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**北京能源國際控股有限公司**

**Beijing Energy International Holding Co., Ltd.**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 686)**

**CONTINUING CONNECTED TRANSACTION AND  
MAJOR TRANSACTION IN RELATION TO  
2023-2025 FINANCIAL SERVICES FRAMEWORK AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTION,  
VERY SUBSTANTIAL ACQUISITION AND  
VERY SUBSTANTIAL DISPOSAL IN RELATION TO  
2022-2025 FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT**

**2023-2025 FINANCIAL SERVICES FRAMEWORK AGREEMENT AND 2022-2025  
FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT**

Reference is made to the circular of the Company dated 8 January 2021 in relation to, among others, the Financial Services Framework Agreement.

As the Financial Services Framework Agreement will expire on 31 December 2022, on 17 November 2022 (after trading hours), the Company and BEH Finance entered into the 2023-2025 Financial Services Framework Agreement, pursuant to which BEH Finance has agreed to provide to the Group deposit services, loan services and other financial services for the three years ending 31 December 2025. In addition, on 17 November 2022 (after trading hours), the Company and Beijing Jingneng Leasing entered into the 2022-2025 Finance Lease Business Framework Agreement, pursuant to which Beijing Jingneng Leasing has agreed to provide financial leasing services to the Group for the three years ending 30 November 2025.

## **IMPLICATIONS UNDER LISTING RULES**

### **2023-2025 Financial Services Framework Agreement**

As BEH Finance is a subsidiary of BEH, the controlling shareholder of the Company, BEH Finance is a connected person of the Company. Accordingly, the 2023-2025 Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The loan services to be provided by BEH Finance to the Group are on normal commercial terms or better and no security over the assets of the Group will be made in respect of such loan services. Accordingly, such loan services are exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As the highest applicable percentage ratio in respect of the deposit services contemplated under the 2023-2025 Financial Services Framework Agreement exceeds 25%, the deposit services constitute a major transaction and continuing connected transaction of the Company which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapters 14 and 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of other financial services contemplated under the 2023-2025 Financial Services Framework Agreement exceeds 0.1% but is less than 5%, the other financial services constitute a continuing connected transaction of the Company which is subject to the reporting, announcement and annual review requirements but are exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **2022-2025 Finance Lease Business Framework Agreement**

As Beijing Jingneng Leasing is a subsidiary of BEH, the controlling shareholder of the Company, Beijing Jingneng Leasing is a connected person of the Company.

***Direct leasing services***

The transactions under the 2022-2025 Finance Lease Business Framework Agreement in respect of direct leasing services will be recognized as acquisition of assets. As the highest applicable percentage ratio exceeds 100%, the transactions under the 2022-2025 Finance Lease Business Framework Agreement in respect of direct leasing services constitute (i) a continuing connected transaction of the Company which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules and (ii) very substantial acquisition of the Company which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

***Sales and leaseback services***

The transactions under the 2022-2025 Finance Lease Business Framework Agreement in respect of sales and leaseback services constitute financial assistance received by the Group. As the highest applicable percentage ratio exceeds 5%, the receiving of financial assistance under the 2022-2025 Finance Lease Business Framework Agreement constitute a continuing connected transaction of the Company which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

In addition, the transfers of legal ownership of the leased assets under the sales and leaseback services of the 2022-2025 Finance Lease Business Framework Agreement constitute disposal of assets. As the highest applicable percentage ratio exceeds 75%, such transactions constitute very substantial disposal of the Company which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

The Company will convene a SGM to seek Independent Shareholders' approval on the 2023-2025 Financial Services Framework Agreement, the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder. All Shareholders who have a material interest in any of the transactions contemplated by the 2023-2025 Financial Services Framework Agreement and the 2022-2025 Finance Lease Business Framework Agreement, together with their associates, will be required to abstain from voting at the SGM.

As BEH Finance and Beijing Jingneng Leasing are subsidiaries of BEH, each of BEH, BEH Finance, Beijing Jingneng Leasing and their respective associates are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Jin Xinbin, Ms. Li Hongwei and Mr. Zhu Jianbiao to advise the Independent Shareholders on the deposit services under the 2023-2025 Financial Services Framework Agreement and the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement. None of the members of the Independent Board Committee has any interest in the 2023-2025 Financial Services Framework Agreement, the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the deposit services under the 2023-2025 Financial Services Framework Agreement and the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement. The Independent Board Committee will form its view after obtaining and considering the advice from the Independent Financial Adviser.

A circular containing, among other things, (i) details of the deposit services under the 2023-2025 Financial Services Framework Agreement and the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) notice of SGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 9 December 2022 as the Company needs more time to prepare and finalize information to be included in the circular.

