THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Beijing Jingneng Clean Energy Co., Limited**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or other transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Beijing Jingneng Clean Energy Co., Limited

北京京能清潔能源電力股份有限公司

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

(Stock Code: 00579)

(I) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FRAMEWORK HEAT SALE AND PURCHASE AGREEMENT AND FINANCIAL ASSISTANCE FRAMEWORK AGREEMENT;
(II) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASING FRAMEWORK AGREEMENT (I);
(III) MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASING BUSINESS FRAMEWORK AGREEMENT, FINANCE LEASING FRAMEWORK AGREEMENT (II) AND PROPOSED DEPOSIT SERVICE UNDER FINANCIAL SERVICES FRAMEWORK AGREEMENT;
AND
(IV) NOTICE OF THE FOURTH EXTRAORDINARY GENERAL MEETING OF 2022

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

A letter from the Board is set out on pages 5 to 36 of this circular. A letter from the Independent Board Committee is set out on pages 37 and 38 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 82 of this circular.

A notice convening the EGM to be held at Meeting Room 802, 8th Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC on Thursday, 29 December 2022 at 10:00 a.m. is set out on pages 91 to 93 of this circular. A proxy form for use at the EGM is enclosed with the notice and was also published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk). Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM (i.e., no later than 10:00 a.m. on Wednesday, 28 December 2022) 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 at the EGM should you so wish.

References to time and dates in this circular are to Hong Kong time and dates.

12 December 2022

CONTENTS

DEFINITIONS

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

"BEH"	(Beijing Energy Holding Co., Ltd.), a limited liability company incorporated in the PRC and the controlling shareholder of the Company
"BEH Finance"	(BEH Finance Co., Ltd.), a limited liability company incorporated in the PRC and a connected person of our Group, with 20% of its equity interest being held by the Company, 60% of its equity interest being held by BEH and 20% of its equity interest being held by Beijing Jingneng Electric Co., Ltd. (a company held by BEH directly and indirectly as to approximately 66.83%)
"BEI (HK)"	Beijing Energy Investment Holding (Hong Kong) Co., Limited ( ), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of BEH and directly held 5.72% of the total issued shares of the Company
"Beijing Jingneng Leasing"	(Beijing Jingneng Finance Leasing Co., Ltd.) (formerly known as (Beijing Jingneng Yuanshen Finance Leasing Co., Ltd.)), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of BEH
"BDHG"	(Beijing District Heating Group Co., Ltd.), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of BEH
"BIEE"	(Beijing International Electric Engineering Co., Ltd.), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of BEH
"Board"	the board of Directors of the Company
"BSCOMC"	(Beijing State-owned Capital Operation Management Co., Ltd.), a Shareholder which directly held approximately 2.72% of the total issued share capital of the Company as at the Latest Practicable Date. BSCOMC is the sole shareholder of BEH
"Company", "we", "our" or "us"	(Beijing Jingneng Clean Energy Co., Limited), a joint stock limited company incorporated in the PRC, whose H shares are listed on the Hong Kong Stock Exchange

"Director(s)"	the director(s) of the Company
"EGM"	the fourth extraordinary general meeting of 2022 of the Company to be held at 10:00 a.m. on Thursday, 29 December 2022 at Meeting Room 802, 8th Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC
"Finance Leasing Business Framework Agreement"	(Finance Leasing Business Framework Agreement) entered into between the Company and BEH on 8 November 2022
"Finance Leasing Framework Agreement (I)"	(Finance Leasing Framework Agreement (I)), entered into between the Company and Beijing Jingneng Leasing on 8 November 2022
"Finance Leasing Framework Agreement (II)"	(Finance Leasing Framework Agreement (II)) entered into between the Company and Shenzhen Jingneng Leasing on 8 November 2022
"Financial Assistance Framework Agreement"	(Financial Assistance Framework Agreement), entered into between the Company and Shenzhen Jingneng Leasing on 8 November 2022
"Financial Services Framework Agreement"	(Financial Services Framework Agreement), entered into between BEH Finance and the Company on 8 November 2022
"Framework Heat Sale and Purchase Agreement"	(Framework Heat Sale and Purchase Agreement), entered into between BEH and the Company on 8 November 2022
"Group"	the Company and its subsidiaries
"H Shares"	the overseas-listed foreign invested share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

“Independent Board Committee”	A committee of the Board established for the purpose of considering the terms and the transaction caps of the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement, comprising Mr. Huang Xiang, Mr. Chan Yin Tsung, Mr. Xu Daping and Ms. Zhao Jie, the independent non-executive Directors of the Company
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement and the proposed annual caps thereunder
“Independent Shareholders”	Shareholders who do not have any material interest in the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement
“Independent Third Parties”	parties who are not connected (within the meaning of the Listing Rules) with any Director, supervisor, chief executive or substantial shareholder of the Company or any of its subsidiaries or any associate of any of them
“Latest Practicable Date”	6 December 2022, being the latest NSTf8ofCTjfPD1:jfX0)11TjfcPRDj0):):SNk

"PBOC"	The People's Bank of China, the central bank of the PRC
"PRC" or "China"	the People's Republic of China and for the purpose of this circular, excluding the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of RMB1.00 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the ordinary share(s) of the Company
"Shenzhen Jingneng Leasing"	(Shenzhen Jingneng Financial Leasing Co., Ltd.), a limited liability company incorporated in the PRC. As of the Latest Practicable Date, Shenzhen Jingneng Leasing was directly held as to approximately 84.68% by the Company and as to approximately 15.32% by BEI (HK), a wholly-owned subsidiary of BEH
"%"	per cent

The terms "associate", "connected person", "connected transaction", "continuing connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless otherwise defined above or where the context otherwise requires.

Beijing Jingneng Clean Energy Co., Limited
北京京能清

Executive Directors
ZHANG Fengyang *(Chairman)*
CHEN Dayu *(General Manager)*
GAO Yuming
CAO Mansheng

Non-executive Directors
ZHOU Jianyu
SONG Zhiyong
ZHANG Yi

Independent non-executive Directors
HUANG Xiang
CHAN Yin Tsung
XU Daping
ZHAO Jie

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

Principal Place of Business in Hong Kong
31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

12 December 2022

To the Shareholders,

Dear Sir/Madam,

(I) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FRAMEWORK HEAT SALE AND PURCHASE AGREEMENT AND FINANCIAL ASSISTANCE FRAMEWORK AGREEMENT;
(II) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASING FRAMEWORK AGREEMENT (I);
(III) MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASING BUSINESS FRAMEWORK AGREEMENT, FINANCE LEASING FRAMEWORK AGREEMENT (II) AND PROPOSED DEPOSIT SERVICE UNDER FINANCIAL SERVICES FRAMEWORK AGREEMENT;
AND
(IV) NOTICE OF THE FOURTH EXTRAORDINARY GENERAL MEETING OF 2022

INTRODUCTION

Reference is made to the announcement of the Company dated 8 November 2022 in relation to, among others, the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement.

The purposes of this circular are, among other matters:

(1) to provide you with details regarding the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement, and the respective proposed annual caps;

(2) to set out the recommendations from the Independent Board Committee in relation to the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services

CONTINUING CONNECTED TRANSACTIONS

(I) Framework Heat Sale and Purchase Agreement

Description of the Transaction

In the ordinary and usual course of business, the Company entered into the Framework Heat Sale and Purchase Agreement with BEH on 8 November 2022, pursuant to which, the Group agrees to sell as BEH and/or its associates agree to purchase from time to time, heat generated by power plants of the Group. The term of such agreement is three years commencing from 1 January 2023 and ending on 31 December 2025.

Pricing Policy

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

The Company is of the view that the pricing in respect of the transactions under the Framework Heat Sale and Purchase Agreement is reasonable and sufficient to cover the costs incurred by the Company after taking into account the following considerations:

according to the Interim Measures for the Price Control of Urban Heat Supply (FA GAI JIA GE [2007] No.1195) (([2007] 1195)), the state-prescribed unit price is determined by reference to, among others, the costs incurred by the heat suppliers (such as the price of natural gas, electricity, water, fixed asset depreciation, repairs, wages), the consideration for the profitability of the heat suppliers and the tax imposed on the heat suppliers; and

the gas-fired power

the total production capacity and historical heat supply volume (in GJ) of the power plants of the Group;

the current state-prescribed unit price of the heat energy;

the prescribed 4-month heat supply period in Beijing, which is from 15 November to 15 March next year, as stipulated in the Administrative Measures of Heat Supply and Heating of Beijing Municipality ( ); and

relatively stable prices of heat energy.

The Company currently operates seven gas-fired cogeneration plants. Historically, only five gas-fired cogeneration plants of the Company supplies to BEH and/or its associates. In response to Guiding Opinions on the Separation and Transfer of "Three Supply and One Property" in the Family Areas of Staff and Workers of State-Owned Enterprises (( )) and for a better centralized management and aftersales management (e.g. dispute resolution, payment collection, etc.), the Company is optimizing its heat supply mechanism from "the Group supplies to BEH and/or its associates and also other clients/end-users at the same time" to "the Group supplies to BEH and/or its associates only and then BEH and/or its associates supply to other clients/end-users". Historically the heat supply volume (in GJ) of the gas-fired cogeneration plants of the Company in total remained stable from 2019 to 2021. As such, the Company expects that the heat supply volume (in GJ) of the gas-fired cogeneration plants of the Group for each of the three years ending 31 December 2025 would remain the same level as for the year ended 31 December 2021 (i.e. approximately 26.0 million GJ). The state-prescribed unit prices of heat supply period of 2019 to 2022 were at a range between RMB82.6/GJ to RMB90.4/GJ, which is prescribed by Beijing Municipal Commission of Development and Reform ( ). Based on the historical trend, the state-prescribed unit price is expected to be stable with minor fluctuations. Therefore, the maximum amount payable by BEH and/or its associates (the proposed annual caps) in each year is approximately RMB2,351.80 million.

The Company considers such annual caps, based on the abovementioned factors are reasonable, taking into account the following circumstances: (i) the implementation of the relevant clean-air action plans of Beijing Municipality, which will further reduce the coal-fired heat supply and increase the use of gas-fired heat in Beijing; (ii) the Company's objective to make full use of the current production capacity so as to increase utilization rate and improve production efficiency; and (iii) the public policy reasons associated with this transaction given the heat supplied to BEH and/or its associates is used for heating during winter times for citizens in Beijing.

Reasons for and Benefits of the Transactions

The gas-fired power and heat energy generation business of the Company based on the operation model of "heat-power cogeneration" ( ) can make full use of power plants of the Group and is more profitable compared to the single power generation or single heat generation business model.

According to Administrative Measures of Heat Supply and Heating of Beijing Municipality ( ), heat supply should comply with the principle of unified planning and localized management. As BDHG, a wholly-owned subsidiary of BEH, is the only central heat supply company whose network covers the area where power plants of the Group are located and thus, the Company's five gas-fired cogeneration plants must sell the gas-fired heat energy through BDHG network in the absence of any alternative purchasers, and more importantly, the Company must sell heat energy generated by power plants to BDHG in order to meet the requirement of "subject to the unified schedule by BDHG based on heat supply standard".

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

I ter Co tro e sures

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

to ensure the proposed annual caps for the transaction under the Framework Heat Sale and Purchase Agreement will not be exceeded, the Company will monitor the transactions under the Framework Heat Sale and Purchase Agreement in

As the highest percentage ratio applicable to the transactions contemplated under the Framework Heat Sale and Purchase Agreement is more than 5% on an annual basis, such transactions are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(II) Financial Assistance Framework Agreement

Description of the Transaction

On 8 November 2022, the Company entered into the Financial Assistance Framework Agreement with Shenzhen Jingneng Leasing, pursuant to which the Company agrees to provide loan services and guarantee services to Shenzhen Jingneng Leasing. The term of the Financial Assistance Framework Agreement is three years commencing from 1 January 2023 and ending on 31 December 2025.

Pricing Policy

Pursuant to the Financial Assistance Framework Agreement, the Company agrees to provide loan services and guarantee services to Shenzhen Jingneng Leasing according to the principal terms as below.

(i) Loan Services

The Group will provide loan services to Shenzhen Jingneng Leasing. The interest rate for loans to be granted to Shenzhen Jingneng Leasing by the Company will be agreed between the Company and Shenzhen Jingneng Leasing by reference to the interest rates of PBOC and the prevailing market conditions, provided that such interest rates shall not be lower than the prevailing cost of financing of the fund by the Company for such loans or the deposit interest rate of PBOC on the execution date of any specific agreement (whichever is higher).

(ii) Guarantee Services

The Group will provide Shenzhen Jingneng Leasing with a corporate guarantee for loans from a bank in accordance with the terms of the guarantee agreement entered into with the relevant bank, covering liabilities including but not limited to the principal, related accrued interest, compensation and other expenses. The guarantee to be provided by the Company to Shenzhen Jingneng Leasing shall be made on normal commercial terms and Shenzhen Jingneng Leasing will not be charged for any fees for the guarantee services.

Historical Amounts, Annual Caps and Basis of Annual Caps

After taking into account of the following factors, the Company estimates that the proposed annual caps for the Financial Assistance Framework Agreement for the three years ending 31 December 2025 are RMB4,000.0 million, RMB6,000.0 million and RMB7,500.0 million, respectively: (i) the historical amounts of loans and guarantees provided by BEH to Shenzhen Jingneng Leasing for the two years ended 31 December 2021 and the six months ended 30 June 2022 of approximately RMB2,817.0 million, RMB2,886.0 million and RMB2,505.0 million, respectively; and (ii) the expected demand for flexible capital investment and management by Shenzhen Jingneng Leasing in accordance with its current business, including the performance of its obligations under the Finance Leasing Framework Agreement (II). The proposed annual caps for the Finance Leasing Framework Agreement (II) are RMB3,000 million for each of the three years ending 31 December 2025, which represent the expected total value of the right-of-use assets for the newly added direct leasing agreements for the year and the total of the expected principal, interest and other fees for the newly added sale and leaseback agreements for the year. The maximum accumulative amounts of fund pursuant to the Finance Leasing Framework Agreement (II) would therefore be not more than RMB3,000 million for the year of 2023, not more than RMB6,000 million for the year of 2024, and not more than RMB9,000 million for the year of 2025. Considering that Shenzhen Jingneng Leasing is expected to record cash inflow from principal amount and interest income generated from existing finance lease arrangements with both the Group and BEH, the Directors had downward adjusted the estimated amounts for the provision of the financial assistance for the year of 2025.

Reasons for and Benefits of the Transactions

The main reasons for and benefits of the transactions under the Financial Assistance Framework Agreement are as follows:

(i) the loan interest charged by the Company is determined by reference to the interest rates of PBOC and the prevailing market conditions, provided that such interest rates shall not be lower than the prevailing cost of financing of the fund by the Company for such loans or the deposit interest rate of PBOC on the execution date of any specific agreement (whichever is higher). Considering the Group's asset size, reputation and listing status, it is expected that the Company would be able to have a lower cost of borrowing on debt financing from commercial banks as compared to Shenzhen Jingneng Leasing (as a borrower) from the same lenders. Therefore, on a consolidated basis, the Group will also benefit from Shenzhen Jingneng Leasing's debt financing through the Company from commercial banks instead of Shenzhen Jingneng Leasing's debt financing from such lenders directly;

(ii) Shenzhen Jingneng Leasing will benefit from tax relief according to the Pilot Program of Replacing Business Tax with Value-Added Tax ( ) should its source of fund is debt financing. As the financial results of Shenzhen Jingneng Leasing have been consolidated into the financial statements of the Group, the Company will also benefit from the tax relief (which directly benefits Shenzhen Jingneng Leasing) on a consolidated basis; and

(iii) the loan and/or guarantee services is to be provided by the Company on normal commercial terms and as the Company has better knowledge of the operation of Shenzhen Jingneng Leasing than commercial banks, under the same conditions, it's quicker and more convenient to get those services from the Company, and thus would increase the profitability of the Group, benefit its Shareholders, including the minority Shareholders, and allow for more efficient deployment of funds of the Group.

Internal Control Measures

To safeguard the interests of the Shareholders as whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures in relation to the continuing connected transactions under the Financial Assistance Framework Agreement, which include the followings:

the Company has formulated certain internal rules and policies related to management and control of operational risks and credit risks in accordance with relevant PRC laws and regulations on financial assistance, with a relatively sound internal control system already in place;

the securities & capital operation department of the Company and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under each underlying agreement of the Financial Assistance Framework Agreement, in particular, the fairness and reasonableness of the pricing terms under each agreement, before each separate agreement under the Financial Assistance Framework Agreement is entered into;

the finance management department of the Company will monitor the financial assistance transactions under the Financial Assistance Framework Agreement on a monthly basis;

the independent non-executive Directors will review the transaction amounts under the Financial Assistance Framework Agreement on a monthly basis to ensure the proposed annual caps will not be exceeded; and

the independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Financial Assistance Framework Agreement (including the rates and fees charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the Financial Assistance Framework Agreement and the Group's pricing policy measures.

