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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)

CONNECTED TRANSACTION IN RELATION TO SALES AND LEASEBACK AGREEMENT

YANTAI JISHUN SALES AND LEASEBACK AGREEMENT

On 26 March 2021 (after trading hours), the Group and Shenzhen Jingneng Leasing entered into the Yantai Jishun Sales and Leaseback Agreement, pursuant to which Shenzhen Jingneng Leasing agreed to provide to the Group sales and leaseback services for eight years, subject to the terms and conditions provided therein.

LISTING RULES IMPLICATIONS

As Shenzhen Jingneng Leasing is a subsidiary of BEH, the controlling shareholder of the Company, Shenzhen Jingneng Leasing is a connected person of the Company. Accordingly, the Yantai Jishun Sales and Leaseback Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Yantai Jishun Sales and Leaseback Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the Yantai Jishun Sales and Leaseback Agreement and the transactions contemplated thereunder constitute connected transactions of the Company which are subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 26 March 2021 (after trading hours), the Group and Shenzhen Jingneng Leasing entered into the Yantai Jishun Sales and Leaseback Agreement, pursuant to which Shenzhen Jingneng Leasing agreed to provide to the Group sales and leaseback services for eight years, from 26 March 2021 to 25 March 2029, subject to the terms and conditions provided therein.

YANTAI JISHUN SALES AND LEASEBACK AGREEMENT

The principal terms of the Yantai Jishun Sales and Leaseback Agreement are summarised as follows:

Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement

Date:	26 March 2021 (after trading hours)
Parties:	(1) Yantai Jishun (as the lessee) (2) Shenzhen Jingneng Leasing (as the lessor)
Scope of services:	Shenzhen Jingneng Leasing will purchase photovoltaic power station system equipment owned by Yantai Jishun at a consideration of RMB140,000,000, and lease such equipment to Yantai Jishun and charge Yantai Jishun lease payment.
Lease term:	The lease term under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement will be for eight years, from 26 March 2021 to 25 March 2029, subject to the terms and conditions provided therein.
Legal title:	Shenzhen Jingneng Leasing shall own the legal title of the photovoltaic power station system equipment under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement during the lease term.

Lease payment:

The total lease amount payable to Shenzhen Jingneng Leasing under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement is RMB180,130,603.38. The estimated total lease amount payable includes:

- (1) the total principal lease amount of RMB140,000,000, which shall be paid by Yantai Jishun in 32 instalments on a quarterly basis over the lease term in accordance with the payment schedule set out in the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement;
- (2) the lease interest rate is a floating interest rate and calculated by the above-five-year loan prime rate as promulgated by the National Interbank Funding Centre in China with upward adjustment of 134 basis points. The floating interest rate will be automatically adjusted for each 12 months with reference to the then latest above-five-year loan prime rate. The lease interest shall be paid in 32 instalments over the lease term, together with the total principal amounts. The estimated total interest amounted to RMB33,172,603.38, based on the latest loan prime rate of 5.99%; and
- (3) the management fee of RMB6,958,000, which will be paid in four instalments during the lease period according to the payment schedule as set out in the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

Other terms: Upon maturity of the lease term and subject to the fulfilment of all of its obligations under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement, Yantai Jishun is entitled to purchase back the Leased Assets at a nominal consideration of RMB10,600 (inclusive of value-added tax at the rate of 6%).

The terms of the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement, including the lease interest rate and management fee were determined after arm's length negotiations between Yantai Jishun and Shenzhen Jingneng Leasing with reference to the prevailing market rates for the similar finance leasing arrangement and consideration of other factors such as the geographical location, performance of operation and risk profile of the Leased Assets.

The following Security Arrangements were entered into in relation to the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement. The principal terms are summarised as follows:

1. Yantai Jishun Electricity Fee Rights Pledge Agreement

Main terms: Yantai Jishun pledges its right of receiving the electricity fee income in relation to the Leased Assets under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement to Shenzhen Jingneng Leasing.