## **INTRODUCTION**

Reference is made to the circular of the Company dated 8 January 2021 in relation to, among others, the Financial Services Framework Agreement.

As the Financial Services Framework Agreement will expire on 31 December 2022, on 17 November 2022 (after trading hours), the Company and BEH Finance entered into the 2023-2025 Financial Services Framework Agreement, pursuant to which BEH Finance has agreed to provide to the Group deposit services, loan services and other financial services for the three years ending 31 December 2025. In addition, on 17 November 2022 (after trading hours), the Company and Beijing Jingneng Leasing entered into the 2022-2025 Finance Lease Business Framework Agreement, pursuant to which Beijing Jingneng Leasing has agreed to provide financial leasing services to the Group for the three years ending 30 November 2025.

## **2023-2025 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The principal terms of the 2023-2025 Financial Services Framework Agreement are summarised as follows:

Date: 17 November 2022 (after trading hours)

Parties: (i) the Company  
(ii) BEH Finance

Term of the agreement: The 2023-2025 Financial Services Framework Agreement is subject to the approval of the Independent Shareholders at the SGM and shall be effective for three years from 1 January 2023 until 31 December 2025. Subject to compliance with the requirements under relevant laws and the Listing Rules, the 2023-2025 Financial Services Framework Agreement may be extended for no more than three years upon mutual agreement of the parties.

Scope of financial services  
and pricing policy:

**(1) Deposit services**

The Group may from time to time deposit cash at BEH Finance. The terms (including the interest rate and commission charged) to be offered by BEH Finance in respect of the deposit services shall be no less favourable than those offered by independent commercial banks in the PRC for provision of similar services to the Group, and the deposit interest to be paid by BEH Finance to the Group shall not be lower than the deposit interest rate of the same level for the same period as promulgated by the People's Bank of China.

**(2) Loan services**

The Group may from time to time request BEH Finance to provide unsecured loan services to it. The loan interest rate to be charged by BEH Finance shall be determined with reference to the benchmark loan interest rate of the same level for the same period as promulgated by the People's Bank of China, and shall not be higher than the interest rate charged to the Group by independent commercial banks for loans provided on the same conditions.

**(3) Other financial services**

BEH Finance may from time to time provide other financial services to the Group, including but not limited to, transfer settlement services, financial and financing advisory, credit verification and related consultation and agency, insurance agency, provision of guarantees, bill acceptance and discounting, entrusted loans, financial leasing, underwriting of corporate bonds, etc.

The other financial services to be provided to the Group by BEH Finance shall be conducted on normal commercial terms, and such terms shall be similar to or no less favourable than the terms offered by independent third parties for similar services.

## HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

### Historical annual caps under the Financial Services Framework Agreement

|   | For the year<br>ended<br>31 December<br>2020 <i>(Note)</i><br><i>(RMB'million)</i> | For the year<br>ended<br>31 December<br>2021<br><i>(RMB'million)</i> | For the year<br>ending<br>31 December<br>2022<br><i>(RMB'million)</i> |
|---|--|--|---|
| Deposit services (maximum daily deposit balance (including any interest accrued thereon)) | N/A  | 2,500  | 3,000   |
| Other financial services  | N/A  | 10   | 10  |

*Note:* As the Financial Services Framework Agreement was approved by the independent Shareholders at the special general meeting of the Company held on 26 January 2021, the annual caps for the deposit services and other financial services for the year ended 31 December 2020 had become obsolete and no longer applicable.

### Historical transaction amounts under the Financial Services Framework Agreement

|   | For the year<br>ended<br>31 December<br>2020<br><i>(RMB'million)</i> | For the year<br>ended<br>31 December<br>2021<br><i>(RMB'million)</i> | For the<br>nine months<br>ended<br>30 September<br>2022<br><i>(RMB'million)</i> |
|---|--|--|---|
| Deposit services (maximum daily deposit balance (including any interest accrued thereon)) | Nil  | 1,949  | 2,751   |
| Other financial services  | Nil  | 0.36   | Nil   |

### Proposed annual caps under the 2023-2025 Financial Services Framework Agreement

|   | For the year<br>ending<br>31 December<br>2023<br><i>(RMB'million)</i> | For the year<br>ending<br>31 December<br>2024<br><i>(RMB'million)</i> | For the year<br>ending<br>31 December<br>2025<br><i>(RMB'million)</i> |
|---|---|---|---|
| Deposit services (maximum daily deposit balance (including any interest accrued thereon)) | 5,000   | 6,000   | 7,000   |
| Other financial services  | 25  | 25  | 25  |

## **BASIS FOR THE PROPOSED ANNUAL CAPS AND REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023-2025 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

### **(1) Deposit services**

The proposed annual caps for the deposit services, which is the maximum daily deposit balance (including any interest accrued thereon), were determined after taking into account, among other thing, the cash and cash equivalents of the Group of approximately RMB4,338 million as at 30 June 2022 and taking into account the expected interest income from BEH Finance.

