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北京能源國際控股有限公司

Beijing Energy International Holding Co., Ltd.

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

MAJOR TRANSACTION ACQUISITION OF ENTIRE EQUITY INTEREST IN A COMPANY IN THE PRC

THE ACQUISITION

The Board is pleased to announce that on 4 December 2020, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire equity interest in the Target Company.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the Previous Acquisitions and the Acquisition are required to be aggregated for the purpose of classification of transaction under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the aggregation of the Previous Acquisitions and the Acquisition is more than 25% but is less than 100%, the Previous Acquisitions and the Acquisition together constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, inter alia, (i) further information of the Acquisition; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) valuation report of the Target Company; (v) general information; and (vi) the notice of special general meeting will be despatched to the Shareholders on or before 29 January 2021 as the Company needs more time to prepare and finalise information to be included in the circular.

Shareholders and potential investors should note that Closing is subject to the satisfaction and/or, where applicable, waiver of the Conditions Precedent. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

Reference is made to the Voluntary Announcement in relation to the Group's entering into of the Previous Acquisitions.

INTRODUCTION

On 4 December 2020, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire equity interest in the Target Company.

THE ACQUISITION

The Sale and Purchase Agreement

Date 4 December 2020

Parties (1) The Purchaser
 (2) The Vendor
 (3) The Target Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and the Target Company and their respective ultimate beneficial owners (if applicable) are third parties independent of the Company and its Connected Persons.

Equity interest to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire equity interest in the Target Company.

The Consideration and payment terms

The Consideration for the Acquisition is approximately RMB1,177,829,000, which will be satisfied in the following manner:

- (i) an amount of RMB36,500,000 (the “**First Instalment of the Consideration**”), which represents approximately 3.1% of the Consideration, will be paid within ten (10) Business Days upon the execution of the Sale and Purchase Agreement;
- (ii) an amount of approximately RMB670,197,000 (the “**Second Instalment of the Consideration**”), which represents approximately 56.9% of the Consideration, will be paid into the Escrow Account before the Closing and will be released to the Vendor within ten (10) Business Days after the Closing;
- (iii) an amount of approximately RMB301,495,000 which represents approximately 25.6% of the Consideration, will be paid within ten (10) Business Days after completion of the audit with respect to the Target Company for the period from 30 April 2020 to the date of Closing (the “**Transition Period Audit**”) and completion of the handover procedures;
- (iv) an amount of up to RMB95,800,000 which represents approximately 8.1% of the Consideration, will be paid within ten (10) Business Days upon completion of each of certain rectification works items in respect of the assets of the Target Company by the Vendor required by the Purchaser, which should be done in any event, within one (1) year after the Closing; and

- (v) an amount of up to approximately RMB73,837,000 which represents approximately 6.3% of the Consideration, will be paid within ten (10) Business Days upon the receipt of the additional state subsidies for renewable energy electricity price by the Target Company. The information in relation to each receipt of such state renewable energy subsidies will be shown on public website and the Vendor is able to know when the Target Company will receive each batch of the subsidies.

The Group currently expects to finance the Consideration by the internal resources of the Group.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Company and the Vendor after considering various factors, including (i) the unaudited net asset of the Target Company as at 31 October 2020 of approximately RMB1,276,547,000, adjusted by applying a discount of approximately 7.7%; (ii) the gearing position of the Target Company; and (iii) the Valuation Report pursuant to which the appraised value of the entire equity interest of the Target Company as at 30 April 2020 was RMB1,455,370,000.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Summary of the Valuation Report

The appraised value of the entire equity interest of the Target Company under the Valuation Report was prepared using the income approach, through the use of the discounted cash flow method. As a result, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Basis assumptions

Details of the key assumptions used in determining the value of the entire equity interest in the Target Company upon which the Valuation Report was issued are set out below:

(i) General Assumptions

1. There will be no material change in the state and local laws, regulations, rules and social, political and economic policies currently in force and applicable to the Target Company;
2. The Target Company will maintain continuous operation during the lifetime of the power plant;
3. There will be no material change in the PRC's existing tax basis and rates, preferential tax policies, bank lending rates and other policy-based charges; and
4. There will be no other material adverse impact caused by force majeure or unforeseeable circumstances.

