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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Beijing Energy International Holding Co., Ltd.**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN A COMPANY IN THE PRC; RE-ELECTION OF RETIRING DIRECTOR AND NOTICE OF SPECIAL GENERAL MEETING

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A letter from the Board is set out on pages 5 to 18 of this circular.

A notice convening the SGM to be held at Room 1811, 18/F., Building 5, No. 9 Courtyard, Guang'an Road, Fengtai District, Beijing, PRC on Wednesday, 31 March 2021 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

To facilitate Shareholders attending the SGM, electronic facilities will be set up at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (the "Hong Kong Venue") where Shareholders or his/her/its proxies may participate in the SGM via video conference and cast their votes in person.

#### PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the ongoing novel coronavirus disease ("COVID-19") pandemic, the Company will implement the following precautionary measures at the SGM venue and the Hong Kong Venue for the sake of health and safety of our Shareholders, Directors, staff, stakeholders and other participants, including without limitation:

- (1) Compulsory temperature checks
- (2) Filling and submission of health declaration form
- (3) Wearing of surgical face mask
- (4) No refreshments or drinks will be provided

Any person who does not comply with the precautionary measures referred to items no.(1) to (3) above, with body temperature above 37.2 degree Celsius, has any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine (in the case of attending Hong Kong Venue), may be denied entry into the SGM venue or the Hong Kong Venue. The Company encourages Shareholders to appoint the chairman of the meeting as their proxy to vote according to their indicated voting instructions on the relevant resolutions at the SGM as an alternative to attending the SGM in person to exercise their voting rights at the SGM. The Company will continue to review the COVID-19 pandemic situation and may implement further precautionary measures and may make relevant adjustments and arrangements for the SGM accordingly. Further announcement will be issued as and when appropriate.

12 March 2021

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## DEFINITIONS

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*In this circular, unless the context specifies otherwise, the following expressions shall have the meanings stated below:*

|                               |                                                                                                                                                                                                                                                          |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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                                                                                     |
| “Announcement”                | the announcement of the Company dated 4 December 2020 in relation to the Sale and Purchase Agreement                                                                                                                                                     |
| “associate(s)”                | has the meaning ascribed to it under 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, representing approximately 32% of the issued capital of the Company |
| “Board”                       | the board of Directors of the Company                                                                                                                                                                                                                    |
| “Business Day(s)”             | a day excluding Saturdays, Sundays and statutory holidays in the PRC                                                                                                                                                                                     |
| “Bye-Laws”                    | the bye-laws of the Company                                                                                                                                                                                                                              |
| “CDB Finance Lease Agreement” | 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 company established in the PRC with limited liability, 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 Acquisition as set out in the Sale and Purchase Agreement                                                                                                                                              |

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## DEFINITIONS

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|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “connected person(s)”          | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                                                                                      |
| “Consideration”                | the consideration in the amount of approximately RMB1,177,829,000 for the Acquisition                                                                                                                                                                                                                       |
| “controlling shareholder”      | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                                                                                      |
| “Director(s)”                  | the directors of the Company                                                                                                                                                                                                                                                                                |
| “Enlarged Group”               | the Group and the Target Company                                                                                                                                                                                                                                                                            |
| “Escrow Account”               | the bank account 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                                                                                                                                                                                                                                                                            |
| “HK\$”                         | Hong Kong dollars, the lawful currency of Hong Kong                                                                                                                                                                                                                                                         |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC                                                                                                                                                                                                                                                      |
| “independent third party(ies)” | persons who themselves (and in the case of any corporate entities, their ultimate beneficial owners) are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, third parties independent of, and not connected with, the Company and its connected persons |
| “Kong Sun Holdings”            | 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), is the holding company of the Vendor and the Target Company                                                                |
| “Latest Practicable Date”      | 8 March 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular                                                                                                                                       |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time                                                                                                                                                                       |

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## DEFINITIONS

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|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Long Stop Date”                      | 30 April 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Nomination Committee”                | the nomination committee of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| “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 circular                                                                                                                                                                                                                                                                                                                              |
| “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 company established in the PRC with limited liability, 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                                                                                                                                                                                                                                                                  |
| “SFO”                                 | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time                                                                                                                                                                                                                                                                                                                                       |
| “SGM” or<br>“Special General Meeting” | the special general meeting of the Company to be convened at Room 1811, 18/F., Building 5, No. 9 Courtyard, Guang’an Road, Fengtai District, Beijing, PRC and via video conference set up at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 31 March 2021 at 11:00 a.m. or any adjournment thereof, and the notice of which is attached to this circular |
| “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)                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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## DEFINITIONS

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|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Stock Exchange”             | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                 |
| “subsidiary(ies)”            | has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and replaced from time to time                                                            |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                  |
| “Target Company”             | Yulin City Jiangshan Yongchen New Energy Limited* (榆林市江山永宸新能源有限公司), a company established in the PRC with limited liability and owned by the Vendor as at the Latest Practicable Date                                   |
| “Transit Period”             | the period from 30 April 2020 (but excluding) to the date of Closing (but excluding)                                                                                                                                    |
| “Valuation Report”           | the valuation report dated 14 August 2020 prepared by the Valuer in relation to the value of the entire equity interest in the Target Company                                                                           |
| “Valuer”                     | ZhongHe Appraisal Co., Ltd., a company established in the PRC with limited liability                                                                                                                                    |
| “Vendor”                     | Jiangshan Fengrong Investment Company Limited* (江山豐融投資有限公司), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of Kong Sun Holdings                                      |
| “Voluntary Announcement”     | the voluntary announcement of the Company dated 22 October 2020 in relation to the Previous Acquisitions by the Group of the entire equity interests in four project companies which hold four (4) solar power projects |
| “%”                          | per cent                                                                                                                                                                                                                |

\* *In this circular, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Zhang Ping (*Chairman*)

Mr. Lu Zhenwei

Mr. Xu Jianjun

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Non-executive Directors:*

Mr. Sui Xiaofeng

Mr. Zhao Bing

Mr. Li Hao

Ms. Xie Yi

*Head Office and Principal Place  
of Business in Hong Kong:*

Unit 1012, 10/F.

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

*Independent Non-executive Directors:*

Mr. Kwan Kai Cheong

Mr. Yen Yuen Ho, Tony

Mr. Chen Hongsheng

Ms. Jin Xinbin

12 March 2021

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY  
INTEREST IN A COMPANY IN THE PRC;  
RE-ELECTION OF RETIRING DIRECTOR  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**1. INTRODUCTION**

References are made to the Voluntary Announcement and the Announcement of the Company dated 22 October 2020 and 4 December 2020 respectively in relation to, among other things, the Previous Acquisitions and the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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Reference is also made to the announcement of the Company dated 29 January 2021 in relation to the appointment of Mr. Zhao Bing as a non-executive Director by the Board.

The purpose of this circular is to provide you with, among other things, (i) details of the Sale and Purchase Agreement; (ii) financial information of the Group and the Target Company; (iii) unaudited pro forma financial information of the Enlarged Group; (iv) the Valuation Report; (v) other information as required under the Listing Rules; (vi) information on re-election of the retiring Director; and (vii) the notice of SGM, to enable you to make an informed decision on whether to vote for or against those resolutions proposed at the SGM.

### **2. MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST OF THE TARGET COMPANY**

On 4 December 2020 (after trading hours), 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. After Closing of the Sale and Purchase Agreement, the Target Company will become an indirect wholly-owned subsidiary of the Company.

#### **The Acquisition**

The principal terms of the Sale and Purchase Agreement are set out below :

***Date***                      4 December 2020 (after trading hours)

***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 independent third parties 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.

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## LETTER FROM THE BOARD

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### *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, in any event, shall be completed 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.

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## LETTER FROM THE BOARD

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### ***Consideration Adjustment***

As at 30 April 2020, the Target Company had the outstanding debts in the net-off amount of approximately RMB94,980,000. Such debts, subject to adjustment for any net increase or decrease thereof during the Transit Period as determined under the Transition Period Audit, shall be settled by the Target Company within ten (10) Business Days after completion of the Transition Period Audit.

The report of the Transition Period Audit will be issued within ten (10) Business Days upon the completion of the Acquisition. In the event of any change of net assets value of the Target Company as a result of matters occurred in non-ordinary course of business during the Transit Period, such change will be considered as a downward consideration adjustment. The Purchaser has the right to request for compensation from the Vendor.

### ***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.

The SFC's "Guidance note on directors' duties in the context of valuations in corporate transactions" (the "**Guidance Note**") requires the Directors to carry out independent and sufficient investigation and due diligence in making a decision to invest. In particular, the Directors need to understand the nature of assets or businesses of the Target Company, carefully consider all information and take all reasonable steps to verify the accuracy and reasonableness of material information that is likely to affect the valuation of the Target Company. To assist the Directors' in making the investment decision in the Target Company, ZhongHe Appraisal Co., Ltd., a professional valuer, has been engaged by the Purchaser, an indirect wholly-owned subsidiary of the Company, in relation to the valuation of the Target Company. Upon receipt of the Valuation Report, the Directors have devoted sufficient time to discuss and consider the Valuation Report and the valuation of the Target Company, including but not limited to the basis of computation, scope of review, assumptions, limitations and qualifications and valuation methodologies on which a valuation is based.

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## LETTER FROM THE BOARD

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After thorough consideration of all the factors that may have an impact on the Valuation, the Directors have considered the followings in adopting a valuation of the Target Company based on the income approach instead of the asset approach:

- (1) As set out in Appendix II to this Circular, the net assets of the Target Company as of the end of 2019 and the end of October 2020 were approximately RMB1,398 million and RMB1,281 million, respectively.
- (2) The Target Company started to operate in 2017 with an approved feed-in tariff of about RMB0.8/kWh, which is significantly higher when compared with photovoltaic power plants which were built and started to operate in 2020. Considering that this is a transaction to acquire the entire equity interests of the Target Company and the influence of feed-in tariffs on the valuation of the Target Company is substantial, the Directors were of the view that valuation based on the income approach provides a more accurate reflection of the value of the Target Company.
- (3) The asset approach used in the Valuation Report is about assessing the market value of the photovoltaic power projects from the perspective of asset replacement, which however has not taken into account the impact of possible incoming cash flow differences in the future in the relevant assets. In short, using the asset approach means only estimating the cost to rebuild a photovoltaic power project of the same size using the current market quotations of the components and equipment, without considering the revenue to be generated by such assets.
- (4) Regarding the photovoltaic power project owned by the Target Company (the “**Project**”), the Project was completed and started to operate in 2017. The construction cost of a photovoltaic power plant has been decreased significantly in the past years. For example, the average market price of photovoltaic modules, being one of the most important components/equipment for photovoltaic power projects, dropped significantly from around RMB2.92/Wp to RMB3.43/Wp during the construction of the Project, to around RMB1.30/Wp to RMB1.40/Wp currently due to the rapid development of the domestic photovoltaic power industry. With such a drop of more than 50% in the average price of photovoltaic modules, the valuation of the Target Company based on the asset approach therefore has been significantly reduced which reflects the current cost to build up a photovoltaic power plant in the photovoltaic industry.

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## LETTER FROM THE BOARD

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- (5) Despite of the significantly reduced valuation of the Target Company by asset approach, the valuation using the asset replacement cost is regarded as an important reference to the Directors' decision in investing in the Target Company. As aforesaid, the differences in the approved feed-in tariffs for photovoltaic power with different grid-connection times have a significant impact on the valuation of photovoltaic projects. The approved feed-in tariff of the Target Company in 2017 was RMB0.8/kWh, and by 2021, photovoltaic power projects have basically achieved grid parity price, which means if a new photovoltaic power plant is now built in the same area, its feed-in tariff would be only about RMB0.3345/kWh, which drops by about 58%. As a result, the future cash inflow from a replaced photovoltaic power project will be much lower than that currently owned by the Target Company.

In view of the replacement cost and the drop in feed-in tariffs as mentioned above, the feed-in tariffs of the Target Company is much higher than that would have achieved by a replaced photovoltaic power project, and therefore, the valuation using the income approach can better reflect the value of the Target Company. In addition, the valuation using the income approach is relatively closer to the audited net asset value of the Target Company as mentioned above, and the range of added value is reasonably limited. Furthermore, the Directors have discharged their duties of carrying out independent and sufficient investigation and due diligence by understanding the nature of the asset and the business of the Target Company, and having reasonable reliance on the valuation report as required under the Guidance Note.

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.

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## LETTER FROM THE BOARD

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### ***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;

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## LETTER FROM THE BOARD

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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 and a letter from the Directors in compliance with Rule 14.62(3) of the Listing Rules are included in Appendix VI to this circular.