The power generation business is a capital-intensive business and further business development and expansion of the Group requires a lot of capital. Taking into account the current pace of development and plans for expansion, it is expected that the Company will be in a position to expand the capacity of power plants by approximately 5,000MW annually for the two years ending 31 December 2025 and the Company may need to conduct further fundraising to meet its capital requirements. Funds that are not utilized immediately may be deposited at institutions which provide deposit services but only at a certain level to avoid the idleness of new financing. Accordingly, the demand for deposit services will increase.

Given that BEH Finance has sufficient understanding of the business operations and development of the Group and can provide to the Group financial services in a timely manner on comparable or better terms available, the Company intends to deposit funds with BEH Finance to enhance its fund management.

### **(2) Other financial services**

The proposed annual caps for other financial services, which is the service fees to be paid by the Group to BEH Finance for other financial services provided, were determined after taking into account, among other things, (a) the newly engagement of business by BEH Finance in the areas of (i) financial consulting, credit verification and related consulting and agency services; (ii) provision of guarantees; (iii) entrusted loan and entrusted investment; (iv) bill acceptance and discounting; and (v) internal transfer settlement and corresponding settlement and settlement plans in the coming three years and considering the relevant historical transaction amount between the Group and independent third parties which provided the same service to the Group; (b) the Group's expected demand for other financial services covered by the 2023-2025 Financial Services Framework Agreement for the three years ending 31 December 2025, taking into account the business development plan of the Group especially the annual installed capacities of newly-added clean energy power for the same period; and (c) the Group's plan to streamline its financial vendor management through engaging selected non-bank financial institution(s) to enhance management efficiency.



BEH Finance is under the supervision of China Banking and Insurance Regulatory Commission. In the past years, it has maintained satisfactory operating results and financial position with good risk control and well-regulated management to ensure the safety of fund deposits. BEH Finance provides deposit and other financial services to its member units, which facilitates settlement between all member units, shortens the time for fund transfer and turnover, and helps reduce capital costs and maximize operating efficiency.

BEH Finance is subject to Measures for the Administration of Finance Companies of Enterprise Groups\*《企業集團財務公司管理辦法》(the “**Administrative Measures**”) promulgated by China Banking and Insurance Regulatory Commission which regulates the non-bank financial institutions which provide financial services to the enterprise group member entities.

As advised by BEH Finance, BEH Finance complied with the financial ratio requirements stipulated in the Administrative Measures for the three years ended 31 December 2021 and there was no non-compliance with applicable laws and regulations of the PRC. The Directors are not aware of any record of non-compliance with the relevant laws and regulations of the PRC in respect of the operations of BEH Finance in the three years ended 31 December 2021.

For the Company’s continuous monitoring of the financial conditions of BEH Finance during the term of the 2023-2025 Financial Services Framework Agreement, the Finance Department will from time to time review the financial statements of BEH Finance as disclosed on the website of the National Interbank Funding Centre of the PRC (<http://www.chinamoney.com.cn>). According to applicable regulations, BEH Finance is required to disclose (i) its balance sheet as at year end of the previous year and its income statement for the previous year by 15 January each year, (ii) its balance sheet as at 30 June of the year and its income statement for the six months from January to June of the year by 15 July each year, and (iii) its audited annual financial statements and audit report as audited by a certified public accountant (including but not limited to the full text of the audit opinion, audited balance sheet, audited income statement and notes to financial statements) by 30 April each year. Moreover, as stated above, according to applicable regulations, BEH Finance is required to satisfy certain financial ratio requirements as stipulated in the Administrative Measures. BEH Finance has agreed to promptly inform the Company in writing of any material non-compliance by BEH Finance with any applicable laws or regulations which may affect the Group.

The deposit(s) to be placed by the Company with BEH Finance will be repayable on demand pursuant to applicable regulations.

Since BEH Finance only provides financial services to its member units and has extensive understanding of the Group's business operations and development, and capital requirements, BEH Finance can provide the Group with flexible and convenient services that are more in line with specific customized needs at any time, enabling the Group to obtain financial services from a stable source in its daily course of business.

