power Station System Equipment”	the 50MW Photovoltaic Power Station System Equipment located at Tongxin County, Wuzhong City, Ningxia Hui Nationality Autonomous Region
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sales and Leaseback Agreement”	the sales and leaseback agreement entered into between the Group and Yuanshen Leasing on 16 March 2021, in relation to the Photovoltaic Power Station System Equipment
“Shareholders”	holder(s) of issued shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuanshen Leasing”	Beijing Yuanshen Financial Leasing Co., Ltd.* (北京京能源深融資租賃有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of BEH
“%”	percent

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

Beijing, the PRC
28 September 2021

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

* *For identification purpose only*