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If you are in any doubt as to any aspect of this circular or as to the action you should take, 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 Energy International Holding Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

POTENTIAL MAJOR TRANSACTION AND CONNECTED TRANSACTION PROPOSED ESTABLISHMENT OF THE ABS PROGRAM AND PROPOSED ISSUANCE OF THE ABS TO BE MANAGED BY CMAM; RE-ELECTION OF RETIRING DIRECTOR; AND NOTICE OF SPECIAL GENERAL MEETING

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



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out from pages 5 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 16 to 17 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 34 of this circular.

A notice convening a SGM to be held at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (with a branch venue at 12/F, Building 7, Sanfeng North Lane, Chaoyang District, Beijing, PRC) on Thursday, 15 December 2022 at 11:00 a.m. is set out on pages 47 to 49 of this circular.

A form of proxy for the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the ongoing COVID-19 pandemic, the following precautionary measures will be implemented at the SGM for the sake of health and safety of our Shareholders, Directors, staff, stakeholders and other participants, including without limitation:

- (1) Compulsory body temperature checks
- (2) Filling and submission of health declaration form
- (3) Wearing of surgical face mask
- (4) No provision of refreshments or drinks

Any person who does not comply with the precautionary measures referred to items no. (1) to (3) above, with body temperature above 37.2 degree Celsius, has any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine, may be denied entry into the SGM venue. The Company encourages Shareholders to appoint the chairman of the meeting as their proxy to vote according to their indicated voting instructions on the resolutions at the SGM as an alternative to attending the SGM in person to exercise their voting rights at the SGM. The Company will continue to review the COVID-19 pandemic situation and related prevention and control policies, and may implement further precautionary measures and may make relevant adjustments and arrangements for the SGM accordingly. Further announcement will be issued as and when appropriate.

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DEFINITIONS

In this circular, unless the context specifies otherwise, the following expressions shall have the meanings stated below:

“ABS”	the asset-backed securities issued under the ABS Program
“ABS Program”	the asset-backed securities program to be launched by BEIED and to be managed by CMAM and Ping An Securities
“Asset Sale and Purchase Agreement”	the asset sale and purchase agreement to be entered into between BEIED, as the vendor and original interest owner, and CMAM, as the purchaser and project manager of the ABS Program in relation to the sale of the Underlying Assets as at the Benchmark Date
“associate(s)”	has the meaning 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, representing approximately 32% of the issued share capital of the Company as at the Latest Practicable Date
“BEIED”	BEI Energy Development (Beijing) Co., Ltd.* (京能國際能源發展(北京)有限公司), a company established in the PRC with limited liability and an indirect subsidiary of the Company
“BEJN”	BEJN International Holding Co., Ltd.* (北京京能國際控股有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Benchmark Date”	30 June 2022
“Board”	the board of Directors of the Company
“Bye-Laws”	the bye-laws of the Company
“China Merchants Securities”	China Merchants Securities Co., Ltd. (招商證券股份有限公司), a joint stock company established in the PRC with limited liability

DEFINITIONS

“close associates”	has the meaning ascribed to it under the Listing Rules
“CMAM”	China Merchants Securities Assets Management Co., Ltd.* (招商證券資產管理有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of China Merchants Securities
“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 meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	Director(s) of the Company
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders on the Asset Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Jin Xinbin, Ms. Li Hongwei and Mr. Zhu Jianbiao, established for the purpose of advising the Independent Shareholders on the Asset Sale and Purchase Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	the shareholders of the Company, other than China Merchants Securities, China Merchants Group Limited and their respective close associates who are required under the Listing Rules to abstain from voting at the SGM for the resolution approving the Asset Sale and Purchase Agreement and the transactions contemplated thereunder
“independent third party(ies)”	persons who themselves (and in the case of any corporate entities, their ultimate beneficial owners) are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, third parties independent of, and not connected with, the Company and its connected persons
“Latest Practicable Date”	28 November 2022, 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, as amended, supplemented or otherwise modified from time to time
“Nomination Committee”	the nomination committee of the Company
“Ping An Securities”	Ping An Securities Co., Ltd.* (平安證券股份有限公司), a joint stock company established in the PRC with limited liability
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Service Agreement”	the service agreement to be entered into between CMAM and BEJN in relation to the management services to be provided by CMAM for the ABS Program
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“SGM” or “Special General Meeting”	the special general meeting of the Company to be convened at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (with a branch venue at 12/F, Building 7, Sanfeng North Lane, Chaoyang District, Beijing, PRC) on Thursday, 15 December 2022 at 11:00 a.m. or any adjournment thereof, and the notice of which is attached to this circular
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s) of the Company
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Underlying Assets”	the Underlying Assets include the present and future, actual and the following contingent rights and interests of the new energy subsidiaries of BEIED as at the Benchmark Date as set out in the Asset Sale and Purchase Agreement: (i) the accounts receivables of BEIED in respect of renewable energy subsidies and other related revenues (which include but not limited to the overdue deferment charge, default amount and damages if applicable); (ii) the right to request, sue, recover and receive all amounts in relation to the entitlement to receive the renewable energy subsidies; and (iii) the interests from the commitment in relation to the entitlement to receive the renewable energy subsidies as well as all the rights and the legal remedies rights to enforce the entitlement to receive the renewable energy subsidies
“%”	per cent

* *In this circular, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Ping (*Chairman*)

Mr. Lu Zhenwei

Non-executive Directors:

Mr. Zhao Bing

Mr. Su Yongjian

Mr. Li Hao

Mr. Lu Xiaoyu

Independent Non-executive Directors:

Ms. Jin Xinbin

Ms. Li Hongwei

Mr. Zhu Jianbiao

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal Place of Business in Hong Kong:

Unit 1012, 10/F.

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

30 November 2022

To the Shareholders

Dear Sir or Madam,

**POTENTIAL MAJOR TRANSACTION AND
CONNECTED TRANSACTION
PROPOSED ESTABLISHMENT OF THE ABS PROGRAM
AND PROPOSED ISSUANCE OF THE ABS
TO BE MANAGED BY CMAM;
RE-ELECTION OF RETIRING DIRECTOR;
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 15 November 2022 in respect of the proposed establishment of the ABS Program and proposed issuance of the ABS to be managed by CMAM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details in relation to the Asset Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Asset Sale and Purchase Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Asset Sale and Purchase Agreement and the transactions contemplated thereunder; (iv) information on re-election of the retiring Director; (v) a notice of the SGM; and (vi) other information required under the Listing Rules, to enable you to make an informed decision on whether to vote for or against those resolutions at the SGM.

2. PROPOSED ESTABLISHMENT OF THE ABS PROGRAM

The Board is pleased to announce that BEIED proposes to launch the ABS Program on the SSE, pursuant to which, the ABS will be issued and managed by CMAM and Ping An Securities, respectively, at different phases and with different underlying assets of accounts receivables of new energy subsidies. The ABS which are backed by the revolving underlying assets of accounts receivables of new energy subsidies will be issued to qualified investors in the PRC.

The ABS Program will adopt a shelf offering model with a total registration size of RMB5,000 million to be approved by the SSE. The total registration size of RMB5,000 million is the maximum amount of the ABS that can be issued by BEIED under the ABS Program, which represents the SSE's approval of the Company's capability in terms of the ABS Program based on its own assessment of the Company's financial conditions and needs. The total registration size does not impose a mandatory requirement on BEIED to fully utilise the maximum amount. The current proposed issue size of the ABS is expected to be RMB3,000 million, which will be backed by revolving underlying assets of accounts receivables of new energy subsidies, which arise from the electricity purchase and sale contracts entered into by different new energy project companies of the Group. Under the shelf offering model, China Merchants Securities will lead and CMAM will manage the issuance of the ABS in the size of approximately RMB2,100 million in December 2022. The remaining amount of approximately RMB900 million under the shelf offering is expected to be issued by Ping An Securities in December 2022, pursuant to which, BEIED will enter into an asset sale and purchase agreement with Ping An Securities for disposal of additional underlying assets of accounts receivables of new energy subsidies. The Company will comply with the relevant requirements of the Listing Rules and make further announcement when such plan is more concrete. In the event that further issue plan in relation to the remaining RMB2,000 million under the total registration size is materialised, further announcement(s) will be made by the Company in respect thereof in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

For the purpose of the ABS Program and at different phases of issuance, BEIED, as the vendor and original interest owner, will transfer the revolving underlying assets to CMAM and Ping An Securities acting on behalf of the ABS Program, respectively, pursuant to the respective asset sale and purchase agreements.

