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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 CAPITAL INCREASE IN THE TARGET COMPANY**

### **THE CAPITAL INCREASE AGREEMENT**

On 4 March 2023 (after trading hours), the Target Company, the Baoshan Parties, Baoshan SASAC, Baoshan Operation and BYED (an indirect wholly-owned subsidiary of the Company) entered into the Capital Increase Agreement, pursuant to which, BYED conditionally agreed to inject RMB960 million into the Target Company by way of cash contribution for approximately 65.7% of the enlarged equity interest in the Target Company.

Upon completion of the Capital Increase, BYED will be interested in approximately 65.7% of the enlarged equity interest in the Target Company and the Target Company will become an indirect non wholly-owned subsidiary of the Company.

### **LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios in respect of the Capital Increase exceed 5% but are less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors should note that the completion of the Capital Increase is subject to the fulfilment and/or, where applicable, waiver of conditions precedent under the Capital Increase Agreement. As the Capital Increase may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

The Board is pleased to announce that, on 4 March 2023 (after trading hours), the Target Company, the Baoshan Parties, Baoshan SASAC, Baoshan Operation and BYED (an indirect wholly-owned subsidiary of the Company) entered into the Capital Increase Agreement, pursuant to which, BYED conditionally agreed to inject RMB960 million into the Target Company by way of cash contribution for approximately 65.7% of the enlarged equity interest in the Target Company.

## THE CAPITAL INCREASE AGREEMENT

Principal terms of the Capital Increase Agreement are set out as below:

**Date** : 4 March 2023 (after trading hours)

**Parties** : (a) the Target Company;  
(b) the Baoshan Parties;  
(c) Baoshan SASAC;  
(d) Baoshan Operation; and  
(e) BYED, an indirect wholly-owned subsidiary of the Company

(collectively referred to as the “**Parties**”, and each a “**Party**”)

### Capital Increase

Pursuant to the Capital Increase Agreement, BYED has conditionally agreed to inject RMB960 million into the Target Company by way of cash contribution for approximately 65.7% of the enlarged equity interest in the Target Company (the “**Increased Registered Capital**”). The Existing Shareholders agreed not to subscribe for the Increased Registered Capital.

## **Basis of the Consideration**

The consideration for the Capital Increase in the Target Company of RMB960 million was determined based on arm's length negotiations between the Parties with reference to, among other things, (i) the valuation of the entire equity interest in the Target Company, which was determined with reference to the valuation of the Target Company as at 30 September 2022 by ZhongHe Appraisal Co., Ltd. (中和資產評估有限公司) of approximately RMB501 million; (ii) the expected investment return from the Capital Increase; and (iii) the amount of debt of the Target Company and its subsidiaries.

## **Payment of the Consideration for the Capital Increase**

The consideration of the Capital Increase shall be paid by BYED by way of cash contribution to the designated bank account of the Target Company in the following manner:

- (i) The first installment of the consideration of the Capital Increase of RMB384 million (being 40% of the total consideration) shall be paid within 15 working days upon satisfaction of the following conditions:
  - BYED having subscribed the Increased Registered Capital and the closing of the Capital Increase has been completed;
  - the conditions precedents, which are set out below in the paragraph headed "Conditions Precedent of the Capital Increase", having been satisfied or waived by BYED in writing;
  - the Baoshan Parties having rectified the deficiencies required for the first installment of the consideration as specified in the Capital Increase Agreement; and
  - the Target Company having established the designated bank account for the consideration of the Capital Increase and having set up a fund co-management arrangement with BYED in respect of the bank account exclusively for the receipt and expenditure of the entire consideration of the Capital Increase.
- (ii) The second installment of the consideration of the Capital Increase of RMB288 million (being 30% of the total consideration) shall be paid within 15 working days upon satisfaction of the following conditions:
  - the industrial and commerce registration of the Capital Increase having been duly completed and new business license of the Target Company having been obtained as required under the Capital Increase Agreement;

