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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF ENTIRE EQUITY INTEREST IN A COMPANY OWNING 115MW SOLAR POWER PLANTS IN THE PRC

THE ACQUISITION

On 8 February 2021 (after trading hours), the Purchasers (both are indirect wholly-owned subsidiaries of the Company), the Vendors and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Purchasers conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the entire equity interest in the Target Company at the Consideration of RMB300,580,000. Upon completion of the Acquisition, the Target Company will be owned as to 95% by the Purchaser I and 5% by the Purchaser II.

IMPLICATION OF THE LISTING RULES

As the highest applicable percentage ratio in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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.

INTRODUCTION

The Board is pleased to announce that on 8 February 2021 (after trading hours), the Purchasers (both are indirect wholly-owned subsidiaries of the Company), the Vendors and the Target Company entered into the Sale and Purchase Agreement, pursuant to which the Purchasers conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the entire equity interest in the Target Company at the Consideration of RMB300,580,000. Upon completion of the Acquisition, the Target Company will be owned as to 95% by the Purchaser I and 5% by the Purchaser II.

THE ACQUISITION

The Sale and Purchase Agreement

<i>Date</i>	8 February 2021 (after trading hours)
<i>Parties</i>	(1) the Purchasers (both are indirect wholly-owned subsidiaries of the Company)
	(2) the Vendors
	(3) the Target Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and the Target Company and their respective ultimate beneficial owners, as at the date of this announcement, are third parties independent of the Company and its Connected Persons.

Equity interest to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchasers conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the entire equity interest in the Target Company, among which 95% of the equity interest in the Target Company shall be disposed by Vendor II to Purchaser I and 5% of the equity interest in the Target Company shall be disposed by Vendor I to Purchaser II. Upon completion of the Acquisition, the Target Company will be owned as to 95% by the Purchaser I and 5% by the Purchaser II.

As at the date of this announcement, the Target Company holds in total 6 solar power plants with total installed capacity of 115MW in Inner Mongolia, the PRC through the Project Companies.

The Consideration and payment terms

The Consideration for the Acquisition is RMB300,580,000 (including the Deduction), of which:–

- (i) Vendor I shall be entitled to RMB15,029,000; and
- (ii) Vendor II shall be entitled to RMB268,551,000 and the Deduction of RMB17,000,000.

As agreed by the parties to the Sale and Purchase Agreement, the Consideration has been adjusted in the following manner:–

- (i) Vendor II shall bear the debts owed by the Target Company to the company controlled by the Vendors in the amount of approximately RMB227,127,000 and such amount will be deducted from the Consideration payable to Vendor II; and
- (ii) the extraordinary profit of the Target Company for the period from 1 July 2020 to 23 December 2020 of approximately RMB13,284,000 will be deducted from the Consideration payable to the Vendor II.

Therefore, the Actual Consideration is approximately RMB60,170,000, of which (i) RMB15,029,000 shall be paid to Vendor I by Purchaser II and (ii) approximately RMB28,141,000 and the Deduction shall be paid to Vendor II by Purchaser I.

The Actual Consideration will be satisfied in the following manner:

- (i) an amount of RMB5,000,000 (the “**First Instalment of the Consideration**”) will be paid to the Vendors within seven (7) days after the fulfillment of the Conditions Precedent and the following conditions, of which RMB2,500,000 will be paid to the Vendor II by the Purchaser I and RMB2,500,000 will be paid to the Vendor I by the Purchaser II:–
 - (a) the registration of the transfer of the entire equity interest in the Target Company to the Purchasers with the relevant administration for industry and commerce;
 - (b) the issuance of a new business license of each of the Target Company and the Project Companies and the delivery of the relevant handover documents; and
 - (c) the Vendors having urged the fully redemption by the Target Company of the convertible bonds issued by the Target Company before 1 February 2021.