Moreover, the operations of the Group requires flexible and diversified financial services. As the terms (including interest rates and commission charged) in respect of financial services contemplated under the 2023-2025 Financial Services Framework Agreement shall be no less favourable than the terms offered by major independent commercial banks or financial institutions in the PRC for provision of similar services to the Group, and considering that the 2023-2025 Financial Services Framework Agreement does not prevent the Group from obtaining services from other commercial banks or financial institutions, the Group may still at its discretion to choose other major independent commercial banks in the PRC as it considers appropriate and beneficial to the Group as its financial service provider. Therefore, the 2023-2025 Financial Services Framework Agreement allows the Group to enjoy benefits and flexibility of diversified financing channels without posing any adverse effect on the assets and liabilities of the Group.

In addition to the above, the Directors are of the view that the Company's exposure to credit and counterparty risks under the 2023-2025 Financial Services Framework Agreement is limited as, as advised by BEH Finance, (1) BEH Finance is a regulated entity and it complied with the financial ratio requirements stipulated in the Administrative Measures for the three years ended 31 December 2021; (2) BEH Finance did not have any non-performing loans for the three years ended 31 December 2021; (3) the lowest capital adequacy ratio of BEH Finance for the three years ended 31 December 2021 was approximately 19.72%, which was significantly higher than the requirement applicable to commercial banks in the PRC (8%); and (4) BEH's undertaking to provide financial support to BEH Finance in case the latter has urgent capital needs.

Having considered the above, the Directors (excluding the independent non-executive Directors, whose opinion on the 2023-2025 Financial Services Framework Agreement and the transactions contemplated thereunder will be set forth in the circular by reference to the advice from the Independent Financial Adviser in this regard) are of the view that the 2023-2025 Financial Services Framework Agreement and its proposed annual caps have been negotiated on arm's length basis and (i) is entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

In view of the reasons and benefits discussed above, the Board is not aware of any disadvantages to the Company on the transactions contemplated under the 2023-2025 Financial Services Framework Agreement.

As Mr. Zhao Bing (the non-executive Director) and Mr. Su Yongjian (the non-executive Director) were the senior management of BEH, they had abstained from voting on the Board resolutions approving the 2023-2025 Financial Services Framework Agreement and the transactions contemplated thereunder. Save and except for the aforesaid, none of the Directors has any material interest in the 2023-2025 Financial Services Framework Agreement and was required to abstain from voting on the Board resolutions in relation to the 2023-2025 Financial Services Framework Agreement.

## **INTERNAL CONTROL MEASURES**

To safeguard the interests of our Shareholders as a whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions under the 2023-2025 Financial Services Framework Agreement, which include the followings:

- Before entering into any new deposit arrangements with BEH Finance, the Finance Department shall be responsible for obtaining quotes from at least two other independent commercial banks in the PRC for similar deposit services and similar duration. Those quotes, together with the quote from BEH Finance, will be reviewed to ensure that the deposit rate and terms for the Company's deposit with BEH Finance are on normal commercial terms or better, and not lower than the interest rate and terms offered by major independent commercial banks in the PRC and the People's Bank of China. The quote from BEH Finance has to pass the internal approval process of the Company before it can be accepted;
- The Finance Department shall regularly check the relevant interest rates and other financial service fees by comparing the deposit interest rates, loan interest rates quoted by other major independent commercial banks in the PRC as well as service fees charged for other financial services to ensure that the transactions are conducted in accordance with the pricing policies agreed under the 2023-2025 Financial Services Framework Agreement;
- The Finance Department shall be responsible for closely monitoring the balance of the deposits of the Group with BEH Finance on a daily basis, and monitoring the Group's daily maximum deposit balance and total interest receivable from these deposits to ensure that the relevant amount will not exceed the annual cap;
- BEH Finance shall set up and maintain 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 anytime on any day; and

- The independent non-executive Directors will conduct annual review of the transactions in relation to the deposit services and other financial services under the 2023-2025 Financial Services Framework Agreement (including the rates and fees charged in respect of the transactions) and provide annual confirmations in the Company's annual report(s) in accordance with the Listing Rules that the transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and the terms are fair and reasonable and in the interests of the Shareholders as a whole.

## **2022-2025 FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT**

The principal terms of the 2022-2025 Finance Lease Business Framework Agreement are summarised as follows:

|   |  |
|---|--|
| Date:   | 17 November 2022 (after trading hours)   |
| Parties:  | (i) the Company<br><br>(ii) Beijing Jingneng Leasing   |
| Term of the agreement:                              | The 2022-2025 Finance Lease Business Framework Agreement is subject to the approval of the Independent Shareholders at the SGM and shall be effective for three years from 1 December 2022 until 30 November 2025. Subject to compliance with the requirements under relevant laws and the Listing Rules, the 2022-2025 Finance Lease Business Framework Agreement may be extended for no more than three years upon mutual agreement of the parties.  |
| Scope of finance lease services and pricing policy: | Pursuant to the 2022-2025 Finance Lease Business Framework Agreement, Beijing Jingneng Leasing and/or its associate companies will provide financial leasing services, including but not limited to, direct leasing and sales and leaseback services to the Group in accordance with normal commercial terms and the interest rate determined thereby must not higher than market interest rate. It is anticipated that assets which would be subject to finance leases contemplated under the 2022-2025 Finance Lease Business Framework Agreement include power generation equipment for clean energy. |