- the conditions for the payment of first installment of the consideration having continued to be satisfied or waived by BYED in writing; and
  - the Baoshan Parties having rectified the deficiencies required for the second installment of the consideration as specified in the Capital Increase Agreement.
- (iii) The third installment of the consideration of the Capital Increase of RMB288 million (being 30% of the total consideration) shall be paid within 15 working days upon satisfaction of the following conditions:
- the conditions for the payment of first and second installments of the consideration having continued to be satisfied or waived by BYED in writing;
  - the Baoshan Parties having rectified the deficiencies required for the third installment of the consideration as specified in the Capital Increase Agreement;
  - the Baoshan Parties having completed the property registration of the properties and land of the Target Company as required under the Capital Increase Agreement or having obtained the written confirmation from the relevant property owners confirming there being no disputes as to the properties and land of the Target Company; and
  - the Target Company and the Baoshan Parties having completed the technology evaluations in relation to the specific facilities of the power stations as required under the Capital Increase Agreement, and the requirements of the relevant national safety regulations having been met. If the requirements of the relevant national safety regulations are not met, the Target Company should have completed the rectification as required by BYED.

The Target Company shall issue a receipt to BYED once the consideration for Capital Increase has been paid and arrange for capital appraisal within 10 working days upon the receipt of the consideration for the Capital Increase. In the event of any material adverse change in the Target Company and its subsidiaries or breach of contract by the Target Company, its subsidiaries and the Baoshan Parties, BYED is entitled to suspend the payment of the consideration of the Capital Increase until such material adverse change or defaults have been eliminated. The earnest money paid by BEJN for the proposed acquisition of the Target Company, as set out in the announcement of the Company dated 3 November 2022, will be refunded to BEJN in accordance with the relevant earnest money payment agreement.

## **Conditions Precedent of the Capital Increase**

The completion of the Capital Increase is conditional on fulfilment of the following conditions precedent, among other things (unless otherwise waived by BYED in writing): –

- (i) the Capital Increase Agreement having been duly executed and becoming effective;
- (ii) the Baoshan Parties, the Target Company and its subsidiaries having obtained the necessary consents and approvals for the Capital Increase, including but not limited to (a) passing of the resolution for the Capital Increase at shareholders' meeting of the Target Company; and (b) the state asset administration authority overseeing the Target Company having approved the Capital Increase;
- (iii) BYED having obtained the necessary consents and approvals for the Capital Increase including but not limited to (a) passing of the resolution for Capital Increase at the Board meeting or shareholders' meeting of the Company; and (b) the state asset administration authority overseeing BYED having approved the Capital Increase;
- (iv) the Baoshan Parties, the Target Company and its subsidiaries having obtained the consent from their creditors in relation to the Capital Increase;
- (v) the business operator concentration declaration having been approved by the relevant authority;
- (vi) the new articles of association of the Target Company having been approved by the shareholders' meeting of the Target Company and having been signed;
- (vii) the undertaking from the Baoshan Parties, the Target Company and its subsidiaries in relation to non-occurrence of material adverse events or such events having been rectified;
- (viii) there having no laws nor judgments, verdicts, ruling, injunction or order from government agencies that restrict, prohibit or cancel the Capital Increase;
- (ix) the statements, representations, warranties and undertakings made by the Baoshan Parties, the Target Company and its subsidiaries continuing to be true, complete and accurate in all material aspects as at the date of signing the Capital Increase Agreement and the date of closing of the Capital Increase;
- (x) the Baoshan Parties, the Target Company and its subsidiaries having properly handled the issues including but not limited to the debts and current accounts as required under the Capital Increase Agreement;

- (xi) the Baoshan Parties, the Target Company and its subsidiaries having properly handled the issues as required under the Capital Increase Agreement including but not limited to the employee payment, loans and guarantees and the other issues as specified in undertakings from the Target Company, the Baoshan Parties, Baoshan SASAC and Baoshan Operation set out in the Capital Increase Agreement;
- (xii) conditions precedent in relation to the subsidiaries of the Target Company having been fulfilled;
- (xiii) BYED having approved the repayment plan, debt restructuring or offset arrangement in relation to a loan of RMB400 million provided by the Target Company to Baoshan City State Asset Operation Co., Ltd.\* (保山市國有資產經營有限責任公司), one of the Baoshan Parties;
- (xiv) the Baoshan Parties, the Target Company and its subsidiaries having adjusted the valuation and the consideration for the Capital Increase and shareholding percentage upon completion of the Capital Increase having been determined as required under the Capital Increase Agreement; and
- (xv) the Baoshan Parties, the Target Company and its subsidiaries having properly handled the accounts of the Target Company to the satisfaction of BYED.