As the Group has adopted a set of effective internal control measures to supervise the continuing connected transactions of the Group, the Directors consider that the procedures in place will ensure such transactions be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

Implications under the Listing Rules

References are made to the announcements of the Company dated 10 May 2022, 30 May 2022 and 20 June 2022 and the circular of the Company dated 30 May 2022, in relation to the absorption and merger of Beijing Jingneng International Power Co., Ltd. ( ) by BEH, and the transfer of its equity interest of approximately 84.68% in Shenzhen Jingneng Leasing to the Company and the settlement of consideration by the Company in form of 20% equity interest in

Beijing Jingneng International Power Co., Ltd. and cash. Upon the completion of such transaction, Shenzhen Jingneng Leasing has become a non-wholly owned subsidiary of the Company with its equity interest held as to approximately 84.68% by the Company and as to approximately 15.32% by BEI (HK), a wholly-owned subsidiary of BEH. Therefore, Shenzhen Jingneng Leasing is a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules. Accordingly, the transactions between the Company and Shenzhen Jingneng Leasing contemplated under the Financial Assistance Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the transactions contemplated under the Financial Assistance Framework Agreement is more than 5%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

(III) Finance Leasing Framework Agreement (I)

Description of the Transaction

In the ordinary and usual course of business, the Company entered into the Finance Leasing Framework Agreement (I) on 8 November 2022 with Beijing Jingneng Leasing (instead of BEH for the framework agreement for the three years ending 31 December 2022), pursuant to which, Beijing Jingneng Leasing has agreed to provide financial lease services to the Group. The term of the Finance Leasing Framework Agreement (I) is three years commencing from 1 January 2023 and ending on 31 December 2025.

Financial Lease Services

Pursuant to the Finance Leasing Framework Agreement (I), Beijing Jingneng Leasing will provide finance lease services, including but not limited to, direct leasing and sale and leaseback services to the Group.

In respect of the direct leasing service, as requested or instructed by the Group, Beijing Jingneng Leasing will provide financial leasing solutions to the Group for the purchase of equipment. Beijing Jingneng Leasing will make the payment for the equipment to the suppliers in accordance with the conditions set by the Group and charge the Group with the lease rental for such equipment according to the schedule.

In respect of the sale and leaseback service, based on the financing needs of the Group, Beijing Jingneng Leasing will purchase equipment owned by the Group which is in accordance with the requirement of the sale and leaseback service within the extent permitted by laws, and lease such equipment back to the Group with the lease rental. The equipment leased under the Finance Leasing Framework Agreement (I) is large equipment and of high value such as wind turbine set and photovoltaic generator equipment.

In respect of each finance lease, the relevant member(s) of the Group will enter into separate implementation contract(s) with Beijing Jingneng Leasing. The terms of each implementation contract will be in line with the terms of the Finance Leasing Framework Agreement (I), and each implementation contract shall be subject to and conditional upon the Finance Leasing Framework Agreement (I) continuing to be in force.

Lease Consideration

The lease consideration consists of the principal amount and lease interests. The lease consideration will be determined by the Group and Beijing Jingneng Leasing, respectively after arm's length negotiations and with reference to the market price of the same type of financial leasing assets. When determining the pricing standard, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered with or carried out by Independent Third Parties in the corresponding period of reference.

Cost in respect of such finance leasing services received by the Company (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) shall be not higher than the consolidated cost (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) incurred from similar transactions with Independent Third Parties during the relevant period.

Implementation of IFRS 16 (Leases) on the finance lease services

The Company adopted, among others, International Financial Reporting Standards ("**IFRS**") 16 (Leases) in its consolidated statement of financial position in connection with leases and finance leases with effect from the beginning of its accounting period on 1 January 2019.

For the direct leasing service, pursuant to the IFRS 16 (Leases), the Company recognises right-of-use assets at the commencement date of the lease period (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at the amount of cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. At the commencement date of the lease period, the Company recognises lease liabilities measured at the present value of lease payments that have not been paid. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Accordingly, under IFRS 16 (Leases), the Company will recognise the leased assets of relevant direct lease(s) representing its right to use the leased assets (except short-term leases and low-value leases), subject to the specific lease terms and conditions to be set out in each of the lease agreement. For the sale and leaseback service, the relevant transactions will be accounted for as a financing arrangement by the Company.

Historical Amounts, Annual Caps and Basis for the Annual Caps

Historically, there was a finance leasing transaction between a wholly-owned subsidiary of the Company and Beijing Jingneng Leasing, the historical total principal lease amount of the transaction being approximately RMB226 million. For details, please refer to the announcement dated 28 September 2021.

The annual caps for the Finance Leasing Framework Agreement (I) comprises of (i) as to the direct leasing transactions, the expected total value of the right-of-use assets for the newly added direct leasing agreements for the year, and (ii) as to sale and leaseback transactions, the total of the expected principal, interest and other fees for the newly added sale and leaseback agreements for the year.

The Company estimates the proposed annual caps for the Finance Leasing Framework Agreement (I) for each of the three years ending 31 December 2025 is RMB1,000.0 million, after taking into account the following considerations:

the expected demand for the financial leasing service of the Group in accordance with its current business strategy, of which an expected increase in installed capacity of wind power generation and photovoltaic power generation of approximately 400MW may require finance lease arrangement with Beijing Jingneng Leasing for each of the three years ending 31 December 2025 and of approximately 1,000MW may require finance leasing arrangement with Shenzhen Jingneng Leasing for each of the three years ending 31 December 2025 under the Finance Leasing Framework Agreement (II) and such increase in installed capacity was determined with reference to the historical increase in wind power generation and photovoltaic power generation of the Group for the two years ended 31 December 2021. According to the Company's previous annual reports, as at 31 December 2021, the consolidated installed capacity of wind power generation and photovoltaic power generation amounted to 7,323MW (31 December 2020: 5,709 MW; 31 December 2019: 4,470MW). The consolidated installed capacity of wind power generation and photovoltaic power generation as at 31 December 2021 and 31 December 2020 represented increases of 1,614MW and 1,239MW as compared to their respective previous year end date, respectively; and

the capacity of providing financial lease services by Beijing Jingneng Leasing.

Please refer to the paragraph headed "Major and Continuing Connected Transactions - (V) the Finance Leasing Framework Agreement (II) - Historical Amounts, Annual Caps and Basis for the Annual Caps" below for additional information since the Company entered into similar finance leasing framework agreements with both Beijing Jingneng Leasing and Shenzhen Jingneng Leasing.

Reasons for and Benefits of the Transaction

Beijing Jingneng Leasing has been providing financial lease services to the Group and has a thorough understanding of the operations and development needs of the Group. The reason for entering into the Finance Leasing Framework Agreement (I) is to avoid large amount of capital expenditure for the purchase of large machinery equipment, since the Company is paying for the cost of equipment by installments. The entering into of the Finance Leasing Framework Agreement (I) and participation in the finance lease business will expand the financing channels of the Company, enable the Company to control financing risk and lower the financing cost for the follow-on construction projects of the Company as well as satisfy our demand of funds for project construction in a timely manner.

I ter Co tro e sures

To safeguard the interests of our Shareholders as whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions under the Finance Leasing Framework Agreement (I), which include the followings:

the finance management department of the Company is responsible for collecting and monitoring the information under the Finance Leasing Framework Agreement (I). Prior to entering into individual lease contracts under the Finance Leasing Framework Agreement (I), the finance management department will compare the major terms and financing costs associated with such arrangements to, to the extent practicable, at least two similar and comparable transactions entered with or carried out by Independent Third Parties in the corresponding period of reference. Officers handling the relevant matters shall seek approval from the head of the finance management department and the chief financial officer of the Company, which is subject to the preliminary and final review by them based on the relevant rules and regulations;

the securities & capital operation department of the Company and other relevant operation departments of the Company 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 Leasing Framework Agreement (I), in particular, the fairness and reasonableness of the pricing terms under each agreement, before each separate agreement under the Finance Leasing Framework Agreement (I) is entered into;

the independent non-executive Directors have also reviewed and will continue to review the transaction amounts under the Finance Leasing Framework Agreement (I) on a monthly basis to ensure the proposed annual caps will not be exceeded;

the finance management department of the Company will monitor the financial lease transactions under the Finance Leasing Framework Agreement (I) on a monthly basis. Meanwhile, the business planning department of the Company will be in close contact with the Group's business teams responsible for financial lease so that the business planning department will be able to reasonably anticipate expected transaction amount in advance; and the independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Finance Leasing Framework Agreement (I) (including the rates and fees charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy.

As the Group has adopted a set of effective internal control measures to supervise the continuing connected transactions of the Group, the Directors consider that the procedures in place will ensure such transactions be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

Implications under the Listing Rules

As BEH directly and indirectly holds approximately 68.68% of the issued share capital of the Company as at the Latest Practicable Date, it is a controlling shareholder of the Company. Beijing Jingneng Leasing is a wholly-owned subsidiary of BEH and thus a connected person of the Company. Accordingly, the transactions between the Group and Beijing Jingneng Leasing constitute connected transactions of the Company under the Listing Rules.

As the highest percentage ratio applicable to the transactions contemplated under the Finance Leasing Framework Agreement (I) exceeds 5% on an annual basis, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval 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 Leasing Framework Agreement (I) exceeds 5% but is less than 25%, such transactions also constitute discloseable transactions of the Company which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Since the duration of certain specific agreements under the Finance Leasing Framework Agreement (I) may be longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the specific agreements require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has engaged Gram Capital as the Independent Financial Adviser. Gram Capital, after considering that (i) the Group entered into a finance leasing agreement with Beijing Jingneng Leasing in 2021 with duration of twelve years and four finance leasing agreements with Shenzhen Jingneng Leasing in 2022 with duration of five years; (ii) their observation on companies listed on the Hong Kong Stock Exchange entered into finance lease agreements with duration longer than three years; and (iii) the underlying assets of the specific agreements are expected to have useful lives longer than three years, is of the view that the duration of the specific agreements under the Finance Leasing Framework Agreement (I), which are expected to be longer than three years, is required and it is normal business practice for agreements of this type to be of such duration.

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

(IV) Finance Leasing Business Framework Agreement

Description of the Transaction

References are made to the announcements of the Company dated 20 June 2022 and 15 July 2022 in relation to, among others, the finance leasing agreements entered into between Shenzhen Jingneng Leasing and BEH's associates before Shenzhen Jingneng Leasing becomes a subsidiary of the Company (the "**Acquisition**"), the announcement of the Company dated 27 July 2022 and the circular of the Company dated 17 August 2022 in relation to, among others, the SZ Finance Leasing Framework Agreement entered into between Shenzhen Jingneng Leasing and BEH. As the SZ Finance Leasing Framework Agreement will expire on 31 December 2022, on 8 November 2022, the Company, rather than Shenzhen Jingneng Leasing, and BEH entered into the Finance Leasing Business Framework Agreement, pursuant to which, Shenzhen Jingneng Leasing and/or other subsidiaries of the Company who can provide finance leasing services (if any) (the "**Service Provider**") will provide finance leasing services, including sale and leaseback services and direct finance leasing services to BEH and/or its associates and receive rental income from BEH and/or its associates for the provision of such finance leasing services. The term of the Finance Leasing Business Framework Agreement is three years commencing from 1 January 2023 and ending on 31 December 2025.

Pricing Policy

The transaction price and credit structure under the Finance Leasing Business Framework Agreement are determined based on normal commercial terms after arm's length negotiation between both parties following the principles of good faith and fairness for their respective benefits. In determining the comprehensive interests to be charged against BEH and/or its associates, the Service Provider has considered, among others, (i) the terms and conditions which are no more favourable to BEH and/or its associates than those offered to members of the Group of similar qualification with the lessee; (ii) the Loan Prime Rate (LPR) published by the National Interbank Funding Center with the authorization from the PBOC as may be adjusted from time to time; and (iii) the credit evaluation of the lessee, term of the finance leasing agreements, the principal amount, regulatory policy orientation, our strategy on industry development, and business model and credit enhancement measures of the lessee.

In terms of the sale and leaseback services, the Service Provider will purchase the leased properties from BEH and/or its associates and then lease the same back for an agreed term and receive lease payment on a periodic basis. The basis for determining the value of the leased properties follows the market practice and the lease amount will not exceed the net book value or appraised value of the leased properties.

In terms of the direct finance leasing services, the Service Provider will purchase the leased properties from suppliers upon the instructions and selection of BEH and/or its associates, and then lease the properties to BEH and/or its associates for an agreed term and receive lease payment on a periodic basis. The principal amount is the purchase price of the leased properties from the supplier which is negotiated by the lessee with the supplier on normal commercial terms and by reference to the market price of such properties.

The Service Provider may also charge management fees for the finance leasing services, which is not lower than one over ten thousand of the principal amount and payable in installments or in a lump sum. The Service Provider generally determines the actual amount of the management fees based on the project scale and complexity, qualification of the lessee and negotiation with the lessee.

Historical Amounts, Annual Caps and Basis of Annual Caps

The Company estimates that the proposed annual caps for the Finance Leasing Business Framework Agreement for the three years ending 31 December 2025 are RMB3,700.0 million, RMB2,800.0 million, and RMB2,500.0 million, respectively (including principal, interest payment and other fees if any). In terms of finance leasing agreements entered into between Shenzhen Jingneng Leasing and BEH's associates before the completion of the Acquisition, the principal amount refers to the outstanding principal amount when varying or amending or terminating the financial leasing agreements. In terms of new financial leasing agreements after the completion of the Acquisition, the principal amount refers to the amount set out in the financial leasing agreements. Interest income refers to the interest income accrued from the financial leasing agreements varied or amended or terminated after the completion of the Acquisition and any new financial leasing agreements to be received by Shenzhen Jingneng Leasing.

In determining the above annual caps, the Company has considered that:

the historical amounts of finance leasing services provided by Shenzhen Jingneng Leasing to BEH and/or its associates for the two years ended 31 December 2021 and the six months ended 30 June 2022 being approximately RMB1,263.2 million, RMB3,316.2 million and RMB447.8 million, respectively;

the possibility of amendments and adjustment to and termination of the financial leasing agreements entered into with BEH's associates by Shenzhen Jingneng Leasing before it becomes a subsidiary of the Company. As at the date of Shenzhen Jingneng Leasing becoming a subsidiary of the Company, the principal amount receivable for the sale and leaseback services and direct finance leasing services by Shenzhen Jingneng Leasing to BEH's associates was approximately RMB3,018.9 million; and

the expected demand for financial leasing services by BEH and/or its associates in accordance with their current business strategy.

Reasons for and Benefits of the Transaction

The provision of finance leasing services by us to BEH and/or its associates is able to satisfy the business needs of both parties. On the one hand, we have been providing finance leasing services to BEH and/or its associates and are familiar with the business and demands of BEH and/or its associates and the provision of finance leasing services to BEH and/or its associates provides stable and low-risk income to us; on the other hand, the provision of finance leasing services is able to facilitate BEH and/or its associates to continue to receive efficient financial leasing services from us.

Shenzhen Jingneng Leasing, being the primary Service Provider, primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public, the members of BEH and the members within the Group. The sale and leaseback services and direct leasing services are transactions carried out in the ordinary and usual course of business of Shenzhen Jingneng Leasing. The terms of any agreements (including the interest rate) under the Finance Leasing Business Framework Agreement will be arrived at by Shenzhen Jingneng Leasing and the counterparties after arm's length negotiations, with reference to prevailing commercial practice.