### ***The Guarantee***

Kong Sun Holdings agreed to guarantee the obligations of the Vendor in favour of the Purchaser under the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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### ***Conditions Precedent***

The Closing is conditional on, among other things, Conditions Precedent as set out below:

- (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 in accordance with the Listing Rules; and (c) with respect to the Purchaser, the approval from its shareholders 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 Agreement;
- (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 deposited the Second Instalment of the Consideration into the Escrow Account in accordance with the Sale and Purchase Agreement.

### ***Long Stop Date***

If the Conditions Precedent are not fulfilled due to any reason caused by the Vendor or the Target Company by the Long Stop Date, the Purchaser is entitled to terminate the Sale and Purchase Agreement and the Vendor shall refund all payments already made by the Purchaser to the Vendor with an interest of 8% per annum and pay for reasonable fees and expenses to third parties incurred by the Purchaser arising out of, related to or in connection with the Sale and Purchase Agreement; if the Conditions Precedent are not fulfilled due to any reason caused by the Purchaser by the Long Stop Date, the Vendor is entitled to terminate the Sale and Purchase Agreement and the Vendor shall refund all payments already made by the Purchaser to the Vendor and the Purchaser shall pay for reasonable fees and expenses to third parties incurred by the Vendor arising out of, related to or in connection with the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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### ***Closing***

As at the Latest Practicable Date, the Purchaser has paid the Vendor the First Instalment of the Consideration. 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 has been completed 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.

### ***Arrangements during the Transit Period***

Any profits generated and any losses incurred and any changes to the net assets of the Target Company during the Transit Period, subject to the Transition Period Audit, shall be borne by the Target Company.

During the Transit Period, the Vendor shall ensure that, among other things, the Target Company will continue its normal business operations in accordance with its past practices and, save for the equity pledge over the entire equity interest in the Target Company in favour of CDB Leasing to secure the CDB Finance Lease Agreement as permitted under the Sale and Purchase Agreement, no encumbrances or other third party rights will be created with respect to the equity interest in the Target Company without the prior written consent of the Purchaser.

### ***Special Arrangement***

Under the CDB Finance Lease Agreement, the Vendor and its related companies which are subsidiaries of Kong Sun Holdings provided guarantee for securing the existing borrowings of the Target Company. Pursuant to the Sale and Purchase Agreement, by no later than 90 (ninety) days after the Closing, the Purchaser shall provide necessary financing facilities to the Target Company for its repayment of the outstanding amount under the CDB Finance Lease Agreement and procure the release of the guarantee. In the event that the Purchaser does not procure completion of the release of the guarantee within ninety (90) days after the Closing, the Vendor shall have the right to seek for damages from the Purchaser and default penalty incurred thereunder calculated at an annual percentage rate of 0.2% based on the principal of guarantee amount. If the Purchaser fails to procure completion of the release of the guarantee within the agreed time, the Vendor shall have the right to rescind the Sale and Purchase Agreement, and seek for damages from the Purchaser in the maximum amount of RMB30,000,000 and the Purchaser shall bear all the costs and expenses in connection with the transactions contemplated thereunder. The Company will then make assessment on the possible implications under the Listing Rules and make further disclosure as and when appropriate to comply with it.

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## LETTER FROM THE BOARD

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### 3. 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 company established in the PRC with limited liability 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 company established in the PRC with limited liability. 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 financial information of the Target Company for the years ended 31 December 2018 and 2019:

|                        | <b>For the year ended</b> |                |
|------------------------|---------------------------|----------------|
|                        | <b>31 December</b>        |                |
|                        | <b>2018</b>               | <b>2019</b>    |
|                        | (audited)                 | (audited)      |
|                        | <i>RMB'000</i>            | <i>RMB'000</i> |
| Profit before taxation | 146,489                   | 47,089         |
| Profit after taxation  | 146,489                   | 47,089         |

The net asset value of the Target Company as at 31 October 2020 was approximately RMB1,281,032,000.

#### Information of the Vendor

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

Kong Sun Holdings 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.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is an independent third party of the Company and connected persons of the Company.

#### **4. 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.

#### **5. 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.

#### **6. RE-ELECTION OF RETIRING DIRECTOR**

Reference is made to the announcement of the Company dated 29 January 2021 in relation to the appointment of Mr. Zhao Bing as a non-executive Director by the Board.

In accordance with Bye-Law 83(2) of the Bye-Laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment and be subject to re-election at such meeting. Accordingly, Mr. Zhao Bing shall retire and, being eligible, offer himself for re-election and the Board has recommended Mr. Zhao Bing for re-election at the SGM. The biographical details of Mr. Zhao Bing are set out in Appendix VIII to this circular.

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## LETTER FROM THE BOARD

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The Nomination Committee, having considered the nomination policy of the Company and reviewed the background, skills, knowledge and experience of the proposed Director, is of the view that Mr. Zhao Bing's education background and vast experience in finance and management aspects allow him to provide valuable insights and contribute to the diversity of the Board. In view of the above, the Nomination Committee has nominated Mr. Zhao Bing to the Board for consideration.

Having considered and reviewed the biographical details of Mr. Zhao Bing, the Board accepted the Nomination Committee's nomination and recommended Mr. Zhao Bing for re-election by the Shareholders at the SGM. In view of the above, the Board considers that the re-election of Mr. Zhao Bing is in the interests of the Company and the Shareholders as a whole.

### **7. SPECIAL GENERAL MEETING**

A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular, at which ordinary resolutions will be proposed for the Shareholders to consider, and if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder and the re-election of the retiring Director.

For the purpose of determining the entitlement for attending and voting at the SGM, the register of members of the Company will be closed from Friday, 26 March 2021 to Wednesday, 31 March 2021 (both days inclusive), during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the SGM, all transfers of Shares accompanied by the relevant share certificates must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 25 March 2021.

A form of proxy for use at the SGM is enclosed to this circular and such form of proxy is also published on websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bjei.com>). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

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## LETTER FROM THE BOARD

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To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has any material interest in the Sale and Purchase Agreement and the Acquisition. Therefore, no Shareholder is required to abstain from voting at the SGM in respect of the ordinary resolutions approving (i) the Sale and Purchase Agreement and the transactions contemplated thereunder and (ii) re-election of the retiring Director.

### 8. VOTING BY WAY OF POLL

According to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the SGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### 9. RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board also considers that the re-election of Mr. Zhao Bing is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed in respect of approving (i) the Sale and Purchase Agreement and the transactions contemplated thereunder and (ii) the re-election of the retiring Director at the SGM.

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

## 1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and the unaudited consolidated financial statements for the six months ended 30 June 2020 are disclosed in the following documents, which can be accessed on both the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.bjei.com>).

- (i) Annual report of the Company for the year ended 31 December 2017 (pages 96-182), which can be accessed via the link at:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0413/lt20180413365.pdf>
- (ii) Annual report of the Company for the year ended 31 December 2018 (pages 82-174), which can be accessed via the link at:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/lt201904291010.pdf>
- (iii) Annual report of the Company for the year ended 31 December 2019 (pages 84-190), which can be accessed via the link at:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0830/2020083000035.pdf>
- (iv) Interim report of the Company for the six months ended 30 June 2020 (pages 20-51), which can be accessed via the link at:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0929/2020092900849.pdf>

## 2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

### Indebtedness

As at the close of business on 28 February 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group and the Target Company had the following indebtedness:

|                                 | <b>The Group</b>   | <b>The Target</b>  | <b>Total</b>       |
|---------------------------------|--------------------|--------------------|--------------------|
|                                 | <i>RMB'million</i> | <i>RMB'million</i> | <i>RMB'million</i> |
| Bank borrowings                 |                    |                    |                    |
| Secured and with guarantee      | 6,371              | –                  | 6,371              |
| Secured and without guarantee   | 709                | –                  | 709                |
| Unsecured and with guarantee    | 4,369              | –                  | 4,369              |
| Unsecured and without guarantee | 500                | –                  | 500                |

|                               | <b>The Group</b>   | <b>The Target</b>  | <b>Total</b>       |
|-------------------------------|--------------------|--------------------|--------------------|
|                               | <i>RMB'million</i> | <i>RMB'million</i> | <i>RMB'million</i> |
| Finance lease liabilities     |                    |                    |                    |
| Secured and with guarantee    | 5,948              | 1,489              | 7,437              |
| Secured and without guarantee | 286                | –                  | 286                |
| Unsecured and with guarantee  | 252                | –                  | 252                |
| Medium-term notes             |                    |                    |                    |
| Unsecured and with guarantee  | 300                | –                  | 300                |
| Senior notes                  |                    |                    |                    |
| Unsecured and with guarantee  | <u>796</u>         | <u>–</u>           | <u>796</u>         |
|                               | <u>19,531</u>      | <u>1,489</u>       | <u>21,020</u>      |

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, or any material outstanding loan capital, bank overdrafts, loans, mortgages, charges or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, guarantees or any other actual or material contingent liabilities outstanding at the close of business on 28 February 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 28 February 2021 up to and including the Latest Practicable Date.

### 3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources of the Group (including the Group's internal resources, available banking and other borrowing facilities and credit enhancement guarantee from BEH), in the absence of any unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital for the Group's requirements for the next 12 months from the date of the circular.

#### **4. MATERIAL CHANGES**

As at the Latest Practicable Date, save as disclosed in the announcements of the Company dated 15 January 2020, 17 January 2020, 24 January 2020, 10 February 2020, 19 March 2020, 30 March 2020, 9 April 2020, 15 April 2020, 12 May 2020, 13 May 2020, 10 July 2020, 19 July 2020, 31 July 2020 and 25 August 2020, there has not been any material change in the financial or operation position or outlook of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

#### **5. FINANCIAL AND OPERATION PROSPECTS OF THE GROUP**

The Group is primarily engaged in the development, investment, operation and management of solar power plants and other renewable projects.

In February 2020, the Company completed the allotment and issuance of Shares to BEH and BEH became the single largest and controlling Shareholder. Upon completion of the subscription, BEH issued a letter to the Group and agreed to provide credit enhancement guarantee in the amount of RMB8 to 10 billion for a period of 3 years, depending on the actual operating funding needs of the Group.

As at 31 December 2020, the Group had 61 grid-connected power plants with an aggregate installed capacity of approximately 2,070 MW in the PRC. According to the Group's preliminary operational statistics, the 61 power plants generated electricity in an aggregate volume of approximately 644,070 megawatt hours ("MWh") in the fourth quarter of 2020, and the aggregate electricity generation volume for the twelve months ended 31 December 2020 has amounted to approximately 2,756,702 MWh.

Looking forward, with the strong support of BEH, the Group will further focus on its main business. It will fully leverage on the opportunity of the transition of energy structure to a clean and low-carbon model and its rapid development and determine the main line of business development. Meanwhile, the Group will coordinate domestic and overseas market resources to optimize assets allocation, and realise scale expansion and intensive development of photovoltaic power and wind power and other new energy businesses. In addition to the rapid development of existing new energy businesses, the Group will keep up with the industry's high-tech and new technology development trends, and actively promote the combination of energy and data by capturing new opportunities arising from the clean energy industry ecosystem. Furthermore, it will mainly focus on integrated energy business with the focus placed on big data, and integrate various types of resources including distributed energy, energy storage and hydrogen energy and user loads. It will research and promote the multi-energy complementary integrated services and terminal energy solutions based on renewable energy. By realizing the business optimization transformation and sustainable healthy development of the Group through value creation, it will be in the best interest of the Group and its Shareholders.

*The following is the text of accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.*



**Grant Thornton**  
**致同**

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE  
DIRECTORS OF BEIJING ENERGY INTERNATIONAL HOLDING CO., LTD.**

**Introduction**

We report on the historical financial information of Yulin City Jiangshan Yongchen New Energy Limited (the "Target Company") set out on pages II-5 to II-56, which comprises the statements of financial position of the Target Company as at 31 December 2017, 2018, 2019 and 31 October 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2017, 2018, 2019 and the ten months ended 31 October 2020 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-5 to II-56 forms an integral part of this report, which has been prepared for inclusion in the circular of Beijing Energy International Holding Co., Ltd. (the "Company") dated 12 March 2021 in connection with the proposed acquisition of 100% equity interests in the Target Company by the Company (the "Acquisition").

**Directors' Responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting Accountants' Responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public

Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Target Company’s financial position as at 31 December 2017, 2018, 2019 and 31 October 2020, and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

### **Material uncertainty related to going concern**

We draw attention to Note 2.1 to the Historical Financial Information which indicates that at 31 October 2020, the Target Company had cash and cash equivalents amounted to RMB555,000. This indicates a condition which may cast significant doubt about the Target Company’s ability to continue as a going concern. The directors of the Company had made an assessment and concluded the Target Company is able to continue as a going concern and will have sufficient financial resources to support its current operations to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period, having regard to (i) the Target Company’s current and forecasted cash positions; and (ii) the financial support from the existing ultimate holding company before the Acquisition and from the new ultimate holding company after the Acquisition. Our opinion is not modified in respect of this matter.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the ten months ended 31 October 2019 and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

**Dividends**

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared by the Target Company in respect of the Relevant Periods.