- (ii) the second instalment of the Consideration (the “**Second Instalment of the Consideration**”) will be paid to the Vendors by the Purchasers within ten (10) business days after the following conditions have been fulfilled, of which RMB12,529,000 shall be paid to the Vendor I by the Purchaser II and the remaining amount of the Second Instalment of the Consideration shall be paid to the Vendor II by the Purchaser I:–
- (a) the audit on the profit or loss of the Target Company and the Project Companies during the Transition Period (the “**Transition Period Audit**”) by an audit firm designated by the Purchasers has been completed and the Purchasers have satisfied the outcome of the problem found in the audit (if any);
 - (b) the Target Company and the Project Companies have completed the settlement of claims, debts and transactions between related parties in accordance with terms of the Sale and Purchase Agreement;
 - (c) the Vendors has procured the Target Company and the Project Companies to complete the registration with the relevant administration for industry and commerce for the change of the legal representative, director(s), supervisor(s) and senior management of the Target Company and the Project Companies within seven (7) days after the Closing;
 - (d) save for the share charge disclosed in the Sale and Purchase Agreement or the share charge caused by the Purchasers, there is no other charge or rights restrictions on the equity interest of the Target Company or the Project Companies;
 - (e) the Vendors have completed certain specific obligations under the Sale and Purchase Agreement, and the Purchasers and the Vendors have agreed on the outcome of the problem found in the due diligence conducted by an agent designated by the Purchasers;
 - (f) the Vendors have completed the Closing-related work and the relevant Closing documents have been duly executed.

The Second Instalment of Consideration is calculated as below:–

The Second Instalment of Consideration = the Actual Consideration – the Deduction – the First Instalment of the Consideration – the Third Instalment of the Consideration – deduction amount identified during the Transition Period Audit, being the extraordinary profit or loss for the period from 24 December 2020 to the date of the Closing.

- (iii) an amount of RMB10,000,000 (the “**Third Instalment of the Consideration**”) will be paid to the Vendor II by the Purchaser I within ten (10) business days if there is no breach of the Sale and Purchase Agreement by the Vendors during the three (3) months period after the Purchaser I has paid the Second Instalment of the Consideration.

Deduction

The Purchaser I shall pay to the Vendors within ten (10) business days after receiving the written application submitted by the Vendors when the following conditions have been fulfilled:–

If no additional farmland occupancy tax or enterprise income tax was required by the authority to the Target Company or Project Companies within three years after the Closing, the Purchaser I shall pay to the Vendor II RMB10,000,000 and RMB7,000,000 respectively (the “**Deduction**”).

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 Vendors after considering various factors, including (i) the financial performance of the Target Company as at 23 December 2020 considering the factors including but not limited to the revenue to be generated from the Project Companies and the total cost of construction of the solar power projects owned by the Project Companies; (ii) the subsidy receivable by the Project Companies as at 23 December 2020, which was entitled by the Vendors; and (iii) the consolidated liabilities and expenses payable by the Target Company as at 23 December 2020.

Pursuant to the the Sale and Purchase Agreement, the parties confirmed that the consolidated liabilities and expenses payable by the Target Company was approximately RMB439,529,000 as at the Benchmark Date and approximately RMB983,573,000 as at 23 December 2020, if the actual amount paid or payable by the Target Company exceeds the aforementioned amounts, upon confirmation of the Purchasers and the Vendors, the Purchasers shall have the right to deduct the exceeded amount from the Actual Consideration or request the Vendors to assume responsibility for compensation.

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.

Conditions Precedent

The Closing is conditional on, among other things:

- (i) each party having obtained all necessary approvals regarding the transaction contemplated under the Sale and Purchase Agreement, including but not limited to, the resolution approving the Acquisition signed by all shareholders of the Target Company as at the date of the Sale and Purchase Agreement;
- (ii) the Vendors having submitted the balance sheet and breakdown of the assets and liabilities acknowledged by the parties in writing per request of the Purchasers within two (2) days before the date of the Closing; and
- (iii) the employment arrangements and issues of the Target Company and Project Companies having been properly resolved per request of the Purchasers and there being no any labor disputes.

Long Stop Date

If the Conditions Precedent are not fulfilled within three (3) months after the execution of the Sale and Purchase Agreement, the Purchasers are entitled to (i) terminate the Sale and Purchase Agreement and the Vendor shall refund all payments already made by the Purchasers to the Vendors with an interest of 8% per annum and pay for reasonable fees and expenses to third parties incurred by the Purchasers arising out of, related to or in connection with the Sale and Purchase Agreement; or (ii) continue to perform the Sale and Purchase Agreement and request the Vendors to (a) bear the compensation liability of 20% of the payment already made by the Purchasers or (b) bear the compensation liability of 5% of the Consideration, whichever is lower.