(ii) Specific Assumptions

1. Assuming the technical personnel and senior management of the Target Company would remain relatively stable and there would be no significant outflow of the core professional personnel in years;
2. The present and future management of the Target Company are responsible and its management would be able to steadily proceed with the development plan of the Target Company to maintain a good operating position;
3. The future management of the Target Company would comply with the relevant PRC laws and regulations, and there would be no major non-compliance that might affect the development and earnings of the Target Company;
4. Since the electricity generated by the Target Company in prior years has been connected to the grid for settlement according to actual installed capacity, this appraisal assumes that the Target Company will generate electricity according to actual installed capacity and connect to the grid for settlement in the future;

5. In accordance with the “Report of the State Grid Corporation on Announcing the List of the Second Batch of Renewable Energy Power Generation Subsidy Projects in 2020” issued on 31 July 2020, the Yulin Yuyang 300MWp Fengrong Photovoltaic Power Station Project of the Target Company is included in the list of the second batch of renewable energy power generation subsidy projects in 2020. Based on the interviews with relevant personnel of the Target Company, the subsidy income of electricity tariff before being included in the subsidy catalogue is expected to be recovered within three (3) years from the valuation base date, and the subsidy income of electricity tariff for 2021 and afterwards is expected to be received within one (1) year; and
6. The accounting policies adopted by the Target Company are basically consistent with the accounting policies and the accounting methods used in revenue forecast in material aspects.

Confirmations

Grant Thornton Hong Kong Limited (“**Grant Thornton**”), acting as the reporting accountants of the Company, has reviewed and reported to the Directors in respect of the compilation of the discounted future cash flows in connection with the valuation of the Target Company prepared by the Valuer used in the Valuation Report, which do not involve the adoption of accounting policies.

The Directors confirm that the valuation of the entire equity interest of the Target Company in the Valuation Report, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry.

A report from Grant Thornton in compliance with Rule 14.62(2) of the Listing Rules is included in Appendix I to this announcement and a letter from the Directors in compliance with Rule 14.62(3) of the Listing Rules is included in Appendix II to this announcement.

Experts and consents

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualification
ZhongHe Appraisal Co., Ltd.	Valuer
Grant Thornton	Certified Public Accountants, Hong Kong

As at the date of this announcement, each of the Valuer and Grant Thornton does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group. To the best of the Directors' knowledge, information and belief, each of the Valuer and Grant Thornton is an independent third party.

Each of the Valuer and Grant Thornton has consented to the inclusion of its independent assurance report on calculations of discounted future estimated cash flows in this announcement and the circular, and the references to its name in the form and context in which they are included.

Conditions Precedent

The Closing is conditional on, among other things:

- (i) each party having obtained all necessary internal approvals regarding the transaction contemplated under the Sale and Purchase Agreement, including: (a) with respect to the Target Company, the approval from its sole shareholder, the Vendor; (b) with respect to the Vendor, the approval from its shareholders and the approval from the shareholders of Kong Sun Holdings Limited in accordance with the Listing Rules; and (c) with respect to the Purchaser, the approval from its shareholders, the approvals from its board of directors and the approval from the shareholders of the Company in accordance with the Listing Rules;
- (ii) the written consent from CDB Leasing regarding the approval of the Acquisition in respect of the CDB Finance Lease;
- (iii) the Vendor having procured the restructuring of the Target Company's credits and debts; and
- (iv) the Purchaser having paid the Vendor the First Instalment of the Consideration and Second Instalment of the Consideration in accordance with the Sale and Purchase Agreement.