The period of such pledge pursuant to the Yantai Jishun Electricity Fee Rights Pledge Agreement is for such period from the date of the Yantai Jishun Electricity Fee Rights Pledge Agreement to two years after (i) the date of completion of the performance of all obligations under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement; or (ii) the date of expiry of the completion of the lease term under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement (whichever is the later).

2. Yantai Jishun Equipment Mortgage Agreement

Main terms: Yantai Jishun will mortgage the Leased Assets under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement to Shenzhen Jingneng Leasing.

Shenzhen Jingneng Leasing has the right to recover RMB180,130,603.38, which is the total lease amount payable under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

The term of the Yantai Jishun Equipment Mortgage Agreement will be for eight years, from 26 March 2021 to 25 March 2029, subject to the completion of the obligations under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

3. Yantai Jishun Finance Lease Escrow Account Agreement

Main terms: Under the Yantai Jishun Finance Lease Escrow Account Agreement, which is entered into between Yantai Jishun, Shenzhen Jingneng Leasing and Beijing Deshengmen Branch of China Everbright Bank Co., Ltd. (the “**Escrow Agent**”):

- (i) Yantai Jishun shall set up an account designated by Shenzhen Jingneng Leasing with the Escrow Agent which is solely for the purpose of depositing and managing the electricity fees and tariff subsidies generated or received from the daily operation of Yantai Jishun (the “**Escrow Account**”);
- (ii) the electricity fees and tariff subsidies deposited into the Escrow Account shall be used for repayment of the lease amount and lease related payment payable under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement; and

(iii) the term of the Yantai Jishun Finance Lease Escrow Account Agreement shall commence from the date of execution of the Yantai Jishun Finance Lease Escrow Account Agreement and up to the earliest of (a) the expiry or termination of the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement; (b) the occurrence of force majeure events; or (c) termination by mutual agreement between the parties.

4. Yantai Jishun Share Pledge Agreement I

Main Terms:

In order to secure the performance of Yantai Jishun under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement, Changzhou Zhihui, the 51% equity holder of Yantai Luxun, pledges its corresponding registered share capital amounting to RMB20,400,000 to Shenzhen Jingneng Leasing.

The total amount of secured debt under the Yantai Jishun Share Pledge Agreement I consists of the principal amount of the secured debt being RMB140,000,000 and total lease amount being RMB180,130,603.38.

The term of the Yantai Jishun Share Pledge Agreement I will be for eight years, from 26 March 2021 to 25 March 2029, subject to completion of the obligations under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

5. Yantai Jishun Share Pledge Agreement II

Main Terms:

In order to secure the performance of Yantai Jishun under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement, Mr. Li Zhaoxin, the 44% equity holder of Yantai Luxun, pledges its corresponding registered share capital amounting to RMB17,600,000 to Shenzhen Jingneng Leasing.

The total amount of secured debt under the Yantai Jishun Share Pledge Agreement II consists of the principal amount of the secured debt being RMB140,000,000 and total lease amount being RMB180,130,603.38.

The term of the Yantai Jishun Share Pledge Agreement II will be for eight years, from 26 March 2021 to 25 March 2029, subject to completion of the obligations under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

6. Yantai Jishun Share Pledge Agreement III

Main Terms:

In order to secure the performance of Yantai Jishun under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement, Mr. Cheng Hui, the 5% equity holder of Yantai Luxun, pledged its corresponding registered share capital amounting to RMB2,000,000 to Shenzhen Jingneng Leasing.

The total amount of secured debt under the Yantai Jishun Share Pledge Agreement III consists of the principal amount of the secured debt being RMB140,000,000 and total lease amount being RMB180,130,603.38.

The term of the Yantai Jishun Share Pledge Agreement III will be for eight years, from 26 March 2021 to 25 March 2029, subject to completion of the obligations under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

7. Yantai Jishun Share Pledge Agreement IV

Main Terms:

In order to secure the performance of Yantai Jishun under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement, Yantai Luxun, the holding company of Yantai Jishun, pledged its corresponding registered share capital amounting to RMB51,000,000 to Shenzhen Jingneng Leasing.