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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 under the Finance Leasing Business Framework Agreement, which include the followings:

as Shenzhen Jingneng Leasing will be the primary Service Provider to provide the finance leasing services, the business departments of Shenzhen Jingneng Leasing are responsible for collecting information and initiating a transaction under the Finance Leasing Business Framework Agreement and will also conduct due diligence. The risk control department and finance management department of Shenzhen Jingneng Leasing will review the details of the transaction and compare the major terms to finance leasing services in relation to similar underlying assets provided to members of the Company with similar qualification and terms obtained by the lessee from other financial institutions (if applicable) at the relevant time. The transaction shall be submitted to the general manager's office meeting of Shenzhen Jingneng Leasing for approval. When assessing a specific transaction, the risk control department and finance management department of Shenzhen Jingneng Leasing will take into account various factors, including regulatory compliance, ownership and operation of the leased properties, litigations involved by the lessee, procurement conditions of the leased equipment, financial condition, cash flow, solvency and control on trade receivables of the lessee, capital resource of Shenzhen Jingneng Leasing for such transaction, financial costs and return to Shenzhen Jingneng Leasing;

the securities & capital operation department of the Company and other relevant operation departments of the Company 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 the finance management department of the Company will monitor the finance leasing transactions under the Finance Leasing Business Framework Agreement on a monthly basis;

the independent non-executive Directors will review the transaction amounts under the Finance Leasing Business Framework Agreement on a monthly basis to ensure the proposed annual caps will not be exceeded; and

the independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Finance Leasing Business Framework Agreement (including the rates and fees charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the Finance Leasing Business Framework Agreement 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 Independent Third Parties.

As the Group has adopted a set of effective internal control measures to supervise the continuing connected transactions of the Group, the Directors consider that the procedures in place will ensure such transactions be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

Implications under the Listing Rules

BEH is the controlling shareholder of the Company, directly and indirectly holding approximately 68.68% of the issued share capital of the Company as at the Latest Practicable Date and thus a connected person of the Company.

As the highest applicable percentage ratio for the transactions contemplated under the Finance Leasing Business Framework Agreement is more than 5% on an annual basis, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the transactions contemplated under the Finance Leasing Business Framework Agreement is more than 25% but less than 100%, such transactions also constitute major transactions of the Company, and are subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since the duration of certain specific agreements under the Finance Leasing Business Framework Agreement may be longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the specific agreements require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has engaged Gram Capital as the Independent Financial Adviser. Gram Capital, after considering that (i) Shenzhen Jingneng Leasing entered into certain finance lease agreements with members of BEH with duration of five to ten years; (ii) their observation on companies listed on the Hong Kong Stock Exchange entered into finance lease agreements with duration longer than three years; and (iii) the underlying assets of the specific agreements are expected to have useful lives longer than three years, is of the view that the duration of the specific agreements under the Finance Leasing Business Framework Agreement, which are expected to be longer than three years, is required and it is normal business practice for agreements of this type to be of such duration.

Financial Impact of the Finance Leasing Business Framework Agreement

The transactions under the Finance Leasing Business Framework Agreement will increase the assets and liabilities of the Group. However, the Company expected that such transactions would not cause material impact on the cash flow of the Group or its business operation. Save as disclosed above, it is expected that such transactions would not cause material impact on the profit, assets and liabilities of the Group.

(V) Finance Leasing Framework Agreement (II)

Description of the Transaction

In the ordinary and usual course of business, the Company entered into the Finance Leasing Framework Agreement (II) on 8 November 2022 with Shenzhen Jingneng Leasing, pursuant to which, Shenzhen Jingneng Leasing has agreed to provide financial lease services to the Group. The term of the Finance Leasing Framework Agreement (II) is three years commencing from 1 January 2023 and ending on 31 December 2025.

Finance Lease Services

Pursuant to the Finance Leasing Framework Agreement (II), Shenzhen Jingneng Leasing will provide finance lease services, including but not limited to, direct leasing and sale and leaseback services to the Group.

In respect of the direct leasing service, as requested or instructed by the Group, Shenzhen Jingneng Leasing will provide financial leasing solutions to the Group for the purchase of equipment. Shenzhen Jingneng Leasing will make the payment for the equipment to the suppliers in accordance with the conditions set by the Group and charge the Group with the lease rental for such equipment according to the schedule.

In respect of the sale and leaseback service, based on the financing needs of the Group, Shenzhen Jingneng Leasing will purchase equipment owned by the Group which is in accordance with the requirement of the sale and leaseback service within the extent permitted by laws, and lease such equipment back to the Group for the lease rental. The equipment leased under the Finance Leasing Framework Agreement (II) is large equipment and of high value such as wind turbine set and photovoltaic generator equipment.

In respect of each finance lease, the relevant member(s) of the Group will enter into separate implementation contract(s) with Shenzhen Jingneng Leasing. The terms of each implementation contract will be in line with the terms of the Finance Leasing Framework Agreement (II), and each implementation contract shall be subject to and conditional upon the Finance Leasing Framework Agreement (II) continuing to be in force.

Lease Consideration

The lease consideration consists of the principal amount and lease interests. The lease consideration will be determined by the Group and Shenzhen Jingneng Leasing after arm's length negotiations and with reference to the market price of the same type of financial leasing assets. When determining the pricing standard, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered with or carried out by Independent Third Parties in the corresponding period of reference.

Cost in respect of such finance leasing services received by the Company (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) shall be not higher than the consolidated cost (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) incurred from similar transactions with Independent Third Parties during the relevant period.

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Implementation of IFRS 16 (Leases) on the finance lease services

The Company adopted, among others, IFRS 16 (Leases) in its consolidated statement of financial position in connection with leases and finance leases with effect from the beginning of its accounting period on 1 January 2019.

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For the direct leasing service, pursuant to the IFRS 16 (Leases), the Company recognises right-

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Historical Amounts, Annual Caps and Basis for the Annual Caps

The annual caps for the Finance Leasing Framework Agreement (II) comprises of (i) as to the direct leasing transactions, the expected total value of the right-of-use assets for the newly added direct leasing agreements for the year, and (ii) as to sale and leaseback transactions, the total of the expected principal, interest and other fees for the newly added sale and leaseback agreements for the year.

The Company estimates the proposed annual caps for the Finance Leasing Framework Agreement (II) for each of the three years ending 31 December 2025 is RMB3,000.0 million, after taking into account the following considerations:

the historical amounts of the finance leasing transactions between the Group and Shenzhen Jingneng Leasing for the two years ended 31 December 2021 and the six months ended 30 June 2022 being RMB247.7 million, nil and RMB518.6 million, respectively;

the expected demand for the financial leasing service of the Group in accordance with the Company's current business strategy, of which an expected increase in installed capacity of wind power generation and photovoltaic power generation of approximately 1,000MW may require finance lease arrangement with Shenzhen Jingneng Leasing for each of the three years ending 31 December 2025 and of approximately 400MW may require finance leasing arrangement with Beijing Jingneng Leasing for each of the three years ending 31 December 2025 under the Finance Leasing Framework Agreement (I) and such increase in installed capacity was determined with reference to the historical increase in wind power generation and photovoltaic power generation of the Group for the two years ended 31 December 2021. According to the Company's previous annual reports, as at 31 December 2021, the consolidated installed capacity of wind power generation and photovoltaic power generation amounted to 7,323MW (31 December 2020: 5,709MW; 31 December 2019: 4,470MW). The consolidated installed capacity of wind power generation and photovoltaic power generation as at 31 December 2021 and 31 December 2020 represented increases of 1,614MW and 1,239MW as compared to their respective previous year end date, respectively; and

the capacity of providing financial lease services by Shenzhen Jingneng Leasing.

Reference is made to the section headed "Discloseable and Continuing Connected Transactions - (III) Finance Leasing Framework Agreement (I)" in relation to the Finance Leasing Framework Agreement (I) entered into between the Company and Beijing Jingneng Leasing, which is of the similar nature with the Finance Leasing Framework Agreement (II) entered into between the Company and Shenzhen Jingneng Leasing. The Company entered into such two finance leasing framework agreements at the same time in order to meet the expected increase in demand of financial leasing services of the Group as disclosed above. The annual caps allocated between Beijing Jingneng Leasing and Shenzhen Jingneng Leasing were determined by the Company after considering (i) the reasons for, benefits of, and the synergy between the finance lease arrangement with Shenzhen Jingneng Leasing and transactions contemplated under the Financial Assistance Framework

Agreement; and (ii) in respect of finance lease arrangements (in volume) during the period from 1 January 2021 to 30 September 2022, the Group entered into finance lease arrangement(s) involving installed capacity of wind power generation and/or photovoltaic power generation (a) of 50MW with Beijing Jingneng Leasing with principal lease amounts of approximately RMB226 million; and (b) of 1,150MW with Shenzhen Jingneng Leasing with total principal lease amounts of approximately RMB2,930 million. In determining which service provider will the Company choose to provide finance leasing services, the following principles and factors will be taken into account:

(i) whichever has a lower consolidated cost (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT);

(ii) whichever can better fit the Group's project schedule; and

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(iii) if Beijing Jingneng Leasing and Shenzhen Jingneng Leasing offer the same terms under (i) and (ii) above, Shenzhen Jingneng Leasing will be preferred.

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Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public, the members of BEH and the members within the Group. Due to business relationship with Shenzhen Jingneng Leasing, it has a thorough understanding of the operations and development needs of the Group. Through entering into the Finance Leasing Framework Agreement (II), the Group can avoid large amount of capital expenditure for the purchase of the large machinery equipment by paying for the cost of equipment by installments. The entering into of the Finance Leasing Framework Agreement (II) and participation in the finance lease business will expand the financing channels and innovate the financing methods of the Company. It also enables the Company to control financing risk and lower the financing cost for the follow-on construction projects of the Company as well as satisfy our demand of funds for project construction in a timely manner.

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To safeguard the interests of our Shareholders as whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions

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matters shall seek approval from the head of the finance management department and the chief financial officer of the Company, which is subject to the preliminary and final review by them based on the relevant rules and regulations;

the securities & capital operation department of the Company and other relevant operation departments of the Company 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 Leasing Framework Agreement (II), in particular, the fairness and reasonableness of the pricing terms under each agreement, before each separate agreement under the Finance Leasing Framework Agreement (II) is entered into;

the independent non-executive Directors have also reviewed and will continue to review the transaction amounts under the Finance Leasing Framework Agreement (II) on a monthly basis to ensure the proposed annual caps will not be exceeded;

the finance management department of the Company will monitor the financial lease transactions under the Finance Leasing Framework Agreement (II) on a monthly basis. Meanwhile, the business planning department of the Company will be in close contact with the Group's business teams responsible for financial lease so that the business planning department will be able to reasonably anticipate expected transaction amount in advance; and

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

As the Group has adopted a set of effective internal control measures to supervise the continuing connected transactions of the Group, the Directors consider that the procedures in place will ensure such transactions be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

Implications under the Listing Rules

As Shenzhen Jingneng Leasing is a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules, the transactions contemplated under the Finance Leasing Framework Agreement (II) constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio for the transactions contemplated under the Finance Leasing Framework Agreement (II) is more than 5%, such transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter

14A of the Listing Rules. As the highest applicable percentage ratio for the transactions contemplated under the Finance Leasing Framework Agreement (II) is more than 25% but less than 100%, such transactions also constitute major transactions of the Company, and are subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since the duration of certain specific agreements under the Finance Leasing Framework Agreement (II) may be longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the specific agreements require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has engaged Gram Capital as the Independent Financial Adviser. Gram Capital, after considering that (i) the Group entered into a finance leasing agreement with Beijing Jingneng Leasing in 2021 with duration of twelve years and four finance leasing agreements with Shenzhen Jingneng Leasing in 2022 with duration of five years; (ii) their observation on companies listed on the Hong Kong Stock Exchange entered into finance lease agreements with duration longer than three years; and (iii) the underlying assets of the specific agreements are expected to have useful lives longer than three years, is of the view that the duration of the specific agreements under the Finance Leasing Framework Agreement (II), which are expected to be longer than three years, is required and it is normal business practice for agreements of this type to be of such duration.

Financial Impact on the Company

The Company expects that the transactions under the Finance Leasing Framework Agreement (II) would not cause material impact on the cash flow of the Group. Save as disclosed above, it is expected that such transactions would not cause material impact on the profit, assets and liabilities of the Group.

(VI) Proposed Deposit Service under the Financial Services Framework Agreement

Description of the Transaction

BEH Finance and the Company entered into the Financial Services Framework Agreement on 8 November 2022, pursuant to which, BEH Finance has agreed to provide the Group with deposit services, loan services and other financial services, subject to the terms and conditions provided therein. The term of such agreement is three years commencing from 1 January 2023 and ending on 31 December 2025.

Principal Terms and Pricing Policy

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

(i) Deposit Services

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

(ii) Loan Services

The Group may from time to time request BEH Finance to provide loan services to it. The interest rate for loans granted to the Group by BEH Finance shall refer to the benchmark interest rates as required by the PBOC from time to time and should not be higher than the interest rates granted by independent commercial banks which provide similar service on the same conditions.

(iii) Other Financial Services

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

BEH Finance charges commission for the other financial services provided to the Group. The other financial services to be provided by BEH Finance to the Group shall be made on normal commercial terms and on terms similar to or no less favourable than those offered by Independent Third Parties for same services in the PRC.

Historic Amounts, Annual Caps and Basis of Annual Caps

(i) Deposit Services

The Company estimates that the proposed annual caps for the maximum daily deposit balance (including any interest accrued thereon) with BEH Finance are RMB8.0 billion, RMB9.5 billion and RMB11.0 billion, respectively, for the three years ending 31 December 2025.

The proposed annual caps of the deposit services under the Financial Services Framework Agreement for the three years ending 31 December 2025 are determined after taking into account: (i) the maximum daily deposit balance (including interest accrued thereon) for the two years ended 31 December 2021 and the nine months ended 30 September 2022 was approximately RMB2,892.9 million, RMB3,986.4 million and RMB6,488.0 million, respectively; (ii) Shenzhen Jingneng Leasing becomes a subsidiary of the Company in 2022 and deposits placed by Shenzhen Jingneng Leasing with BEH Finance shall be taken into account. For the two years ended 31 December 2021, the maximum daily deposit balance of Shenzhen Jingneng Leasing with BEH Finance was approximately RMB256.8 million and RMB305.5 million, respectively; (iii) the anticipated increase in the daily outstanding balances of deposits of the Group attributable to the expected increase in revenue, which is in line with the increase in revenue in recent years and the expected increase of the Group's business operation; (iv) the sudden increase in the fund balance raised from the Company's issuance of corporate bonds, medium-term notes, short-term financing bonds and ultra-short-term financing bonds from time to time; and (v) the cash and equivalents and trade and bills receivable (which will convert into cash if such trade receivables are settled) of our Group due to the nature of business, the concentrated settlement arrangements and internal funds allocation requirements of the Group. Given that BEH Finance has a more thorough understanding of the business operation and development of the Group and can provide the financial services in a more timely manner and at comparable or better terms to the Group, the Company intends to place more deposit with BEH Finance to further strengthen its capital management.

(ii) Loan Services

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

(iii) Other Financial Services

The proposed annual cap for the other financial services under the Financial Services Framework Agreement for each of the three years ending 31 December 2025 is RMB15.0 million, which are determined after taking into account: (i) the historical transaction amount of such services for the two years ended 31 December 2021 and the six months ended 30 June 2022 being approximately RMB17.4 million, RMB14.4 million and RMB2.2 million, respectively; and (ii) the need for larger and more flexible capital investment and management of the Group in line with the developments of business operation of the Group.

Reasons for and Benefits of the Transaction

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

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

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

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

I ter Co tro e sures

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

- before entering into any new deposit arrangements with BEH Finance, the Company will negotiate with BEH Finance on an arm's length basis in respect of the deposit interest rate of the deposit services, and ensure that such interest rate shall not be lower than the same level deposit interest rate as required by the PBOC for similar deposits for a similar term and the deposit interest rates offered by other independent commercial banks in the PRC for similar deposit services on normal commercial terms. In this way, the Company will be able to ensure the deposit interest rate of the deposit services will not be less favourable than that required by the PBOC for similar deposits for a similar term and that offered by other independent commercial banks in the PRC for similar deposits for a similar term;

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

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

- the finance management department of the Company has been and will continue to monitor the daily balance of the deposits placed with BEH Finance and report to the management of the Company, giving an update of the deposit arrangements entered into with BEH Finance on a monthly basis;

- the independent non-executive Directors will review the transaction amounts under the Financial Services Framework Agreement on a monthly basis to ensure the proposed annual caps will not be exceeded; and the independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Financial Services Framework Agreement (including the rates and fees charged in respect of the transactions) and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreement, on normal commercial terms and in accordance with the pricing policy.

Implications under the Listing Rules

As BEH directly and indirectly holds approximately 68.68% of the issued share capital of the Company as at the Latest Practicable Date, it is a controlling shareholder of the Company. BEH Finance is a non wholly-owned subsidiary of BEH and thus a connected person of the Company. Accordingly, the transactions between the Group and BEH Finance constitute continuing connected transactions of the Company under the Listing Rules.