**Grant Thornton Hong Kong Limited**

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

12 March 2021

**Chiu Wing Ning**

Practising Certificate No.: P04920

## I. HISTORICAL FINANCIAL INFORMATION

## Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## (A) Statements of Profit or Loss and Other Comprehensive Income

|                                                              |       | Year ended 31 December |          |           | Ten months ended<br>31 October |          |
|--------------------------------------------------------------|-------|------------------------|----------|-----------|--------------------------------|----------|
|                                                              | Notes | 2017                   | 2018     | 2019      | 2019                           | 2020     |
|                                                              |       | RMB'000                | RMB'000  | RMB'000   | RMB'000                        | RMB'000  |
|                                                              |       |                        |          |           | (Unaudited)                    |          |
| Revenue                                                      | 4     | 97,131                 | 245,129  | 277,202   | 251,513                        | 281,188  |
| Other income                                                 | 5     | –                      | 5,230    | 100       | –                              | 100      |
| Employee benefits expenses                                   |       | (737)                  | (1,493)  | (1,627)   | (1,401)                        | –        |
| Guarantee fees                                               |       | –                      | –        | (17,123)  | (14,269)                       | (15,125) |
| Maintenance costs                                            |       | (10,995)               | (11,588) | (10,418)  | (5,226)                        | (14,544) |
| Other expenses                                               |       | (1,739)                | (4,736)  | (8,925)   | (7,628)                        | (10,115) |
| EBITDA <sup>#</sup>                                          |       | 83,660                 | 232,542  | 239,209   | 222,989                        | 241,504  |
| Depreciation of property,<br>plant and equipment             |       | (34,283)               | (82,406) | (82,805)  | (69,004)                       | (68,985) |
| Depreciation of right-of-use assets                          |       | –                      | –        | (3,787)   | (3,139)                        | (3,245)  |
| Amortisation of land use rights                              |       | (1,860)                | (3,680)  | –         | –                              | –        |
| (Loss)/Gain on disposal of property, plant and<br>equipment  |       | –                      | (27)     | –         | –                              | 14       |
| Finance income                                               | 6     | –                      | 60       | 219       | 166                            | 170      |
| Finance costs                                                | 7     | –                      | –        | (105,747) | (87,451)                       | (91,463) |
| Profit before income tax                                     | 8     | 47,517                 | 146,489  | 47,089    | 63,561                         | 77,995   |
| Income tax expense                                           | 11    | –                      | –        | –         | –                              | (5,528)  |
| Profit and total comprehensive income for the<br>year/period |       | 47,517                 | 146,489  | 47,089    | 63,561                         | 72,467   |

<sup>#</sup> EBITDA represents earnings before depreciation, finance income, finance costs, income tax expense and non-cash items. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards, but is widely used by management for monitoring business performance of a company from operational perspective. It may not be comparable to similar measures presented by the other companies.

## APPENDIX II

## FINANCIAL INFORMATION OF THE TARGET COMPANY

### (B) Statements of Financial Position

|                                                 |       | As at 31 December |                  |                  | As at            |
|-------------------------------------------------|-------|-------------------|------------------|------------------|------------------|
|                                                 | Notes | 2017              | 2018             | 2019             | 31 October       |
|                                                 |       | RMB'000           | RMB'000          | RMB'000          | 2020             |
|                                                 |       |                   |                  |                  | RMB'000          |
| <b>Non-current assets</b>                       |       |                   |                  |                  |                  |
| Property, plant and equipment                   | 13    | 2,129,159         | 2,060,608        | 1,978,803        | 1,909,697        |
| Land use rights                                 | 14    | 97,533            | 93,853           | –                | –                |
| Right-of-use assets                             | 15    | –                 | –                | 95,401           | 92,156           |
| Deposit for acquisition of land use rights      |       | –                 | 2,500            | –                | –                |
| Pledged deposit                                 | 18    | –                 | 143,741          | 143,741          | 143,741          |
|                                                 |       | <u>2,226,692</u>  | <u>2,300,702</u> | <u>2,217,945</u> | <u>2,145,594</u> |
| <b>Current assets</b>                           |       |                   |                  |                  |                  |
| Trade and tariff adjustment receivables         | 16    | 120,965           | 228,413          | 428,954          | 524,102          |
| Prepayments and other receivables               | 17    | 87,858            | 244,766          | 208,214          | 149,335          |
| Amount due from an intermediate holding company | 23    | 150,071           | 198,495          | 171,446          | 172,859          |
| Restricted cash                                 | 18    | –                 | –                | 58,512           | 52,792           |
| Cash and cash equivalents                       | 18    | <u>7</u>          | <u>81,246</u>    | <u>6,659</u>     | <u>555</u>       |
|                                                 |       | <u>358,901</u>    | <u>752,920</u>   | <u>873,785</u>   | <u>899,643</u>   |
| <b>Current liabilities</b>                      |       |                   |                  |                  |                  |
| Other payables                                  | 19    | 1,295,982         | 65,341           | 66,337           | 75,874           |
| Amount due to immediate holding company         | 23    | 5,000             | 47,764           | 47,764           | 237,530          |
| Amounts due to fellow subsidiaries              | 23    | 37,094            | 34,784           | 24,848           | 39,809           |
| Other borrowings                                | 20    | –                 | 41               | 41               | 41               |
| Income tax payable                              |       | <u>–</u>          | <u>–</u>         | <u>–</u>         | <u>909</u>       |
|                                                 |       | <u>1,338,076</u>  | <u>147,930</u>   | <u>138,990</u>   | <u>354,163</u>   |
| <b>Net current (liabilities)/assets</b>         |       | <u>(979,175)</u>  | <u>604,990</u>   | <u>734,795</u>   | <u>545,480</u>   |
| <b>Total assets less current liabilities</b>    |       | <u>1,247,517</u>  | <u>2,905,692</u> | <u>2,952,740</u> | <u>2,691,074</u> |
| <b>Non-current liability</b>                    |       |                   |                  |                  |                  |
| Other borrowings                                | 20    | <u>–</u>          | <u>1,554,450</u> | <u>1,554,409</u> | <u>1,410,042</u> |
| <b>Net assets</b>                               |       | <u>1,247,517</u>  | <u>1,351,242</u> | <u>1,398,331</u> | <u>1,281,032</u> |
| <b>EQUITY</b>                                   |       |                   |                  |                  |                  |
| Share capital                                   | 21    | 1,200,000         | 1,200,000        | 1,200,000        | 1,200,000        |
| Reserves                                        |       | <u>47,517</u>     | <u>151,242</u>   | <u>198,331</u>   | <u>81,032</u>    |
| <b>Total equity</b>                             |       | <u>1,247,517</u>  | <u>1,351,242</u> | <u>1,398,331</u> | <u>1,281,032</u> |

**(c) Statements of Changes in Equity**

|                                                                 | Share capital<br>RMB'000 | Statutory<br>reserve*<br>RMB'000 | Retained<br>earnings*<br>RMB'000 | Total<br>RMB'000 |
|-----------------------------------------------------------------|--------------------------|----------------------------------|----------------------------------|------------------|
| <b>At 1 January 2017</b>                                        | 1,200,000                | –                                | –                                | 1,200,000        |
| <b>Total comprehensive income:</b>                              |                          |                                  |                                  |                  |
| Profit for the year                                             | –                        | –                                | 47,517                           | 47,517           |
| <b>Transaction with equity holders:</b>                         |                          |                                  |                                  |                  |
| – Transfer to statutory reserve                                 | –                        | 4,752                            | (4,752)                          | –                |
| <b>At 31 December 2017 and<br/>1 January 2018</b>               | 1,200,000                | 4,752                            | 42,765                           | 1,247,517        |
| <b>Total comprehensive income:</b>                              |                          |                                  |                                  |                  |
| Profit for the year                                             | –                        | –                                | 146,489                          | 146,489          |
| <b>Transactions with equity holders:</b>                        |                          |                                  |                                  |                  |
| – Dividend declared (Note 12)                                   | –                        | –                                | (42,764)                         | (42,764)         |
| – Transfer to statutory reserve                                 | –                        | 14,649                           | (14,649)                         | –                |
| Total transactions with owners                                  | –                        | 14,649                           | (57,413)                         | (42,764)         |
| <b>At 31 December 2018 and<br/>1 January 2019</b>               | 1,200,000                | 19,401                           | 131,841                          | 1,351,242        |
| <b>Total comprehensive income:</b>                              |                          |                                  |                                  |                  |
| Profit for the year                                             | –                        | –                                | 47,089                           | 47,089           |
| <b>Transaction with equity holders:</b>                         |                          |                                  |                                  |                  |
| – Transfer to statutory reserve                                 | –                        | 4,709                            | (4,709)                          | –                |
| <b>At 31 December 2019 and<br/>1 January 2020</b>               | 1,200,000                | 24,110                           | 174,221                          | 1,398,331        |
| <b>Total comprehensive income:</b>                              |                          |                                  |                                  |                  |
| Profit for the period                                           | –                        | –                                | 72,467                           | 72,467           |
| <b>Transaction with equity holders:</b>                         |                          |                                  |                                  |                  |
| – Dividend declared (Note 12)                                   | –                        | –                                | (189,766)                        | (189,766)        |
| <b>At 31 October 2020</b>                                       | <u>1,200,000</u>         | <u>24,110</u>                    | <u>56,922</u>                    | <u>1,281,032</u> |
| <b>For the ten months ended<br/>31 October 2019 (unaudited)</b> |                          |                                  |                                  |                  |
| <b>At 1 January 2019</b>                                        | 1,200,000                | 19,401                           | 131,841                          | 1,351,242        |
| <b>Total comprehensive income:</b>                              |                          |                                  |                                  |                  |
| Profit for the period                                           | –                        | –                                | 63,561                           | 63,561           |
| <b>At 31 October 2019</b>                                       | <u>1,200,000</u>         | <u>19,401</u>                    | <u>195,402</u>                   | <u>1,414,803</u> |

\* These reserve accounts comprise the Target Company's reserves in the statements of financial position.

## APPENDIX II

## FINANCIAL INFORMATION OF THE TARGET COMPANY

### (D) Statements of Cash Flows

|                                                          | Year ended 31 December |             |           | Ten months ended 31 October |          |
|----------------------------------------------------------|------------------------|-------------|-----------|-----------------------------|----------|
|                                                          | 2017                   | 2018        | 2019      | 2019                        | 2020     |
|                                                          | RMB'000                | RMB'000     | RMB'000   | RMB'000                     | RMB'000  |
|                                                          |                        |             |           | (Unaudited)                 |          |
| <b>Cash flows from operating activities</b>              |                        |             |           |                             |          |
| Profit before income tax                                 | 47,517                 | 146,489     | 47,089    | 63,561                      | 77,995   |
| Adjustments for:                                         |                        |             |           |                             |          |
| Government grant                                         | –                      | –           | (100)     | –                           | (100)    |
| Depreciation of property, plant and equipment            | 34,283                 | 82,406      | 82,805    | 69,004                      | 68,985   |
| Depreciation of right-of-use assets                      | –                      | –           | 3,787     | 3,139                       | 3,245    |
| Amortisation of land use rights                          | 1,860                  | 3,680       | –         | –                           | –        |
| Loss/(Gain) on disposal of property, plant and equipment | –                      | 27          | –         | –                           | (14)     |
| Finance income                                           | –                      | (60)        | (219)     | (166)                       | (170)    |
| Finance costs                                            | –                      | –           | 105,747   | 87,451                      | 91,463   |
| Operating profit before working capital changes          | 83,660                 | 232,542     | 239,109   | 222,989                     | 241,404  |
| Increase in trade and tariff adjustment receivables      | (120,965)              | (107,448)   | (200,541) | (189,912)                   | (95,148) |
| (Increase)/Decrease in prepayments and other receivables | (80,038)               | (156,908)   | 36,552    | 30,054                      | 58,879   |
| Increase/(Decrease) in other payables                    | 27,198                 | (1,230,641) | 996       | (18,906)                    | 1,439    |
| <b>Cash generated (used in)/from operations</b>          | (90,145)               | (1,262,455) | 76,116    | 44,225                      | 206,574  |
| Income tax paid                                          | –                      | –           | –         | –                           | (4,619)  |
| <b>Net cash (used in)/from operating activities</b>      | (90,145)               | (1,262,455) | 76,116    | 44,225                      | 201,955  |