The total amount of secured debt under the Yantai Jishun Share Pledge Agreement IV consists of the principal amount of the secured debt being RMB140,000,000 and total lease amount being RMB180,130,603.38.

The term of the Yantai Jishun Share Pledge Agreement IV will be for eight years, from 26 March 2021 to 25 March 2029, subject to completion of the obligations under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

8. Guarantee Agreement

Main Terms:

Mr. Li Zhaoxin and Mr. Cheng Hui as the guarantors agreed to provide an irrevocable and joint liability guarantee in favour of Shenzhen Jingneng Leasing in respect of obligations of Yantai Jishun under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

The term of the Guarantee Agreement will be for eight years, from 26 March 2021 to 25 March 2029, subject to completion of the obligations under the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement.

INFORMATION ON THE ASSETS

The Leased Assets under the Yantai Jishun Sales and Leaseback Agreement include a 50MW photovoltaic power plant, which are used for solar power generation as a part of the Group's power generation business.

As at 31 December 2020, the book value of the Leased Assets was approximately RMB196 million.

	For the year ended 31 December 2019 (Audited) (RMB' million)	For the year ended 31 December 2020 (Unaudited) (RMB' million)
The profit before tax and net profit attributable to the Leased Assets	18	10
The profit after tax and net profit attributable to the Leased Assets	18	10

In accordance with Hong Kong Financial Reporting Standards, the transactions contemplated under the Yantai Jishun Sales and Leaseback Agreement as a whole shall be accounted for as a secured borrowing and therefore would not give rise to any gain or loss.

INFORMATION ON THE PARTIES

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

Yantai Jishun is a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company. Yantai Jishun is principally engaged in development, investment, operation and management of photovoltaic power plant projects.

Shenzhen Jingneng Leasing is a limited liability company established in the PRC with limited liability and a subsidiary of BEH. Shenzhen Jingneng Leasing primarily provides financial lease services to the public and members of the BEH group.

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE YANTAI JISHUN SALES AND LEASEBACK AGREEMENT

The Yantai Jishun Sales and Leaseback Agreement provides the Group with more financial resources and enables the Group to make better allocation of resources. Pursuant to the Yantai Jishun Sales and Leaseback Agreement, the Company would enjoy terms of finance lease that are on normal commercial terms or better from Shenzhen Jingneng Leasing and/or its associates.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Yantai Jishun Sales and Leaseback Agreement have been negotiated on arm's length basis and the Yantai Jishun Sales and Leaseback Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better. The terms of the Yantai Jishun Sales and Leaseback Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole.

As Mr. Zhang Ping (the Chairman of Board and executive Director), Mr. Sui Xiaofeng (non-executive Director) and Mr. Zhao Bing (non-executive Director) are the senior management of BEH, they had abstained from voting on the Board resolutions approving the Yantai Jishun Sales and Leaseback Agreement. Saved and except for the aforesaid, none of the Directors has any material interest in the Yantai Jishun Sales and Leaseback Agreement and was required to abstain from voting on the Board resolutions in relation to the Yantai Jishun Sales and Leaseback Agreement.

LISTING RULES IMPLICATIONS

As Shenzhen Jingneng Leasing is a subsidiary of BEH, the controlling shareholder of the Company, Shenzhen Jingneng Leasing is a connected person of the Company. Accordingly, the Yantai Jishun Sales and Leaseback Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the Yantai Jishun Sales and Leaseback Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the Yantai Jishun Sales and Leaseback Agreement and the transactions contemplated thereunder constitute connected transactions of the Company which are subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it under Chapter 14A of the Listing Rules
“BEH”	Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), a company established in the PRC with limited liability and a controlling shareholder of the Company holding 7,176,943,498 shares of the Company, representing approximately 32% of the issued capital of the Company
“Board”	the board of Directors of the Company
“Changzhou Zhihui”	Changzhou Zhihui New Energy Co., Ltd.* (常州市智暉新能源有限公司), a company established in the PRC with limited liability and the 51% equity holder of Yantai Luxun
“Company”	Beijing Energy International Holding Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 686)
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Guarantee Agreement”	the guarantee agreement entered into on 26 March 2021 between Mr. Li Zhaoxin, Mr. Cheng Hui and Shenzhen Jingneng Leasing