As the highest percentage ratio applicable to the deposit services contemplated under the Financial Services Framework Agreement is more than 5% on an annual basis, such transactions are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The deposit services contemplated under the Financial Services Framework Agreement also constitute financial assistance under Rule 14.04(1)(e) of the Listing Rules and given that the relevant highest applicable percentage ratio exceeds 25% but is less than 100%, the deposit services contemplated under the Financial Services Framework Agreement also constitute major transactions of the Company and are subject to the reporting, announcement and the shareholders' approval requirements under Chapter 14 of the Listing Rules.

Financial Impact to the Company

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

SYNERGY BETWEEN THE FINANCIAL ASSISTANCE FRAMEWORK AGREEMENT AND FINANCE LEASING FRAMEWORK AGREEMENT (II)

References are made to the paragraphs headed "Continuing Connected Transactions - (II) Financial Assistance Framework Agreement - Reasons for and Benefits of the Transaction" and "Major and Continuing Connected Transactions - (V) Finance Leasing Framework Agreement (II) - Reasons for and Benefits of the Transaction" in this letter.

The Directors consider that the transactions under the Financial Assistance Framework Agreement and the Finance Leasing Framework Agreement (II), if proceed, will benefit the Group on a consolidated basis and are in the interest of the Company and its Shareholders as a whole, for reasons set out below:

(i) power generation business is capital-intensive and the Group's further business development and expansion requires a lot of capital. The Company's subsidiaries normally conduct fundraising activities to purchase necessary equipment by way of, among others, obtaining financial assistance from the Company, obtaining borrowings from commercial banks and/or financial institutions, and finance leasing arrangements.

For any borrowings or entrusted loans granted by the Company to its subsidiaries (other than Shenzhen Jingneng Leasing), the relevant subsidiaries or the Company will not benefit from any tax relief, in contrast to tax relief enjoyed by Shenzhen Jingneng Leasing in the transactions under the Financial Assistance Framework Agreement.

For any borrowings obtained by the Company's subsidiaries (other than Shenzhen Jingneng Leasing) from commercial banks and/or financial institutions, the relevant subsidiaries will not benefit from any tax relief and may also subject to a higher interest rate of borrowing as compared to that of the Company's borrowing from the same commercial banks and/or financial institutions.

For any borrowings obtained by Shenzhen Jingneng Leasing from commercial banks and/or financial institutions, Shenzhen Jingneng Leasing may subject to a higher interest rate of borrowing as compared to that of the Company's borrowing from the same commercial banks and/or financial institutions.

In light of the above, the Group, on a consolidated basis, will benefit from the lower cost for its relevant subsidiaries to purchase necessary equipment under the arrangements of (a) Shenzhen Jingneng Leasing's debt financing through the Company (i.e. the transactions under the Financial Assistance Framework Agreement) and (b) Shenzhen Jingneng Leasing's financial leasing services to the other subsidiaries of the Company (i.e. the transactions under the Finance Leasing Framework Agreement (II));

(ii) as Shenzhen Jingneng Leasing is a subsidiary of the Company and the financial results of Shenzhen Jingneng Leasing has been consolidated into the Group, any benefit obtained or enjoyed by Shenzhen Jingneng Leasing will eventually benefit the Group on a consolidated basis. Therefore, the tax relief that will be enjoyed by Shenzhen Jingneng Leasing in the debt financing arrangements under the Financial Assistance Framework Agreement will also benefit the Group, on a consolidated basis; and

(iii) Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services with its source of fund mainly from both equity financing and debt financing. As disclosed in paragraphs (i) and (ii) above, Shenzhen Jingneng Leasing's debt financing through the Company (i.e. the transactions under the Financial Assistance Framework Agreement) will benefit Shenzhen Jingneng Leasing and the Group, on a consolidated basis, in two aspects, i.e. lower cost and tax relief.

GRAM CAPITAL AND INDEPENDENT BOARD COMMITTEE

To comply with the requirements of the Listing Rules, the Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement, and the proposed annual caps thereof.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms in respect of the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement, and the proposed annual caps thereof, and whether it is in the interests of the Company and its Shareholders as a whole.

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

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

SHAREHOLDERS' VOTING ARRANGEMENT

As at the Latest Practicable Date, BEH, BEI (HK), BSCOMC, Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement, and the respective proposed annual caps are (i) on normal commercial terms; (ii) arrived at after arm's length negotiations between the parties; and (iii) entered into in the ordinary course of business of the Group (other than the Financial Services Framework Agreement) and is of the view that the above transactions and the respective proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As of the Latest Practicable Date, save for Mr. Cao Mansheng and Mr. Zhou Jianyu holding positions in BEH and Mr. Song Zhiyong holding position in BSCOMC, none of the Directors is a director or employee of the companies which have an interest or short position in the Shares and underlying shares of the Company.

Due to their positions in BEH or BSCOMC, Mr. Cao Mansheng, Mr. Zhou Jianyu and Mr. Song Zhiyong have all abstained from voting on the Board resolutions approving the aforementioned continuing connected transactions.

BACKGROUND AND GENERAL INFORMATION OF THE PARTIES TO THE AGREEMENTS

The Company

The Company is the largest gas-fired power provider in Beijing and a leading wind power and photovoltaic power operator in the PRC, with a diversified clean energy portfolio including gas-fired power and heat energy, wind power, photovoltaic power, small to medium hydropower and other clean energy projects. The Company is directly and indirectly held as to approximately 68.68% by BEH.

BEH

BEH is a limited liability company incorporated in the PRC which principally engages in the businesses of generation and supplying of electricity and heat, production and sale of coal and development of real estate. BEH is wholly owned by BSCOMC which was established and wholly-owned by Stated-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. BEH is the controlling shareholder of the Company, directly and indirectly holds approximately 68.68% of the issued share capital of the Company as at the Latest Practicable Date, and therefore is our connected person pursuant to Rule 14A.07(1) of the Listing Rules.

BEH Finance

BEH Finance, a limited liability company incorporated in the PRC, which engages in providing financial services such as financial consulting, payment, insurance agency, bill acceptance and discounting, entrusted loans to its member units. BEH Finance is held as to 60% by BEH, 20% by the Company and 20% by Beijing Jingneng Electric Co., Ltd. (a company held by BEH directly and indirectly as to approximately 66.83%). BEH Finance, as a subsidiary of BEH, is our connected person according to Rule 14A.07(4) of the Listing Rules.

Beijing Jingneng Leasing

Beijing Jingneng Leasing is a limited liability company incorporated in the PRC and is wholly owned by BEH. Beijing Jingneng Leasing primarily provides financial leasing services to the public and members of BEH. Beijing Jingneng Leasing is our connected person according to Rule 14A.07(4) of the Listing Rules.

Shenzhen Jingneng Leasing

Shenzhen Jingneng Leasing was incorporated in the PRC with limited liability. As of the Latest Practicable Date, Shenzhen Jingneng Leasing is directly held as to approximately 84.68% by the Company and as to approximately 15.32% by BEI (HK), 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, members of BEH, and the members within the Group. Shenzhen Jingneng Leasing is a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the ordinary resolutions in relation to the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement, and the proposed annual caps thereof are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of such resolutions to be proposed at the EGM.

THE EGM

A notice convening the EGM to be held at Meeting Room 802, 8th Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC on Thursday, 29 December 2022 at 10:00 a.m. has been despatched to the Shareholders on 12 December 2022. A proxy form for use at the EGM has been despatched to the Shareholders on 12 December 2022 and was also published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

Holders of H Shares whose names appear on the register of members of the Company on the close of business on Wednesday, 21 December 2022 are entitled to attend the EGM and vote at the EGM. The share register for H Shares will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both days inclusive), during which period no share transfer of H Shares will be registered.

Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish.

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

Beijing Jingneng Clean Energy Co., Limited
北京京能清

12 December 2022

To the Independent Shareholders

Dear Sir or Madam,

(I) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FRAMEWORK HEAT SALE AND PURCHASE AGREEMENT AND FINANCIAL ASSISTANCE FRAMEWORK AGREEMENT;
(II) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASING FRAMEWORK AGREEMENT (I); AND
(III) MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASING BUSINESS FRAMEWORK AGREEMENT, FINANCE LEASING FRAMEWORK AGREEMENT (II) AND PROPOSED DEPOSIT SERVICE UNDER FINANCIAL SERVICES FRAMEWORK AGREEMENT

We refer to the circular issued by the Company on 12 December 2022 (the "**Circular**") which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed to consider the fairness and reasonableness of the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement, and the proposed annual caps thereof and whether it is in the interests of the Company and its Shareholders as a whole.

Details of the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing

Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement and the proposed annual caps thereof, are set out in the "Letter from the Board" on pages 5 to 36 of the Circular.

Gram Capital has been appointed as our Independent Financial Adviser to advise us on the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement and the proposed annual caps thereof.

Details of the relevant advice and recommendation of Gram Capital, together with the principal factors and reasons taken into account by it in arriving at its advice and recommendation, are set out on pages 39 to 82 of the Circular.

Having taken into account the advice and recommendation of Gram Capital, we consider that the entering into of the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the Financial Services Framework Agreement are conducted in the ordinary and usual course of business (except for the Financial Services Framework Agreement), on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and the terms are fair and reasonable. We therefore recommend the Independent Shareholders to vote in favor of the resolutions proposed at the EGM.

Yours faithfully,

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

Mr. HUANG Xiang	**Mr. CHAN Yin Tsung**	**Mr. XU Daping**	**Ms. ZHAO Jie**
I de e de t	*I de e de t*	*I de e de t*	*I de e de t*
o -executive Director	*o -executive Director*	*o -executive Director*	*o -executive Director*

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

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

12 December 2022

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

Dear Sir/Madam,

(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FRAMEWORK HEAT SALE AND PURCHASE AGREEMENT AND FINANCIAL ASSISTANCE FRAMEWORK AGREEMENT; (2) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCIAL LEASING FRAMEWORK AGREEMENT (I); (3) MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FINANCE LEASING BUSINESS FRAMEWORK AGREEMENT, FINANCE LEASING FRAMEWORK AGREEMENT (II) AND PROPOSED DEPOSIT SERVICE UNDER FINANCIAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions contemplated under the Framework Heat Sale and Purchase Agreement (the "**Heat Supply Transactions**"); (ii) the transactions contemplated under the Finance Leasing Framework Agreement (I) (the "**Beijing Jingneng Lease Services**"); (iii) the transactions contemplated under the Finance Leasing Business Framework Agreement (the "**Finance Lease Business Services**"); (iv) the transactions contemplated under the Finance Leasing Framework Agreement (II) (the "**Shenzhen Jingneng Lease Services**"); (v) the deposit services under the Financial Services Framework Agreement (the "**Deposit Services**"); and (vi) the transactions contemplated under the Financial Assistance Framework Agreement (the "**Financial Assistance Transactions**", together with the Heat Supply Transactions, the Beijing Jingneng Lease Services, the Finance Lease Business Services, the Shenzhen Jingneng Lease Services and the Deposit Services, the "**Transactions**"), details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 12 December 2022 (the "**Circular**") issued by the Company to the Shareholders, 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.

The Heat Supply Transactions

On 8 November 2022, the Company entered into the Framework Heat Sale and Purchase Agreement with BEH, pursuant to which, the Group agrees to sell and BEH and/or its associates agree to purchase from time to time, heat generated by power plants of the Group. The term of such agreement is three years commencing from 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the Heat Supply Transactions constitutes continuing connected transactions and are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Beijing Jingneng Lease Services

On 8 November 2022, the Company entered into the Finance Leasing Framework Agreement (I) with Beijing Jingneng Leasing, pursuant to which, Beijing Jingneng Leasing has agreed to provide financial lease services to the Group. The term of the Finance Leasing Framework Agreement (I) is three years commencing from 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the Beijing Jingneng Lease Services constitutes continuing connected transactions and discloseable transactions and are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Finance Lease Business Services

On 8 November 2022, the Company and BEH entered into the Finance Leasing Business Framework Agreement, pursuant to which, Shenzhen Jingneng Leasing and/or other subsidiaries of the Company who can provide finance leasing services (if any) will provide finance leasing services, including sale and leaseback services and direct finance leasing services to BEH and/or its associates and receive rental income from BEH and/or its associates for the provision of such finance leasing services. The term of the Finance Leasing Business Framework Agreement is three years commencing from 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the Finance Lease Business Services constitutes continuing connected transactions and major transactions and are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Shenzhen Jingneng Lease Services

On 8 November 2022, the Company entered into the Finance Leasing Framework Agreement (II) with Shenzhen Jingneng Leasing, pursuant to which, Shenzhen Jingneng Leasing have agreed to provide financial lease services to the Group. The term of the Finance Leasing Framework Agreement (II) is three years commencing from 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the Shenzhen Jingneng Lease Services constitutes continuing connected transactions and major transactions and are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Deposit Services

On 8 November 2022, BEH Finance and the Company entered into the Financial Services Framework Agreement, pursuant to which, BEH Finance has agreed to provide the Group with deposit services, loan services and the other financial services, subject to the terms and conditions provided therein. The term of such agreement is three years commencing from 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the Deposit Services constitutes continuing connected transactions and major transactions and are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Financial Assistance Transactions

On 8 November 2022, the Company entered into the Financial Assistance Framework Agreement with Shenzhen Jingneng Leasing, pursuant to which the Company agreed to provide loan services and guarantee services to Shenzhen Jingneng Leasing. The term of the Financial Assistance Framework Agreement is three years commencing from 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the Financial Assistance Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. HUANG Xiang, Mr. CHAN Yin Tsung, Mr. XU Daping and Ms. ZHAO Jie (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

In addition, since the duration of certain specific agreements under the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement and the Finance Leasing Framework Agreement (II) may be longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the specific agreements require a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. We, Gram Capital Limited, have also been appointed as the Independent Financial Adviser in relation to the above matters.

INDEPENDENCE

Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to (i) voluntary conditional offer and proposed voluntary withdrawal of listing of H Shares (details of which are set out in the Company's composite document dated 31 December 2020); (ii) continuing connected transactions and discloseable transactions of the Company (details of which are set out in the Company's circular dated 25 November 2021); (iii) discloseable transactions and connected transactions of the Company (details of which are set out in the Company's circular dated 30 May 2022); and (iv) continuing connected transaction and major transaction; and continuing connected transaction and discloseable transaction (details of which are set out in the Company's circular dated 17 August 2022). Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date.

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 Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate 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 is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, BEH, BEH Finance, Shenzhen Jingneng Leasing, Beijing Jingneng Leasing or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of Transactions. 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.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

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Information on the Group

With reference to the Board Letter, the Company is the largest gas-fired power provider

A.2 Reasons for and benefits of the Heat Supply Transactions

With reference to the Board Letter, the gas-fired power and heat energy generation business of the Company based on the operation model of "heat-power cogeneration" ( ) can make full use of power plants of the Group and is more profitable compared to the single power generation or single heat generation business model.

With reference to the Company's interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**") and the annual report for the year ended 31 December 2021 (the "**2021 Annual Report**"), gas-fired power generation and heat energy generation is the core business segment of the Company. As at 31 December 2021, the total consolidated installed capacity of the Company reached 12,444 MW (30 June 2022: 13,400 MW), and the Company operates seven gas-fired cogeneration plants with an installed capacity of 4,702 MW in Beijing, accounting for over 40% of gas-fired power generation of Beijing and accounts for over 40% of centralized heating supply of Beijing.

According to Administrative Measures of Heat Supply and Heating of Beijing Municipality ( ), heat supply should comply with the principle of unified planning and localized management. As BDHG, a wholly-owned subsidiary of BEH, is the only central heat supply company whose network covers the area where power plants of the Group are located and thus, the Company's five gas-fired cogeneration plants must sell the gas-fired heat energy through BDHG network in the absence of any alternative purchasers, and more importantly, the Company must sell heat energy generated by power plants to BDHG in order to meet the requirement of "subject to the unified schedule by BDHG based on heat supply standard".

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

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

A.3 Principal terms of the Heat Supply Transactions

Set out below are the principal terms of the Heat and Supply Transactions, details of which are set out under the section headed "(I) The Framework Heat Sale and Purchase Agreement" of the Board Letter.

Date:	8 November 2022
Parties:	(i) BEH; and (ii) The Company

Subject matter:	the Group agrees to sell as BEH and/or its associates agree to purchase from time to time, heat generated by power plants of the Group.
Term:	Three years commencing from 1 January 2023 and ending on 31 December 2025.
Pricing policy:	The transaction under the Framework Heat Sale and Purchase Agreement is conducted at state-prescribed unit price, which is determined by Beijing Municipal Commission of Development and Reform from time to time.