## APPENDIX II

## FINANCIAL INFORMATION OF THE TARGET COMPANY

|                                                                        | Year ended 31 December |                      |                     | Ten months ended 31 October |                   |
|------------------------------------------------------------------------|------------------------|----------------------|---------------------|-----------------------------|-------------------|
|                                                                        | 2017                   | 2018                 | 2019                | 2019                        | 2020              |
|                                                                        | RMB'000                | RMB'000              | RMB'000             | RMB'000                     | RMB'000           |
|                                                                        |                        |                      |                     | (Unaudited)                 |                   |
| <b>Cash flows from investing activities</b>                            |                        |                      |                     |                             |                   |
| Purchase of property, plant and equipment                              | (99)                   | (100)                | –                   | –                           | –                 |
| Deposit paid for acquisition of land use rights                        | –                      | (2,500)              | –                   | –                           | –                 |
| Payment for construction in progress                                   | (390,941)              | (13,838)             | (1,000)             | –                           | –                 |
| Purchase of land use rights                                            | (72,394)               | –                    | (2,835)             | (2,835)                     | –                 |
| Proceeds from disposal of property, plant and equipment                | –                      | 56                   | –                   | –                           | 135               |
| Decrease/(Increase) in amount due from an intermediate holding company | 497,446                | (48,424)             | 27,049              | 42,248                      | (1,413)           |
| Interest received                                                      | –                      | 60                   | 219                 | 166                         | 170               |
| Receipts of government grant                                           | –                      | –                    | 100                 | –                           | 100               |
| <b>Net cash from/(used in) investing activities</b>                    | <u>34,012</u>          | <u>(64,746)</u>      | <u>23,533</u>       | <u>39,579</u>               | <u>(1,008)</u>    |
| <b>Cash flows from financing activities</b>                            |                        |                      |                     |                             |                   |
| Proceeds from other borrowings                                         | –                      | 1,554,491            | –                   | –                           | –                 |
| Repayment of other borrowings                                          | –                      | –                    | (8,000)             | (6,000)                     | (151,000)         |
| Increase in pledged deposits                                           | –                      | (143,741)            | –                   | –                           | –                 |
| (Increase)/Decrease in restricted cash                                 | –                      | –                    | (58,512)            | (47,621)                    | 5,720             |
| Interests paid on other borrowings                                     | –                      | –                    | (97,788)            | (72,335)                    | (76,732)          |
| Proceeds from fellow subsidiaries                                      | –                      | 260,051              | 29,353              | 26,810                      | 15,082            |
| Repayment to fellow subsidiaries                                       | –                      | (262,361)            | (39,289)            | (39,289)                    | (121)             |
| <b>Net cash from/(used in) financing activities</b>                    | <u>–</u>               | <u>1,408,440</u>     | <u>(174,236)</u>    | <u>(138,435)</u>            | <u>(207,051)</u>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>            | <u>(56,133)</u>        | <u>81,239</u>        | <u>(74,587)</u>     | <u>(54,631)</u>             | <u>(6,104)</u>    |
| Cash and cash equivalent at beginning of the year/period               | <u>56,140</u>          | <u>7</u>             | <u>81,246</u>       | <u>81,246</u>               | <u>6,659</u>      |
| <b>Cash and cash equivalent at end of year/period</b>                  | <u><u>7</u></u>        | <u><u>81,246</u></u> | <u><u>6,659</u></u> | <u><u>26,615</u></u>        | <u><u>555</u></u> |

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

### 1. General Information

Yulin City Jiangshan Yongchen New Energy Limited (the “Target Company”) was established in the People’s Republic of China (the “PRC”) on 27 March 2013. The address of its registered office is Zaoliutai Village, Xiaohaotu Township, Yuyang District, Yulin City, Shaanxi Province, PRC. The Target Company is principally engaged in the development, operation and management of solar power plants.

The Target Company’s immediate holding company is Jiangshan Fengrong Investment Company Limited (江山豐融投資有限公司, “江山豐融”), a company incorporated in the PRC with limited liability. In the opinion of the directors of the Target Company, the ultimate holding company of the Target Company is Kong Sun Holdings Limited (江山控股有限公司), a company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 2. Summary of Significant Accounting Policies

#### *2.1 Basis of preparation and presentation*

The Historical Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has applied all HKFRSs which are effective for the financial period beginning on or after 1 January 2020 consistently throughout the Relevant Periods to the extent required or allowed by transitional provisions in the HKFRSs, except that the Target Company adopted (i) HKFRS 9 “Financial Instruments” and related amendments and HKFRS 15 “Revenue from Contracts with Customers” and related amendments on 1 January 2018 based on the specific transitional provision and applied HKAS 39 “Financial Instruments: Recognition and Measurement” and HKAS 18 “Revenue” prior to 1 January 2018; and (ii) HKFRS 16 “Leases” on 1 January 2019 based on the specific transitional provision and applied HKAS 17 “Leases” prior to 1 January 2019. The adoption of new or amended HKFRSs that are issued but not yet effective and their impact on Historical Financial Information, if any, are disclosed in Note 2.1(a).

The Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

In preparing the Historical Financial Information, the directors of Beijing Energy International Holding Co., Ltd. (the “Company”), an exempted limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange, have given consideration to the future liquidity of the Target Company in light of its cash and cash equivalents as at 31 October 2020 amounted to RMB555,000. This indicates a condition which may cast significant doubt about the Target Company’s ability to continue as a going concern. The directors of the Company had made an assessment and concluded the Target Company is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period, having regard to (i) the Target Company’s current and forecasted cash positions; and (ii) the financial support from the existing ultimate holding company before the proposed acquisition of 100% equity interests in the Target Company by the Company (the “Acquisition”) and from the new ultimate holding company after the Acquisition. Consequently, the Historical Financial Information have been prepared on a going concern basis.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

The Historical Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand (RMB’000), which is also the functional currency of the Target Company.

(a) *Issued but not yet effective HKFRSs*

The Target Company has not early adopted the following new and amended HKFRSs which have been issued but are not yet effective for the Relevant Periods.

|                                                               |                                                                                                    |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| HKFRS 17                                                      | Insurance Contracts and related amendments <sup>4</sup>                                            |
| Amendments to HKFRS 3                                         | Reference to the Conceptual Framework <sup>6</sup>                                                 |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>                                              |
| Amendments to HKFRS 10 and HKAS 28                            | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup> |
| Amendments to HKFRS 16                                        | Covid-19-Related Rent Concessions <sup>1</sup>                                                     |
| Amendments to HKAS 1                                          | Classification of Liabilities as Current or Non-current <sup>4</sup>                               |
| Amendments to HKAS 16                                         | Property, Plant and Equipment -Proceeds before Intended Use <sup>3</sup>                           |
| Amendments to HKAS 37                                         | Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>                                     |
| Amendments to HKFRSs                                          | Annual Improvements to HKFRS Standards 2018-2020 <sup>3</sup>                                      |
| Amendments to Accounting Guideline 5                          | Merger Accounting for Common Control Combinations <sup>7</sup>                                     |

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>5</sup> Effective date not yet determined

<sup>6</sup> Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

<sup>7</sup> Effective for common control combinations that occur on or after the beginning of the first annual reporting period beginning on or after 1 January 2022

The directors of the Target Company anticipate that all of the pronouncements will be adopted in the Target Company's accounting policy for the first period beginning after the effective date of the pronouncement, and these are not expected to have a material impact on the Target Company's Historical Financial Information.

(b) *Impacts and changes in accounting policies of application on HKFRS 16 “Leases”*

This note explains the impact of the adoption of HKFRS 16 “Leases” since 1 January 2019 on the Target Company’s Historical Financial Information.

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Leases-Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”).

For contracts in place at the date of initial application, the Target Company has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4. The Target Company has already recognised the land use rights where the Target Company is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as “Right-of-use assets” under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Target Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

The Target Company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Target Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Target Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

*Adjustments recognised in the statements of financial position on 1 January 2019*

The change in accounting policy affected the following items in the statements of financial position on 1 January 2019:

- Land use rights – decreased by RMB93,853,000

- Right-of-use assets – increased by RMB93,853,000
- There was no impact on retained earnings as at 1 January 2019

(c) *Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers”*

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 since 1 January 2018 on the Target Company’s Historical Financial Information.

The Target Company elects to adopt HKFRS 9 and HKFRS 15 without restating comparative information. However, there is neither reclassification nor adjustment arising from the adoption of HKFRS 9 and HKFRS 15. Details by standards are explained below.

(i) HKFRS 9 “Financial Instruments”

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 “Financial Instruments” from 1 January 2018 resulted in changes in accounting policies to the Historical Financial Information. The new accounting policies are set out in Note 2.6. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

(a) Classification and measurement of financial instruments on adoption of HKFRS 9

The financial assets held by the Target Company include financial instruments previously classified as loans and receivables which continue to be measured at amortised cost under HKFRS 9. Accordingly, there is no impact on the classification and measurement of its financial assets. There will be no impact on the Target Company’s accounting for financial liabilities, as HKFRS 9 only affect the accounting for non-derivative financial liabilities that are designated at fair value through profit or loss (“FVPL”) and the Target Company does not have any of such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

(b) Impairment of financial assets

The Target Company has three types of financial assets that are subject to HKFRS 9's new expected credit loss ("ECL") model:

- Trade and tariff adjustment receivables
- Other receivables and amount due from an intermediate holding company
- Cash deposits (including cash at banks, restricted cash and pledged deposits)

The Target Company was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no impact of the change in impairment methodology on the Target Company's retained earnings and equity.

While cash deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade and tariff adjustment receivables

The Target Company applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and tariff adjustment receivables. There is no increase in loss allowance for trade and tariff adjustment receivables on 1 January 2018.

Other receivables and amount due from an intermediate holding company

Loss allowance on other receivables and amount due from an intermediate holding company are measured as either 12-months ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime ECL. There is no increase of loss allowance for other receivables and amount due from an intermediate holding company on 1 January 2018.

## (ii) HKFRS 15 “Revenue from Contracts with Customers”

The Target Company has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies to the Historical Financial Information as set out in Note 2.11.

**2.2 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Target Company that makes strategic decisions.

**2.3 Property, plant and equipment**

Property, plant and equipment (other than construction in progress as described below) is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statements of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

|                                          |          |
|------------------------------------------|----------|
| Power generating modules and equipment   | 25 years |
| Furniture, fixtures and office equipment | 5 years  |
| Motor vehicles                           | 5 years  |

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of power generating modules and equipment. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statements of profit or loss and other comprehensive income.

#### ***2.4 Land use rights***

Land use rights (which meet the definition of right-of-use assets upon initial application of HKFRS 16) represent the upfront payment for long-term land lease in which the payment can be reliably measured. Land use rights are recognised as prepayments for operating leases and amortised (before the application of HKFRS 16)/ depreciated (upon the application of HKFRS 16) on a straight-line basis to profit or loss over the lease terms.

#### ***2.5 Impairment of non-financial assets***

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment loss is charged pro rata to the assets in cash-generating unit, except that the carrying amount of an asset will not be reduced below its individual fair value less cost of disposal, or value-in-use, if determinable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group assets (cash-generating units). As a result,

some assets are tested individually for impairment and some are tested at cash-generating unit level. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

## **2.6 Financial assets**

### *Accounting policies from 1 January 2018*

#### *(a) Classification*

From 1 January 2018, the Target Company classifies its financial assets into financial assets at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income.

The Target Company reclassifies debt investments when and only when its business model for managing those assets changes.

#### *(b) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Target Company commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Target Company has transferred substantially all the risks and rewards of ownership.

#### *(c) Measurement*

At initial recognition, the Target Company measures a financial asset at its fair value, in the case of a financial asset not at FVPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the statements of profit or loss and other comprehensive income.

#### **Debt instruments**

Subsequent measurement of debt instruments depends on the business model for managing the financial asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statements of profit or loss and other comprehensive income and presented in other expenses. The Target Company's trade and tariff adjustment receivables (see Note 2.8), other receivables, amount due from an intermediate holding company, pledged deposit, restricted cash, cash and cash equivalents are fall within the category of financial assets at amortised costs.

*(d) Impairment*

From 1 January 2018, the Target Company assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortised cost.

For trade and tariff adjustment receivables, the Target Company applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 16 for further details.

Loss allowance on other financial assets are measured as either 12-months ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime ECL.

In assessing whether the credit risk has increased significantly since initial recognition, the Target Company compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following assessment criteria is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Despite the foregoing, the Target Company assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

Detailed analysis of the ECL assessment of trade and tariff adjustment receivables and other financial assets measured at amortised cost are set out in Note 25.3.

*Accounting policies applied until 31 December 2017*

The Target Company has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Target Company's previous accounting policy (i.e. HKAS 39) as set out below.

Until 31 December 2017, the Target Company classified its financial assets into loans and receivables.