BEH undertakes the obligation to pay the shortfall if the Underlying Assets could not be recovered or impaired in the future, which means that the ABS Program has insufficient funds to settle all the expected returns and the principal amounts for the priority tranche of the ABS and all costs of the ABS Program which are outstanding and payable.

3. PROPOSED ISSUANCE OF THE ABS TO BE MANAGED BY CMAM

China Merchants Securities will lead and CMAM will manage an issuance of the ABS in the size of approximately RMB2,100 million in December 2022. The ABS will be classified into priority and subordinated tranches according to their coupon rates and distribution. The book value of the Underlying Assets which will back the issuance of the ABS to be managed by CMAM is expected to be approximately RMB2,300 million. A summary of the material terms for the issuance of the ABS to be managed by CMAM is set out below:

Tranche	Size of issuance (RMB million) (Approximately)	Credit rating by an independent credit rating agency	Coupon rate
Priority	1,995	AAA	expected to be 2.6%-3.2%
Subordinated	105	Not rated	expected to be 7%-10%

For the purpose of the issuance of the ABS to be managed by CMAM, BEIED, as the vendor and original interest owner, will transfer the Underlying Assets to CMAM acting on behalf of the ABS Program pursuant to the Asset Sale and Purchase Agreement. In addition, CMAM will also enter into the Service Agreement with BEJN, pursuant to which CMAM will provide management services for the ABS Program.

Asset Sale and Purchase Agreement

The principal terms of the Asset Sale and Purchase Agreement are summarized below:

Parties

- (i) BEIED, as the vendor and original interest owner; and
- (ii) CMAM, as the purchaser acting on behalf of the ABS Program.

LETTER FROM THE BOARD

Underlying Assets

The Underlying Assets of the Asset Sale and Purchase Agreement include the present and future, actual and the following contingent rights and interests of the new energy subsidies of BEIED as at the Benchmark Date as set out in the Asset Sale and Purchase Agreement: (i) the accounts receivables of BEIED in respect of renewable energy subsidies and other related revenues (which include but not limited to the overdue deferment charge, default amount and damages if applicable); (ii) the right to request, sue, recover and receive all amounts in relation to the entitlement to receive the renewable energy subsidies; and (iii) the interests from the commitment in relation to the entitlement to receive the renewable energy subsidies as well as all the rights and the legal remedies rights to enforce the entitlement to receive the renewable energy subsidies.

The Underlying Assets comprise accounts receivable of government subsidies to be received by the Group's photovoltaics and wind power project companies. Such government subsidies will be paid by the Renewable Energy Development Fund* (可再生能源發展基金) established by relevant PRC government authorities for promoting the development of the new energy industry. Pursuant to the electricity purchase and sale contracts, the Group's photovoltaics and wind power project companies will receive the new energy subsidies as accounts receivables. There is no specific settlement term in terms of the accounts receivables of new energy subsidies in the electricity purchase and sale contracts signed between photovoltaic or wind power project companies of the Group and the grid companies. Based on the Company's previous experiences, such accounts receivables of new energy subsidies are expected to be settled within two to three years. For the purpose of proposed issuance of the ABS to be managed by CMAM, the Company will consider and select the accounts receivables of new energy subsidies which are free from any encumbrances as the Underlying Assets. The Company's PRC legal advisers will review the pledge agreement(s) for each of the government's renewable energy subsidies receivable of the Group's project companies to make sure that the ones included are free of any encumbrances.

The Underlying Assets are related to and are a part of the "tariff adjustment receivables" under "Trade, Bill and Tariff Adjustment Receivables" as shown on the Company's consolidated statement of financial positions in its interim report for the six months ended 30 June 2022.

LETTER FROM THE BOARD

Consideration and Payment Terms

The consideration for the Underlying Assets is approximately RMB2,100 million, which is equivalent to the principal amount of ABS to be managed by CMAM. Subject to the fulfillment of the conditions precedent as set out below, CMAM shall pay the consideration to the designated account of BEIED on the date of establishment of the ABS Program. The consideration was determined by the arm's length negotiations between BEIED and CMAM. The consideration for the Underlying Assets was determined after taking into account the unaudited carrying value of the Underlying Assets of approximately RMB2,300 million as at the Benchmark Date minus the estimated interest payment of approximately RMB196 million and relevant taxes and expenses of approximately RMB7 million under the ABS to be managed by CMAM.

The Directors consider that the terms of the Asset Sale and Purchase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions Precedent

The completion of the Asset Sale and Purchase Agreement is conditional upon the satisfaction or waiver of the following:–

- (i) CMAM has signed and delivered to BEIED the Asset Sale and Purchase Agreement and other relevant documents of the ABS Program;
- (ii) CMAM has received or obtained all permissions, approvals or authorisations required for the fulfilment of its obligations under the Asset Sale and Purchase Agreement and other relevant documents under the ABS Program;
- (iii) BEIED has signed and delivered to CMAM the Asset Sale and Purchase Agreement and other relevant documents of the ABS Program;
- (iv) BEIED has delivered a complete list of Underlying Assets to CMAM on or before the date of establishment of the ABS Program or revolving purchase date (if applicable);
- (v) CMAM has received copies of the latest business license and articles of association of BEIED;
- (vi) BEIED has received or obtained all approvals, permissions or authorisations required for the fulfilment of its obligations under the Asset Sale and Purchase Agreement;
- (vii) the ABS Program is established in accordance with the conditions set out under the standard clauses under the ABS Program;

LETTER FROM THE BOARD

- (viii) as at the date of payment of consideration by CMAM to BEIED, BEIED has not breached any representations and warranties made under the Asset Sale and Purchase Agreement or other documents under the ABS Program;
- (ix) CMAM has completed satisfactory due diligence results on the Underlying Assets; and
- (x) the status of the Underlying Assets meet the requirements as set out in the Asset Sale and Purchase Agreement.

Completion

Subject to the above conditions precedents, upon payment of the consideration by CMAM to BEIED, BEIED and CMAM shall sign the completion confirmation to transfer the Underlying Assets to CMAM. The execution of the completion confirmation shall be considered as a confirmation of the completion of the sale and purchase of the Underlying Assets between BEIED and CMAM acting on behalf of the ABS Program.

The Service Agreement

CMAM as the project manager of the ABS Program will enter into the Service Agreement with BEJN, pursuant to which, CMAM will provide management service for the ABS Program and will receive a service fee from BEJN under the Service Agreement.

The service fee payable by BEJN under the Service Agreement is expected to be approximately RMB630,000, which is determined by arm's length negotiations between BEJN and CMAM with reference to issue size of the ABS, the relevant PRC regulations and the prevailing market rate in relation to service fee payable to a project manager in an asset securitization project.

LETTER FROM THE BOARD

4. FINANCIAL IMPACT AND USE OF PROCEEDS FROM THE FIRST PHASE OF ISSUANCE OF ABS

Immediately upon the completion of the Assets Sale and Purchase Agreement for the issuance of the ABS to be managed by CMAM, BEIED will cease to have rights or interests in the Underlying Assets. It is expected that the Company will realize a net loss of approximately RMB200 million from this phase of issuance of the ABS, which represents the difference between the proceeds from the issuance of the ABS of RMB2,100 million and the unaudited carrying value of the Underlying Assets of approximately RMB2,300 million as at the Benchmark Date. The proceeds received from the issuance of the ABS will be used for the daily operations of the Group.

5. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board believes that the issuance of the ABS under the ABS Program can diversify the Group's fund-raising channels to access low-cost capital, which in turn can be used to improve the financing structure of the Group and promote its operating activities and investments. It also allows the Group to meet liquidity development needs and therefore increase capital use efficiency and enhance operational capabilities for the Group. Upon the completion of the issuance of ABS, the Directors believe that it will accelerate the overall turnover of the Group's assets and increase the overall revenue generated. Furthermore, the proposed transfer of the Underlying Assets through this arrangement will accelerate the collection of the accounts receivables of the Group. In addition, CMAM provides a full range of asset management services and has built up significant competitive advantages. The Directors believe that the proposed issuance of the ABS to be managed by CMAM, meeting the current requirements and circumstances of the Group, would enable the Group to benefit from the expertise, experience and resources of CMAM.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Asset Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

6. INFORMATION OF 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.

BEIED is a company established in the PRC with limited liability and an indirect subsidiary of the Company. It is principally engaged in the investment, development and operation of solar energy and other clean energy.

CMAM is a company established in the PRC with limited liability and is principally engaged in entrusted management of client's funds, issuance of asset management products and asset management related consultation business. CMAM is a direct wholly-owned subsidiary of China Merchants Securities, which is a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed on the main board of the Stock Exchange (stock code: 6099) and on the SSE (stock code: 600999), respectively.