Closing

Closing shall take place when the Conditions Precedent have been fulfilled and the registration of the transfer of the entire equity interest in the Target Company to the Purchaser with the relevant administration for industry and commerce and a new business license has been issued to the Target Company.

Upon Closing, the Target Company will become an indirect wholly-owned subsidiary of the Company and the results and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

Information of the Group and the Purchaser

The Company is a company incorporated in Bermuda with limited liability and is an investment holding company operating its business through its subsidiaries. The Group is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects. The Purchaser is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the development and operation of clean energy such as solar energy.

Information of the Target Company

The Target Company is a limited liability company established in the PRC. The Target Company is principally engaged in the operation, maintenance and management of solar power plants in the PRC and located in Shaanxi, the PRC.

The table below sets out certain unaudited financial information of the Target Company for the years ended 31 December 2018 and 2019:

	The year ended 31 December	
	2018	2019
	(unaudited)	(unaudited)
	<i>RMB '000</i>	<i>RMB '000</i>
Profit before taxation	146,489	44,991
Profit after taxation	146,489	44,991

The unaudited net asset value of the Target Company as at 31 October 2020 was approximately RMB1,276,547,000.

Information of the Vendor

The Vendor is an indirect wholly-owned subsidiary of Kong Sun Holdings Limited. The Vendor is principally engaged in the investment in and operation of solar power plants. As at the date of this announcement, the Target Company is a direct wholly-owned subsidiary of the Vendor.

Kong Sun Holdings Limited is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 295). It is principally engaged in the investment in and operation of solar power plants, provision of solar power plant operation and maintenance services, provision of financial services, trading of liquefied natural gas and asset management.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group, being principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects, has been identifying suitable investment opportunities to acquire renewable energy projects with good prospects and potential for stable returns.

The Board is of the view that the Acquisition will be complementary to the Group's existing renewable power plant portfolio and enables the Group to further expand its scale of business in the renewable energy sector to enhance return to the Shareholders. The Acquisition is therefore considered by the Board to be a good opportunity to expand the Group's existing renewable energy business.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

Pursuant to Rule 14.22 of the Listing Rules, the Previous Acquisitions and the Acquisition are required to be aggregated for the purpose of classification of transaction under Chapter 14 of the Listing Rules. As the highest applicable percentage ratio in respect of the aggregation of the Previous Acquisitions and the Acquisition is more than 25% but is less than 100%, the Previous Acquisitions and the Acquisition together constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

A circular containing, inter alia, (i) further information of the Acquisition; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) valuation report of the Target Company; (v) general information; and (vi) the notice of special general meeting will be despatched to the Shareholders on or before 29 January 2021 as the Company needs more time to prepare and finalise information to be included in the circular.

Shareholders and potential investors should note that Closing is subject to the satisfaction and/or, where applicable, waiver of the Conditions Precedent. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the entire equity interest in the Target Company by the Purchaser from the Vendor, as contemplated under the Sale and Purchase Agreement
“Board”	the board of Directors of the Company
“Business Days”	a day excluding Saturdays, Sundays and statutory holidays in the PRC
“CDB Finance Lease”	the finance lease agreement dated 25 December 2018 entered into between the Target Company and CDB Leasing
“CDB Leasing”	China Development Bank Financial Leasing Co., Ltd.* (國銀金融租賃股份有限公司), a limited liability company established in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 1606)
“Closing”	completion of the Acquisition

“Company”	Beijing Energy International Holding Co., Ltd., a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 686)
“Conditions Precedent”	the conditions precedent to the completion of the sale and purchase of the entire equity interest in the Target Company set out in the Sale and Purchase Agreement
“Connected Person(s)”	has the same meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration of approximately RMB1,177,829,000 for the Acquisition
“Director(s)”	the Directors of the Company
“Escrow Account”	the bank account to be jointly established and operated by the Vendor and the Purchaser for holding the Second Instalment of the Consideration pursuant to the terms of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Acquisitions”	the Group’s acquisitions of equity interests in project companies which hold four (4) solar power projects as disclosed in the Voluntary Announcement