(i) Subsequent measurement

Subsequent to the initial recognition, loans and receivables were subsequently carried at amortised cost using the effective interest method.

(ii) Impairment

The Target Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in statements of profit or loss and other comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

## **2.7 Financial liabilities**

### *(a) Recognition and measurement*

The Target Company's financial liabilities include other payables, amounts due to related parties (including amount due to immediate holding company and amounts due to fellow subsidiaries), other borrowings and dividends payable.

Financial liabilities are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### *(b) Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

**2.8 Trade and tariff adjustment receivables**

Trade and tariff adjustment receivables are amounts due from the sole customer for electricity sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and tariff adjustment receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Target Company holds the trade and tariff adjustment receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**2.9 Cash and cash equivalents**

In the statements of cash flows, cash and cash equivalents includes cash at bank and on hand and demand deposits with banks.

**2.10 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**2.11 Revenue recognition***Accounting policies from 1 January 2018*

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Target Company is determined through the following five steps:

- (i) Identification of the contract, or contracts, with a customer;
- (ii) Identification of the performance obligations in the contract;
- (iii) Determination of the transaction price;
- (iv) Allocation of the transaction price to the performance obligation in the contract;

- (v) Recognising of revenue when, or as, a performance obligation is satisfied.

At contract inception, an assessment is required to identify a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Target Company considers all the products and services promised in the contract with the customer based on the Target Company's customary business practices, published policies, or specific statements.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Target Company's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Target Company performs; or
- does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

The Target Company recognises revenue when the specific criteria have been met for each of the Target Company's activities, as described below:

*(a) Sales of electricity and tariff adjustment*

Revenue from sales of electricity is recognised over time when the electricity generated and transmitted is simultaneously received and consumed by the power grid companies. The Target Company has elected the practical expedient to recognise revenue in the amount to which the Target Company has a right to invoice as the amount represents and corresponds directly with the value of performance completed and transferred to the power grid companies. The Target Company has no unsatisfied performance obligations at each reporting date.

Tariff adjustment represents subsidy received and receivable from the government authorities in respect of the Target Company's renewable energy projects. Tariff adjustment is recognised overtime at its fair value where there is a reasonable assurance that the additional tariff will be received and the Target Company will comply with all attached conditions, if any. The revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC government for the provision of subsidy to the solar power plants operators in the PRC and the revenue from sales of electricity.

#### Variable consideration

For contracts that contain variable consideration, the amount of consideration is estimated to be that which the Target Company will be entitled in exchange for transferring the goods or services to the customer.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, the Target Company updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstance during each reporting period.

#### *(b) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

#### *Accounting policies applied until 31 December 2017*

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of value added taxes. The Target Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Company's activities, as described below.

*(a) Sales of electricity*

Revenue arising from the sale of electricity is recognised in the accounting period when electricity is generated and transmitted.

*(b) Tariff adjustment*

Tariff adjustment represents subsidy received and receivable from the government authorities in respect of the Target Company's renewable energy projects. Tariff adjustment is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Target Company will comply with all attached conditions, if any.

*(c) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

**2.12 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time (generally over 6 months for renewable power projects) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

**2.13 Current and deferred income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

*(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Target Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*(b) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Target Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**2.14 Employee benefits**

*(a) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statements of financial position.

*(b) Post-employment obligations*

Employees are required to participate in defined contribution retirement schemes administered and operated by municipal government. The Target Company contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Target Company has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

*(c) Termination benefits*

Termination benefits are payable when employment is terminated by the Target Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Target Company recognises termination benefits when the Target Company can no longer withdraw the offer of those benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

**2.15 Provisions**

Provisions are recognised when the Target Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**2.16 Leases**

As explained in Note 2.1(b), the Target Company has changed its accounting policy for leases where the Target Company is the lessee. The new policy is described below and the impact of the change in accounting policy as at 1 January 2019 is set out in Note 2.1(b).

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Target Company as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

For any new contracts entered into on or after 1 January 2019, the Target Company considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition, the Target Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Target Company;
- the Target Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Target Company has the right to direct the use of the identified asset throughout the period of use. The Target Company assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

The Target Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term unless the Target Company is reasonably certain to obtain ownership at the end of the lease term. The Target Company also assesses the right-of-use assets for impairment when such indicator exists.

From 1 January 2019, the Target Company has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

In the Historical Financial Information, right-of-use assets represented the prepaid lease payments for leasehold land and are presented as “Land use rights” under non-current assets.

### ***2.17 Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Target Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statements of profit or loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statements of profit or loss and other comprehensive income on a straight- line basis over the expected lives of the related assets.

### ***2.18 Related parties***

For the purposes of the Historical Financial Information, a party is considered to be related to the Target Company if:

- (a) the party, is a person or a close member of that person’s family and if that person,
  - (i) has control or joint control over the Target Company;
  - (ii) has significant influence over the Target Company; or
  - (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Target Company are members of the same group.
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) the entity and the Target Company are joint ventures of the same third party.

- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### **3. Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### ***(a) Impairment of trade and tariff adjustment receivables***

Until 31 December 2017, the policy for the provision for impairment of trade and tariff adjustment receivables of the Target Company is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the debtor. If the financial conditions of the debtor of the Target Company were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required. From 1 January 2018, the Target Company makes provision for impairment of trade and tariff adjustment receivables based on

assumptions about risk of default and ECL rate. The Target Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Note 25.3 provides the basis of the calculation of the loss allowance. As at 31 December 2017, 2018, 2019 and 31 October 2020, the aggregate carrying amounts of trade and tariff adjustment receivables amounted to RMB120,965,000, RMB228,413,000, RMB428,954,000 and RMB524,102,000, respectively.

***(b) Useful lives of property, plant and equipment***

The Target Company determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2017, 2018, 2019 and 31 October 2020, the carrying amount of property, plant and equipment were RMB2,129,159,000, RMB2,060,608,000, RMB1,978,803,000 and RMB1,909,697,000, respectively.

***(c) Impairment of property, plant and equipment***

The Target Company assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2017, 2018, 2019 and 31 October 2020, the carrying amount of property, plant and equipment were RMB2,129,159,000, RMB2,060,608,000, RMB1,978,803,000 and RMB1,909,697,000, respectively.

#### 4. Revenue and Segment Information

Revenue represents revenue arising on sales of electricity which is recognised over time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2017, 2018, 2019 and ten months ended 31 October 2019 and 2020. Tariff adjustment is recognised as revenue in accordance with the power purchase agreement.

|                      | Year ended 31 December |                |                | Ten months ended 31 October |                |
|----------------------|------------------------|----------------|----------------|-----------------------------|----------------|
|                      | 2017                   | 2018           | 2019           | 2019                        | 2020           |
|                      | RMB'000                | RMB'000        | RMB'000        | RMB'000                     | RMB'000        |
|                      |                        |                |                | (Unaudited)                 |                |
| Sales of electricity | 43,041                 | 97,333         | 115,395        | 105,144                     | 115,229        |
| Tariff adjustment    | 54,090                 | 147,796        | 161,807        | 146,369                     | 165,959        |
|                      | <u>97,131</u>          | <u>245,129</u> | <u>277,202</u> | <u>251,513</u>              | <u>281,188</u> |

The CODM has been identified as the directors of the Target Company. CODM reviews the Target Company's internal reports in order to assess performance, allocate resources and determine the operating segments.

For the Relevant Periods, CODM considers that the Target Company has one reportable segment which is solar energy segment. No separate segment information was presented for the Relevant Periods.

The Target Company is domiciled in the PRC. All of the Target Company's non-current assets and revenue are located and derived in the PRC during the Relevant Periods respectively.

#### 5. Other Income

|                         | Year ended 31 December |              |            | Ten months ended 31 October |            |
|-------------------------|------------------------|--------------|------------|-----------------------------|------------|
|                         | 2017                   | 2018         | 2019       | 2019                        | 2020       |
|                         | RMB'000                | RMB'000      | RMB'000    | RMB'000                     | RMB'000    |
|                         |                        |              |            | (Unaudited)                 |            |
| Government grant (Note) | –                      | –            | 100        | –                           | 100        |
| Compensation income     | –                      | 5,230        | –          | –                           | –          |
|                         | <u>–</u>               | <u>5,230</u> | <u>100</u> | <u>–</u>                    | <u>100</u> |

*Note:* Government grants are provided by the government in respect of the Target Company's effort to facilitate the city development and such grants are unconditional.

**6. Finance Income**

|                                  | Year ended 31 December |                 |                 | Ten months ended 31 October    |                 |
|----------------------------------|------------------------|-----------------|-----------------|--------------------------------|-----------------|
|                                  | 2017<br>RMB'000        | 2018<br>RMB'000 | 2019<br>RMB'000 | 2019<br>RMB'000<br>(Unaudited) | 2020<br>RMB'000 |
| Interest income on bank balances | <u>–</u>               | <u>60</u>       | <u>219</u>      | <u>166</u>                     | <u>170</u>      |

**7. Finance Costs**

|                                  | Year ended 31 December |                 |                 | Ten months ended 31 October    |                 |
|----------------------------------|------------------------|-----------------|-----------------|--------------------------------|-----------------|
|                                  | 2017<br>RMB'000        | 2018<br>RMB'000 | 2019<br>RMB'000 | 2019<br>RMB'000<br>(Unaudited) | 2020<br>RMB'000 |
| In relation to other borrowings: |                        |                 |                 |                                |                 |
| – Interest expenses              | –                      | –               | 97,788          | 80,818                         | 84,830          |
| – Loan facilities fee            | <u>–</u>               | <u>–</u>        | <u>7,959</u>    | <u>6,633</u>                   | <u>6,633</u>    |
| Total finance costs              | <u>–</u>               | <u>–</u>        | <u>105,747</u>  | <u>87,451</u>                  | <u>91,463</u>   |

**8. Profit Before Income Tax**

|                                                                                                 | Year ended 31 December |                 |                 | Ten months ended 31 October    |                 |
|-------------------------------------------------------------------------------------------------|------------------------|-----------------|-----------------|--------------------------------|-----------------|
|                                                                                                 | 2017<br>RMB'000        | 2018<br>RMB'000 | 2019<br>RMB'000 | 2019<br>RMB'000<br>(Unaudited) | 2020<br>RMB'000 |
| Depreciation:                                                                                   |                        |                 |                 |                                |                 |
| – Owned assets                                                                                  | 34,283                 | 82,406          | 82,805          | 69,004                         | 68,985          |
| – Right-of-use assets                                                                           | <u>–</u>               | <u>–</u>        | <u>3,787</u>    | <u>3,139</u>                   | <u>3,245</u>    |
| Total depreciation                                                                              | 34,283                 | 82,406          | 86,592          | 72,143                         | 72,230          |
| Amortisation of land use rights                                                                 | 1,860                  | 3,680           | –               | –                              | –               |
| Auditor's remuneration                                                                          |                        |                 |                 |                                |                 |
| – Audit services                                                                                | –                      | –               | 50              | –                              | 200             |
| – Non-audit services                                                                            | <u>–</u>               | <u>–</u>        | <u>–</u>        | <u>–</u>                       | <u>80</u>       |
| Lease charges:                                                                                  |                        |                 |                 |                                |                 |
| – Operating lease charges on leased premises                                                    | 79                     | 38              | –               | –                              | –               |
| – Short term leases and lease term shorter than 12 months as at initial application of HKFRS 16 | –                      | –               | 32              | 32                             | 34              |
| Employee benefit expenses (Note 9)                                                              | 737                    | 1,493           | 1,627           | 1,401                          | –               |
| Subcontracting charges                                                                          | <u>5,660</u>           | <u>7,547</u>    | <u>943</u>      | <u>–</u>                       | <u>9,434</u>    |

**9. Employees Benefit Expenses (Including Directors' Emoluments)**

|                                         | Year ended 31 December |              |              | Ten months ended 31 October |          |
|-----------------------------------------|------------------------|--------------|--------------|-----------------------------|----------|
|                                         | 2017                   | 2018         | 2019         | 2019                        | 2020     |
|                                         | RMB'000                | RMB'000      | RMB'000      | RMB'000                     | RMB'000  |
|                                         |                        |              |              | (Unaudited)                 |          |
| Salaries, wages and bonuses             | 662                    | 1,247        | 1,279        | 1,152                       | –        |
| Retirement benefit scheme contributions | 75                     | 246          | 348          | 249                         | –        |
|                                         | <u>737</u>             | <u>1,493</u> | <u>1,627</u> | <u>1,401</u>                | <u>–</u> |

**10. Directors' Emoluments and Five Highest Paid Individuals****10.1 Directors' emoluments**

No emolument was paid or payable to the directors of the Target Company during the Relevant Periods.