As Mr. Lu Zhenwei, being an executive Director, is a director of several companies controlled by the holding company of China Merchants Securities, he had abstained from voting on the Board resolution approving the proposed issuance of the ABS to be managed by CMAM (including the Asset Sale and Purchase Agreement and the transactions contemplated thereunder).

Save and except for the aforesaid, none of the Directors has any material interest or was required to abstain from voting on the Board resolution in relation to the proposed establishment of the ABS Program and the proposed issuance of the ABS to be managed by CMAM (including the Asset Sale and Purchase Agreement and the transactions contemplated thereunder).

7. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Asset Sale and Purchase Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the Asset Sale and Purchase Agreement and the transactions contemplated thereunder constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio for the service fees receivable by CMAM under the Service Agreement is less than 0.1%, it will constitute a de minimis transaction and will be fully exempt from reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CMAM is a direct wholly-owned subsidiary of China Merchants Securities, which is an associate of China Merchants Group Limited, a substantial Shareholder of the Company (together with parties acting in concert) holding 3,442,019,329 Shares, representing approximately 15.35% of the issued share capital of the Company. Accordingly, CMAM is a connected person of the Company. Therefore, the Asset Sale and Purchase Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the Asset Sale and Purchase Agreement and the transactions contemplated thereunder is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Ms. Jin Xinbin, Ms. Li Hongwei and Mr. Zhu Jianbiao, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Asset Sale and Purchase Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

8. RE-ELECTION OF RETIRING DIRECTORS

Reference is made to the announcement of the Company dated 2 November 2022 in relation to the appointment of Mr. Lu Xiaoyu (“**Mr. Lu**”) as a non-executive Director by the Board.

In accordance with Bye-Law 83(2) of the Bye-Laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election at such meeting. Accordingly, Mr. Lu shall retire and, being eligible, offer himself for re-election at the SGM.

The Nomination Committee, having considered the nomination policy of the Company and taken into account objective criteria, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge, in accordance with the board diversity policy of the Company, as well as the respective contributions of Mr. Lu to the Board and his commitment to his role and position, is of the view that Mr. Lu's respective education background and vast experience in financial management allow him to provide valuable insights and contribute to the diversity of the Board. In view of the above, the Nomination Committee has nominated Mr. Lu to the Board for consideration.

Having considered and reviewed the biographical details of Mr. Lu, the Board accepted the Nomination Committee's nomination and recommended Mr. Lu for re-election by the Shareholders at the SGM. Mr. Lu had abstained from the discussion and voting at the Board meeting regarding his nominations. In view of the above, the Board considers that the re-election of Mr. Lu is in the interests of the Company and the Shareholders as a whole.

The biographical details of the Director who is proposed to be re-elected at the SGM is set out in Appendix III to this circular.

LETTER FROM THE BOARD

9. SPECIAL GENERAL MEETING

A notice convening the SGM is set out on pages 47 to 49 of this circular, at which ordinary resolutions will be proposed for the Shareholders to consider and, if thought fit, to approve the Asset Sale and Purchase Agreement and the transactions contemplated thereunder and the re-election of retiring Director.

All Shareholders who have a material interest in the Asset Sale and Purchase Agreement and the transactions contemplated thereunder, together with their close associates, will be required to abstain from voting on the relevant resolution(s) to be proposed at the SGM. As at the Latest Practicable Date, CMAM is a direct wholly-owned subsidiary of China Merchants Securities, which is a Shareholder of the Company holding 1,397,798,937 Shares, representing approximately 6.23% of the issued share capital of the Company. China Merchants Securities is an associate of China Merchants Group Limited, a substantial Shareholder of the Company (together with parties acting in concert) holding 3,442,019,329 Shares, representing approximately 15.35% of the issued share capital of the Company. Therefore, CMAM is a connected person of the Company under the Listing Rules. As a result, each of China Merchants Securities, China Merchants Group Limited and their respective close associates (together holding 4,839,818,266 Shares, representing approximately 21.58% of the issued share capital of the Company) are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

A form of proxy for use at the SGM is enclosed to this circular and such form of proxy is also published on websites of the HKEXnews (<http://www.hkexnews.hk>) and the Company (<http://www.bjei.com>). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

10. VOTING BY WAY OF POLL

According to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the SGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

11. RECOMMENDATION

The Independent Board Committee after considering the advice from the Independent Financial Adviser, is of the view that the Asset Sale and Purchase Agreement and the transactions contemplated thereunder have been negotiated on arm's length basis and, although not entered into in the ordinary and usual course of business of the Group, are on normal commercial terms or better. The proposed issuance of the ABS to be managed by CMAM (including Asset Sale and Purchase Agreement and the transactions contemplated thereunder) are fair and reasonable and in the interests of the Company and Shareholders as a whole. The Board shared the same view of the Independent Board Committee.

The Board recommends (i) the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Asset Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the SGM; and (ii) the Shareholders to vote in favour of the ordinary resolution in respect of the re-election of retiring Director to be proposed at the SGM.

12. FURTHER INFORMATION

This circular is being distributed to the Shareholders. This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation. Neither this circular nor anything contained herein shall form the basis of any contract or commitment whatsoever.

Your attention is also drawn to the additional information set out in the appendices to this circular.

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



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)

30 November 2022

To the Independent Shareholders

Dear Sir or Madam,

**POTENTIAL MAJOR TRANSACTION AND
CONNECTED TRANSACTION
PROPOSED ESTABLISHMENT OF THE ABS PROGRAM
AND PROPOSED ISSUANCE OF THE ABS
TO BE MANAGED BY CMAM**

We refer to the circular of the Company dated 30 November 2022 (the “**Circular**”) to the Shareholders, of which this letter forms 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 and advise the Independent Shareholders in respect of the Asset Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the Circular.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to the “Letter from the Board” as set out on pages 5 to 15 of the Circular and the “Letter from the Independent Financial Adviser” as set out on pages 18 to 34 of the Circular.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider although the Asset Sale and Purchase Agreement and the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Group but are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in respect of the Asset Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee
Jin Xinbin Li Hongwei Zhu Jianbiao
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

30 November 2022

*To: The independent board committee and the independent shareholders
of Beijing Energy International Holding Co., Ltd.*

Dear Sirs,

POTENTIAL MAJOR TRANSACTION AND CONNECTED TRANSACTION PROPOSED ESTABLISHMENT OF THE ABS PROGRAM AND PROPOSED ISSUANCE OF THE ABS TO BE MANAGED BY CMAM

INTRODUCTION

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

On 15 November 2022 (the “**Announcement Date**”), BEIED (being an indirect subsidiary of the Company) proposed to launch the ABS Program on the SSE, pursuant to which, the ABS will be issued and managed by CMAM and Ping An Securities, respectively, at different phases. The ABS which are backed by the revolving Underlying Assets will be issued to qualified investors in the PRC. As confirmed by the Directors, the individual Asset Sale and Purchase Agreement will be entered into between the Company and CMAM before the filing of issuance of each instalment of the ABS.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

China Merchants Securities will lead and CMAM will manage an issuance of the ABS in the size of approximately RMB2,100 million in December 2022. For the purpose of the issuance of the ABS to be managed by CMAM, BEIED, as the vendor and original interest owner, will transfer the Underlying Assets to CMAM acting on behalf of the ABS Program pursuant to the Asset Sale and Purchase Agreement. In addition, CMAM will also enter into the Service Agreement with BEJN, pursuant to which CMAM will provide management services for the ABS Program.