### **Completion of the Capital Increase**

The Baoshan Parties, the Target Company and its subsidiaries must collaborate to update the register of members of the Target Company, deliver the share certificates of the Target Company to BYED and to attend to closing of the assets, files and personnel within 5 working days upon the conditions precedent having been fulfilled or otherwise waived in writing by BYED. Parties to the Capital Increase Agreement need to complete the filings of changes in the industrial and commerce registration of the Capital Increase within 15 working days after the first instalment of the consideration of the Capital Increase having been paid by BYED.

Upon completion of the Capital Increase, the Target Company will become an indirect non wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company and its subsidiaries will be consolidated into the consolidated financial statements of the Group.

### **REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE**

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

Upon completion of the Capital Increase, the Company will hold as to 65.7% of the equity interest in the Target Company and will in turn acquire the control of the 26 hydropower stations of the Target Company with the installed capacity of hydropower reached 952 megawatts. The Capital Increase will enable the Group to expand its scale of business in the clean energy projects in Baoshan City, Yunnan Province, increase the Company's clean energy installed capacity and enable the Company to achieve scaled operation in clean energy sector. Furthermore, the Capital Increase will diversify the clean energy business of the Group into the hydroelectric sector. The Board is of the view that the Capital Increase is in line with the Company's development plans and will be complementary to the Group's existing clean energy power plant portfolio and enables the Group to further expand its scale of business in the clean energy sector to enhance return to the Shareholders.

The Directors consider that the Capital Increase was negotiated on normal commercial terms and the terms of the Capital Increase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the key audited financial information for the financial years ended 31 December 2020 and 2021 of the Target Company, both prepared according to the PRC accounting standards.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>approximately</b>	<b>approximately</b>
	<i>RMB'million</i>	<i>RMB'million</i>
	(audited)	(audited)
Loss before taxation	<b>206</b>	276
Loss after taxation	<b>206</b>	276

As at 30 September 2022, the unaudited net liabilities value of the Target Company was approximately RMB434 million.

## INFORMATION OF THE PARTIES

The Company is a company incorporated in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 686) and is an investment holding company operating its business through its subsidiaries. The Group is principally engaged in the development, investment, operation and management of power plants and other clean energy projects.

BYED is a company established in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company. BYED is principally engaged in the development, investment and operation of solar energy and other clean energy.

Baoshan Parties include a group of six companies which comprise:

- (a) Baoshan City State Asset Operation Co., Ltd.\* (保山市國有資產經營有限責任公司), which is a company established in the PRC with limited liability and ultimately controlled by Baoshan SASAC. It held approximately 41.03% equity interest in the Target Company as at the date of this announcement and is principally engaged in investment, finance and equity purchase;
- (b) Tengchong County State Asset Operation Co., Ltd.\* (騰沖縣國有資產經營有限責任公司), which is a company established in the PRC with limited liability and wholly owned by the People's Government of Tengchong City (騰沖市人民政府). It held approximately 15.58% equity interest in the Target Company as at the date of this announcement and is principally engaged in management, disposal or transfer of state-owned equity;
- (c) Longling County State Asset Operation Co., Ltd.\* (龍陵縣國有資產經營有限責任公司), which is a company established in the PRC with limited liability, and wholly owned by Baoshan City State Asset Operation Co., Ltd.\* (保山市國有資產經營有限責任公司) and ultimately controlled by Baoshan SASAC. It held approximately 14.37% equity interest in the Target Company as at the date of this announcement and is principally engaged in the operation of state assets;
- (d) Shidian County State Asset Operation Group Co., Ltd.\* (施甸縣國有資產經營集團有限責任公司), which is a company established in the PRC with limited liability and wholly owned by the Finance Bureau of Shidian County\* (施甸縣財政局). It held approximately 12.46% equity interest in the Target Company as at the date of this announcement and is principally engaged in the sale and transfer of state equity;
- (e) Baoshan City Longyang District State Asset Operation Co., Ltd.\* (保山市隆陽區國有資產經營有限責任公司), which is a company established in the PRC with limited liability and ultimately wholly owned by the State-owned Assets Supervision and Administration Commission of Longyang District, Baoshan City\* (保山市隆陽區人民政府國有資產監督管理委員會). It held approximately 9.31% equity interest in the Target Company as at the date of this announcement and is principally engaged in the operation of state assets; and



- (f) Changning County State Asset Operation Co., Ltd.\* (昌寧縣國有資產經營有限責任公司), which is a company established in the PRC with limited liability and wholly owned by the Finance Bureau of Changning County\* (昌寧縣財政局). It held approximately 5.09% equity interest in the Target Company as at the date of this announcement and is principally engaged in the equity transfer and sale of state-owned assets.