“Purchaser”	Beijing United Rongbang New Energy Technology Co., Ltd.* (北京聯合榮邦新能源科技有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 4 December 2020 entered into by the Purchaser, the Vendor and the Target Company in relation to the Acquisition, on the terms and conditions set out therein
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Yulin City Jiangshan Yongchen New Energy Limited* (榆林市江山永宸新能源有限公司), a limited liability company established in the PRC and is owned by the Vendor as at the date of this announcement
“Valuer”	ZhongHe Appraisal Co., Ltd., a limited liability company established in the PRC
“Valuation Report”	the valuation report dated 14 August 2020 prepared by the Valuer in relation to the entire equity interest in the Target Company
“Vendor”	Jiangshan Fengrong Investment Company Limited* (江山豐融投資有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 295)

“Voluntary
Announcement”

the voluntary announcement of the Company dated 22 October 2020 in relation to the Previous Acquisitions by the Company of the entire equity interests in four project companies which hold four (4) solar power projects

“%”

per cent

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

Hong Kong, 4 December 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Ping (Chairman), Mr. Lu Zhenwei and Mr. Xu Jianjun; the non-executive directors of the Company are Mr. Sui Xiaofeng, Mr. Chen Dayu, Mr. Li Hao and Ms. Xie Yi; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Chen Hongsheng.

* *For the purposes of identification only*

APPENDIX I – REPORT FROM GRANT THORNTON

REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTEREST IN YULIN CITY JIANGSHAN YONGCHEN NEW ENERGY LIMITED

To the board of directors of Beijing Energy International Holding Co., Ltd. (the “Company”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation dated 14 August 2020 prepared by ZhongHe Appraisal Co., Ltd. in respect of the entire equity interest in Yulin City Jiangshan Yongchen New Energy Limited (“**Target Company**”) as at 30 April 2020 is based (the “**Valuation**”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and reference to the Valuation will be included in an announcement dated 4 December 2020 issued by the Company in connection with acquisition of the Target Company (the “**Announcement**”).

Directors’ responsibilities

The directors of the Company are responsible for the reasonableness and validity of the assumptions as set out in the Announcement (the “**Assumptions**”), based on which the discounted future estimated cash flows and the Valuation are prepared.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of equity interest in Target Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company or Target Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects in accordance with the Assumptions.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Hong Kong

4 December 2020

APPENDIX II – LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST

4 December 2020

The Stock Exchange of Hong Kong Limited
12th Floor,
Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

Dear Sirs or Madams,

MAJOR TRANSACTION – ACQUISITION OF ENTIRE EQUITY INTEREST IN A COMPANY IN THE PRC

We refer to the announcement of the Company dated 4 December 2020 (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this letter when used herein.

We refer to the valuation reports prepared by ZhongHe Appraisal Co., Ltd, an independent professional valuer (the “**Valuer**”) in relation to the Valuation as at the Valuation Date. The Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

We hereby confirm that we have discussed with the Valuer about different aspects and reviewed information and documents in relation to the basis and assumptions based upon which the discounted cash flows in the Valuation has been prepared, and reviewed the Valuation prepared by the Valuer for which the Valuer is responsible for. We have also reviewed the calculations for the discounted cash flow in the valuation report issued by the Valuer. We have also considered the report from Grant Thornton Hong Kong Limited, the auditor of the Company, as set out in Appendix I to the Announcement regarding the calculations of the discounted cash flows in the Valuation upon which the Forecast has been made.

On the basis of the foregoing, in accordance with the requirements under Rule 14.62(3) of the Listing Rules, we confirm that the Forecast has been made after due and careful enquiry by us.

By order of the Board
Beijing Energy International Holding Co., Ltd.
Zhang Ping
Chairman