With reference to the Board Letter, as the highest applicable percentage ratio in respect of the Asset Sale and Purchase Agreement and the transactions contemplated thereunder exceeds 25% but is less than 75%, the Asset Sale and Purchase Agreement and the transactions contemplated thereunder constitutes a major transaction and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Ms. Jin Xinbin, Ms. Li Hongwei and Mr. Zhu Jianbiao (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transaction are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction is in the interests of the Company and the Shareholders as a whole and 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 Transaction at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to (i) major and continuing connected transactions (details of which were set out in the Company's circular dated 8 January 2021); (ii) discloseable and continuing connected transactions (details of which were set out in the Company's circular dated 2 October 2021); (iii) a continuing connected transaction and connected transaction pursuant to Rule 14A.52 of the Listing Rules (details of which were set out in the Company's announcement dated 10 May 2022); (iv) major and continuing connected transaction (details of which were set out in the Company's circular dated 25 May 2022); (v) major transaction (details of which are set out in the Company's circular dated 3 October 2022); and (vi) (a) major and continuing connected transactions; and (b) very substantial acquisition, very substantial disposal and continuing connected transactions (details of which are set out in the Company's announcement dated 17 November 2022). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the 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 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, its advisers 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 Transaction. 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 Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, the ABS Manager, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. 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 Transaction, we have taken into consideration the following principal factors and reasons:

A. Background of the Transaction

1. Information on the Group

With reference to the Board Letter, 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 solar power plants and other renewable energy projects. The Group's new energy projects cover the PRC and some overseas regions, including Inner Mongolia, Qinghai, Ningxia, Shanxi, Hubei, Xinjiang, Gansu, Yunnan, Shandong, Jiangsu, Hebei, Guangdong and other places.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2021 as extracted from the Company’s annual report for the year ended 31 December 2021 (the “**2021 Annual Report**”) and for the six months ended 30 June 2022 as extracted from the Company’s interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”):

	For the six months ended 30 June 2022 <i>RMB million</i> (unaudited)	For the year ended 31 December 2021 <i>RMB million</i> (audited)	For the year ended 31 December 2020 <i>RMB million</i> (audited)	Change from 2020 to 2021 %
Revenue	1,985	2,825	2,149	31.46
– Sales of electricity	817	922	664	38.86
– Tariff adjustment	1,168	1,903	1,485	28.15
EBITDA (<i>Note 1</i>)	1,679	2,397	1,967	21.86
Profit for the year/period	286	650	262	148.09
		As at 30 June 2022 <i>RMB million</i> (unaudited)	As at 31 December 2021 <i>RMB million</i> (audited)	As at 31 December 2020 <i>RMB million</i> (audited)
Tariff adjustment receivables (<i>Note 2</i>)		8,667	7,287	4,115
Cash and cash equivalents		4,338	4,814	1,577
Total borrowings (<i>Note 3</i>)		36,208	32,385	17,589
Total assets		49,772	46,159	26,088
Total liabilities		40,592	36,875	20,433
Net assets		9,180	9,284	5,655

Notes:

1. EBITDA represents earnings before depreciation, finance income, finance costs, income tax expense, fair value adjustments, non-cash items, non-recurring items, bargain purchase gain arising from business combinations, impairment charge of financial assets, write-back on other receivables, share-based payment expenses, share of profits of investments accounted for using equity method, loss on termination of leases, gain or loss on disposal of property, plant and equipment and loss on disposal of subsidiaries.
2. Included in the Group’s trade, bills and tariff adjustment receivables.
3. Total borrowings represent the Group’s bank and other borrowings and convertible bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As depicted in the above table, the Group's revenue and EBITDA were approximately RMB2,825 million and RMB2,397 million for the year ended 31 December 2021 ("FY2021") respectively, representing increases of approximately 31.46% and 21.86% as compared to those for the year ended 31 December 2020 ("FY2020"). With reference to the 2021 Annual Report, the increases in revenue and EBITDA of the Group were due to (i) expansion in the Group's aggregate installed capacity by way of acquisition and self-development of projects; and (ii) effective operation and management of power plants.

The Group's profit increased from approximately RMB262 million for FY2020 to approximately RMB650 million for FY2021, representing an increase of approximately 148.09%. With reference to the 2021 Annual Report, the increase in the Group's profit was mainly due to (i) the increase in revenue and EBITDA as aforementioned; and (ii) the increase in bargain purchase gain arising from business combination, partially offset by (i) the increase in depreciation of property, plant and equipment; (ii) the recognition of fair value losses on financial liabilities at fair value in FY2021; (iii) the increase in impairment charge on financial assets; and (iv) the increase in income tax expense.

The Group's revenue and EBITDA were approximately RMB1,985 million and RMB1,679 million for the six months ended 30 June 2022 ("1H2022") respectively, representing increases of approximately 51.53% and 48.45% as compared to those for the corresponding period in 2021. With reference to the 2022 Interim Report, the increases in revenue and EBITDA were due to (i) the expansion in grid-connected installed capacity of approximately 62.2% by way of acquisition and self-development projects; and (ii) effective operation and management of power plants.

Notwithstanding the aforesaid, the Group recorded profit of approximately RMB286 million for 1H2022, representing a decrease of approximately 20.78% as compared to that for the corresponding period in 2021. With reference to the 2022 Interim Report, such decrease was mainly due to (i) the absence of bargain purchase gains arising from business combinations; and (ii) the increase in finance costs.

As depicted in the above table, as at 30 June 2022, the Group's tariff adjustment receivables, cash and cash equivalents and total borrowings were approximately RMB8,667 million, RMB4,338 million and RMB36,208 million, respectively. As noted from the 2022 Interim Report, the Group's gearing ratio as at 30 June 2022 was approximately 77.1%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the 2021 Annual Report, having entered the period of replacing the old growth drivers with new ones for energy consumption, China is firmly determined to accelerate the implementation of the goals of “carbon peak and carbon neutrality” and to pursue the energy security strategy. In the middle and long-term development plan for pumped storage, China states that the total capacity put into production will be over 62GW by 2025 and approximately 120GW by 2030, and that the construction scale and speed will be enhanced significantly. China proposed the implementation plan for promoting the development of new energy storage in the “14th Five-Year Plan” period in January 2022, to recognize new types of energy storage including electrochemistry as independent markets and to set the clear goal that the markets will achieve the transition from initial stage of commercialization to scale expansion development by 2025, with the installed capacity reaching over 30GW. The Company firmly supports China’s strategic direction of “accelerating the construction of new power system based on new energy”, and is making unremitting efforts to build “a first-class international clean energy ecological investment operator”, forging ahead courageously and resolutely with swift but steady steps in the path of green and low-carbon development and braving winds and waves with every hope and chance cherished in the wave of energy transition.

According to the 2022 Interim Report, the Company will develop a technology innovation incubator to enhance the future market value of the Company. On the basis of the Group’s new energy investment and operation business, the Group will increase its research and analysis of advanced technologies in the upstream and downstream industry chains, and look for products and technologies such as hydrogen energy, energy storage, new energy+ and energy big data that match the Company’s main business for investment and incubation to enhance the Company’s core competitiveness.

With reference to the Board Letter, BEIED is a company established in the PRC with limited liability and an indirect subsidiary of the Company. It is principally engaged in the investment, development and operation of solar energy and other clean energy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information of CMAM

With reference to the Board Letter, CMAM is a company established in the PRC with limited liability and is principally engaged in entrusted management of client's funds, issuance of asset management products and asset management related consultation business.

CMAM is a direct wholly-owned subsidiary of China Merchants Securities which is a joint stock limited company established in the PRC with limited liability, the H shares and A shares of which are listed on the main board of the Stock Exchange (stock code: 6099) and on the SSE (stock code: 600999), respectively.

B. Reasons for and benefits of the Transaction

With reference to the Board Letter, the Board believes that the issuance of the ABS under the ABS Program can diversify the Group's fund-raising channels to access low-cost capital, which in turn can be used to improve the financing structure of the Group and promote its operating activities and investments. It also allows the Group to meet liquidity development needs and therefore increase capital use efficiency and enhance operational capabilities for the Group. Upon the completion of the issuance of ABS, the Directors believe that the proposed transfer of the Underlying Assets through this arrangement will accelerate the collection of the account receivables of the Group. In addition, CMAM provides a full range of asset management services and has built up significant competitive advantages. The Directors believe that the proposed issuance of the ABS to be managed by CMAM, meeting the current requirements and circumstances of the Group, would enable the Group to benefit from the expertise, experience and resources of CMAM. BEH undertakes the obligation to pay the shortfall if the Underlying Assets could not be recovered or impaired in the future, which means that the ABS Program has insufficient funds to settle all the expected returns and the principal amounts for the priority tranche of the ABS and all costs of the ABS Program which are outstanding and payable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Company's annual reports for the years ended 31 December 2020 and 2021 and the 2022 Interim Report, the power generation business is capital intensive in nature, the Group had been exploring various financing channels to enhance its financing capability and reduce its finance costs. For the two years ended 31 December 2021 and for 1H2022, the Group had raised funds by means of debt financing and issue of convertible bonds. As detailed in the section headed "A. Background of the Transaction" above and as noted from the 2022 Interim Report, the Group's total borrowings were approximately RMB36,208 million and the Group's gearing ratio was approximately 77.1% as at 30 June 2022. The Group is highly geared. As such, we concur with the Directors that the Transaction can diversify the Group's fund-raising channels.

Furthermore, based on the Group's revenue from tariff adjustment for 1H2022 and the Group's tariff adjustment receivables as at 31 December 2021 and 30 June 2022, the turnover days of the Group's tariff adjustment receivables were approximately 1,236 days for 1H2022. Given that (i) the slow turnover of the tariff adjustment receivables; and (ii) the tariff adjustment accounted for over 50% of the Group's revenue for each of FY2020, FY2021 and 1H2022, we concur with the Directors that the use the Underlying Assets to back the ABS will accelerate the overall turnover of the Group's assets, in particular, the Group's tariff adjustment receivables.