**(1) Direct leasing services**

Upon the requests or instructions of the Group, Beijing Jingneng Leasing and/or its associate companies will provide financial leasing solutions to the Group for the purchase of equipment, and will make the payment for the equipment to the suppliers in accordance with the conditions set by the Group and charge the Group lease rental for the equipment according to the schedule. All lease rental will be settled by the Group in cash.

**(2) Sales and leaseback services**

According to the financing needs of the Group, Beijing Jingneng Leasing and/or its associate companies will purchase equipment owned by the Group that meet the requirements of leaseback business to the extent permitted by law, and lease such equipment back to the Group and charge the Group lease rental. All lease rental will be settled by the Group in cash.

**HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS**

**Historical transaction amounts in relation to financial leasing services (both direct leasing and sales and leaseback arrangements) provided by Beijing Jingneng Leasing and/or its associates**

|                                | <b>For the year<br/>ended<br/>31 December<br/>2020<br/>(RMB'million)</b> | <b>For the year<br/>ended<br/>31 December<br/>2021<br/>(RMB'million)</b> | <b>For the<br/>nine months<br/>ended<br/>30 September<br/>2022<br/>(RMB'million)</b> |
|--------------------------------|--|--|--|
| Historical transaction amounts | Nil  | Nil  | 456  |

## **Proposed annual caps under the 2022-2025 Finance Lease Business Framework Agreement**

|                      | <b>For the<br/>one month<br/>ending<br/>31 December<br/>2022<br/>(RMB'million)</b> | <b>For the year<br/>ending<br/>31 December<br/>2023<br/>(RMB'million)</b> | <b>For the year<br/>ending<br/>31 December<br/>2024<br/>(RMB'million)</b> | <b>For the<br/>eleven months<br/>ending<br/>30 November<br/>2025<br/>(RMB'million)</b> |
|----------------------|--|---|---|--|
| Proposed annual caps | 1,000  | 4,000   | 5,000   | 6,000  |

### **BASIS FOR THE PROPOSED ANNUAL CAPS AND REASONS FOR AND BENEFITS OF ENTERING INTO 2022-2025 FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT**

The proposed annual caps under the 2022-2025 Finance Lease Business Framework Agreement, which includes principal amount, lease interests and handling fees, will be determined by the Group and Beijing Jingneng Leasing and/or its associate companies after arm's length negotiations and with reference to the market price of the same type of finance lease assets. The proposed annual caps were determined after taking into account, among other things,

#### **(1) Scale of the upcoming power generation projects in construction**

As at the date of this announcement, the Company expects that the annual installed capacities of newly-added clean energy power in relation to leasing arrangements will amount to approximately 1,200MW, 1,250MW and 1,500MW for the years ending 31 December 2023, 2024 and for the eleven months ending 30 November 2025 respectively. Moreover, the Company expects that it will enter into new sales and leaseback arrangements with Beijing Jingneng Leasing for four clean energy projects of approximately RMB711 million for the one month ending 31 December 2022.

#### **(2) Historical financial requirements of power generation projects**

The power generation business is a capital-intensive business and further business development and expansion of the Group requires a lot of capital. Historically, the financing requirements of the Group for power generation projects in relation to leasing arrangements entered in 2022 amounted to approximately RMB3.15 million per MW and the Company expects there will be approximately 5% increment annually from 2024.

**(3) Sales and leaseback services to be provided by Beijing Jingneng Leasing based on existing lease**

The Company expects that the estimated demand of sales and leaseback services to be provided by Beijing Jingneng Leasing based on existing lease will amount to approximately RMB206 million for the one month ending 31 December 2022 and approximately RMB495 million for the year ending 31 December 2024.

**(4) Expected interest to be incurred under the 2022-2025 Finance Lease Business Framework Agreement**

As at 30 September 2022, there are 109 power plants beneficially owned by the Group with an aggregate installed capacity of approximately 5,017.37MW comparing with 61 power plants and an aggregate installed capacity of approximately 2,070.40MW as at 31 December 2020. The entering into the 2022-2025 Finance Lease Business Framework Agreement will facilitate the Group's growing capital needs in associate with the rapid development of the Group. The entering into the 2022-2025 Finance Lease Business Framework Agreement will continue to enable the Company to control financing risk and financing cost in its course of investing in new projects and satisfy the Company's demand of funds for purchasing power generation equipment in the early phase construction of the project and satisfy the Company's demand of funds for project management and operation in a timely manner.

