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北京能源國際控股有限公司

Beijing Energy International Holding Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION

SECOND SUPPLEMENTAL AGREEMENT TO FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT

THE SUPPLEMENTAL AGREEMENT

References are made to the announcements of the Company dated 15 May 2020, 5 August 2020 and 15 September 2020 and the Circular in relation to, among others, the Finance Lease Business Framework Agreement.

According to the Finance Lease Business Framework Agreement, Shenzhen Jingneng Leasing and/or its associates has agreed to provide direct leasing services to the Group. In light of the business needs of the Company, the Company entered into the Supplemental Agreement with Shenzhen Jingneng Leasing on 9 March 2022 (after trading hours) to adjust the annual cap of the transactions contemplated under the Finance Lease Business Framework Agreement for the year ending 31 December 2022.

LISTING RULES IMPLICATIONS

As Shenzhen Jingneng Leasing is a wholly-owned subsidiary of BEH, the controlling shareholder of the Company, Shenzhen Jingneng Leasing is a connected person of the Company. Accordingly, the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Supplemental Agreement and the transactions contemplated thereunder calculated in accordance with the Listing Rules exceeds 5%, the direct lease services constitute a continuing connected transaction of the Company which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio in respect of the transactions contemplated under the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) calculated in accordance with the Listing Rules exceeds 25% but is less than 100%, such transactions, if carried out, constitute a major transaction of the Company which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

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

As Shenzhen Jingneng Leasing is a wholly-owned subsidiary of BEH, each of BEH, Shenzhen Jingneng Leasing and their respective associates are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement and the transactions contemplated thereunder. The Independent Board Committee will form its view in respect of the Supplemental Agreement and the transactions contemplated thereunder after obtaining and considering the advice from the Independent Financial Adviser.

A circular containing, among other things, (i) details of the Supplemental Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) notice of SGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 29 April 2022 as the Company needs more time to prepare and finalize information to be included in the circular.

THE SUPPLEMENTAL AGREEMENT

References are made to the announcements of the Company dated 15 May 2020, 5 August 2020 and 15 September 2020 and the circular dated 28 August 2020 (the “**Circular**”) in relation to, among others, the Finance Lease Business Framework Agreement.

According to the Finance Lease Business Framework Agreement, Shenzhen Jingneng Leasing and/or its associates has agreed to provide direct leasing services to the Group. The Board hereby announces that in light of the business needs of the Company, the Company entered into the Supplemental Agreement with Shenzhen Jingneng Leasing on 9 March 2022 (after trading hours) to adjust the annual cap of the transactions contemplated under the Finance Lease Business Framework Agreement for the year ending 31 December 2022.

Pursuant to the Supplemental Agreement, the annual caps for the transactions contemplated under the Finance Lease Business Framework Agreement for the year ending 31 December 2022 will be increased to RMB3,000 million.

Save for the above amendments, all other terms and conditions of the Finance Lease Business Framework Agreement remain unchanged. For the principal terms and details of the Finance Lease Business Framework Agreement, please refer to the Circular.

The Supplemental Agreement shall become effective upon being approved at the general meeting of the Company, and will expire on 31 December 2022.

FINANCIAL EFFECTS OF THE FINANCE LEASE BUSINESS FRAMEWORK AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

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

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

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED REVISED CAP

Since the Finance Lease Business Framework Agreement was a new transaction between the Company and Shenzhen Jingneng Leasing, there is no historical transaction information before the year of 2020. The table below sets out the historical transaction amounts of the transactions under the Finance Lease Business Framework Agreement for the two years ended 31 December 2021 and for the two months ended 28 February 2022, the Existing Caps for each of the three years ending 31 December 2022 and the Proposed Revised Cap for the year ending 31 December 2022:

	For the year ended 31 December 2020 RMB million	For the year ended 31 December 2021 RMB million	For the year ending 31 December 2022 RMB million
Historical Transaction Amounts	Nil ^{Note 1}	63 ^{Note 2}	20 ^{Note 3}
Existing Caps	500	500	500
Proposed Revised Cap	–	–	3,000

Notes:

1. The resolution in respect of the transactions under the Finance Lease Business Framework Agreement was passed at the special general meeting of the Company held on 15 September 2020, there was no transaction under the Finance Lease Business Framework Agreement for the year ended 31 December 2020.
2. The figure represents the historical transaction amount and is not audited.
3. The figure represents the historical transaction amount for the two months ended 28 February 2022 and is not audited.

BASIS FOR THE PROPOSED REVISED CAP AND REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

The Proposed Revised Cap is calculated with reference to the lease consideration, which includes principal amount, lease interests and handling fees. The lease consideration will be determined by the Group and Shenzhen Jingneng Leasing and/or its associates after arm's length negotiations and with reference to the market price of the same type of finance lease assets.

The Proposed Revised Cap is determined after taking into account, among other things,

(i) the scale of the upcoming power generation projects in construction

As at the date of this announcement, the Company expects that in 2022 there will be around 28 power generation projects in construction, most of which are photovoltaic power generation projects, involving direct lease arrangements with a total installed capacity of approximately 2,018MW, of which 11 projects have already started construction.