With reference to the Board Letter, the Company is of the view that the pricing in respect of the transactions under the Framework Heat Sale and Purchase Agreement is reasonable and sufficient to cover the costs incurred by the Company after taking into account the following considerations: (i) according to the Interim Measures for the Price Control of Urban Heat Supply (FA GAI JIA GE [2007] No. 1195) ([illegible] [2007] 1195 [illegible]), the state-prescribed unit price is [illegible] 1195) ([illegible]

A.4 The proposed annual cap

The table below set out are (i) the historical transaction amounts of heat supply by the Group to BEH Group for the two years ended 31 December 2021 and the six months ended 30 June 2022, with the existing annual caps for the three years ending 31 December 2022; and (ii) the proposed annual caps for the three years ending 31 December 2025 under the Framework Heat Sale and Purchase Agreement (the "**Heat Cap(s)**"):

	For the year ended 31 December 2020 ("FY2020")	**For the year ended 31 December 2021 ("FY2021")**	**For the year ending 31 December 2022 ("FY2022")**
	RMB' million	*RMB' million*	*RMB' million*
Historical transaction amounts	1,845.0	1,735.5	1,075.4 *(Note)*
Historical annual caps	2,271.80	2,271.80	2,271.80
Utilisation rate	81.21%	76.39%	N/A

	For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
	RMB' million	*RMB' million*	*RMB' million*
Heat Caps	2,351.80	2,351.80	2,351.80

Note: the figure was for the six months ended 30 June 2022

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2.7% for FY2021 as compared to that for FY2020. However, based on the heat supply volume (in GJ) for the six months ended 30 June 2022, it represented an increase of approximately 10.3% as compared to the corresponding period for 2021. Therefore, we are of the view that the increase of approximately 9.1% for the estimated heat supply volume (in GJ) for the three years ending 31 December 2025 as compared to the heat supply volume (in GJ) for FY2021 to be justifiable.

Accordingly, we consider that the expected heat supply volumes (in GJ) for the three years ending 31 December 2025 are justifiable.

Estimated state-prescribed unit price

According to the calculations, the estimated unit selling price (RMB/GJ) is RMB88/GJ. We noted that the state-prescribed unit prices of heat supply period of 2019 to 2022 were at a range between RMB82.6/GJ to RMB90.4/GJ, which is prescribed by Beijing Municipal Commission of Development and Reform ( ). As the estimated unit selling price (RMB/GJ) is within the aforesaid range and there is also a downward adjustment of state-prescribed unit prices of heat supplied for 2019-2020 heat supply period, we consider the Directors' estimation of the unit selling price for the three years ending 31 December 2025 to be justifiable.

Based on the calculation, we are of the view that the estimated heat supply amounts (in RMB) (calculated by the multiple of estimated heat supply volume (in GJ) and estimated state-prescribed unit price (both of which are justifiable as analysed above), and excluding of tax) for the three years ending 31 December 2025), are fair and reasonable.

Based on the above factors, we are of the view that the Heat Caps, which were close to (with difference of less than 5%) to the estimated heat supply amounts, for the three years ending 31 December 2025 are fair and reasonable.

Shareholders should note that as the Heat Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and it does not represent forecasts of revenue to be recorded from the Heat Supply Transactions. Consequently, we express no opinion as to how closely the actual revenue, purchase or income to be incurred under the Heat Supply Transactions will correspond with the Heat Caps.

A.5 Conclusion on Heat Supply Transactions

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

B. THE BEIJING JINGNENG LEASE SERVICES

B.1 Information on Beijing Jingneng Leasing

With reference to the Board Letter, Beijing Jingneng Leasing is a limited liability company incorporated in the PRC and is wholly owned by BEH. Beijing Jingneng Leasing primarily provides financial leasing services to the public and members of BEH.

B.2 Reasons for and benefits of entering into the Beijing Jingneng Lease Services

With reference to the Board Letter, Beijing Jingneng Leasing has been providing financial lease services to the Group and has a thorough understanding of the operations and development needs of the Group. The reason for entering into the Finance Leasing Framework Agreement (I) is to avoid large amount of capital expenditure for the purchase of the large machinery equipment, since the Company is paying for the cost of equipment by installments. The entering into of the Finance Leasing Framework Agreement (I) and participation in the finance lease business will expand the financing channels of the Company, enable the Company to control financing risk and lower the financing cost for the follow-on construction projects of the Company as well as satisfy our demand of funds for project construction in a timely manner.

As advised by the Directors, the power generation business is a capital-intensive business and further business development and expansion of the Group requires a lot of capital. We understood that both direct lease and sale and leaseback lease are the financing activities generally adopted by listed companies with principal business of power generation.

We noted that the Company entered into the Finance Leasing Framework Agreement (II) with Shenzhen Jingneng Leasing on 8 November 2022. The Finance Leasing Framework Agreement (I) is in similar nature of the Finance Leasing Framework Agreement (II). Having considered followings:

(i) the Group may have a stronger bargaining power for the transactions with Beijing Jingneng Leasing should there be more suppliers; and

(ii) pursuant to both the Finance Leasing Framework Agreement (I) and the Finance Leasing Framework Agreement (II), cost in respect of such finance leasing services received by the Company (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) shall be not higher than the consolidated cost (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) incurred from similar transactions with Independent Third Parties during the relevant period. It indicated that the Group may obtained a not less favourable terms of pricing to be provided by Beijing Jingneng Leasing/Shenzhen Jingneng Leasing as compared to those offered by Independent Third Parties. However, as there are maximum amounts restriction under both the Finance Leasing Framework Agreement (I) and the Finance Leasing Framework Agreement (II) (i.e. proposed annual caps), the Group will be able to continuously enjoy a not less favourable terms of pricing should the transaction amounts of finance leasing services pursuant to Finance Leasing Framework Agreement (I) or the Finance Leasing Framework Agreement (II) are insufficient,

we are of the view that the entering into both the Finance Leasing Framework Agreement (I) and Finance Leasing Framework Agreement (II) simultaneously are beneficial to the Group.

In light of the above factors, we consider that the Beijing Jingneng Lease Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

B.3 Principal terms of the Beijing Jingneng Lease Services

Set out below are the principal terms of the Beijing Jingneng Lease Services, details of which are set out under the section headed "(III) The Finance Leasing Framework Agreement (I)" of the Board Letter.

Date:	8 November 2022
Parties:	(1) The Company; and (2) Beijing Jingneng Leasing
Subject Financial Lease Services:	Pursuant to the Finance Leasing Framework Agreement (I), Beijing Jingneng Leasing will provide finance lease services, including but not limited to, direct leasing and sale and leaseback services to the Group. Details of the direct leasing service and the sale and leaseback service are set out under the section headed "(III) The Finance Leasing Framework Agreement (I)" of the Board Letter.
Term:	Three years commencing from 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the duration of certain specific agreements under the Finance Leasing Framework Agreement (I) may be longer than three years.

In considering whether it is normal business practice for agreements of similar nature with the specific agreements to have a term of such duration, we noted (i) from the Company's announcements dated 20 June 2022 and 15 July 2022 that there were 42 individual finance lease agreements between Shenzhen Jingneng Leasing and members of BEH with duration ranged from 2 to 10 years, of which duration of 28 out of 42 individual finance lease agreements exceed three years (being 5 to 10 years); and (ii) that the Group entered into an individual finance lease (sales and leaseback lease) contract with Beijing Jingneng Leasing in 2021 (the “**2021 Contract**”) with duration of 12 years and four individual finance lease (direct lease) contracts with Shenzhen Jingneng Leasing in 2022 (the “**2022 Contracts**”) with duration of 5 years.

In addition, we identified and reviewed over ten transactions involving finance lease arrangements, entered into by companies listed on the Stock Exchange, with duration of more than three years.

Having considered that (i) Shenzhen Jingneng Leasing entered into certain finance lease agreements with members of BEH with duration of 5 to 10 years and the duration of the 2021 Contract and 2022 Contracts were 12 years and 5 years respectively; (ii) our observation on companies listed on the Stock Exchange entered into finance lease agreements with duration longer than 3 years; and (iii) as advised by the Directors, the underlying assets of the specific agreements are expected to have useful lives longer than three years, we consider that the duration of the specific agreements, which are expected to be longer than three years, is required and it is normal business practice for agreements of this type to be of such duration.

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Pursuant to the Finance Leasing Framework Agreement (I), the lease consideration consists of the principal amount and lease interests. The lease consideration will be determined by the Group and Beijing Jingneng Leasing, respectively after arm’s length negotiations and with reference to the market price of the same type of financial leasing assets. When determining the pricing standard, to the extent practicable, management of the Company will take into account the rates of at least two similar and comparable transactions entered with or carried out by Independent Third Parties in the corresponding period of reference.

Cost in respect of such finance lease services of the Company (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) shall be not higher than the consolidated cost (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) incurred from similar transactions with Independent Third Parties during the relevant period.

To safeguard the interests of our Shareholders as whole, including the mino Company. /SNSTdfctiGTj XnritSTdrs

Shenzhen Jingneng Lease Services are generally the same and there were also internal control measures adopted for the Shenzhen Jingneng Lease Services, we therefore requested the Company to provide documents to illustrate the cost of finance lease with Shenzhen Jingneng Leasing, for the purpose of assessing the effectiveness of the implementation of the internal control measures.

Upon our request, we obtained the 2022 Contracts with quotations from three independent third parties. As confirmed by the Directors, the aforesaid four individual finance lease (direct lease) contracts (i.e. the 2022 Contracts) are all contracts in respect of direct lease arrangements entered into between the Group and Shenzhen Jingneng Leasing from 1 January 2022 to the date of the Finance Leasing Framework Agreement (I). According to the aforesaid documents, the cost of finance lease offered by Shenzhen Jingneng Leasing were not higher than those offered by independent third parties.

Having also considered our findings on the costs of individual finance lease contracts as mentioned above, we do not doubt the effectiveness of the measures.

B.4 The proposed annual caps

The table below set out are the proposed annual caps for the three years ending 31 December 2025 under the Finance Leasing Framework Agreement (I) (the "**BJ Jingneng Leasing Cap(s)**"):

	For the year ending 31 December 2023 *RMB' million*	For the year ending 31 December 2024 *RMB' million*	For the year ending 31 December 2025 *RMB' million*
BJ Jingneng Leasing Caps	1,000.00	1,000.00	1,000.00

With reference to the Board Letter, historically, there was a finance leasing transaction between a wholly-owned subsidiary of the Company and Beijing Jingneng Leasing, the historical total principal lease amount of the transaction being approximately RMB226 million.

With reference to the Board Letter, the BJ Jingneng Leasing Caps for the three years ending 31 December 2025 are determined after taking into account of various factors, details of which were set out under the subsection headed "Historical Amounts, Annual Caps and Basis for the Annual Caps" under the section headed "(III) the Finance Leasing Framework Agreement (I)" of the Board Letter.

The BJ Jingneng Leasing Caps for the Finance Leasing Framework Agreement (I) comprises of (i) as to the direct leasing transactions, the expected total value of the right-of-use assets for the newly added direct leasing agreements for the year, and (ii) as to the sale and leaseback transactions, the total of the expected principal, interest and other fees for the newly added sale and leaseback agreements for the year.

We conducted following analyses to assess the fairness and reasonableness of the BJ Jingneng Leasing Caps:

- As advised by the Directors, power generation business is a capital-intensive business and the development of the Group requires a lot of capital.

  The underlying assets of the proposed finance lease are expected to be power plant machineries/equipment/parts.

- Upon our request, the Directors provided breakdowns of estimated contract values for finance lease arrangement for wind and photovoltaic power for the three years ending 31 December 2025. According to the breakdowns, we noted that the Directors assumed that there will be an increase in installed capacity of wind power generation and photovoltaic power generation of 400MW which involving finance lease arrangement with Beijing Jingneng Leasing for each of the three years ending 31 December 2025.

- As advised by the Directors, such increase was determined with reference to (i) historical increase in wind power generation and photovoltaic power generation of the Group for the two years ended 31 December 2021; and (ii) the estimated increasing in installed capacity of wind power generation and photovoltaic power generation of approximately 1,000MW which involving finance lease arrangement with Shenzhen Jingneng Leasing for each of the three years ending 31 December 2025.

  The Directors expected total increase of approximately 1,400MW in installed capacity of wind power generation and photovoltaic power generation for the three years ending 31 December 2025, which involving finance lease arrangement with Beijing Jingneng Leasing and Shenzhen Jingneng Leasing for each of the three years ending 31 December 2025.

  According to the Company's previous annual reports, as at 31 December 2021, the consolidated installed capacity of wind power generation and photovoltaic power generation amounted to 7,323MW (31 December 2020: 5,709 MW; 31 December 2019: 4,470MW). The consolidated installed capacity of wind power generation and photovoltaic power generation as at 31 December 2021 and 31 December 2020 represented increases of 1,614MW and 1,239MW as compared to their respective previous year end date. Therefore, we consider the possible increase of approximately 1,400MW in wind power generation and photovoltaic power generation for the three years ending 31 December 2025 to be justifiable.

  As mentioned above, the estimated increasing in installed capacity of wind power generation and photovoltaic power generation which involving finance lease arrangement with Shenzhen Jingneng Leasing amounted to approximately 1,000MW for each of the three years ending 31 December 2025. The Directors advised us that the allocation was determined after considering (i) reasons for and benefits of finance lease arrangement with Shenzhen Jingneng Leasing and the Financial Assistance Transactions; and (ii) the Group's finance lease arrangements in the recent years (i.e. from 1 January 2021 to 30 September 2022) with Beijing Jingneng Leasing and Shenzhen Jingneng Leasing respectively. Having considered that (i) Shenzhen Jingneng Leasing is a non-wholly owned subsidiary of the Company; (ii) the reasons and benefits of the Financial Assistance Transactions as mentioned in section headed "F.2 Reasons for and benefits of the Financial Assistance Transaction" below; (iii) in respect of finance lease arrangements (in volume) during the period from 1 January 2021 to 30 September 2022, the Group entered into lease arrangement(s) involving installed capacity of wind power generation and/or photovoltaic power generation (a) of 50MW with Beijing Jingneng Leasing with principal lease amounts of RMB226 million; and (b) of 1,150MW with Shenzhen Jingneng Leasing with total principal lease amounts of RMB2,930 million, it is justifiable that the Group proposed to enter into a more proportion of finance lease arrangement with Shenzhen Jingneng Leasing.

Based on the above, we are of the view that the estimation of installed capacity of wind power generation and photovoltaic power generation which involving finance lease arrangement with Beijing Jingneng Leasing for the three years ending 31 December 2025 to be justifiable.

Based on the estimated contract values for finance lease arrangement for wind and photovoltaic power and their estimated installed capacity for the three years ending 31 December 2025, implied wind and photovoltaic power per installed capacity finance lease amounts (the "**Implied Average Amounts**") was calculated by contract value of finance lease amounts over the installed capacity. We noted that the Implied Average Amounts were close to the average per installed capacity finance lease amounts of wind and photovoltaic power projects according to the 2022 Contracts and Shenzhen Jingneng Leasing's direct lease arrangements in 2021 and 2022.

Therefore, we are of the view that the Implied Average Amounts are justifiable. Accordingly, we also consider the estimated [illegible]

Shareholders should note that as the BJ Jingneng Leasing Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and it does not represent forecasts of revenue to be recorded from the Beijing Jingneng Leasing Services. Consequently, we express no opinion as to how closely the cost to be incurred from the Beijing Jingneng Leasing Services will correspond with the BJ Jingneng Leasing Caps.

B.5 Conclusion on Beijing Jingneng Leasing Services

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

C. THE FINANCE LEASE BUSINESS SERVICES

C.1 Information on BEH

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

C.2 Reasons for and benefit of the Finance Lease Business Services

With reference to the Board Letter, the provision of finance leasing services by Shenzhen Jingneng Leasing to BEH and/or its associates is able to satisfy the business needs of both parties. On the one hand, Shenzhen Jingneng Leasing has been providing finance leasing services to BEH and/or its associates and are familiar with the business and demands of BEH and/or its associates and the provision of finance leasing services to BEH and/or its associates provides stable and low-risk income to Shenzhen Jingneng Leasing; on the other hand, the provision of finance leasing services is able to facilitate BEH and/or its associates to continue to receive efficient financial leasing services from Shenzhen Jingneng Leasing.

Shenzhen Jingneng Leasing, being the primary service provider, primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public, the members of BEH and the members within the Group. The sale and leaseback services and direct leasing services are transactions carried out in the ordinary and usual course of business of Shenzhen Jingneng Leasing.