Having considered the above, the Directors (excluding the independent non-executive Directors, whose opinion on the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder will be set forth in the circular by reference to the advice from the Independent Financial Adviser in this regard) are of the view that the 2022-2025 Finance Lease Business Framework Agreement and its proposed annual caps have been negotiated on arm's length basis and (i) is entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

In view of the reasons and benefits discussed above, the Board is not aware of any disadvantages to the Company on the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement.



As Mr. Zhao Bing (the non-executive Director) and Mr. Su Yongjian (the non-executive Director) were the senior management of BEH, they had abstained from voting on the Board resolutions approving the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder. Save and except for the aforesaid, none of the Directors has any material interest in the 2022-2025 Finance Lease Business Framework Agreement and was required to abstain from voting on the Board resolutions in relation to the 2022-2025 Finance Lease Business Framework Agreement.

## **FINANCIAL EFFECTS OF THE 2022-2025 FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT**

Consistent with the historical accounting treatment of its previous transactions that were of the same nature, the Company will not recognize the arrangements under the 2022-2025 Finance Lease Business Framework Agreement as rights-of-use asset pursuant to HKFRS 16.

Direct leasing under the 2022-2025 Finance Lease Business Framework Agreement is in substance a financing arrangement rather than a lease transaction under “HKFRS 16 Leases”. Payment would be made directly by Beijing Jingneng Leasing to the supplier designated by the Group for the purchase of equipment. The Group is responsible for the overall acceptability of the underlying assets and bears the related risk and rewards on the conditions of the underlying assets since the initial purchase of equipment with supplier. Charges in connection with direct leasing by Beijing Jingneng Leasing is in substance the principal and interests for such financing activity. Upon maturity of such direct leasing pursuant to the prescribed repayment schedule or early repayment, the Group will be entitled to purchase the assets at a nominal consideration. The Group is able to control the equipment throughout their entire economic life. Accordingly, the Group will recognize, at the time of the transfer of such equipment from the supplier initially, the asset as an addition to property, plant and equipment (construction-in-progress), applying “HKAS 16 Property, plant and equipment” while the liability as a loan from leasing company applying “HKFRS 9 Financial instruments”.



The sales and leaseback services under the 2022-2025 Finance Lease Business Framework Agreement are in substance a financing arrangement rather than a lease transaction under “HKFRS 16 Leases”. Under the arrangement, Beijing Jingneng Leasing will purchase the equipment owned by the Group and then leaseback to the Group for rentals. Upon maturity, the Group will be entitled to purchase back the assets at a nominal consideration. As substantial risks and rewards of such assets are retained by the Group before and after these arrangements, the transaction will not satisfy the requirement of “HKFRS 15 Revenue” to be accounted for as a sale of an asset. According to HKFRS 16.103(a), the seller-lessee shall continue to recognize the transferred asset and a recognition of financial liability applying “HKFRS 9 Financial instruments” for the cash received.

## **INTERNAL CONTROL MEASURES**

To safeguard the interests of the Shareholders as a whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement, which include the following:

### **Comparison of with independent quotations**

The Finance Department is responsible for collecting and monitoring the information under the 2022-2025 Finance Lease Business Framework Agreement. Prior to entering into individual leasing contracts under the 2022-2025 Finance Lease Business Framework Agreement, the Finance Department will compare the major terms and financing costs associated with such arrangements to the major terms provided and financing costs charged by at least two independent third parties which provide finance leasing of a similar scale and nature in the PRC. It is intended that the Group will be sourcing such quotes from independent third parties whose operational scale and financial position are at least comparable to those of Beijing Jingneng Leasing having a track record of at least one year in providing similar leasing services. Officers handling the relevant matters shall submit a report to the head of the Finance Department and the chief financial officer of the Group for approval, which is subject to the preliminary and final review by them based on the relevant rules and regulations.

## **Pricing terms and mechanism**

The Finance Department and other relevant operation departments of the Group are jointly responsible for conducting reviews on compliance with relevant laws, regulations, the Group's internal policies and the Listing Rules in respect of both continuing connected transactions and connected transactions. They are also jointly responsible for evaluating the transaction terms under each underlying agreement of the 2022-2025 Finance Lease Business Framework Agreement, in particular, the fairness and reasonableness of the pricing terms under each agreement.