Use of proceeds

With reference to the Board Letter, the proceeds received from the issuance of the ABS will be used for the daily operations of the Group. As mentioned above, the Group is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects. We therefore performed industry overview of the clean energy industry.

Electricity consumption in the PRC

Set out below are the electricity consumption in the PRC during the five years ended 31 December 2021, being the latest five full-year statistics published by the China Electricity Council:

	2017	2018	2019	2020	2021
Electricity consumption (billion kilowatt-hours)	6,363	6,900	7,249	7,511	8,313

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the electricity consumption in the PRC recorded year-on-year increase during each of the year 2018, 2019, 2020 and 2021. The electricity consumption in the PRC increased from approximately 6,363 billion kilowatt-hours (“kWh”) in 2017 to approximately 8,313 billion kWh in 2021, representing a compounded annual growth rate (“CAGR”) of approximately 6.9%.

Set out below are the clean energy (such as gas-fired power, hydropower, nuclear power and wind power) consumption (as a percentage of total energy consumption) during the five years ended 31 December 2021, being the latest five full-year statistics published by the National Bureau of Statistics of the PRC:

	2017	2018	2019	2020	2021
Clean energy consumption to total energy consumption	20.8%	22.1%	23.4%	24.3%	25.5%

As shown in the table above, clean energy consumption (as a percentage of total energy consumption) recorded year-on-year increase during each of the year 2018, 2019, 2020 and 2021. Such percentage increased from approximately 20.8% in 2017 to approximately 25.5% in 2021.

Installed power generation capacity in the PRC

Set out below are the installed power generation (including photovoltaic power) capacity in the PRC during the five years ended 31 December 2021, being the latest five full-year statistics published by the China Electricity Council:

	2017	2018	2019	2020	2021
Installed power generation capacity in the PRC (MW)	1,784,510	1,900,120	2,010,060	2,200,580	2,376,920
Installed photovoltaic power generation capacity in the PRC (Note) (MW)	130,420	174,330	204,180	253,430	306,560

Note: Included in the installed power generation capacity in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, the installed power generation capacity in the PRC (including photovoltaic power) recorded year-on-year increase during each of the year 2018, 2019, 2020 and 2021. The installed power generation capacity in the PRC increased from approximately 1,784,510 MW in 2017 to approximately 2,376,920 MW in 2021, representing a CAGR of approximately 7.4%, while the installed photovoltaic power generation capacity in the PRC increased from approximately 130,420 MW in 2017 to approximately 306,560 MW in 2021, representing a CAGR of approximately 23.8%.

Furthermore, the percentage of the installed photovoltaic power generation capacity in the PRC to the installed power generation capacity in the PRC increased from approximately 7.31% for 2017 to approximately 12.90% for 2021, representing an increase of approximately 5.59 percentage points.

With reference to a press released published by the NEA on 29 January 2022, the PRC's installed renewable energy power generation capacity exceeded 1 million MW, with installed wind power generation capacity and installed photovoltaic power generation capacity each exceeded 300,000 MW. In 2021, the PRC's newly added renewable energy power generation installed capacity was 134,000 MW, accounted for 76.1% of the PRC's total newly added energy generation installed capacity, among which, the newly added wind power installed capacity was 47,570 MW, the newly added photovoltaic power installed capacity was 54,880 MW and the newly added biomass power installed capacity was 8,080 MW.

On 22 February 2021, the State Council of the PRC issued the Guiding Opinions on Accelerating the Establishment and Improvement of a Green and Low-carbon Circular Development Economic System* (《關於加快建立健全綠色低碳循環發展經濟體系的指導意見》) which put forward certain policies, including the promoting the green upgrading of industries, raising the level of green development in the service sectors, building green supply chains, establishing green logistics and trade systems, promoting the green and low-carbon transformation of the energy system, increasing fiscal and tax support, vigorously developing green finance, and improving green standards and green certification, statistical monitoring and evaluation systems.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 13 March 2021, the 14th Five-Year Plan for National Economic and Social Development of the PRC (2021-2025) and the Outline of Long-term Objectives for 2035* (《中華人民共和國國民經濟和社會發展第十四個五年 (2021-2025) 規劃和2035年遠景目標綱要》) was issued which outlined the acceleration of development of non-fossil fuel, increase in scale of wind power and photovoltaic power generation, increase in proportion of non-fossil energy in the total energy consumption to approximately 20% and the promotion of digitized and green coordinated development that assist in realizing carbon peaking and carbon neutrality objectives.

On 22 April 2021, the NEA issued the Guiding Opinions on Energy Work in 2021* (《2021年能源工作指導意見》), which outlined the main expected objectives of 2021 includes the reduction of coal-fired energy consumption level to below 56%, newly added alternative output from power generation to reach around 20 million kWh, the utilisation rate of wind power, photovoltaic power generation and renewable energy maintained at relatively high level and increase the average utilisation hours of cross regional transmission channel to about 4,100 hours.

On 11 May 2021, the NEA issued the Notice on Matters Related to the Development and Construction of Wind Power and Photovoltaic Power Generation in 2021 (《關於2021年風電、光伏發電開發建設有關事項的通知》), which pointed out the proportion of wind power and photovoltaic power generation to the total electricity consumption to reach approximately 11% in 2021, and the guaranteed grid connection scale should not be less than 90 million kW.

Having considered the above, we are of the view that the prospect of the PRC's clean energy industry is generally positive.

As mentioned above, the power generation business is capital intensive in nature, the Group had been exploring various financing channels to enhance its financing capability and reduce its finance costs. We consider the use of proceeds from this issuance of ABS is in line with the aforesaid.

We understood that the Company also proceeded with other alternative to handle the Group's receivables in the past.

Having considered above factors, we are of the view that although the Transaction is not conducted in the ordinary and usual course of business of the Group, the Transaction is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. Terms of the Transaction

With reference to the Board Letter, China Merchants Securities will lead and CMAM will manage an issuance of the ABS in the size of approximately RMB2,100 million in December 2022. The ABS will be classified into priority and subordinated tranches according to their coupon rates and distribution. The book value of the Underlying Assets which will back the issuance of the ABS to be managed by CMAM is expected to be approximately RMB2,300 million. A summary of the material terms for the issuance of the ABS to be managed by CMAM is set out below:

Tranche	Size of issuance (Approximately RMB million)	Credit rating by an independent credit rating agency	Coupon rate
Priority	1,995	AAA	expected to be 2.6%-3.2%
Subordinated	105	Not rated	expected to be 7%-10%

For the purpose of the issuance of the ABS to be managed by CMAM, BEIED, as the vendor and original interest owner, will transfer the Underlying Assets to CMAM acting on behalf of the ABS Program pursuant to the Asset Sale and Purchase Agreement. In addition, CMAM will also enter into the Service Agreement with BEJN, pursuant to which CMAM will provide management services for the ABS Program.

Set out below are the principal terms of the Asset Sale and Purchase Agreement, details of which are set out under the section headed “PROPOSED ISSUANCE OF THE ABS TO BE MANAGED BY CMAM” of the Board Letter:

Parties

- (i) BEIED, as the vendor and original interest owner; and
- (ii) CMAM, as the purchaser acting on behalf of the ABS Program.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Underlying Assets

The Underlying Assets of the Asset Sale and Purchase Agreement include the present and future, actual and the following contingent rights and interests of BEIED of the Asset Sale and Purchase Agreement: (i) the accounts receivables of BEIED in respect of renewable energy subsidies and other related revenues (which include but not limited to the overdue deferment charge, default amount and damages if applicable); (ii) the right to request, sue, recover and receive all amounts in relation to the entitlement to receive the renewable energy subsidies; and (iii) the interests from the commitment in relation to the entitlement to receive the renewable energy subsidies as well as all the rights and the legal remedies rights to enforce the entitlement to receive the renewable energy subsidies. Please refer to the section headed “Underlying Assets” of the Board Letter for more details of the Underlying Assets.

Consideration and payment terms

The consideration for the Underlying Assets is approximately RMB2,100 million, which is equivalent to the principal amount of ABS to be managed by CMAM. Subject to the fulfillment of the conditions precedent, CMAM shall pay the consideration to the designated account of BEIED on the date of establishment of the ABS Program.

With reference to the Board Letter, the consideration was determined by the arm’s length negotiations between BEIED and China Merchants Securities. The consideration for the Underlying Assets was determined after taking into account the unaudited carrying value of the Underlying Assets of approximately RMB2,300 million as at the Benchmark Date minuses the estimated interest payment and relevant taxes and expenses under the ABS to be managed by CMAM.