During the Relevant Periods, there was no amount paid or payable by the Target Company to the directors as an inducement to join or upon joining the Target Company and as compensation for the loss of office. There was no arrangement under which any director or five highest paid individuals waived or agreed to waive any remuneration during the Relevant Periods.

**10.2 Five highest paid individuals**

The five highest paid individuals in the Target Company during the Relevant Periods did not include any director. The emoluments of these five highest individuals for the Relevant Periods are set out below:

|                                         | Year ended 31 December |            |            | Ten months ended 31 October |          |
|-----------------------------------------|------------------------|------------|------------|-----------------------------|----------|
|                                         | 2017                   | 2018       | 2019       | 2019                        | 2020     |
|                                         | RMB'000                | RMB'000    | RMB'000    | RMB'000                     | RMB'000  |
|                                         |                        |            |            | (Unaudited)                 |          |
| Salaries and bonuses                    | 390                    | 380        | 345        | 313                         | –        |
| Retirement benefit scheme contributions | 90                     | 103        | 121        | 111                         | –        |
|                                         | <u>480</u>             | <u>483</u> | <u>466</u> | <u>424</u>                  | <u>–</u> |

Their emoluments were within the band of HK\$Nil to HK\$1,000,000.

## 11. Income Tax Expense

The Target Company's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC Corporate Income Tax"). The standard PRC Corporate Income Tax rate is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law"). Pursuant to CaiShui 2008 No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment\* (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), the Target Company has been approved to entitle to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective years in which their first operating income is derived.

|                             | Year ended 31 December |         |         | Ten months ended 31 October |         |
|-----------------------------|------------------------|---------|---------|-----------------------------|---------|
|                             | 2017                   | 2018    | 2019    | 2019                        | 2020    |
|                             | RMB'000                | RMB'000 | RMB'000 | RMB'000                     | RMB'000 |
|                             |                        |         |         | (Unaudited)                 |         |
| <b>Current tax</b>          |                        |         |         |                             |         |
| – PRC enterprise income tax | –                      | –       | –       | –                           | 5,528   |

Reconciliation between tax expense and accounting profit at applicable tax rate are as follows:

|                                                                   | Year ended 31 December |          |          | Ten months ended 31 October |          |
|-------------------------------------------------------------------|------------------------|----------|----------|-----------------------------|----------|
|                                                                   | 2017                   | 2018     | 2019     | 2019                        | 2020     |
|                                                                   | RMB'000                | RMB'000  | RMB'000  | RMB'000                     | RMB'000  |
|                                                                   |                        |          |          | (Unaudited)                 |          |
| Profit before income tax                                          | 47,517                 | 146,489  | 47,089   | 63,561                      | 77,995   |
| Tax on profit before income tax,<br>calculated at the rate of 25% | 11,879                 | 36,622   | 11,772   | 15,890                      | 19,499   |
| Tax effect of PRC tax concession                                  | (11,879)               | (36,622) | (11,248) | (15,452)                    | (13,415) |
| Tax effect of non-taxable income                                  | –                      | –        | (524)    | (438)                       | (556)    |
| Income tax expense                                                | –                      | –        | –        | –                           | 5,528    |

## 12. Dividends

|                                                          | Year ended 31 December |         |         | Ten months ended 31 October |         |
|----------------------------------------------------------|------------------------|---------|---------|-----------------------------|---------|
|                                                          | 2017                   | 2018    | 2019    | 2019                        | 2020    |
|                                                          | RMB'000                | RMB'000 | RMB'000 | RMB'000                     | RMB'000 |
|                                                          |                        |         |         | (Unaudited)                 |         |
| Final dividend of RMB3.56 cents<br>per ordinary share    | –                      | 42,764  | –       | –                           | –       |
| Interim dividend of RMB15.81 cents per<br>ordinary share | –                      | –       | –       | –                           | 189,766 |
|                                                          | –                      | 42,764  | –       | –                           | 189,766 |

No dividends were paid, declared or proposed during the years ended 31 December 2017, 2019 and ten months ended 31 October 2019, nor has any dividend been proposed subsequent to 31 October 2020.

### 13. Property, Plant and Equipment

|                                               | Power<br>generating<br>modules and<br>equipment<br><i>RMB'000</i> | Motor<br>vehicles<br><i>RMB'000</i> | Furniture,<br>fixtures and<br>office<br>equipment<br><i>RMB'000</i> | Construction<br>in progress<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|-----------------------------------------------|-------------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------------|-----------------------------------------------|-------------------------|
| <b>At 1 January 2017</b>                      |                                                                   |                                     |                                                                     |                                               |                         |
| Cost                                          | –                                                                 | 181                                 | 83                                                                  | 1,772,203                                     | 1,772,467               |
| Accumulated depreciation                      | –                                                                 | (47)                                | (18)                                                                | –                                             | (65)                    |
| <b>Net book amount</b>                        | <b>–</b>                                                          | <b>134</b>                          | <b>65</b>                                                           | <b>1,772,203</b>                              | <b>1,772,402</b>        |
| <b>Year ended 31 December 2017</b>            |                                                                   |                                     |                                                                     |                                               |                         |
| Opening net book amount                       | –                                                                 | 134                                 | 65                                                                  | 1,772,203                                     | 1,772,402               |
| Additions                                     | –                                                                 | 99                                  | –                                                                   | 390,941                                       | 391,040                 |
| Depreciation charge                           | (34,233)                                                          | (34)                                | (16)                                                                | –                                             | (34,283)                |
| Transfer                                      | 2,163,144                                                         | –                                   | –                                                                   | (2,163,144)                                   | –                       |
| <b>Closing net book amount</b>                | <b>2,128,911</b>                                                  | <b>199</b>                          | <b>49</b>                                                           | <b>–</b>                                      | <b>2,129,159</b>        |
| <b>At 31 December 2017 and 1 January 2018</b> |                                                                   |                                     |                                                                     |                                               |                         |
| Cost                                          | 2,163,144                                                         | 280                                 | 83                                                                  | –                                             | 2,163,507               |
| Accumulated depreciation                      | (34,233)                                                          | (81)                                | (34)                                                                | –                                             | (34,348)                |
| <b>Net book amount</b>                        | <b>2,128,911</b>                                                  | <b>199</b>                          | <b>49</b>                                                           | <b>–</b>                                      | <b>2,129,159</b>        |
| <b>Year ended 31 December 2018</b>            |                                                                   |                                     |                                                                     |                                               |                         |
| Opening net book amount                       | 2,128,911                                                         | 199                                 | 49                                                                  | –                                             | 2,129,159               |
| Additions                                     | –                                                                 | 100                                 | –                                                                   | 13,838                                        | 13,938                  |
| Disposals                                     | –                                                                 | (83)                                | –                                                                   | –                                             | (83)                    |
| Depreciation charge                           | (82,348)                                                          | (42)                                | (16)                                                                | –                                             | (82,406)                |
| Transfer                                      | 13,838                                                            | –                                   | –                                                                   | (13,838)                                      | –                       |
| <b>Closing net book amount</b>                | <b>2,060,401</b>                                                  | <b>174</b>                          | <b>33</b>                                                           | <b>–</b>                                      | <b>2,060,608</b>        |
| <b>At 31 December 2018 and 1 January 2019</b> |                                                                   |                                     |                                                                     |                                               |                         |
| Cost                                          | 2,176,982                                                         | 199                                 | 83                                                                  | –                                             | 2,177,264               |
| Accumulated depreciation                      | (116,581)                                                         | (25)                                | (50)                                                                | –                                             | (116,656)               |
| <b>Net book amount</b>                        | <b>2,060,401</b>                                                  | <b>174</b>                          | <b>33</b>                                                           | <b>–</b>                                      | <b>2,060,608</b>        |

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|                                               | Power<br>generating<br>modules and<br>equipment<br><i>RMB'000</i> | Motor<br>vehicles<br><i>RMB'000</i> | Furniture,<br>fixtures and<br>office<br>equipment<br><i>RMB'000</i> | Construction<br>in progress<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|-----------------------------------------------|-------------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------------|-----------------------------------------------|-------------------------|
| <b>Year ended 31 December 2019</b>            |                                                                   |                                     |                                                                     |                                               |                         |
| Opening net book amount                       | 2,060,401                                                         | 174                                 | 33                                                                  | –                                             | 2,060,608               |
| Additions                                     | –                                                                 | –                                   | –                                                                   | 1,000                                         | 1,000                   |
| Depreciation charge                           | (82,751)                                                          | (38)                                | (16)                                                                | –                                             | (82,805)                |
| Transfer                                      | 1,000                                                             | –                                   | –                                                                   | (1,000)                                       | –                       |
| <b>Closing net book amount</b>                | <b>1,978,650</b>                                                  | <b>136</b>                          | <b>17</b>                                                           | <b>–</b>                                      | <b>1,978,803</b>        |
| <b>At 31 December 2019 and 1 January 2020</b> |                                                                   |                                     |                                                                     |                                               |                         |
| Cost                                          | 2,177,982                                                         | 199                                 | 83                                                                  | –                                             | 2,178,264               |
| Accumulated depreciation                      | (199,332)                                                         | (63)                                | (66)                                                                | –                                             | (199,461)               |
| <b>Net book amount</b>                        | <b>1,978,650</b>                                                  | <b>136</b>                          | <b>17</b>                                                           | <b>–</b>                                      | <b>1,978,803</b>        |
| <b>Ten months ended 31 October 2020</b>       |                                                                   |                                     |                                                                     |                                               |                         |
| Opening net book amount                       | 1,978,650                                                         | 136                                 | 17                                                                  | –                                             | 1,978,803               |
| Disposals                                     | –                                                                 | (121)                               | –                                                                   | –                                             | (121)                   |
| Depreciation charge                           | (68,960)                                                          | (15)                                | (10)                                                                | –                                             | (68,985)                |
| <b>Closing net book amount</b>                | <b>1,909,690</b>                                                  | <b>–</b>                            | <b>7</b>                                                            | <b>–</b>                                      | <b>1,909,697</b>        |
| <b>At 31 October 2020</b>                     |                                                                   |                                     |                                                                     |                                               |                         |
| Cost                                          | 2,177,982                                                         | –                                   | 83                                                                  | –                                             | 2,178,065               |
| Accumulated depreciation                      | (268,292)                                                         | –                                   | (76)                                                                | –                                             | (268,368)               |
| <b>Net book amount</b>                        | <b>1,909,690</b>                                                  | <b>–</b>                            | <b>7</b>                                                            | <b>–</b>                                      | <b>1,909,697</b>        |

As at 31 December 2018, 2019 and 31 October 2020, property, plant and equipment of approximately RMB2,060,401,000, RMB1,978,650,000 and RMB1,909,690,000, respectively, were pledged as security for the Target Company's other borrowings of approximately RMB1,554,491,000, RMB1,554,450,000 and RMB1,410,083,000, respectively.

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**14. Land Use Rights**

|                                                                                             |                      |
|---------------------------------------------------------------------------------------------|----------------------|
|                                                                                             | <i>RMB'000</i>       |
| <b>At 1 January 2017</b>                                                                    |                      |
| Cost                                                                                        | 29,925               |
| Accumulated amortisation                                                                    | <u>(2,926)</u>       |
| <b>Net book amount</b>                                                                      | <u><u>26,999</u></u> |
| <b>Year ended 31 December 2017</b>                                                          |                      |
| Opening net book amount                                                                     | 26,999               |
| Additions                                                                                   | 72,394               |
| Amortisation                                                                                | <u>(1,860)</u>       |
| <b>Closing net book amount</b>                                                              | <u><u>97,533</u></u> |
| <b>At 31 December 2017 and 1 January 2018</b>                                               |                      |
| Cost                                                                                        | 102,319              |
| Accumulated amortisation                                                                    | <u>(4,786)</u>       |
| <b>Net book amount</b>                                                                      | <u><u>97,533</u></u> |
| <b>Year ended 31 December 2018</b>                                                          |                      |
| Opening net book amount                                                                     | 97,533               |
| Amortisation                                                                                | <u>(3,680)</u>       |
| <b>Closing net book amount</b>                                                              | <u><u>93,853</u></u> |
| <b>At 31 December 2018</b>                                                                  |                      |
| Cost                                                                                        | 102,319              |
| Accumulated amortisation                                                                    | <u>(8,466)</u>       |
| <b>Net book amount</b>                                                                      | 93,853               |
| Transfer to right-of-use assets upon initial application of<br>HKFRS 16 (Notes 2.1(a) & 15) | <u>(93,853)</u>      |
| <b>At 31 December 2019, 1 January 2020 and 31 October 2020</b>                              | <u><u>—</u></u>      |

**15. Right-of-use Assets**

The Target Company's right-of-use assets mainly arise from lease of land use rights for solar power plant projects with typically lease term of 30 to 49 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The movements of right-of-use assets are analysed as follows:

|                                                                                                  | Year ended<br>31 December<br>2019<br>RMB'000 | Ten months<br>ended<br>31 October<br>2020<br>RMB'000 |
|--------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------|
| Transfer from land use rights upon initial application of HKFRS16/At the beginning of the period | 93,853                                       | 95,401                                               |
| Additions                                                                                        | 5,335                                        | –                                                    |
| Depreciation                                                                                     | <u>(3,787)</u>                               | <u>(3,245)</u>                                       |
| At the end of the year/period                                                                    | <u>95,401</u>                                | <u>92,156</u>                                        |

During the year ended 31 December 2019, ten months ended 31 October 2019 and 2020, the total cash outflows for the leases are RMB2,867,000, RMB2,867,000 (unaudited) and RMB34,000, respectively.