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leased Assets”	the 50MW photovoltaic power station system equipment under the Yantai Jishun Sales and Leaseback Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Cheng Hui”	Mr. Cheng Hui (程輝), the 5% equity holder of Yantai Luxun
“Mr. Li Zhaoxin”	Mr. Li Zhaoxin (李兆新), the 44% equity holder of Yantai Luxun
“MW”	Megawatts
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Security Arrangements”	means together the Yantai Jishun Electricity Fee Rights Pledge Agreement, Yantai Jishun Equipment Mortgage Agreement, Yantai Jishun Finance Lease Escrow Account Agreement, Yantai Jishun Share Pledge Agreement I, Yantai Jishun Share Pledge Agreement II, Yantai Jishun Share Pledge Agreement III, Yantai Jishun Share Pledge Agreement IV and the Guarantee Agreement
“Shareholders”	holder(s) of issued shares of the Company
“Shenzhen Jingneng Leasing”	Shenzhen Jingneng Financial Leasing Co., Ltd.* (深圳京能融資租賃有限公司), a company established in the PRC with limited liability, which is a subsidiary of BEH and hence a connected person of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yantai Jishun”	Yantai Jishun Photovoltaic Power Technology Co., Ltd.* (烟台吉順光電科技有限公司), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement”	the sales and leaseback agreement entered into on 26 March 2021 between Yantai Jishun and Shenzhen Jingneng Leasing
“Yantai Jishun Electricity Fee Rights Pledge Agreement”	the electricity fee rights pledge agreement entered into on 26 March 2021 between Yantai Jishun and Shenzhen Jingneng Leasing in relation to the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement
“Yantai Jishun Equipment Mortgage Agreement”	the equipment mortgage agreement entered into on 26 March 2021 between Yantai Jishun and Shenzhen Jingneng Leasing in relation to the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement
“Yantai Jishun Finance Lease Escrow Account Agreement”	the finance lease escrow account agreement entered into on 26 March 2021 between Yantai Jishun, Shenzhen Jingneng Leasing and Beijing Deshengmen Branch of China Everbright Bank Co., Ltd.* (中國光大銀行股份有限公司) in relation to the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement
“Yantai Jishun Sales and Leaseback Agreement”	means together the Yantai Jishun 50MW Photovoltaic Power Station System Equipment Financing Sales and Leaseback Agreement entered into on 26 March 2021 and its Security Arrangements entered into on 26 March 2021

“Yantai Jishun Share Pledge Agreement I”	the share pledge agreement entered into on 26 March 2021 between Changzhou Zhihui and Shenzhen Jingneng Leasing
“Yantai Jishun Share Pledge Agreement II”	the share pledge agreement entered into on 26 March 2021 between Mr. Li Zhaoxin and Shenzhen Jingneng Leasing
“Yantai Jishun Share Pledge Agreement III”	the share pledge agreement entered into on 26 March 2021 between Mr. Cheng Hui and Shenzhen Jingneng Leasing
“Yantai Jishun Share Pledge Agreement IV”	the share pledge agreement entered into on 26 March 2021 between Yantai Luxun and Shenzhen Jingneng Leasing
“Yantai Luxun”	Yantai Luxun Photovoltaic Technology Co., Ltd.* (烟台魯順光電科技有限公司), a company established in the PRC with limited liability and the holding company of Yantai Jishun
“%”	percent

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

Hong Kong, 26 March 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 identification purposes only*