## **Ongoing monitoring of terms and annual caps**

Independent non-executive Directors have also reviewed and will continue to review the terms of the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder to ensure that the agreements are entered into on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

The Finance Department will monitor the leasing transactions under the 2022-2025 Finance Lease Business Framework Agreement on a regular basis. In particular, the Finance Department will be in close contact with the Group's business teams responsible for leasing so that the Finance Department will be able to reasonably anticipate the expected transaction amount in advance. With the benefit of time and communication, the Finance Department will monitor and assess whether the annual cap is expected to be exceeded based on proposed transactions to be entered into, and where necessary, elevate such issue to the Board with proposed revised annual caps and such other relevant information so that the Board will be in a position to consider and, where applicable, comply with applicable Listing Rules in connection with such revised annual caps.

Independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the 2022-2025 Finance Lease Business 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 agreements and the Group's pricing policy measures, and to confirm if the price and terms offered are fair and reasonable and comparable to those offered by unrelated third parties.

## **INFORMATION ON THE PARTIES**

The Company is a company incorporated in Bermuda with limited liability and is an investment holding company operating its business through its subsidiaries. The Group is principally engaged in the development, investment, operation and management of power plants and other clean energy projects.

Beijing Jingneng Leasing is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of BEH. It is primarily engaged in providing financial leasing services to the public and members of the BEH group.

BEH Finance is a company established in the PRC with limited liability and is a subsidiary of BEH. As at the date of this announcement, it is held as to 60% by BEH, 20% by Beijing Jingneng Clean Energy Co., Limited, a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange (stock code: 579) and 20% by Beijing Jingneng Power Co., Ltd., a joint stock company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (stock code: 600578). Within its business scope, BEH Finance provides its member units with financial services including but not limited to financial consultation, payment, insurance agency, bill acceptance and discounting and entrusted loans.

BEH is a company established in the PRC with limited liability which principally engages in the businesses of generation and supplying of electricity and heat, production and sale of coal and development of real estate. It is a state-owned company in the PRC indirectly wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. BEH is the controlling shareholder of the Company, indirectly holding approximately 32% of the issued share capital of the Company. Therefore, BEH is a connected person of the Company under the Listing Rules.

## **IMPLICATIONS UNDER LISTING RULES**

### **2023-2025 Financial Services Framework Agreement**

As BEH Finance is a subsidiary of BEH, the controlling shareholder of the Company, BEH Finance is a connected person of the Company. Accordingly, the 2023-2025 Financial Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The loan services to be provided by BEH Finance to the Group are on normal commercial terms or better and no security over the assets of the Group will be made in respect of such loan services. Accordingly, such loan services are exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As the highest applicable percentage ratio in respect of the deposit services contemplated under the 2023-2025 Financial Services Framework Agreement exceeds 25%, the deposit services constitute a major transaction and continuing connected transaction of the Company which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapters 14 and 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of other financial services contemplated under the 2023-2025 Financial Services Framework Agreement exceeds 0.1% but is less than 5%, the other financial services constitute a continuing connected transaction of the Company which is subject to the reporting, announcement and annual review requirements but are exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **2022-2025 Finance Lease Business Framework Agreement**

As Beijing Jingneng Leasing is a subsidiary of BEH, the controlling shareholder of the Company, Beijing Jingneng Leasing is a connected person of the Company.

#### ***Direct leasing services***

The transactions under the 2022-2025 Finance Lease Business Framework Agreement in respect of direct leasing services will be recognized as acquisition of assets. As the highest applicable percentage ratio exceeds 100%, the transactions under the 2022-2025 Finance Lease Business Framework Agreement in respect of direct leasing services constitute (i) a continuing connected transaction of the Company which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules and (ii) very substantial acquisition of the Company which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### ***Sales and leaseback services***

The transactions under the 2022-2025 Finance Lease Business Framework Agreement in respect of sales and leaseback services constitute financial assistance received by the Group. As the highest applicable percentage ratio exceeds 5%, the receiving of financial assistance under the 2022-2025 Finance Lease Business Framework Agreement constitute a continuing connected transaction of the Company which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

In addition, the transfers of legal ownership of the leased assets under the sales and leaseback services of the 2022-2025 Finance Lease Business Framework Agreement constitute disposal of assets. As the highest applicable percentage ratio exceeds 75%, such transactions constitute very substantial disposal of the Company which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **GENERAL**

The Company will convene a SGM to seek Independent Shareholders' approval on the 2023-2025 Financial Services Framework Agreement, the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder. All Shareholders who have a material interest in any of the transactions contemplated by the 2023-2025 Financial Services Framework Agreement and the 2022-2025 Finance Lease Business Framework Agreement, together with their associates, will be required to abstain from voting at the SGM.