Based on the above basis, the implied value of Underlying Assets (with consideration for approximately RMB2,100 million) will therefore be in line with (with difference of less than 5%) the unaudited carrying value of the Underlying Assets of approximately RMB2,300 million as at the Benchmark Date. As the consideration for the Underlying Assets is directly linked to the estimated interest payment, we further examined the reasonableness of the coupon rate (i.e. expected to be 2.6%-3.2% for priority tranche and expected to be 7%-10% for subordinated tranche).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our due diligence purpose, we searched for the issuance of asset-backed securities listed on the SSE with (i) the enterprise’s account receivables as the underlying assets; (ii) term of three years; and (iii) available information on the coupon rate of the asset-backed securities, issued from 16 May 2022 up to and including the Announcement Date, being approximately six-month period prior to and including the Announcement Date. To the best of our knowledge and as far as we are aware of, we found 18 issuances of asset-back securities transactions (“**Reference Transactions**”) on Wind Financial Terminal and they are exhaustive. Despite the nature and characteristics of the underlying assets of the Reference Transactions may not be the same as the Underlying Assets, we consider the Reference Transactions provide a general reference on the recent market practice regarding the issuance of asset-backed securities.

Based on our independent research, we noted that (i) 15 out of 18 of the Reference Transactions issued asset-back securities with priority and subordinated tranches where (a) the priority tranche was backed by assets with credit rating of AA+ or AAA; and (b) the issuance size of the priority tranche represents a significant portion of the total issuance size; and (ii) the coupon rate of the priority tranche (with AAA credit rating) of the Reference Transactions ranged from 2.60% per annum to 3.30% per annum, with an average of approximately 3.03% per annum. Our findings in respect of the priority tranches with AAA credit rating and subordinate tranches of the Reference Transactions are summarised in tablet form as follows:

Tranches	Credit rating	Coupon rate %	Issue size RMB'000	Initial amount of the underlying assets Approximately RMB'000
Priority tranche	AAA	2.60 to 3.30	237,000 to 3,665,000	500,035 to 4,893,432
Subordinated tranche	Information not available	Information not available	Information not available	21,000 to 120,000

We also searched for the issuance of asset-backed securities by companies engaged in the renewable energy business with the renewable energy subsidy receivables as the underlying assets for the asset-backed securities. To the best effort and on a non-exhaustive basis, we identified one issuance of asset-backed securities transaction where the underlying assets are comparable to the Underlying Assets (the “**Comparable Underlying Assets**”). According to the public documents, the issuer issued the asset-backed securities product of RMB1.0 billion with a senior coupon rate of 3.07%. The upper limit of the expected coupon rate of ABS (i.e. 3.2%) is close to the aforesaid senior coupon rate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, after considering the expected maximum coupon rate of 3.2% for the priority tranche and 10% for the subordinated tranche, the maximum weighted average coupon rate of the ABS will be approximately 3.54%. Based on the 2022 Interim Report, the effective interest rate per annum for bank and other borrowings was approximately 4.15% (31 December 2021: approximately 4.40%).

Furthermore, we also noted that the Group entered into a factoring agreement with a member of BEH in 2021, pursuant to which the member of BEH will provide factoring services to the Group with underlying assets as account receivables and factoring fee rate of 4.465% per annum. The Group also entered into a factoring agreement with an independent commercial bank in 2022, pursuant to which the Group will transfer the account receivables to the independent commercial bank at a discount rate of approximately 4.13%.

In light of the above and that the actual coupon rates will be determined through the process of book-building, we are of the view that the expected coupon rates of the ABS are fair and reasonable. Accordingly, the consideration of the Underlying Assets with maximum amounts of RMB2,300 million, which is calculated by the unaudited carrying value of the Underlying Assets minus the estimated interest payment and relevant taxes and expenses under the ABS to be managed by CMAM, to be fair and reasonable.

Completion

Subject to the condition precedents as stated in the section headed “Conditions Precedent” of the Board Letter, upon payment of the consideration by CMAM to BEIED, BEIED and CMAM shall sign the completion confirmation to transfer the Underlying Assets to CMAM. The execution of the completion confirmation shall be considered as a confirmation of the completion of the sale and purchase of the Underlying Assets between BEIED and CMAM acting on behalf of the ABS Program.

Having reviewed and considered the terms of the Asset Sale and Purchase Agreement and no abnormal term observed, we are of the view that the terms of the Transaction are on normal commercial terms and are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

D. Possible financial effects

With reference to the Board Letter, immediately upon the completion of the Assets Sale and Purchase Agreement for the issuance of the ABS to be managed by CMAM, BEIED will cease to have rights or interests in the Underlying Assets. It is expected that the Company would realize a net loss of approximately RMB200 million from this phase of issuance of the ABS, which represents the difference between the proceeds from the issuance of the ABS of RMB2,100 million and the unaudited carrying value of the Underlying Assets of approximately RMB2,300 million as at the Benchmark Date.

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

RECOMMENDATION

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

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

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

* *for identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2019, 2020 and 2021 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 are disclosed in the following documents, which can be accessed on both the websites of the HKEXnews (<http://www.hkexnews.hk>) and the Company (<http://www.bjei.com>).

- (i) Annual report of the Company for the year ended 31 December 2019 (pages 84-190), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0830/2020083000035.pdf>

- (ii) Annual report of the Company for the year ended 31 December 2020 (pages 86-178), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200401.pdf>

- (iii) Annual report of the Company for the year ended 31 December 2021 (pages 127-294), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100465.pdf>

- (iv) Interim report of the Company for the six months ended 30 June 2022 (pages 21-57), which can be accessed via the link at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0921/2022092100325.pdf>

2. STATEMENT OF INDEBTEDNESS OF THE GROUP**Indebtedness**

As at the close of business on 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the borrowings of the Group comprised the following indebtedness:

RMB' million

Bank borrowings	
Secured and with guarantee	7,612
Secured and without guarantee	3,346
Unsecured and with guarantee	4,646
Unsecured and without guarantee	14,927

RMB' million

Finance lease liabilities	
Secured and with guarantee	5,028
Secured and without guarantee	4,392
Unsecured and without guarantee	18
 Convertible bonds	
Unsecured and without guarantee	<u>346</u>
	<u><u>40,315</u></u>

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or any material outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or any other actual or material contingent liabilities outstanding at the close of business on 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 October 2022 up to and including the Latest Practicable Date.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources of the Group (including the Group's internal resources, available banking and other borrowing facilities and credit enhancement guarantee from BEH, a controlling shareholder of the Company holding approximately 32% of the issued capital of the Company), in the absence of any unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for the Group's requirements for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL CHANGES

As at the Latest Practicable Date, there had not been any material change in the financial or operation position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND OPERATION PROSPECTS OF THE GROUP

The Group is primarily engaged in the development, investment, operation and management of power plants and other clean energy projects.

In February 2020, the Company completed the allotment and issuance of Shares to BEH and BEH became the single largest and controlling Shareholder. Upon completion of the subscription, BEH issued a letter to the Group and agreed to provide credit enhancement guarantee in the amount of RMB8 to 10 billion for a period of 3 years, depending on the actual operating funding needs of the Group.

As at 30 June 2022, the Group had 104 grid-connected power plants with an aggregate installed capacity of approximately 4,583.39MW in the PRC. According to the Company's interim report, the 104 power plants beneficially owned by the Group have generated electricity in an aggregate volume of approximately 3,322,474 megawatt-hours (“MWh”) for the six months ended 30 June 2022.

Looking forward, with the strong support of BEH, the Group will further focus on its main business. It will fully leverage the opportunity of the transition of energy structure to a clean and low-carbon model and its rapid development and determine the main line of business development. Meanwhile, the Group will coordinate domestic and overseas market resources to optimize assets allocation, and realise scale expansion and intensive development of photovoltaic power and wind power and other new energy businesses. In addition to the rapid development of existing new energy businesses, the Group will keep up with the industry's high-tech and new technology development trends, and actively promote the combination of energy and data by capturing new opportunities arising from the clean energy industry ecosystem. Furthermore, it will mainly focus on integrated energy business with the focus placed on big data, and integrate various types of resources including distributed energy, energy storage and hydrogen energy and user loads. It will research and promote the multi-energy complementary integrated services and terminal energy solutions based on renewable energy. By realizing the business optimization transformation and sustainable healthy development of the Group through value creation, it will be in the best interests of the Group and its Shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors and chief executives of the Company and its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long positions in the Shares and Underlying Shares

Name of Directors and the chief executives of the Company	Capacity/Nature of interest	Number of Shares/ underlying Shares held	Approximate Percentage of the issued Shares ⁽¹⁾
Mr. Zhang Ping	Beneficial Owner	28,544,000 ⁽²⁾	0.13%
Mr. Zhu Jun	Beneficial Owner	29,250,000 ⁽³⁾	0.13%

Notes:

- These percentages are calculated based on 22,427,948,432 listed Shares in issue as at the Latest Practicable Date.
- Among these interests, 24,000,000 share options were granted by the Company on 16 June 2022 under the share option scheme of the Company.
- Among these interests, 28,050,000 share options were granted by the Company on 16 June 2022 under the share option scheme of the Company.