**16. Trade and Tariff Adjustment Receivables**

|                               | As at 31 December<br>2017<br>RMB'000 | As at 31 December<br>2018<br>RMB'000 | 2019<br>RMB'000 | As at<br>31 October<br>2020<br>RMB'000 |
|-------------------------------|--------------------------------------|--------------------------------------|-----------------|----------------------------------------|
| Trade receivables             | 53,421                               | 8,330                                | 6,068           | 15,076                                 |
| Tariff adjustment receivables | <u>67,544</u>                        | <u>220,083</u>                       | <u>422,886</u>  | <u>509,026</u>                         |
|                               | <u>120,965</u>                       | <u>228,413</u>                       | <u>428,954</u>  | <u>524,102</u>                         |

As at 31 December 2017, 2018, 2019 and 31 October 2020, trade receivables of approximately RMB53,421,000, RMB8,330,000, RMB6,068,000 and RMB15,076,000, respectively, represented receivables from sales of electricity and are usually settled within three months.

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Tariff adjustment receivables mainly represented the central government subsidies on renewable energy projects to be received from the State Grid Shaanxi Electric Power Company based on the respective electricity sale and purchase agreements of the Target Company's solar power plants and prevailing nationwide government policies.

The directors of the Target Company consider that the loss allowance/ECL for trade and tariff adjustment receivables is insignificant as at 31 December 2017, 2018, 2019 and 31 October 2020. Note 25.3 provides details about the allowances.

The ageing analysis by invoice date, which approximates revenue recognition date, of trade and tariff adjustment receivables was as follows:

|                 | As at 31 December |                |                | As at          |
|-----------------|-------------------|----------------|----------------|----------------|
|                 | 2017              | 2018           | 2019           | 31 October     |
|                 | RMB'000           | RMB'000        | RMB'000        | 2020           |
|                 |                   |                |                | RMB'000        |
| Unbilled (Note) | 67,544            | 220,083        | 422,886        | 509,026        |
| 1-30 days       | 6,065             | 6,111          | 5,622          | 14,094         |
| 31-60 days      | 5,513             | 2,219          | 446            | 982            |
| 61-90 days      | 3,687             | –              | –              | –              |
| 91-180 days     | 35,217            | –              | –              | –              |
| 181-365 days    | 2,939             | –              | –              | –              |
|                 | <u>120,965</u>    | <u>228,413</u> | <u>428,954</u> | <u>524,102</u> |

Note: As at 31 December 2017, 2018, 2019 and 31 October 2020, the amount represents unbilled tariff adjustment receivables. The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

|              | As at 31 December |                |                | As at          |
|--------------|-------------------|----------------|----------------|----------------|
|              | 2017              | 2018           | 2019           | 31 October     |
|              | RMB'000           | RMB'000        | RMB'000        | 2020           |
|              |                   |                |                | RMB'000        |
| 1-30 days    | 7,622             | 8,536          | 8,137          | 21,388         |
| 31-60 days   | 6,927             | 7,169          | 9,307          | 19,596         |
| 61-90 days   | 4,634             | 14,894         | 17,171         | 17,017         |
| 91-180 days  | 44,257            | 39,331         | 47,544         | 60,161         |
| 181-365 days | 4,104             | 82,609         | 120,644        | 86,816         |
| 1-2 years    | –                 | 67,544         | 152,539        | 201,064        |
| 2-5 years    | –                 | –              | 67,544         | 102,984        |
|              | <u>67,544</u>     | <u>220,083</u> | <u>422,886</u> | <u>509,026</u> |

The maximum exposure to credit risk at the reporting date was the carrying value of trade and tariff adjustment receivables. Trade and tariff adjustment receivables are denominated in RMB.

As at 31 December 2018, 2019 and 31 October 2020, trade and tariff adjustment receivables of approximately RMB228,413,000, RMB428,954,000 and RMB524,102,000, respectively, were pledged as security for the Target Company's other borrowings of approximately RMB1,554,491,000, RMB1,554,450,000 and RMB1,410,083,000, respectively.

Pursuant to Caijian 2012 No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, tariff adjustment receivables will be settled upon successful registration in the Renewable Energy Tariff Subsidy Catalogue ("Catalogue"). Caijian 2013 No.390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

Pursuant to Guo Neng Xin Neng 2015 No. 73 Notice on the Implementation plan for photovoltaic power generation construction (光伏發電建設實施方案) issued by the National Energy Administration in March 2015, the approval process for solar power plant projects was delegated to the local government level from the Central Government. Such projects require only regional filings with regional power authorities authorised to administer the application process. Once the application has been submitted and approved, the local grid companies will install grid-connections and such projects will be eligible for tariff adjustment. The Target Company's grid-connections were installed in July 2017 and therefore eligible for tariff adjustment.

In January 2020, Ministry of Finance, the National Development and Reform Commission and the National Energy Administration jointly issued Caijian 2020 No.5 Notice on the Measures for Administration of Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理辦法). Pursuant to Caijian 2020 No.5 Notice, the Central Government will no longer approve and publish the Catalogue. On the other hand, the procedures for settlement of tariff adjustment is intended to be further simplified whereby it is indicated in Caibanjian 2020 No.6 Office of Ministry of Finance's Procedures in relation to Commencement of Approval Procedures of Renewable Energy Tariff Subsidy Project List (財政部辦公廳關於開展可再生能源發電補貼項目清單審核有關工作的通知) that all qualified renewable energy power plants (存量項目)(the "Qualified Power Plants") which fulfil certain requirements are eligible to be enlisted to the Tariff Subsidy Project List (the "List") (補貼項目清單). The Qualified Power Plants include all 1st to 7th batch Catalogue power plants, which will be automatically enlisted in the List. The Target Company's solar power plants are successfully enlisted on the second batch of the List.

The directors of the Target Company are of the opinion that the tariff adjustment receivables will be settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance. The tariff adjustment receivables are recoverable by considering the background of the sole customer is a state-owned enterprise and such tariff adjustment is only subject to timing of allocation of funds by the PRC government.

The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. However, given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. As the collection of tariff adjustment receivables is expected in the normal operating cycle of the business, they are classified as current assets.

Consequently, no loss allowance/ECL of trade receivables was recognised as at 31 December 2017, 2018, 2019 and 31 October 2020.

As of 31 December 2017, 2018, 2019 and 31 October 2020, all trade receivables were expected to be recoverable. The carrying amounts of trade receivables approximate their fair values.

#### 17. Prepayments and Other Receivables

|                             | As at 31 December |                |                | As at          |
|-----------------------------|-------------------|----------------|----------------|----------------|
|                             | 2017              | 2018           | 2019           | 31 October     |
|                             | RMB'000           | RMB'000        | RMB'000        | 2020           |
|                             |                   |                |                | RMB'000        |
| Prepayments                 | 15                | 2,167          | 20,396         | 2,854          |
| Value-added tax recoverable | 81,541            | 236,305        | 181,575        | 145,964        |
| Other receivables           | 565               | 602            | 562            | 517            |
| Staff advances              | 5,737             | 5,692          | 5,681          | –              |
|                             | <u>87,858</u>     | <u>244,766</u> | <u>208,214</u> | <u>149,335</u> |

The directors of the Target Company consider that the fair values of prepayments and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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### 18. Cash Deposits

|                            | As at 31 December |               |               | As at         |
|----------------------------|-------------------|---------------|---------------|---------------|
|                            | 2017              | 2018          | 2019          | 31 October    |
|                            | RMB'000           | RMB'000       | RMB'000       | 2020          |
|                            |                   |               |               | RMB'000       |
| <b>Non-current</b>         |                   |               |               |               |
| Pledged deposit (note (b)) | —                 | 143,741       | 143,741       | 143,741       |
| <b>Current</b>             |                   |               |               |               |
| Restricted cash (note (c)) | —                 | —             | 58,512        | 52,792        |
| Cash and cash equivalents  | 7                 | 81,246        | 6,659         | 555           |
|                            | <u>7</u>          | <u>81,246</u> | <u>65,171</u> | <u>53,347</u> |

Notes:

- (a) The Target Company's bank balances were deposited with banks or a financial institution in the PRC. The remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.
- (b) Pledged deposit represented deposit pledged to a financial institution to secure financing facility granted to the Target Company (Note 20). Deposit was pledged to secure long-term borrowings granted to the Target Company which are due after one year, and therefore classified as non-current assets.
- (c) Restricted cash represented bank balance restricted for financing facility of the Target Company. The deposit will be released upon fulfillment of such requirement.

### 19. Other Payables

|                             | As at 31 December |               |               | As at         |
|-----------------------------|-------------------|---------------|---------------|---------------|
|                             | 2017              | 2018          | 2019          | 31 October    |
|                             | RMB'000           | RMB'000       | RMB'000       | 2020          |
|                             |                   |               |               | RMB'000       |
| <b>Other payables</b>       |                   |               |               |               |
| Construction costs payable  | 1,295,283         | 64,569        | 65,821        | 67,026        |
| Other payables and accruals | 699               | 772           | 516           | 750           |
| Interest payable            | —                 | —             | —             | 8,098         |
|                             | <u>1,295,982</u>  | <u>65,341</u> | <u>66,337</u> | <u>75,874</u> |

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**20. Other Borrowings**

|                                            | As at 31 December |                  |                  | As at            |
|--------------------------------------------|-------------------|------------------|------------------|------------------|
|                                            | 2017              | 2018             | 2019             | 31 October       |
|                                            | RMB'000           | RMB'000          | RMB'000          | 2020             |
|                                            |                   |                  |                  | RMB'000          |
| Loan from a financial institution, secured | –                 | 1,650,000        | 1,642,000        | 1,491,000        |
| Less: Unamortised loan facilities fees     | –                 | (95,509)         | (87,550)         | (80,917)         |
|                                            | <u>–</u>          | <u>1,554,491</u> | <u>1,554,450</u> | <u>1,410,083</u> |
| Classified as:                             |                   |                  |                  |                  |
| Current portion                            | –                 | 41               | 41               | 41               |
| Non-current portion                        | –                 | <u>1,554,450</u> | <u>1,554,409</u> | <u>1,410,042</u> |
|                                            | <u>–</u>          | <u>1,554,491</u> | <u>1,554,450</u> | <u>1,410,083</u> |

As at 31 December 2017, 2018, 2019 and 31 October 2020, the Target Company's borrowings were repayable as follows:

|                       | As at 31 December |                  |                  | As at            |
|-----------------------|-------------------|------------------|------------------|------------------|
|                       | 2017              | 2018             | 2019             | 31 October       |
|                       | RMB'000           | RMB'000          | RMB'000          | 2020             |
|                       |                   |                  |                  | RMB'000          |
| Within 1 year         | –                 | 8,000            | 8,000            | 8,000            |
| Between 1 and 2 years | –                 | 8,000            | 8,000            | 8,750            |
| Between 2 and 5 years | –                 | 346,000          | 522,000          | 508,250          |
| Over 5 years          | –                 | <u>1,288,000</u> | <u>1,104,000</u> | <u>966,000</u>   |
|                       | <u>–</u>          | <u>1,650,000</u> | <u>1,642,000</u> | <u>1,491,000</u> |

The borrowing carries an effective interest rate of 8.17%, 8.17% and 8.22% per annum during the years ended 31 December 2018 and 2019 and ten months ended 31 October 2020, respectively, and repayable by quarterly instalments till 2030. As at 31 December 2018, 2019 and 31 October 2020, the borrowings were secured by (i) certain of the Target Company's property, plant and equipment; (ii) the trade and tariff adjustment receivables; and (iii) the pledged deposit, as set out in Note 22 to the Historical Financial Information, and guaranteed by a connected company of the Target Company's ultimate holding company. The guarantee fees for the year ended 31 December 2019 and ten months ended 31 October 2020 were RMB17,123,000 and RMB15,125,000, respectively.