As BEH Finance and Beijing Jingneng Leasing are subsidiaries of BEH, each of BEH, BEH Finance, Beijing Jingneng Leasing and their respective associates are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Jin Xinbin, Ms. Li Hongwei and Mr. Zhu Jianbiao to advise the Independent Shareholders on the deposit services under the 2023-2025 Financial Services Framework Agreement and the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement. None of the members of the Independent Board Committee has any interest in the 2023-2025 Financial Services Framework Agreement, the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the deposit services under the 2023-2025 Financial Services Framework Agreement and the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement. The Independent Board Committee will form its view after obtaining and considering the advice from the Independent Financial Adviser.

A circular containing, among other things, (i) details of the deposit services under the 2023-2025 Financial Services Framework Agreement and the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) notice of SGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 9 December 2022 as the Company needs more time to prepare and finalize information to be included in the circular.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

|  |   |
|--|---|
| “2022-2025 Finance Lease Business Framework Agreement” | the finance lease business framework agreement entered into on 17 November 2022 between the Company and Beijing Jingneng Leasing  |
| “2023-2025 Financial Services Framework Agreement”     | the financial services framework agreement entered into on 17 November 2022 between the Company and BEH Finance   |
| “associate(s)”   | has the meanings ascribed to it under the Listing Rules   |
| “BEH”  | Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), a company established in the PRC with limited liability and a controlling shareholder of the Company holding 7,176,943,498 Shares of the Company, representing approximately 32% of the issued share capital of the Company |
| “BEH Finance”  | BEH Finance Co., Ltd* (京能集團財務有限公司), a company established in the PRC with limited liability, which is a subsidiary of BEH and hence a connected person of the Company   |
| “Beijing Jingneng Leasing”                             | Beijing Jingneng Financial Leasing Co., Ltd.* (北京京能融資租賃有限公司), a company established in the PRC with limited liability, which is a subsidiary of BEH and hence a connected person of the Company   |

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|---|---|
| “Board”   | the board of Directors of the Company   |
| “Company”   | Beijing Energy International Holding Co., Ltd., a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 686)  |
| “connected person(s)”                             | has the meanings ascribed to it under the Listing Rules   |
| “Director(s)”                                     | director(s) of the Company  |
| “Finance Department”                              | the financial management department of the Group  |
| “Financial Services Framework Agreement”          | the financial services framework agreement entered into on 3 July 2020 between the Company and BEH Finance  |
| “Gram Capital” or “Independent Financial Adviser” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the deposit services under the 2023-2025 Financial Services Framework Agreement and the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement |
| “Group”   | the Company and its subsidiaries  |
| “HK\$”  | Hong Kong dollars, the lawful currency of Hong Kong   |
| “HKAS”  | Hong Kong Accounting Standards  |
| “HKFRS”   | Hong Kong Financial Reporting Standards   |
| “Hong Kong”                                       | the Hong Kong Special Administrative Region of the PRC  |



|                                    |  |
|------------------------------------|--|
| “Independent Board Committee”      | an independent committee of the Board, comprising all independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the deposit services under the 2023-2025 Financial Services Framework Agreement and the transactions contemplated under the 2022-2025 Finance Lease Business Framework Agreement                    |
| “Independent Shareholders”         | Shareholders other than BEH, BEH Finance, Beijing Jingneng Leasing and their respective associates who are required under the Listing Rules to abstain from voting at the SGM for the resolution approving the 2023-2025 Financial Services Framework Agreement, the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder |
| “Listing Rules”                    | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time  |
| “MW”                               | megawatts, which equals 1,000,000 watts  |
| “PRC”                              | the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |
| “RMB”                              | Renminbi, the lawful currency of the PRC   |
| “SGM” or “Special General Meeting” | the special general meeting of the Company to be convened for considering and, if thought fit, approving the 2023-2025 Financial Services Framework Agreement, the 2022-2025 Finance Lease Business Framework Agreement and the transactions contemplated thereunder   |
| “Share(s)”                         | ordinary share(s) of HK\$0.1 each in the share capital of the Company  |
| “Shareholder(s)”                   | holder(s) of issued Share(s) of the Company  |
| “Stock Exchange”                   | The Stock Exchange of Hong Kong Limited  |



“%”

per cent

For and on behalf of  
**Beijing Energy International Holding Co., Ltd.**  
**Zhang Ping**  
*Chairman of the Board*

Hong Kong, 17 November 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Zhang Ping (Chairman) and Mr. Lu Zhenwei; the non-executive directors of the Company are Mr. Zhao Bing, Mr. Su Yongjian, Mr. Li Hao and Mr. Lu Xiaoyu; and the independent non-executive directors of the Company are Ms. Jin Xinbin, Ms. Li Hongwei and Mr. Zhu Jianbiao.*

\* *For identification purposes only*