Closing

Closing shall take place when the Conditions Precedent have been fulfilled and on the day when the registration of the transfer of the entire equity interest in the Target Company with the relevant administration for industry and commerce has completed.

Upon Closing, the Target Company will be owned as to 95% by the Purchaser I and 5% by the Purchaser II. 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 Purchasers

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. Both the Purchaser I and the Purchaser II are companies established in the PRC with limited liability and indirect wholly-owned subsidiaries of the Company. The Purchaser I and the Purchaser II are principally engaged in the development and operation of clean energy such as solar energy.

Information of the Target Company

The Target Company is a company established in the PRC with limited liability. The Target Company is principally engaged in the investment and construction of the new energy projects. As at the date of the announcement, the Target Company holds in total 6 solar power plants with total installed capacity of 115MW in Inner Mongolia, the PRC through the Project Companies.

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

	For the year ended	
	31 December	
	2018	2019
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	86,377	66,674
Profit after taxation	82,766	64,006

The audited net asset value of the Target Company as at 23 December 2020 was approximately RMB239,721,000.

As at the date of this announcement, the Target Company is owned as to 5% by the Vendor I and 95% by the Vendor II.

Information of the Vendors

The Vendor I is a company established in the PRC with limited liability. The Vendor I is principally engaged in fund management, investment and asset management, asset trustee management, investment planning and consulting services. The ultimate beneficial owner of the Vendor I is Zhang Baobao.

The Vendor II is a company established in the PRC with limited liability. The Vendor II is principally engaged in coal wholesale business, purchase and sale of steel, agricultural and sideline products, warehousing, loading and logistics services. The ultimate beneficial owner of the Vendor II is Zheng Sansuo.

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.

IMPLICATION OF THE LISTING RULES

As the highest applicable percentage ratio in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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 acquisition of the entire equity interest in the Target Company by the Purchasers from the Vendors, as contemplated under the Sale and Purchase Agreement
“Actual Consideration”	the actual consideration of approximately RMB60,170,000 after certain deductions and adjustments from the Consideration
“Benchmark Date”	30 June 2020
“Board”	the board of Directors of the Company
“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 meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration of RMB300,580,000 for the Acquisition
“Director(s)”	the directors of the Company

“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
“Potential Investors”	the potential investors of the Company
“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
“Project Companies”	the Target Company and the project companies owned by the Target Company, which hold in total 6 solar power plants with total installed capacity of 115MW in Inner Mongolia, the PRC
“Purchaser I”	Beijing United Rongbang New Energy Technology Co., Ltd.* (北京聯合榮邦新能源科技有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Purchaser II”	Inner Mongolia Xingbang United New Energy Co., Ltd.* (內蒙古興邦聯合光伏新能源有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Purchasers”	collectively, the Purchaser I and the Purchaser II
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the equity transfer agreement dated 8 February 2021 entered into by the Purchasers, the Vendors and the Target Company in relation to the Acquisition as supplemented by a supplemental agreement entered into between the same parties on the same date
“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”	Inner Mongolia Minghua New Energy Co., Ltd.* (內蒙古明華新能源股份有限公司), a company established in the PRC with limited liability and is owned by the Vendor I as to 5% and the Vendor II as to 95% as at the date of this announcement
“Transition Period”	from the Benchmark Date to the date of Closing
“Vendor I”	Zhongming Capital Holdings Group Co., Ltd.* (中明資本控股集團有限公司), a company established in the PRC with limited liability
“Vendor II”	Inner Mongolia Weiheng Industry and Trade Co., Ltd.* (內蒙古偉恒工貿有限公司), a company established in the PRC with limited liability
“Vendors”	collectively, the Vendor I and the Vendor II
“%”	per cent

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

Hong Kong, 8 February 2021

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. Zhao Bing, 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. Chen Hongsheng and Ms. Jin Xinbin.

* For the purposes of identification only