As at the Latest Practicable Date, there were various finance leasing agreements between Shenzhen Jingneng Leasing and BEH and/or its associates. Shenzhen Jingneng Leasing may adjust the interest rates of the financing leasing agreements (entered into with BEH's associates before the completion of the Acquisition) so as to keep the market competitiveness of Shenzhen Jingneng Leasing. Furthermore, due to actual development of certain projects, Shenzhen Jingneng Leasing may amend the principal amounts of finance leasing agreements (entered into with BEH's associates before the completion of the acquisition of Shenzhen Jingneng Leasing by the Group (the "**Acquisition**")) according to the lessees' application.

Furthermore, as a result of the Acquisition, the transactions between Shenzhen Jingneng Leasing and BEH and/or its associates became connected transactions of the Company. As the Finance Lease Services will be conducted in the ordinary and usual course of business of Shenzhen Jingneng Leasing and may be conducted on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, we concur with the Directors that the Finance Lease Business Services will be beneficial to the Company and the Shareholders as a whole

In light of the above factors, we consider that the Finance Lease Business Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

C.3 Principal terms of the Finance Lease Business Services

Set out below are the principal terms of the Finance Lease Business Services, details of which are set out under the section headed "(IV) The Finance Leasing Business Framework Agreement" of the Board Letter.

Date:	8 November 2022
Parties:	(i) the Company; and (ii) BEH
Subject matter:	Shenzhen Jingneng Leasing and/or other subsidiaries of the Company who can provide finance leasing services (if any) (the "**Service Provider**") will provide finance leasing services, including sale and leaseback services and direct finance leasing services to BEH and/or its associates and receive rental income from BEH and/or its associates for the provision of such finance leasing services.
Term:	Three years commencing from 1 January 2023 and ending on 31 December 2025. With reference to the Board Letter, the duration of certain specific agreements under the Finance Leasing Business Framework Agreement may be longer than three years.

After considering that (i) Shenzhen Jingneng Leasing entered into certain finance lease agreements with members of BEH with duration of 5 to 10 years and the duration of the 2021 Contract and the 2022 Contracts were 12 years and 5 years respectively; (ii) our observation on companies listed on the Stock Exchange entered into finance lease agreements with duration longer than 3 years; and (iii) as advised by the Directors, the underlying assets of the specific agreements are expected to have useful lives longer than three years, we consider that the duration of the specific agreements, which are expected to be longer than three years, is required and it is normal business practice for agreements of this type to be of such duration.

Pricing policy:

The transaction price and credit structure under the Finance Leasing Business Framework Agreement are determined based on normal commercial terms after arm's length negotiation between both parties following the principles of good faith and fairness for their respective benefits. In determining the comprehensive interests to be charged against BEH and/or its associates, the Service Provider has considered, among others, (i) the terms and conditions which are no more favourable to BEH and/or its associates than those offered to members of the Group of similar qualification with the lessee; (ii) the LPR published by the National Interbank Funding Center with the authorization from the PBOC as may be adjusted from time to time; and (iii) the credit evaluation of the lessee, term of the finance leasing agreements, the principal amount, regulatory policy orientation, the Group's strategy on industry development, and business model and credit enhancement measures of the lessee.

- In terms of the sale and leaseback services, the Service Provider will purchase the leased properties from BEH and/or its associates and then lease the same back for an agreed term and receive lease payment on a periodic basis. The basis for determining the value of the leased properties follows the market practice and the lease amount will not exceed the net book value or appraised value of the leased properties.

- In terms of the direct finance leasing services, the Service Provider will purchase the leased properties from suppliers upon the instructions and selection of BEH and/or its associates, and then lease the properties to BEH and/or its associates for an agreed term and receive lease payment on a periodic basis. The principal amount is the purchase price of the leased properties from the supplier which is negotiated by the lessee with the supplier on normal commercial terms and by reference to the market price of such properties.

The Service Provider may also charge management fees for the finance leasing services, which is not lower than one over ten thousand of the principal amounts and payable in installments or in a lump sum. The Service Provider generally determines the actual amount of the management fees based on the project scale and complexity, qualification of the lessee and negotiation with the lessee.

To assess the fairness and reasonableness of the pricing policy of the Finance Lease Business Services, we searched over the Stock Exchange's website to identify similar finance lease arrangement in the form of framework agreement by companies listed on the Stock Exchange with principal business of the provision of finance lease services. To the best of our knowledge, we identified following companies which met the aforesaid criteria and are exhaustive (the "**Comparables**"). Details of our findings are set out as follows:

Company and principal business	Date of announcement	Pricing policy
International Alliance Financial Leasing Co., Ltd. (1563) *Principal business:* An investment holding company mainly engaged in finance leasing business.	4 November 2022	The interest rate and relevant fees to be agreed for the finance leasing service shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, the listed issuer group shall make reference to the following non-exhaustive factors: (1) the benchmark lending rates published by PBOC. The expected final effective interest rate shall be higher than the PBOC benchmark lending rates in order for the listed issuer to reasonably profit from the provision of the finance leasing service; (2) the risk premium of lessee group contemplated within the range approximately from 1% to 4%, which is dependent on the listed issuer's evaluation of the financial conditions, credit history, size of finance lease, industry and scale of business of the lessee group; (3) the secured lending rate for the borrowings granted to lessee group by financial institutions. The expected final effective interest rate shall not be lower than such

Company and principal business	Date of announcement	Pricing policy
		secured lending rate in order for the listed issuer to ensure that the former is not undervalued; (4) in the event that the listed issuer group is unable to reasonably obtain the relevant information in relation to the secured lending rate mentioned in sub-paragraph (3) above, the funding costs (i.e. the costs of borrowing of the listed issuer group) incurred by the listed issuer group at the time of entering into of the relevant individual agreement. The expected final effective interest rate under the individual agreements shall be higher than the funding costs in order to ensure that the company will not incur loss out of the provision of the finance lease service; and (5) the quotations and/or the contracts for similar finance leasing services offered by the company to at least two (2) independent third party customers, which act as a reference to prevailing market rate, so as to ensure that the expected final effective interest rate under the individual agreements of the finance leasing service provided by the company to the lessee group shall not be lower than the average effective interest rates offered to its other independent third party customers at the prevailing time and that it is no less favourable than to independent third parties.

[redacted]

Company and principal business	**Date of announcement**	**Pricing policy**
		In terms of the sale-and-leaseback services and direct lease service, the interest of the contract shall not deviate from its fair market value (i.e. within the range of over 5-year LPR plus or minus 100BP published by the National Interbank Funding Center with the authorization from the PBOC).
Overseas Chinese Town (Asia) Holdings Limited (3366) *Principal business:* An investment holding company principally engaged in the comprehensive development, equity investment, and fund management businesses.	18 May 2020	The interest rate and relevant fees to be agreed in an implementation agreement for the finance leases and/or factoring services shall be on normal commercial terms or better and the interest rate determined thereby must not be lower than the benchmark lending rates published by PBOC at the time of entering into of the relevant implementation agreement. In particular, the effective interest rate of the relevant implementation agreement shall not be lower than (i) the secured lending rate for the borrowings granted to lessee(s) by other general financial institutions; or (ii) if the lessor is unable to reasonably obtain the information required under (i) for reference, the capital costs incurred by the lessor at the time of entering into of the relevant implementation agreement, which may be adjusted according to the adjustment of the benchmark lending rates published or quoted by PBOC for the same period. When deciding the mechanism for determining the effective interest rate as mentioned in the paragraph above, the board of directors of the listed issuer and the lessor take into account the following, if applicable, factors to ensure the effective interest rate so determined is fair and reasonable and on normal commercial terms: (i) the benchmark lending rates published by PBOC; (ii)

Company and principal business	Date of announcement	Pricing policy
		the capital cost of the listed issuer, which shall be the source of fund of lessor; (iii) in the case of finance lease, the interest spreads disclosed by other finance lease companies listed on the Stock Exchange within one year of the date of the respective implementation agreement(s); (iv) in the case of factoring service, the financial position of the debtor and the settlement schedule; and (v) the commercial interest rate of a sizable loan comparable to a contemplated finance lease and/or factoring arrangement.
International Alliance Financial Leasing Co., Ltd. (1563) *Principal business:* An investment holding company mainly engaged in finance leasing business.	20 September 2019	The interest rate and relevant fees to be agreed for the finance leasing service shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, the listed issuer group shall make reference to the following non-exhaustive factors: (1) the benchmark lending rates published by PBOC; (2) the effective interest rate of the relevant individual agreement shall not be lower than the secured lending rate for the borrowings granted to

Company and principal business	Date of announcement	Pricing policy
		(4) the quotations for similar finance leasing services offered by the listed issuer to at least two or three independent third party customers, so as to ensure that the relevant effective interest rate and fees of the finance leasing service provided by the listed issuer to the lessee shall not be lower than the average effective interest rates and fees offered by the listed issuer to its other customers who are independent third parties at the prevailing time; (5) the risk premium of lessee estimated based on the evaluation of applicable industry that it belongs to, its business and financial performance; and/or (6) all other relevant fees, including the handling fees and security deposit (if applicable). The listed issuer will consider the above factors and ensure that the overall terms and conditions for providing the finance leasing service, including the effective interest rates and fees as well as payment conditions and other material terms, are no less favourable to the listed issuer group than the same offered by the listed issuer group to independent third parties for comparable finance leasing service.

In addition, we noted from prospectus of three companies (which were listed on the Stock Exchange since 1 January 2019 and were mainly engaged in the provision of finance lease services) with their pricing policies as set out below:

Company and principal business	Date of prospectus	Pricing policy of lease arrangements/ contracts
		adjust the applicable interest rate accordingly in accordance with the lease contracts.

Based on the above table, we noted that the interest rates will be generally determined based on the benchmark lending rates and there may also be other fee (i.e. handling fee). Accordingly, we consider the pricing policy of the Finance Lease Services to be fair and reasonable.

With reference to the Board Letter, to safeguard the interests of the Shareholders as whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions under the Finance Leasing Business Framework Agreement. Having considered that different departments will be involved in the internal control procedures, involving review and compare major terms offered to connected persons with major terms offered to members of the Company with similar qualification and (if applicable) terms obtained by the connected persons from other financial institutions, we are of the view that the effective implementation of the internal approval and monitoring procedures will ensure the fair pricing of the Finance Lease Services.

The proposed annual caps

The proposed annual caps under the Finance Leasing Business Framework Agreement for each of the three years ending 31 December 2025 are RMB3,700.0 million, RMB2,800.0 million and RMB2,500.0 million (including principal, interest payment and other fees if any).

Upon our request, we obtained a list showing Shenzhen Jingneng Leasing's existing finance lease arrangements with members of BEH. According to the list, the majority part of the existing lease arrangements (i.e. over 95%) were outstanding principal amounts of finance lease arrangements. For determination of the proposed annual cap only, the Company determined the proposed annual cap for FY2023 with reference to the outstanding principal amounts and interest expenses and other costs of the existing finance lease arrangements, the terms (interest rate or principal amount) of which may be varied or amended; and with a downward adjustment on the amounts. Accordingly, we consider the 2023 Estimated Principal Amounts to be reasonable.

The proposed annual caps for the two years ending 31 December 2025 were in a decreasing trend. According to the calculation, the decreasing trend for FY2024 and FY2025 was mainly due to (i) terms of existing finance lease arrangements did not vary or amend in the relevant previous years (i.e. FY2023 and FY2024), such that Shenzhen Jingneng Leasing received payment of principal amounts and interests and therefore the outstanding principal amounts and interests reduced; and (ii) the possible early repayment of finance lease in the relevant previous years (i.e. FY2023 and FY2024) and therefore the outstanding principal amounts and interests was nil for such finance lease arrangements in current year.

The proposed annual caps for the two years ending 31 December 2025 also represented (A) the summation of (i) estimated principal amounts of finance lease arrangements existing for FY2024 and FY2025; (ii) the cost of the aforesaid individual finance lease for FY2024 and FY2025; and (B) the summation of (i) and (ii) were also downward adjusted, we are of the view that the proposed annual caps for FY2024 and FY2025 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and it does not represent forecasts of revenue to be recorded from the Finance Lease Business Services. Consequently, we express no opinion as to how closely the cost to be incurred from the Finance Lease Business Services will correspond with the proposed annual caps.

C.5 Conclusion on Finance Lease Business Services

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

D. THE SHENZHEN JINGNENG LEASE SERVICES

D.1 Information on Shenzhen Jingneng Leasing

With reference to the Board Letter, Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public, members of BEH, and the members within the Group.

As at the Latest Practicable Date, Shenzhen Jingneng Leasing was directly held as to approximately 84.68% by the Company and as to approximately 15.32% by BEI (HK), a wholly-owned subsidiary of BEH. Shenzhen Jingneng Leasing is a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules.

D.2 Reasons for and benefits of entering into the Shenzhen Jingneng Lease Services

With reference to the Board Letter, Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public, the members of BEH and the members within the Group. Due to business relationship with Shenzhen Jingneng Leasing, it has a thorough understanding of the operations and development needs of the Group. Through the entering into the Finance Leasing Framework Agreement (II), the Group can channels and innovate the financing methods of the Company. It also enables the Company to control financing risk and lower the financing cost for the follow-on construction projects of the Company as well as satisfy our demand of funds for project construction in a timely manner.

As mentioned above, the power generation business is a capital-intensive business and further business development and expansion of the Group requires a lot of capital. We understood that both direct lease and sale and leaseback lease are the financing activities generally adopted by listed companies with principal business of power generation.

We noted that the Company entered into the Finance Leasing Framework Agreement (I) with Beijing Jingneng Leasing on 8 November 2022. The Finance Leasing Framework Agreement (I) is in similar nature of the Finance Leasing Framework Agreement (II). Having considered the reasons set out under the section headed "B.2 Reasons for and benefits of entering into the Beijing Jingneng Lease Services" above, we are of the view that entering into both of the Finance Leasing Framework Agreement (I) and the Finance Leasing Framework Agreement (II) simultaneously are beneficial to the Group.

Furthermore, as at the Latest Practicable Date, Shenzhen Jingneng Leasing is a connected subsidiary of the Company. The transactions between the Group (excluding Shenzhen Jingneng Leasing) and Shenzhen Jingneng Leasing are intra-group transactions. Therefore, the finance lease arrangement between the Group and Shenzhen Jingneng Leasing will not increase the Group's liability level in a consolidated basis as advised by the Directors.

In light of the above factors, we consider that the Shenzhen Jingneng Lease Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

D.3 Principal terms of the Shenzhen Jingneng Lease Services

Set out below are the principal terms of the Shenzhen Jingneng Lease Services, details of which are set out under the section headed "(V) Finance Leasing Framework Agreement (II)" of the Board Letter.

Date:	8 November 2022
Parties:	(1) The Company; and (2) Shenzhen Jingneng Leasing
Subject matter:	Pursuant to the Finance Leasing Framework Agreement (II), Shenzhen Jingneng Leasing will provide finance lease services, including but not limited to, direct leasing and sale and leaseback services to the Group.

Details of the direct leasing service and the leaseback service are set out under the section headed "(V) The Finance Leasing Framework Agreement (II)" of the Board Letter.

In respect of each finance lease, the relevant member(s) of the Group will enter into separate implementation contract(s) with Shenzhen Jingneng Leasing. The terms of each implementation contract will be in line with the terms of the Finance Leasing Framework Agreement (II), and each implementation contract shall be subject to and conditional upon the Finance Leasing Framework Agreement (II) continuing to be in force.

Term: Three years commencing from 1 January 2023 and ending on 31 December 2025.

With reference to the Board Letter, the duration of certain specific agreements under the Finance Leasing Framework Agreement (II) may be longer than three years.

After considering that (i) Shenzhen Jingneng Leasing entered into certain finance lease agreements with members of BEH with duration of 5 to 10 years and the duration of the 2021 Contract and 2022 Contracts were 12 years and 5 years respectively; (ii) our observation on companies listed on the Stock Exchange entered into finance lease agreements with duration longer than 3 years; and (iii) as advised by the Directors, the underlying assets of the specific agreements are expected to have useful lives longer than three years, we consider that the duration of the specific agreements, which are expected to be longer than three years, is required and it is normal business practice for agreements of this type to be of such duration.

Lease Consideration

The lease consideration consists of the principal amount and lease interests. The lease consideration will be determined by the Group and Shenzhen Jingneng Leasing after arm's length negotiations and with reference to the market price of the same type of financial leasing assets. When determining the pricing standard, to the extent practicable, management of the

Company will take into account the rates of at least two similar and comparable transactions entered with or carried out by Independent Third Parties in the corresponding period of reference.

Cost in respect of such finance lease services of the Company (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) shall be not higher than the consolidated cost (including relevant rent plus handling fees and excluding other costs may be saved according to favourable terms, such as deductible VAT) incurred from similar transactions with Independent Third Parties during the relevant period.