(ii) historical financial requirements of power generation projects

The power generation business is a capital-intensive business and further business development and expansion of the Group requires a lot of capital. Historically, the financing requirements of the Group for power generation projects in relation to direct leasing arrangements entered in 2021 amounted to approximately RMB2.8 million per MW.

Based on the preliminary operating performance data, as at 31 December 2021, there are 104 power plants beneficially owned by the Group with an aggregate installed capacity of approximately 4,168.02MW comparing with 61 power plants and an aggregate installed capacity of approximately 2,070.4MW as at 31 December 2020. The proposed revision of the annual cap and the entering into the Supplemental Agreement will facilitate the Group's growing capital needs in associate with the rapid development of the Group. The entering into the Supplemental Agreement will continue to enable the Company to control financing risk and financing cost in its course of investing in new projects and satisfy the Company's demand of funds for purchasing power generation equipment in the early phase construction of the project in a timely manner.

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

As Mr. Zhang Ping (the Chairman of Board and executive Director), Mr. Sui Xiaofeng (the former non-executive Director) and Mr. Zhao Bing (the non-executive Director) were the senior management of BEH, they had abstained from voting on the Board resolutions approving the Supplemental Agreement and the transactions contemplated thereunder. Save and except for the aforesaid, none of the then Directors has any material interest in the Supplemental Agreement and was required to abstain from voting on the Board resolutions in relation to the Supplemental Agreement.

INTERNAL CONTROL MEASURES

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

Comparison of with independent quotations

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

Pricing terms and mechanism

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

Ongoing monitoring of terms and annual caps

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

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

Independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Finance Lease Business Framework Agreement and the Supplemental Agreement (including the rates and fees charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreements and the Group's pricing policy measures, and to confirm if the price and terms offered are fair and reasonable and comparable to those offered by unrelated third parties.

INFORMATION ON THE PARTIES

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

Shenzhen Jingneng Leasing is a company established in the PRC with limited liability and a wholly-owned subsidiary of BEH. Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public and members of the BEH group.

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

LISTING RULES IMPLICATIONS

As Shenzhen Jingneng Leasing is a wholly-owned subsidiary of BEH, the controlling shareholder of the Company, Shenzhen Jingneng Leasing is a connected person of the Company. Accordingly, the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio of the Supplemental Agreement and the transactions contemplated thereunder calculated in accordance with the Listing Rules exceeds 5%, the direct lease services constitute a continuing connected transaction of the Company which is subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio in respect of the transactions contemplated under the Finance Lease Business Framework Agreement (as supplemented by the Supplemental Agreement) calculated in accordance with the Listing Rules exceeds 25% but is less than 100%, such transactions, if carried out, constitute a major transaction of the Company which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

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

As Shenzhen Jingneng Leasing is a wholly-owned subsidiary of BEH, each of BEH, Shenzhen Jingneng Leasing and their respective associates are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Jin Xinbin, Ms. Li Hongwei and Mr. Zhu Jianbiao to advise the Independent Shareholders on the Supplemental Agreement and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any interest in the Supplemental Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement and the transactions contemplated thereunder. The Independent Board Committee will form its view in respect of the Supplemental Agreement and the transactions contemplated thereunder after obtaining and considering the advice from the Independent Financial Adviser.

A circular containing, among other things, (i) details of the Supplemental Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) notice of SGM; and (v) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 29 April 2022 as the Company needs more time to prepare and finalize information to be included in the circular.

DEFINITIONS

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

“associate(s)”	has the meanings ascribed to it under the Listing Rules
“BEH”	Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), a company established in the PRC with limited liability and a controlling shareholder of the Company holding 7,176,943,498 shares of the Company, representing approximately 32% of the issued share capital of the Company
“Board”	the board of Directors of the Company
“Company”	Beijing Energy International Holding Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 686)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Caps”	the existing annual caps under the Finance Lease Business Framework Agreement for each of the three years ending 31 December 2022, being RMB500 million
“Finance Department”	the financial management department of the Group
“Finance Lease Business Framework Agreement”	the finance lease business framework agreement entered into on 15 May 2020 (as supplemented by the first supplemental agreement dated 5 August 2020) between the Company and Shenzhen Jingneng Leasing
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation 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), which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Finance Lease Business Framework Agreement and the Supplemental Agreement and the transactions contemplated thereunder

“Group”	the Company and its subsidiaries
“HKAS”	Hong Kong Accounting Standard(s)
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Supplemental Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than BEH and other Shareholders who are required under the Listing Rules to abstain from voting at the SGM for the resolution approving the Supplemental Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“MW”	megawatts
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Revised Cap”	the revised annual cap for the transactions contemplated under the Finance Lease Business Framework Agreement for the year ending 31 December 2022, being RMB3,000 million
“RMB”	Reminbi, the lawful currency of the PRC

“SGM” or “Special General Meeting”	the special general meeting of the Company to be convened for considering and, if thought fit, approving the Supplemental Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary Share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued share(s) of the Company
“Shenzhen Jingneng Leasing”	Shenzhen Jingneng Financial Leasing Co., Ltd.* (深圳京能融資租賃有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of BEH and hence a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the second supplemental agreement to the Finance Lease Business Framework Agreement entered into between Shenzhen Jingneng Leasing and the Company on 9 March 2022
“%”	per cent

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

Hong Kong, 9 March 2022

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

* For identification purposes only