(b) Long position in share options

Grantees	Date of grant	Exercise price (HK\$/Share)	Number of outstanding share options	Capacity/ Nature of interest	Exercise period ^(Note)
Mr. Zhang Ping	16 June 2022	HK\$0.240	24,000,000	Beneficial owner	from 16 June 2024 to 15 June 2027
Mr. Zhu Jun	16 June 2022	HK\$0.240	28,050,000	Beneficial owner	from 16 June 2024 to 15 June 2027

Note: Conditional upon the achievement or attainment of certain performance targets of the Company and the respective grantee, all share options granted shall vest in three tranches within a period of 3 years in proportions of 34%, 33% and 33%, i.e. 34% of the share options granted shall vest on 2nd anniversary of the grant, another 33% shall vest on the 3rd anniversary of the grant, and the remaining 33% shall vest on the 4th anniversary of the grant. In this table, “exercise period” of share options begins with the 2nd anniversary of the grant date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Mr. Lu Zhenwei, an executive Director, is a director and the chairman of the board of directors of China Merchants New Energy Group Limited, which is a non-wholly-owned subsidiary of China Merchants Group Limited, the Company’s substantial Shareholder, and the director of New Energy Exchange Limited, which is a party acting in concert with China Merchants New Energy Group Limited. Mr. Zhao Bing, a non-executive Director, is a director and general manager of Beijing Energy Investment Holding (Hong Kong) Co., Limited (北京能源投資集團(香港)有限公司), which is a direct controlling Shareholder of the Company, the head of finance department of BEH, the Company’s indirect controlling Shareholder, and the chairman and the general manager of Beijing Jingneng International Power Co., Ltd.* (北京京能國際能源股份有限公司). Mr. Su Yongjian, a non-executive Director, is the head of energy investment department of BEH, the Company’s indirect controlling Shareholder. Mr. Lu Xiaoyu, a non-executive Director, is a member of the party committee and a deputy general manager of Qingdao Chengtou New Energy Group Co., Ltd.* (青島城投新能源集團有限公司), which is a subsidiary of the Company’s substantial Shareholder, Qingdao City Construction Investment (Group) Co., Ltd.* (青島城市建設投資(集團)有限責任公司).

3. MATERIAL LITIGATION

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

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTOR'S INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group and no Director was interested in any assets which have been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021 (being the date of which the latest published audited financial statements of the Group were made up).

6. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

7. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and up to and including the Latest Practicable Date of this circular and are or may be material:

- (a) the conditional equity transfer agreement(s) and the supplemental agreement(s) (as applicable) dated 1 March 2022 entered into between BEIED, as purchaser and Shanghai Sineng Investment Co., Ltd.* (上海斯能投資有限公司), as vendor respectively, in relation to the proposed acquisitions of the equity interest in each of Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd.* (朔州市平魯區紅溝風電有限公司), Xiyang County Sineng New Energy Co., Ltd.* (昔陽縣斯能新能源有限公司), Xiyang County Sineng Wind Energy Co., Ltd.* (昔陽縣斯能風電有限公司) and Youyu County Sineng Wind Energy Co., Ltd.* (右玉縣斯能風電有限公司);
- (b) the conditional equity transfer agreements dated 30 December 2021 entered into between BEIED as purchaser, Hebei Hangtian Yuanfeng New Energy Technology Co., Ltd.* (河北航天遠豐新能源科技有限公司) and Guangzong County Guoshun Energy Co., Ltd.* (廣宗縣國順能源有限公司) as vendors and Guangzong County Guorui Energy Co., Ltd.* (廣宗縣國瑞能源有限公司), Longyao County Guochang New Energy Technology Co., Ltd.* (隆堯縣國昌新能源科技有限公司) and Nangong City Guoshun New Energy Technology Co., Ltd.* (南宮市國順新能源科技有限公司) as target companies, respectively, in relation to the acquisition of the entire equity interest in each of the target companies;
- (c) the conditional equity transfer agreement dated 28 December 2021 entered into between BEIED as purchaser, Zanhuang County Shunli Energy Co., Ltd.* (贊皇縣順利能源有限公司) as vendor and Nangong City Guorui New Energy Technology Co., Ltd.* (南宮市國瑞新能源科技有限公司) as target company, in relation to the acquisition of the entire equity interest in the target company;
- (d) the conditional equity transfer agreement dated 22 December 2021 entered into between BEIED as purchaser, Nangong City Yuchuan New Energy Technology Co., Ltd.* (南宮市禹川新能源科技有限公司) as vendor and Nangong City Guolong New Energy Technology Co., Ltd.* (南宮市國隆新能源科技有限公司) as target company, in relation to the acquisition of the entire equity interest in the target company;

- (e) the equity transfer agreement(s) and the supplemental agreement(s) dated 10 December 2021 entered into between BEIED as purchaser and Shanghai Sineng Investment Co., Ltd.* (上海斯能投資有限公司), as vendor, respectively, in relation to the acquisitions of the entire equity interest in each of Yangqu County Weilan New Energy Co., Ltd.* (陽曲縣蔚藍新能源有限公司), Hunyuan Sineng New Energy Co., Ltd.* (渾源斯能新能源有限公司), Pianguan County Sineng Wind Energy Co., Ltd.* (偏關縣斯能風電有限公司) and Heshun County Sineng Wind Energy Co., Ltd.* (和順縣斯能風電有限公司);
- (f) the subscription agreement dated 22 June 2021 entered into between the Company, as the issuer and KGI Asia Limited, as the sole lead manager, in relation to the issue of US\$50,000,000 3.8% convertible bonds due 2024 by the Company;
- (g) the equity transfer agreement dated 9 June 2021 entered into between BEIED as the purchaser, Shanxi Xinyou Investment Group Co., Ltd.* (山西信友投資集團有限公司) (“Shanxi Xinyou”) as the vendor and Xinjiang Xinyou New Energy Power Co., Ltd.* (新疆信友新能源發電有限公司) (“Xinjiang Xinyou”) as the target company, in relation to the acquisition of the entire equity interests in Xinjiang Xinyou at nil consideration and assumption of debts in the amount of RMB430,000,000. On the same date, BEIED, Shanxi Xinyou, Xinjiang Xinyou and Powerchina Jiangxi Electric Power Construction Co., Ltd.* (中國電建集團江西省電力建設有限公司) entered into the cooperation agreement in relation to the development of 50MW wind power project in Xinjiang;
- (h) (i) the termination agreement dated 7 May 2021 entered into between United Photovoltaics (Changzhou) Investment Group Co., Ltd.* (聯合光伏(常州)投資集團有限公司) (“UP Changzhou”), Qinqdao ICBC Shengjing Equity Investment Fund Co., Ltd.* (青島工融盛景股權投資基金有限責任公司) (“Investor 1”), ICBC Financial Investment No. 3 (Tianjin) Equity Investment Partnership (Limited Partnership)* (工融金投三號(天津)股權投資合夥企業(有限合夥)) (“Investor 2”), United Photovoltaics (Shenzhen) Limited* (聯合光伏(深圳)有限公司) (“UP Shenzhen”), and Beijing Energy International Investment Limited (“BEII”) to terminate the Previous Capital Injection Agreement (as defined hereunder); (ii) the updated capital increase agreement dated 7 May 2021 entered into between ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司) (“ICBC Investment”), UP Shenzhen, BEII and UP Changzhou to change the contract party to the Previous Capital Injection Agreement from Investor 1 and Investor 2 to ICBC Investment, whereas the other terms and conditions (apart from the aforesaid parties clause) remain the same as Previous Capital Injection Agreement; (iii) the equity interest transfer agreement dated 7 May 2021 entered into between ICBC Investment, BEH, UP Shenzhen, BEII and UP Changzhou in relation to the potential equity interest transfer upon the occurrence of any of the specific circumstances specified in the agreement;