To safeguard the interests of our Shareholders as whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures relating to the transactions under the Finance Leasing Framework Agreement (II). Details of the internal approval and monitoring procedures are set out under the subsection headed "Internal control measures" under the section headed "(V) the Finance Leasing Framework Agreement (II)" of the Board Letter. Having considered that there will be procedures for comparison with independent quotations prior to entering into individual lease contracts under the Finance Leasing Framework Agreement (II), we are of the view that the effective implantation of the procedures would help to ensure fair pricing of the transactions contemplated under the Finance Leasing Framework Agreement (II) according to the pricing policies.

Having considered our findings on the cost of individual finance lease contracts as mentioned in the section headed "B.3 Principal terms of the Beijing Jingneng Lease Services" above, we do not doubt the effectiveness of the measures.

D.4 The proposed annual caps

The table below set out are the proposed annual caps for the three years ending 31 December 2025 under the Finance Lease Framework Agreement (II) (the "**SZ Jingneng Leasing Cap(s)**"):

	For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
	RMB' million	*RMB' million*	*RMB' million*
SZ Jingneng Leasing Caps	3,000.00	3,000.00	3,000.00

With reference to the Board Letter, the historical amounts of the finance leasing transactions between the Group and Shenzhen Jingneng Leasing for the two years ended 31 December 2021 and the six months ended 30 June 2022 being RMB247.7 million, nil and RMB518.6 million, respectively.

With reference to the Board Letter, the SZ Jingneng Leasing Caps for the three years ending 31 December 2025 are determined after taking into account of various factors, details of which were set out under the subsection headed “Historical Amounts, Annual Caps and Basis for the Annual Caps” under the section headed “(V) The Finance Lease Framework Agreement (II)” of the Board Letter.

We conducted following analyses to assess the fairness and reasonableness of the SZ Jingneng Leasing Caps:

- As mentioned above, power generation business is a capital-intensive business and the development of the Group requires a lot of capital.

  The underlying assets of the proposed finance lease are expected to be power plant machineries/equipment/parts.

- Upon our request, the Directors provided breakdowns of estimated contract values for each individual finance lease arrangement for the three years ending 31 December 2025. According to the breakdowns, we noted that the Directors assumed that (i) there will be five possible projects, which involve finance lease arrangement with Shenzhen Jingneng Leasing for FY2023 (the “**Possible Projects**”) with total installed capacity of 192MW; and (ii) there will be an increasing in installed capacity of wind power generation and photovoltaic power generation of 800MW to 1,000MW which involve finance lease arrangement with Shenzhen Jingneng Leasing for each of the three years ending 31 December 2025 (“**2023-2025 Projects**”).

- We understood from the Directors that the finance lease arrangement for the Possible Projects were determined based on preliminary discussion between the relevant subsidiaries of the Company and the Shenzhen Jingneng Leasing or based on relevant signed agreements.

  As analysed above, the Directors expected the total increases of approximately 1,400MW in installed capacity of wind power generation and photovoltaic power generation for the three years ending 31 December 2025, which involve finance lease arrangement with Beijing Jingneng Leasing and Shenzhen Jingneng Leasing for each of the three years ending 31 December 2025. It is justifiable that the Group proposed to enter into a more proportion of finance lease arrangement with Shenzhen Jingneng Leasing.

  Based on the above, we are of the view that the estimation of installed capacity of wind power of

- As the implied wind and photovoltaic power per installed capacity finance lease amounts of the 2023-2025 Projects were the same as the Implied Average Amounts, which we consider to be justifiable as analysed above, we consider that the estimated contract values of the finance lease arrangements for wind and photovoltaic power for the three years ending 31 December 2025 to be justifiable.

- The estimated demand of finance lease services was adjusted based on the estimated contract values of the individual finance lease arrangements and the expected time for the withdrawal of fund.

Based on the above factors and that the SZ Jingneng Leasing Caps for the three years ending 31 December 2025 represented the estimated demand of finance lease services for the same period, we consider that the SZ Jingneng Leasing Caps for the three years ending 31 December 2025 to be fair and reasonable.

Shareholders should note that as the SZ Jingneng Leasing Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and it does not represent forecasts of revenue to be recorded from the Shenzhen Jingneng Leasing Services. Consequently, we express no opinion as to how closely the cost to be incurred from the Shenzhen Jingneng Leasing Services will correspond with the SZ Jingneng Leasing Caps.

D.5 Conclusion on Beijing Jingneng Leasing Services

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Shenzhen Jingneng Leasing Services are on normal commerciPj1SNSTd

The table below sets out the key financial ratio requirements of (2006 8) (the Administrative Measures on Finance Companies within Group Enterprises (No. 8 order in 2006 of China Banking Regulatory Commission)*) and (the Provisional Measures for Risk Regulation Indicators Assessment of Finance Companies of Business Group*)(collectively, the "**Previous Measures**")(Note: the aforesaid documents were superseded/voided on 13 November 2022) and the respective financial ratios of BEH Finance for the two years ended 31 December 2021 as provided by the Company.

		Financial ratios of BEH Finance	
Financial ratio	**Requirements**	**For the year ended 31 December 2021 (approximate %)**	**For the year ended 31 December 2020 (approximate %)**
		Lowest during the respective period	
Capital adequacy ratio	Not less than 10%	23.69	20.17
		Highest during the respective period	
Inter-financial institution borrowing balances to total capital ratio	Not more than 100%	Nil	Nil
Total amount of outstanding guarantees to total capital ratio	Not more than 100%	1.87	0.87
Long-term and short-term investment to total capital ratio	Not more than 70%	60.82	62.21
Self-owned fixed assets to total capital ratio	Not more than 20%	0.15	0.27
Non-performing loan ratio	Not more than 5%	Nil	Nil

As shown in the table above, BEH Finance complied with the relevant financial ratio requirements as set out in the Previous Measures during 2020 and 2021. As also confirmed by the Directors, they are not aware of any record of non-compliance with the relevant laws and regulations of the PRC in respect of the operations of BEH Finance in the two years ended 31 December 2021.

The key indicators of credit risk are the non-performing loan ratio and the allowance of non-performing loans to total loans ratio. According to the above table, the highest non-performing loan ratios were nil during each of the three years ended 31 December 2021, which indicated that BEH Finance did not have non-performing loans during the three years ended 31 December 2021. As BEH Finance did not have non-performing loans, the allowance of non-performing loans to total loans ratio were not applicable.

We also noted from BEH Finance's articles of association that BEH, being the controlling shareholder of the BEH Finance, undertook that in the event that BEH Finance experiences any urgent payment difficulties, BEH will provide funding to BEH Finance to satisfy its capital needs according to BEH Finance's actual needs for solving the difficulties.

E.2 Reasons for and benefit of entering into the Deposit Services

With reference to the Board Letter, BEH Finance is under the supervision of the China Banking and Insurance Regulatory Commission and it has been maintaining satisfactory operating results and financial position with good risks control and well-regulated management in the past years. In addition, the Directors believe that BEH Finance has a more thorough understanding of the business development and capital needs of the Company and its fellow subsidiaries of the Company at a lower cost and in a more timely manner. As such, BEH Finance has an advantage in communicating information on capital needs and business development of the Company and its fellow subsidiaries.

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

Pursuant to the Financial Services Framework Agreement, the terms (including the interest rates and commission charged) offered by BEH Finance in respect of the deposit services under the Financial Services Framework Agreement shall be no less favourable than those offered by independent domestic commercial banks for provision of similar services to the Group and the interest rate to be paid by BEH Finance for the Group's deposits with BEH Finance shall not be lower than the same level deposit interest rate as required by the PBOC for the same periods.

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

E.3 Principal terms of the Deposit Services

Set out below are the principal terms of the Deposit Services, details of which are set out under the section headed "(VI) Proposed Deposit Service under the Financial Services Framework Agreement" of the Board Letter.

Date:	8 November 2022
Parties:	(i) BEH Finance; and (ii) The Company
Description of transactions	The Group may from time to time deposit cash with BEH Finance.

Pricing policy:

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

	For the year ending 31 December 2023 *(RMB'million)*	for the year ending 31 December 2024 *(RMB'million)*	For the year ending 31 December 2025 *(RMB'million)*
Maximum daily outstanding balance placed by the Group with BEH Finance (including accrued interest)	8,000	9,500	11,000

Note: The figure was recorded during the nine months ended 30 September 2022.

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

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

As advised by the Directors, they expected the increase in the Deposit Caps for the three years ending 31 December 2025 (i.e. RMB1,500 million, the "**Increases**") was mainly because of the anticipated improvement in the Group's financial performance for the same period.

We noted from the 2022 Interim Report that as at 30 June 2022, (i) total amount of Group's cash and cash equivalents amounted to RMB5.32 billion; and (ii) trade and bills receivable (which will convert into cash if such trade receivables are settled) amounted to RMB11.98 billion. The sum of the aforesaid two items (the "**Sum**") amounted to RMB17.30 billion as at 30 June 2022. The Sum (which is larger than the Deposit Caps) indicates the Group's possible demand of deposit services to be provided by commercial banks and the BEH Finance. For the avoidance of doubt, the Group's financial information for the six months ended 30 June 2022 had not included Shenzhen Jingneng Leasing's financial information.

We summarised the relevant financial information (i) for the year ended 31 December 2021, being the latest available public full-year financial information immediately prior to the date of the Financial Services Framework Agreement; (ii) for the year ended 31 December 2018, being the latest available public full-year financial information immediately prior to the date of existing financial services framework agreement (i.e. 16 October 2019). We also listed out the Group's (a) cash and cash equivalents; and (b) trade and bills receivables as at 30 June 2022 and 30 June 2019 respectively, being the latest available public financial information immediately prior to the date of the Financial Services Framework Agreement and the date of Previous Framework Agreement respectively, as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2018	Amount Change	Change
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	
Revenue	18,358.83	16,238.81	2,120.02	13.06%

	As at 30 June 2022	As at 30 June 2019	Amount Change	Change
	(RMB'million)	*(RMB'million)*	*(RMB'million)*	
Cash and cash equivalents	5,315.46	3,940.38	1,375.08	34.90%
Trade and bills receivables	11,977.47	5,672.56	6,304.91	111.15%
The Sum	17,292.93	9,612.94	7,679.99	79.89%

Based on the above table, we noted that there was a substantial increase in revenue for FY2021 (being the latest available public full-year financial information immediately prior to the date of the Financial Services Framework Agreement) as compared to that for 2018 (being the latest available public full-year financial information immediately prior to the date of existing financial services framework agreement). There was also a substantial increase in cash and cash equivalents and significant increase in trade and bills receivables as at 30 June 2022 (being the latest available financial information immediately prior to the date of Financial Services Framework Agreement) as compared to those as at 30 June 2019 (being the latest available financial information immediately prior to the date of existing financial services framework agreement).

According to the 2021 Annual Report, the Group recorded an increase in revenue from approximately RMB17,003.3 million for FY2020 to approximately RMB18,358.8 million for FY2021, representing an increase of approximately 7.97% or RMB1,355.5 million for FY2021 (being the latest full year financial information of the Group) as compared to that for FY2020.

In addition, the maximum daily deposit balance (including any interest accrued thereon) increased from approximately RMB2,892.9 million to approximately RMB3,986.4 million, representing an increase of approximately RMB1,093.5 million.

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

As advised by the Directors, the existing annual cap for the year ending 31 December 2022 were determined with reference to, among other things, (i) the maximum daily deposit balance (including any interest accrued thereon) placed by the Group with BEH Finance for the six months ended 30 June 2022 were RMB4,713.2 million; and (ii) Shenzhen Jingneng Leasing had become a subsidiary of the Company and deposits placed by Shenzhen Jingneng Leasing with BEH Finance would be accounted for continuing connected transactions of the Company. According to Shenzhen

Jingneng Leasing's financial information for the six months ended 30 June 2022, Shenzhen Jingneng Leasing recorded monetary fund of approximately RMB1,112.02 million and account receivable of approximately RMB107.00 million as at 30 June 2022.

Having considered that (i) Deposit Caps for the three years ending 31 December 2025 are less than the Sum as at 30 June 2022 (which also indicates the Group's possible demand of deposit services from both BEH Finance and/or independent commercial banks); and (ii) the maximum daily deposit balance (including any interest accrued thereon) for the nine months ended 30 September 2022 and the Increases are justifiable as mentioned above, we are of the view that the Deposit Caps for the three years ending 31 December 2025 are fair and reasonable.

As advised by the Directors, it is difficult to forecast the total cash level for whole period of three years for the three years ending 31 December 2025. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Deposit Caps.

E.5 Conclusion on Deposit Services

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

F. THE FINANCIAL ASSISTANCE TRANSACTIONS

F.1 Information on Shenzhen Jingneng Leasing

As mentioned above, Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public, members of BEH and the members within the Group. As at the Latest Practicable Date, Shenzhen Jingneng Leasing was directly held as to approximately 84.68% by the Company and as to approximately 15.32% by BEI (HK), a wholly-owned subsidiary of BEH. Shenzhen Jingneng Leasing is a connected subsidiary of the Company pursuant to Rule 14A.16(1) of the Listing Rules.

F.2 Reasons for and benefits of the Financial Assistance Transactions

Certain reasons for and benefits of the Loan Transaction are set out in the section headed "Reasons for and Benefits of the Transaction" under the section headed "(II) the Financial Assistance Framework Agreement" of the Board Letter.

As mentioned above, Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services in relation to financial leasing to the public, members of BEH and the members within the Group. As advised by the Directors, the source of fund for

Shenzhen Jingneng Leasing's business operation was from both equity financing and debt financing. In respect of debt financing, Shenzhen Jingneng Leasing obtained fund from independent commercial banks and BEH (note: BEH was the immediate shareholder before the Acquisition) previously.

After the completion of the Acquisition, Shenzhen Jingneng Leasing was directly held as to approximately 84.68% by the Company. The proposed provision of financial assistance (i.e. borrowing and guarantee in this case) will essentially the provision of financial assistance by the Company to its subsidiaries. As advised by the Directors, the Company has been providing different types of financial assistance to its subsidiaries for years. Based on our research, we noted that it is not uncommon for PRC listed company to provide financial assistance (including borrowing and guarantee) to its subsidiaries.

Based on the Company's understanding, Shenzhen Jingneng Leasing will be benefit from tax relief according

For any borrowings or entrusted loans granted by the Company to its subsidiaries (other than Shenzhen Jingneng Leasing), the relevant subsidiaries or the Company will not benefit from any tax relief, in contrast to tax relief enjoyed by Shenzhen Jingneng Leasing under the Financial Assistance Transactions.

For any borrowings obtained by the Company's subsidiaries (other than Shenzhen Jingneng Leasing) from commercial banks and/or financial institutions, the relevant subsidiaries will not benefit from any tax relief and may also subject to a higher interest rate of borrowing as compared to that of the Company's borrowing from the same commercial banks and/or financial institutions.

For any borrowings obtained by Shenzhen Jingneng Leasing from commercial banks and/or financial institutions, Shenzhen Jingneng Leasing may subject to a higher interest rate of borrowing as compared to that of the Company's borrowing from the same commercial banks and/or financial institutions.

In light of the above, the Group, on a consolidated basis, will benefit from the lower cost for its relevant subsidiaries to purchase necessary equipment under the arrangements of (a) Shenzhen Jingneng Leasing's debt financing through the Company (i.e. the Financial Assistance Transactions) and (b) Shenzhen Jingneng Leasing's financial leasing services to the other subsidiaries of the Company (i.e. the Shenzhen Jingneng Lease Services);

(ii) as Shenzhen Jingneng Leasing is a subsidiary of the Company and the financial results of Shenzhen Jingneng Leasing has been consolidated into the Group, any benefit obtained or enjoyed by Shenzhen Jingneng Leasing will eventually benefit the Group on a consolidated basis. Therefore, the tax relief that will be enjoyed by Shenzhen Jingneng Leasing under the Financial Assistance Transactions will also benefit the Group, on a consolidated basis; and

(iii) Shenzhen Jingneng Leasing primarily provides financial leasing services and commercial factoring business services with its source of fund mainly from both equity financing and debt financing. As disclosed in paragraphs (i) and (ii) above, Shenzhen Jingneng Leasing's debt financing through the Company (i.e. the Financial Assistance Transactions) will benefit Shenzhen Jingneng Leasing and the Group, on a consolidated basis, in two aspects, i.e. lower cost and tax relief.

In light of the above factors, we consider that the Financial Assistance Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

F.3 Principal terms of the Financial Assistance Transactions

Set out below are the principal terms of the Financial Assistance Transactions, details of which are set out under the section headed "(II) The Financial Assistance Framework Agreement" of the Board Letter.