The Target Company is a joint stock company established in the PRC with limited liability. The Target Company is owned as to approximately 97.84%, 1.65% and 0.51% by Baoshan Parties, Yunan Province Local Power Industrial Development Co., Ltd.\* (雲南省地方電力實業開發有限公司) and China Three Gorges Renewables (Group) Co., Ltd. (中國三峽新能源(集團)股份有限公司) respectively, and ultimately controlled by Baoshan SASAC. The Target Company is principally engaged in electricity production and operation of hydropower plants.

Baoshan Operation is a company established in the PRC with limited liability and wholly owned by Baoshan SASAC. It is principally engaged in the investment, information consultation and enterprise management.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Baoshan Parties, the Target Company, Baoshan Operation, and their ultimate beneficial owners are Independent Third Parties.

## **LISTING RULES IMPLICATIONS**

As all of the applicable percentage ratios in respect of the Capital Increase exceed 5% but are less than 25%, the entering into of the Capital Increase Agreement constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors should note that the completion of the Capital Increase is subject to the fulfilment and/or, where applicable, waiver of conditions precedent under the Capital Increase Agreement. As the Capital Increase may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Baoshan Operation”	Baoshan City State Assets Operation (Group) Co., Ltd.* (保山市國有資本運營(集團)有限公司), a company established in the PRC with limited liability and wholly owned by Baoshan SASAC
“Baoshan Parties”	a group of six companies among the Existing Shareholders which comprise Baoshan City State Asset Operation Co., Ltd.* (保山市國有資產經營有限責任公司), Tengchong County State Asset Operation Co., Ltd.* (騰冲縣國有資產經營有限責任公司), Longling County State Asset Operation Co., Ltd.* (龍陵縣國有資產經營有限責任公司), Shidian County State Asset Operation Group Co., Ltd.* (施甸縣國有資產經營集團有限責任公司), Baoshan City Longyang District State Asset Operation Co., Ltd.* (保山市隆陽區國有資產經營有限責任公司), and Changning County State Asset Operation Co., Ltd.* (昌寧縣國有資產經營有限責任公司)
“Baoshan SASAC”	State-owned Assets Supervision and Administration Commission of the People’s Government of Baoshan City* (保山市人民政府國有資產監督管理委員會)
“BEJN”	BEJN International Holding Co., Ltd.* (北京京能國際控股有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“BYED”	Beijing Yunbao Energy Development Co., Ltd.* (北京雲保能源開發有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Capital Increase”	the capital increase by BYED pursuant to the Capital Increase Agreement for approximately 65.7% of the enlarged registered capital of the Target Company

“Capital Increase Agreement”	the capital increase agreement dated 4 March 2023 entered into by the Target Company, Baoshan Parties, Baoshan SASAC, Baoshan Operation and BYED in relation to the Capital Increase
“Company”	Beijing Energy International Holding Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 686)
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Directors”	the director(s) of the Company
“Existing Shareholders”	the existing shareholders of the Target Company as at the date of this announcement which include the Baoshan Parties, Yunnan Province Local Power Industrial Development Co., Ltd.* (雲南省地方電力實業開發有限公司) and China Three Gorges Renewables (Group) Co., Ltd. (中國三峽新能源(集團)股份有限公司)
“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
“Independent Third Party(ies)”	person(s) which is a third party independent of the Company and its connected person(s)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the issued shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Baoshan Energy Development Joint Stock Company Limited* (保山能源發展股份有限公司), a joint stock company established in the PRC with limited liability, which is ultimately controlled by Baoshan SASAC as at the date of this announcement
“working day(s)”	day(s) for banks in the PRC normally open for business, excluding Saturdays, Sundays or public holidays of the PRC
“%”	per cent

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

Hong Kong, 21 March 2023

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

\* *For identification purposes only*