- (i) the capital increase agreement dated 25 February 2021 entered into between UP Changzhou, Investor 1, Investor 2, UP Shenzhen and BEII, pursuant to which (i) Investor 1 conditionally agreed to inject RMB1 billion into UP Changzhou by way of cash contribution and in return for RMB793,853,739 in the registered capital of UP Changzhou; and (ii) Investor 1 and Investor 2 were entitled to, but not obliged to, subsequently inject in aggregate of not more than RMB2 billion within six (6) months after the effective date of the agreement in return for RMB1,587,707,478 in the registered capital of the UP Changzhou (the “**Previous Capital Injection Agreement**”);
- (j) the sale and purchase agreement dated 8 February 2021 entered into by BEIED and Inner Mongolia Xingbang United New Energy Co., Ltd.* (內蒙古興邦聯合光伏新能源有限公司) as purchasers and Zhongming Capital Holdings Group Co., Ltd.* (中明資本控股集團有限公司) and Inner Mongolia Weiheng Industry and Trade Co., Ltd.* (內蒙古偉恒工貿有限公司) as vendors in relation to the acquisition of entire equity interest in Inner Mongolia Minghua New Energy Co., Ltd.* (內蒙古明華新能源股份有限公司) which holds in total 6 solar power plants with total installed capacity of 115MW in Inner Mongolia, the PRC at the consideration of RMB300,580,000;
- (k) the equity interest transfer agreement dated 29 January 2021 entered into by BEIED as purchaser and Inner Mongolia Yuanhai New Energy Co., Ltd.* (內蒙古源海新能源有限責任公司) as vendor in relation to the acquisition of entire equity interest in Wulate Houqi Banner Yuanhai New Energy Co., Ltd.* (烏拉特後旗源海新能源有限責任公司) which owns an operational solar power plant with the grid-connected capacity of 50MW located in Inner Mongolia, the PRC at the consideration of RMB52,550,000;
- (l) the framework agreement dated 31 December 2020 entered into by United Photovoltaics (Shenzhen) Limited* (聯合光伏(深圳)有限公司) as purchaser and Tibet Huaxing New Energy Technology Co., Ltd.* (西藏華星新能源科技有限公司) as vendor in relation to the proposed acquisition of the entire equity interest in a project company which owns a photovoltaic power generation project with total installed capacity of 20MW in Tibet, the PRC, pursuant to which the purchaser is required to pay a refundable amount of RMB50 million as earnest money; and
- (m) the sale and purchase agreement dated 4 December 2020 entered into by BEIED as purchaser, Jiangshan Fengrong Investment Company Limited* (江山豐融投資有限公司) as vendor and Yulin City Jiangshan Yongchen New Energy Limited* (榆林市江山永宸新能源有限公司) as target company in relation to the proposed acquisition of the entire equity interest in Yulin City Jiangshan Yongchen New Energy Limited* (榆林市江山永宸新能源有限公司) at the consideration of approximately RMB1,177,829,000.

9. EXPERT AND CONSENT

The following is the qualifications of the expert who has given its opinion or advice, which is contained in this circular:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

Gram Capital is an independent third party of the Company and its connected persons.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) or report(s) in the form and context in which they are included.

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

10. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda; and the principal place of business in Hong Kong is situated at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Zhang Xiao, an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the website of the HKEXnews (<http://www.hkexnews.hk>) and on the website of the Company (<http://www.bjei.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the letter from Gram Capital, the Independent Financial Adviser, as set out on pages 18 to 34 of this circular; and
- (b) the written consent of the Gram Capital referred to in the paragraph headed “9. Expert and Consent” in this appendix.

The following information is given to all Shareholders relating to the biographical details of the retiring Director eligible for re-election to be proposed at the SGM.

NON-EXECUTIVE DIRECTOR

Mr. Lu Xiaoyu, aged 52, was appointed as a non-executive Director of the Company on 2 November 2022. Mr. Lu is also a member of the party committee and a deputy general manager of Qingdao Chengtou New Energy Group Co., Ltd.* (青島城投新能源集團有限公司), which is a subsidiary of the Company's substantial Shareholder, Qingdao City Construction Investment (Group) Co., Ltd.* (青島城市建設投資(集團)有限責任公司) ("QCCI"). Mr. Lu joined the QCCI group in June 2012 and worked in its capital operation department, fund management department and strategic investment department successively. He has extensive experience in financial management. Mr. Lu obtained a bachelor's degree in economics from Central University of Finance and Economics and a master's degree in electrical engineering from Ocean University of China.

The Company and Mr. Lu have entered into a service contract for a term of one year commencing from 2 November 2022, which may be renewed for succeeding terms of one year each time upon expiration if agreed by the parties. The service contract may be terminated by one month's notice in writing or payment in lieu of notice. Mr. Lu is entitled to a director's fee of HK\$200,000 per annum for his service as a non-executive Director of the Company, which was determined with reference to his duties and responsibilities with the Company, the Company's remuneration policy and the prevailing market level of remuneration of similar position, and subject to review at the discretion of the Board at the end of each financial year.

As at the Latest Practicable Date, Mr. Lu is not interested or deemed to be interested in any shares, underlying shares or debentures of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Lu (i) does not hold other position with the Company or its subsidiaries nor has any relationship with any Director, senior management, substantial Shareholder or controlling shareholder of the Company; (ii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iii) does not have other discloseable major appointments or professional qualifications.

Save as disclosed above, there are no matters concerning the re-election of the Director of Mr. Lu that need to be brought to the attention of the Shareholders or the Stock Exchange, nor is there any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

* *For identification purposes only*

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the special general meeting (the “SGM”) of Beijing Energy International Holding Co., Ltd. (the “Company”) will be held at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (with a branch venue at 12/F, Building 7, Sanfeng North Lane, Chaoyang District, Beijing, PRC) on Thursday, 15 December 2022 at 11:00 a.m., for the following purposes:

ORDINARY RESOLUTIONS

1. “**THAT:**
 - (a) the Asset Sale and Purchase Agreement to be entered into between BEI Energy Development (Beijing) Co., Ltd.* (京能國際能源發展(北京)有限公司) and China Merchants Securities Assets Management Co., Ltd.* (招商證券資產管理有限公司) and the transactions contemplated thereunder be and is hereby approved; and
 - (b) any one director of the Company be and is hereby authorised for and on behalf of the Company and/or its subsidiaries to take any action and execute such further documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Asset Sale and Purchase Agreement and the transactions contemplated thereunder.”
2. “**THAT** Mr. Lu Xiaoyu be re-elected as a non-executive director of the Company and the board of directors of the Company be authorised to fix his remuneration.”

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

Hong Kong, 30 November 2022

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Precautionary Measures for the SGM

In view of the ongoing COVID-19 pandemic, the following precautionary measures will be implemented at the SGM for the sake of health and safety of our Shareholders, Directors, staff, stakeholders and other participants, including without limitation:

- 1) Compulsory body temperature checks
- 2) Filling and submission of health declaration form
- 3) Wearing of surgical face mask
- 4) No provision of refreshments or drinks

Any person who does not comply with the precautionary measures referred to items no. (1) to (3) above, with body temperature above 37.2 degree Celsius, has any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine, may be denied entry into the SGM venue. The Company encourages Shareholders to appoint the chairman of the meeting as their proxy to vote according to their indicated voting instructions on the resolutions at the SGM as an alternative to attending the SGM in person to exercise their voting rights at the SGM. The Company will continue to review the COVID-19 pandemic situation and related prevention and control policies, and may implement further precautionary measures and may make relevant adjustments and arrangements for the SGM accordingly. Further announcement will be issued as and when appropriate.

2. A member entitled to attend and vote at the SGM is entitled to appoint one or, if he holds two or more shares, more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
3. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he/she/it so wish. In such event, the instrument appointing such a proxy shall be deemed to be revoked.
4. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding of the SGM or any adjournment thereof.
5. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holder are present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. Votes on the ordinary resolutions set out herein and are to be passed at the SGM will be taken by way of poll.

NOTICE OF SPECIAL GENERAL MEETING

7. If Tropical Cyclone Warning Signal No.8 or above, black rainstorm warning or extreme conditions caused by super typhoons is in effect in Hong Kong after 8:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the website of the Company at <http://www.bjei.com> and on the website of the HKEXnews at <http://www.hkexnews.hk> to notify shareholders of the date, time and place of the rescheduled meeting.

8. As at the date hereof, the Board comprises:

Executive Directors:

Mr. Zhang Ping (*Chairman*)

Mr. Lu Zhenwei

Non-Executive Directors:

Mr. Zhao Bing

Mr. Su Yongjian

Mr. Li Hao

Mr. Lu Xiaoyu

Independent Non-Executive Directors:

Ms. Jin Xinbin

Ms. Li Hongwei

Mr. Zhu Jianbiao