Date: 8 November 2022

Parties:
(iii) The Company (as lender); and
(iv) Shenzhen Jingneng Leasing (as borrower)

Subject matter: The Company agreed to provide loan services and guarantee services to Shenzhen Jingneng Leasing.

Term: Three years commencing from 1 January 2023 and ending on 31 December 2025.

Pricing policy:

(i) Loan Services

The Company will provide loan services to Shenzhen Jingneng Leasing. The interest rate for loans to be granted to Shenzhen Jingneng Leasing by the Company will be agreed between the Company and Shenzhen Jingneng Leasing by reference to the interest rates of PBOC and the prevailing market conditions, provided that such interest rates shall not be lower than the prevailing cost of financing of fund by the Company for such loans or the deposit interest rate of PBOC on the execution date of any specific agreement (whichever is higher).

We consider the pricing policy of loan services under the Financial Assistance Transactions to be fair and reasonable after taking into account of following factors:

- despite that Shenzhen Jingneng Leasing (as borrower) is a connected person of the Company, Shenzhen Jingneng Leasing is a subsidiary of the Company and the financial results of Shenzhen Jingneng Leasing was consolidated into the financial statements of the Group as at the Latest Practicable Date. The purpose of loan services under the Financial Assistance Transactions is to support the business development of Shenzhen Jingneng Leasing (being a subsidiary of the Company) but not to generate income from interest of the Loan;

- although the purpose of the loan services under the Financial Assistance Transactions are to support the business development of Shenzhen Jingneng Leasing as mentioned above, the Company's cost of fund will be considered in determining the interest rate for loans. In respect of self-owned fund, deposit interest rate of PBOC will be considered; whereas in respect of fund financed by the Company, the prevailing cost of financing of fund by the Company for such loans will be considered. The interest rates for loans shall not be lower than the prevailing cost of financing by the Company or the deposit interest rate of PBOC on the execution date of any specific agreement (whichever is higher).

(ii) Guarantee Services

The Company will provide Shenzhen Jingneng Leasing with a corporate guarantee for loans from a bank in accordance with the terms of the guarantee agreement entered into with the relevant bank, covering liabilities including but not limited to the principal, related accrued interest, compensation and other expenses. The guarantee to be provided by the Company to Shenzhen Jingneng Leasing shall be made on normal commercial terms and Shenzhen Jingneng Leasing will not be charged for any fees for the guarantee services.

Upon our enquiry, the Directors advised that the Company provided several guarantees for its subsidiaries. The Company did not charge any fees for the guarantees.

Based on the above, we consider that the nil consideration for the guarantee services under the Financial Assistance Transactions are fair and reasonable.

To safeguard the interests of the Shareholders as whole, including the minority Shareholders, the Company has adopted internal approval and monitoring procedures in relation to the continuing connected transactions under the Financial Assistance Framework Agreement, details of which are set out under the section headed "Internal Control Measures" under the section headed "(II) The Financial Assistance Framework Agreement" of the Board Letter. Having considered that there will be evaluating procedures for transaction terms under each underlying agreement of the Financial Assistance Framework Agreement before the entering into such agreement, we are of the view that the effective implementation of the internal control measures will ensure the fair pricing of the Financial Assistance Transactions pursuant to the pricing policy.

F.4 The proposed annual caps

The table below set out are the proposed annual caps for the three years ending 31 December 2025 under the Financial Assistance Framework Agreement (the "**Financial Assistance Cap(s)**"):

	For the year ending 31 December 2023	**For the year ending 31 December 2024**	**For the year ending 31 December 2025**
	RMB' million	*RMB' million*	*RMB' million*
Financial Assistance Caps	4,000	6,000	7,500

As advised by the Directors, the Group did not provide financial assistance to Shenzhen Jingneng Leasing in the past.

With reference to the Board Letter, the historical amounts of loans and guarantees provided by BEH to Shenzhen Jingneng Leasing for the two years ended 31 December 2021 and the six months ended 30 June 2022 of approximately RMB2,817.0 million, RMB2,886.0 million and RMB2,505.0 million, respectively.

Pursuant to the Finance Leasing Framework Agreement (II), Shenzhen Jingneng Leasing will provide finance lease services, including but not limited to, direct leasing and sale and leaseback services to the Group. The proposed annual caps for the Finance Leasing Framework Agreement (II) are RMB3,000 million for each of the three years ending 31 December 2025. The maximum accumulative amounts of fund would therefore be not more than RMB3,000 million for FY2023, not more than RMB6,000 million for FY2024, and not more than RMB9,000 million for FY2025 pursuant to the Finance Leasing Framework Agreement (II). As also advised by the Directors, Shenzhen Jingneng Leasing expected to record cash inflow from principal amount and interest income generated from existing finance lease arrangements with both the Group and the BEH Group. Therefore, the Directors downward adjusted the estimated amounts for the provision of the financial assistance in respect of the provision of financial lease services by Shenzhen Jingneng Leasing to the Group.

As at 30 June 2022, the outstanding amount of borrowings granted by BEH Group to Shenzhen Jingneng Leasing and the guarantee amounts provided by BEH Group to Shenzhen Jingneng Leasing was approximately RMB1,840 million in total. As Shenzhen Jingneng Leasing became a direct subsidiary of the Company instead of a direct subsidiary of BEH, the support as a holding company of Shenzhen Jingneng Leasing will be gradually from BEH to the Company. Therefore, the Directors consider the aforesaid amounts will be considered in the three years ending 31 December 2025.

Based on the above factors, we consider that the Financial Assistance Caps for the three years ending 31 December 2025 to be fair and reasonable.

Shareholders should note that as the Financial Assistance Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and it does not represent forecasts of revenue to be recorded from the Financial Assistance Transactions. Consequently, we express no opinion as to how closely the cost to be incurred from the Financial Assistance Transactions will correspond with the Financial Assistance Caps.

F.5 Conclusion on Financial Assistance Transactions

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

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum amounts/values of the Transactions must be restricted by the proposed annual caps for the period concerned under the relevant framework agreements of the Transactions; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps.

In the event that the total amounts of the Transactions are anticipated to exceed the respective caps, or that there is any proposed material amendments to the terms of the relevant framework agreements of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions 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 purpose only*

FINANCIAL INFORMATION OF THE GROUP

The unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2022 together with the relevant notes are set out from pages 27 to 64 in the 2022 interim report of the Company, which was published on 29 September 2022. Please also see below the hyperlinks to the said document:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092900481.pdf

The audited consolidated financial statements of the Company for the years ended 31 December 2019, 2020 and 2021 together with the relevant notes can be found on pages 83-219 of the annual report of the Company for the year ended 31 December 2019, pages 77-213 of the annual report of the Company for the year ended 31 December 2020 and pages 79-237 of the annual report of the Company for the year ended 31 December 2021. Please also see below the hyperlinks to the said documents:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800950.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042701436.pdf

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802466.pdf

STATEMENT OF 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 Group had the following indebtedness:

Indebtedness	**31 October 2022** *RMB'000*
Secured bank loans	
Current portion	259,290.00
Non-current portion	3,868,760.00
Guaranteed bank loans	
Current portion	791,994.00
Non-current portion	5,777,998.00
Unsecured and unguaranteed bank loans	
Current portion	9,363,458.00
Non-current portion	10,886,428.00
Debentures	
Current portion	10,400,000.00
Non-current portion	3,600,000.00

Indebtedness	31 October 2022 *RMB'000*
Other loans	
Current portion	940,800.00
Non-current portion	1,635,760.00
Total borrowings	
Current portion	21,755,542.00
Non-current portion	25,768,945.00

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, at the close of business on 31 October 2022, none of the members of the Group had (a) any debt securities issued and outstanding, and authorized or otherwise created but unissued; (b) any term loans; (c) any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptances credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or other material contingent liabilities.

SUFFICIENCY OF WORKING CAPITAL

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

TRADING AND FINANCIAL PROSPECTS

2022 is a critical year for the Group to improve quality and efficiency and achieve forward-leaping development under the "14th Five-Year Plan". The Group will continue to adhere to the general principle of seeking progress while maintaining stability, follow the strategic guidance of the "14th Five-Year Plan", and focus on serving Beijing and assisting the capital in achieving carbon neutrality firstly, as well as developing the main clean energy business with high quality and high speed. The Group will follow the major business line of "reform and innovation, transformation and upgrading, improvement of quality and efficiency, and culture fusion", strengthen the technology innovation, consolidate the foundation for production safety, accelerate the informationalisation and digitalisation construction, and forge ahead in unity with practicality and effectiveness, aiming to achieve the overall development goal of "being superior, stronger, faster and better".

Follow the strategic guidance to further improve the green development

In 2022, the Group will continue to implement the development concepts and goals under the "14th Five-Year Plan", practically implement the "wind power and photovoltaic power integration strategy", promote the scale of energy base projects, and highlight the features of distributed projects. Relying on "Green-Power-to-Beijing", the Group will effectively implement the "wind power, photovoltaic power and thermal power integration strategy", take full advantages of state-owned enterprises in the capital, and promote the preliminary work of energy base projects in Datong and Chengde by insisting on the dual carbon goals and demand of Green-Power-to-Beijing. In regions with traditional advantages, the Group will focus on introducing enterprises to cooperate in accelerating the development of the industry. In regions newly expanded into, the Group will create new cooperation models, and seize resources through increased cooperation efforts. The Group will increase efforts in projects of high-quality resource mergers and acquisitions, and ensure that the priority can be given to projects of asset mergers and acquisitions; take a two-pronged approach for both self-construction and mergers and acquisitions to ensure both areas are properly handled; and seize resources of the counties of Beijing, Tianjin and Hebei, especially Beijing, to promote distributed photovoltaic power projects, with priority given to the development of projects which have significant demonstration and leading role.

Perform the reform and innovation to further enhance core competence

In 2022, the Group will continue to allocate more resources in technology innovation with focus on technological empowerment, and promote the "key variable" of technology innovation to become the "maximum increment" for high-quality development. By accelerating the digital transformation of the industry, the Group will realize business informationalisation, supervision digitization, and intelligent operation and maintenance. By accelerating the construction of intelligent supervision centers and region-wide centralized control centers, the Group will extend its supervision coverage to more than 100 wind power plants carbon assets of all subordinate gas-fired power plants and regional branches, and establish a carbon asset management account, to formulate a unified plan of dual-carbon target. The Group will pay close attention to the changes in the national carbon market policy and market prices, as well as the upcoming CCER trading policy in the national carbon market, and actively participate in carbon market transactions, so as to give full play to the Group's natural advantages in this segment. The Group will make considerable efforts to realize the dual carbon goal as soon as possible.

I. RESPONSIBILITY STATEMENT

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

II. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors, supervisors or members of the senior management of the Company had any interest or short position in the Shares and underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange.

Save for Mr. Cao Mansheng and Mr. Zhou Jianyu holding positions in BEH and Mr. Song Zhiyong holding position in BSCOMC, as at the Latest Practicable Date, none of the Directors was a director or an employee of any shareholders of the Company or a company which has an interest or short position in Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

BSCOMC, BEH, BIEE, BDHG and BEI (HK) are required to abstain from voting on relevant resolutions in relation to the proposed continuing connected transactions contemplated under the Framework Heat Sale and Purchase Agreement, the Financial Assistance Framework Agreement, the Finance Leasing Framework Agreement (I), the Finance Leasing Business Framework Agreement, the Finance Leasing Framework Agreement (II) and the proposed deposit service under the Financial Services Framework Agreement, and the proposed annual caps thereof at the EGM.

III. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company and its subsidiaries since 31 December 2021, being the date to which the latest published audited accounts of the Company and its subsidiaries were made up to.

IV. MATERIAL LITIGATION

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

V. MATERIAL CONTRACTS

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

- the absorption and merger agreement (the "**Absorption and Merger Agreement**") entered into among the Company, BEH, Beijing Jingneng International Power Co., Ltd. ("**Jingneng International**") and Shenzhen Jingneng Leasing on 10 May 2022, pursuant to which BEH proposed to absorb and merge with Jingneng International and transfer its 84.68% equity interest in Shenzhen Jingneng Leasing to the Company, and the Company shall pay the consideration thereof in the form of 20% equity interest in Jingneng International and cash held by the Company and the equity transfer agreement entered into between the Company and BEH on 10 May 2022 which is annexed to the Absorption and Merger Agreement, pursuant to which BEH agreed to transfer 84.68% equity interest in Shenzhen Jingneng Leasing to the Company, and the Company agreed to pay the consideration thereof in form of 20% of its equity interest in Jingneng International and cash held by the Company.

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

VI. QUALIFICATIONS AND CONSENT OF EXPERT

The qualifications of the expert who has given the opinion or advice in this circular with the inclusion of its letters, reports, and/or opinions dated 12 December 2022 or statements and references to its name and logo in the form and context in which they are included are as follows:

Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, Gram Capital (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and the references to its names included herein in the form and context in which it is respectively included; (ii) has no direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group; and (iii) has no direct or indirect interests in any assets which have been, since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

VII. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any member of the Group and any Director.

VIII. INTERESTS IN THE ASSETS OR CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors, the supervisors of the Company and the above expert had any interest, direct or indirect in any asset which have been, since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and the supervisors of the Company was materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

IX. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save for Mr. Cao Mansheng and Mr. Zhou Jianyu holding positions in BEH and Mr. Song Zhiyong holding position in BSCOMC, in so far as the Directors are aware, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any businesses that constitutes or may constitute a competing business of the Company.

X. MISCELLANEOUS

Company Secretary

Mr. Kang Jian is the company secretary of the Company. He holds a bachelor's degree in international trading, and a master's degree in business administration. He's a member of the Hong Kong Chartered Governance Institute.

Registered Office

The registered office of the Company is situated at Room 118, No. 1 Ziguang East Road, Badaling Economic Development Zone, Yanqing District, Beijing, the PRC. The head office of the Company is situated at 7-9 Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC.

XI. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange at (http://www.hkexnews.hk) and the website of the Company (https://www.jncec.com/) during the period from the date of this circular up to and including the date of the EGM:

(a) the Framework Heat Sale and Purchase Agreement;

(b) the Financial Assistance Framework Agreement;

(c) the Finance Leasing Framework Agreement (I);

(d) the Finance Leasing Business Framework Agreement;

(e) the Finance Leasing Framework Agreement (II); and

(f) the Financial Services Framework Agreement.

Beijing Jingneng Clean Energy Co., Limited
北京京能清潔能源電力股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00579)

NOTICE OF THE FOURTH EXTRAORDINARY GENERAL MEETING OF 2022

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Beijing Jingneng Clean Energy Co., Limited (the "**Company**") will be held at 10:00 a.m. on Thursday, 29 December 2022 at Meeting Room 802, 8th Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC, for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the Framework Heat Sale and Purchase

As at the date of this notice, the executive Directors of the Company are Mr. Zhang Fengyang, Mr. Chen Dayu, Mr. Gao Yuming and Mr. Cao Mansheng; the non-executive Directors are Mr. Zhou Jianyu, Mr. Song Zhiyong and Ms. Zhang Yi; the independent non-executive Directors are Mr. Huang Xiang, Mr. Chan Yin Tsung, Mr. Xu Daping and Ms. Zhao Jie.

Notes:

Details of the resolutions are set out in the circular of the Company dated 12 December 2022 (the "**Circular**"). Unless otherwise defined, capitalized terms shall have the same meanings as defined in the Circular.

1. CLOSURE OF REGISTER FOR H SHARES, ELIGIBILITY FOR ATTENDING THE EGM

Holders of H Shares are advised that the share register for H Shares will be closed from Thursday, 22 December 2022 to Thursday, 29 December 2022 (both days inclusive). The Shareholders whose names appear on the register of members of the Company on the close of business on Wednesday, 21 December 2022 are entitled to attend and vote at the EGM.

Holders of H Shares of the Company who wish to attend the EGM but have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Wednesday, 21 December 2022 for registration.

2. PROXY

Shareholders entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in their stand. A proxy needs not be a Shareholder of the Company.

The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorized in writing. If the Shareholder is a corporate body, the proxy form must be either executed under its common seal or under the hand of its director(s) or duly authorized attorney(s). If the proxy form is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorisations document must be notarized.

For holders of H Shares, the proxy form together with the power of attorney or other authorisation document (if any) must be lodged at the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in person or by post not less than 24 hours before the time fixed for holding the EGM (i.e. by no later than 10:00 a.m. on Wednesday,

5. OTHER BUSINESS

Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents.

6. References to time and dates in this notice are to Hong Kong time and dates.