## 21. Share Capital

|                                | As at 31 December |                  |                  | As at            |
|--------------------------------|-------------------|------------------|------------------|------------------|
|                                | 2017              | 2018             | 2019             | 31 October       |
|                                | RMB'000           | RMB'000          | RMB'000          | 2020             |
| Registered and paid up capital | <u>1,200,000</u>  | <u>1,200,000</u> | <u>1,200,000</u> | <u>1,200,000</u> |

## 22. Pledge of Assets

The Target Company's other borrowings had been secured by the pledge of its assets and the carrying amounts of the respective assets are as follows:

|                                         | As at 31 December |                  |                  | As at            |
|-----------------------------------------|-------------------|------------------|------------------|------------------|
|                                         | 2017              | 2018             | 2019             | 31 October       |
|                                         | RMB'000           | RMB'000          | RMB'000          | 2020             |
| Property, plant and equipment           | –                 | 2,060,401        | 1,978,650        | 1,909,690        |
| Trade and tariff adjustment receivables | –                 | 228,413          | 428,954          | 524,102          |
| Pledged deposit                         | <u>–</u>          | <u>143,741</u>   | <u>143,741</u>   | <u>143,741</u>   |
|                                         | <u>–</u>          | <u>2,432,555</u> | <u>2,551,345</u> | <u>2,577,533</u> |

## 23. Related Party Transactions

### (a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control.

The following companies are related parties of the Target Company that had balances and/or transactions with the Target Company during the Relevant Periods.

| Name of related parties         | Relationship with the Target Company                                 |
|---------------------------------|----------------------------------------------------------------------|
| 江山豐融                            | Immediate holding company                                            |
| 江山永泰投資控股有限公司<br>(“江山永泰”)        | Intermediate holding company                                         |
| 北京鑫泰綠能科技有限公司<br>(“北京鑫泰”)        | Controlled and beneficially owned by the<br>ultimate holding company |
| 陝西億潤新能源科技有限<br>公司 (“陝西億潤”)      | Controlled and beneficially owned by the<br>ultimate holding company |
| 江山新能源投資(揚州)有限<br>公司 (“江山新能源投資”) | Controlled and beneficially owned by the<br>ultimate holding company |
| 江山新能源貿易(揚州)有限<br>公司 (“江山新能源貿易”) | Controlled and beneficially owned by the<br>ultimate holding company |

**(b) Significant related parties transactions**

In addition to those disclosed elsewhere in the Historical Financial Information, the following is a summary of the significant transactions carried out between the Target Company and its related parties in the ordinary course of business during the Relevant Periods.

For the year ended 31 December 2017

RMB'000

|      |                                     |       |
|------|-------------------------------------|-------|
| 江山永泰 | Procurement of maintenance services | 3,774 |
| 北京鑫泰 | Procurement of maintenance services | 1,887 |

For the year ended 31 December 2018

RMB'000

|      |                                     |       |
|------|-------------------------------------|-------|
| 江山永泰 | Procurement of maintenance services | 7,548 |
|------|-------------------------------------|-------|

For the year ended 31 December 2019

RMB'000

|      |                                     |       |
|------|-------------------------------------|-------|
| 江山永泰 | Service fee                         | 4,155 |
| 北京鑫泰 | Procurement of maintenance services | 943   |

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For the ten months ended 31 October 2020

RMB'000

|      |                                     |       |
|------|-------------------------------------|-------|
| 江山永泰 | Service fee                         | 3,462 |
| 北京鑫泰 | Procurement of maintenance services | 9,434 |
| 陝西億潤 | Procurement of maintenance services | 1,698 |

For the ten months ended 31 October 2019 (unaudited)

RMB'000

|      |             |       |
|------|-------------|-------|
| 江山永泰 | Service fee | 3,462 |
|------|-------------|-------|

**(c) Significant related parties balances**

*Amount due from an intermediate holding company*

The amount due from 江山永泰 is unsecured, interest-free and repayable on demand.

*Amount due to immediate holding company*

The amount due to 江山豐融 is unsecured, interest-free and repayable on demand.

*Amounts due to fellow subsidiaries*

|         | As at 31 December |               |               | As at         |
|---------|-------------------|---------------|---------------|---------------|
|         | 2017              | 2018          | 2019          | 31 October    |
|         | RMB'000           | RMB'000       | RMB'000       | 2020          |
|         |                   |               |               | RMB'000       |
| 江山新能源投資 | 37,094            | 34,784        | 21,202        | 24,812        |
| 江山新能源貿易 | –                 | –             | 2,703         | 2,703         |
| 北京鑫泰    | –                 | –             | 943           | 10,717        |
| 陝西億潤    | –                 | –             | –             | 1,577         |
|         | <u>37,094</u>     | <u>34,784</u> | <u>24,848</u> | <u>39,809</u> |

The amounts due are unsecured, interest-free and repayable on demand.

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### 24. Reconciliation of Liabilities Arising from Financing Activities

The changes in the Target Company's liabilities arising from financing activities can be classified as follows:

|                                                                      | Amount due<br>to immediate<br>holding<br>company<br><i>RMB'000</i> | Amounts due<br>to fellow<br>subsidiaries<br><i>RMB'000</i> | Other<br>borrowings<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|----------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------|-------------------------|
| <b>As at 1 January 2017, 31 December<br/>2017 and 1 January 2018</b> | 5,000                                                              | 37,094                                                     | –                                     | 42,094                  |
| Cash flows                                                           |                                                                    |                                                            |                                       |                         |
| – Proceeds                                                           | –                                                                  | 260,051                                                    | 1,554,491                             | 1,814,542               |
| – Repayment                                                          | –                                                                  | (262,361)                                                  | –                                     | (262,361)               |
| Non-cash change                                                      |                                                                    |                                                            |                                       |                         |
| – Dividend payable                                                   | 42,764                                                             | –                                                          | –                                     | 42,764                  |
| <b>As at 31 December 2018 and<br/>1 January 2019</b>                 | 47,764                                                             | 34,784                                                     | 1,554,491                             | 1,637,039               |
| Cash flows                                                           |                                                                    |                                                            |                                       |                         |
| – Proceeds                                                           | –                                                                  | 29,353                                                     | –                                     | 29,353                  |
| – Repayment                                                          | –                                                                  | (39,289)                                                   | (8,000)                               | (47,289)                |
| – Interest paid                                                      | –                                                                  | –                                                          | (97,788)                              | (97,788)                |
| Non-cash change                                                      |                                                                    |                                                            |                                       |                         |
| – Finance costs                                                      | –                                                                  | –                                                          | 105,747                               | 105,747                 |
| <b>As at 31 December 2019 and<br/>1 January 2020</b>                 | 47,764                                                             | 24,848                                                     | 1,554,450                             | 1,627,062               |
| Cash flows                                                           |                                                                    |                                                            |                                       |                         |
| – Proceeds                                                           | –                                                                  | 15,082                                                     | –                                     | 15,082                  |
| – Repayment                                                          | –                                                                  | (121)                                                      | (151,000)                             | (151,121)               |
| – Interest paid                                                      | –                                                                  | –                                                          | (76,732)                              | (76,732)                |
| Non-cash changes                                                     |                                                                    |                                                            |                                       |                         |
| – Finance costs                                                      | –                                                                  | –                                                          | 91,463                                | 91,463                  |
| – Dividend payable                                                   | 189,766                                                            | –                                                          | –                                     | 189,766                 |
| – Interest payable                                                   | –                                                                  | –                                                          | (8,098)                               | (8,098)                 |
| <b>As at 31 October 2020</b>                                         | 237,530                                                            | 39,809                                                     | 1,410,083                             | 1,687,422               |

|                                                      | Amount due<br>to immediate<br>holding<br>company<br><i>RMB'000</i> | Amounts due<br>to fellow<br>subsidiaries<br><i>RMB'000</i> | Other<br>borrowings<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------|-------------------------|
| <b>As at 31 December 2018 and<br/>1 January 2019</b> | 47,764                                                             | 34,784                                                     | 1,554,491                             | 1,637,039               |
| Cash flows                                           |                                                                    |                                                            |                                       |                         |
| – Proceeds                                           | –                                                                  | 26,810                                                     | –                                     | 26,810                  |
| – Repayment                                          | –                                                                  | (39,289)                                                   | (6,000)                               | (45,289)                |
| – Interest paid                                      | –                                                                  | –                                                          | (72,335)                              | (72,335)                |
| Non-cash changes                                     |                                                                    |                                                            |                                       |                         |
| – Finance costs                                      | –                                                                  | –                                                          | 87,451                                | 87,451                  |
| – Interest payable                                   | –                                                                  | –                                                          | (8,484)                               | (8,484)                 |
| <b>As at 31 October 2019 (Unaudited)</b>             | <u>47,764</u>                                                      | <u>22,305</u>                                              | <u>1,555,123</u>                      | <u>1,625,192</u>        |

## 25. Financial Risk Management and Fair Value Measurements

The Target Company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance. Risk management is carried out by the senior management of the Target Company under policies approved by the Board of Directors of the Target Company.

## APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

### 25.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

|                                                   | As at 31 December |                  |                  | As at            |
|---------------------------------------------------|-------------------|------------------|------------------|------------------|
|                                                   | 2017              | 2018             | 2019             | 31 October       |
|                                                   | RMB'000           | RMB'000          | RMB'000          | 2020             |
|                                                   |                   |                  |                  | RMB'000          |
| <b>Financial assets</b>                           |                   |                  |                  |                  |
| Loans and receivables                             |                   |                  |                  |                  |
| – Trade and tariff adjustment receivables         | 120,965           | –                | –                | –                |
| – Other receivables                               | 6,302             | –                | –                | –                |
| – Amount due from intermediate holding company    | 150,071           | –                | –                | –                |
| – Cash deposits                                   | 7                 | –                | –                | –                |
| Financial assets at amortised cost                |                   |                  |                  |                  |
| – Trade and tariff adjustment receivables         | –                 | 228,413          | 428,954          | 524,102          |
| – Other receivables                               | –                 | 6,294            | 6,243            | 517              |
| – Amount due from an intermediate holding company | –                 | 198,495          | 171,446          | 172,859          |
| – Cash deposits                                   | –                 | 224,987          | 208,912          | 197,088          |
|                                                   | <u>277,345</u>    | <u>658,189</u>   | <u>815,555</u>   | <u>894,566</u>   |
| <b>Financial liabilities</b>                      |                   |                  |                  |                  |
| Financial liabilities at amortised cost           |                   |                  |                  |                  |
| – Other payables                                  | 1,295,840         | 64,906           | 66,120           | 75,423           |
| – Other borrowings                                | –                 | 1,554,491        | 1,554,450        | 1,410,083        |
| – Amount due to immediate holding company         | 5,000             | 47,764           | 47,764           | 237,530          |
| – Amounts due to fellow subsidiaries              | 37,094            | 34,784           | 24,848           | 39,809           |
|                                                   | <u>1,337,934</u>  | <u>1,701,945</u> | <u>1,693,182</u> | <u>1,762,845</u> |

### 25.2 Interest rate risk

The Target Company does not anticipate significant impact to cash and cash equivalents because the interest rates of cash deposits (including pledged deposit, restricted cash and cash and cash equivalents) are not expected to change significantly.

The Target Company is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which bear floating interest rates.

The Target Company monitors closely its interest rate exposure by maintaining an appropriate mix of fixed and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

Based on the balance of its interest-bearing borrowings as at 31 December 2017, 2018, 2019 and 31 October 2020, it is estimated that should there be a general increase/decrease of 50 basis points in lending rates of the People's Bank of China with all other variables being held constant, this would have the effect of decreasing/increasing on profit before income tax for the years ended 31 December 2017, 2018, 2019 and ten months ended 31 October 2020 by approximately RMBNil, RMB7,772,000, RMB7,772,000 and RMB7,050,000 respectively.

The changes in interests rates do not affect the Target Company's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowings as at 31 December 2017, 2018, 2019 and 31 October 2020 existed throughout the respective reporting periods.

### ***25.3 Credit risk***

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Target Company mainly arises from trade and tariff adjustment receivables, other receivables, amount due from an intermediate holding company and cash deposits.

As at 31 December 2017, 2018, 2019 and 31 October 2020, the Target Company has concentration of credit risk as 100% of its trade and tariff adjustment receivables were due from its sole customer, which was a state-owned enterprise. Considering the track record of regular settlement of trade receivables and based on the Target Company's experience with respect to the collection of trade and tariff adjustment receivables, which are well supported by the government policy, the directors of the Target Company are of the opinion that the risk of default by the sole customer is not significant.

The Target Company has policies that limit the amount of credit exposure to any financial institutions. Substantially all the deposits are held in reputable financial institutions located in the PRC, which management believes are of high credit quality and management does not expect any losses arising from non-performance by these counterparties.

*Impairment of Financial Assets*

Until 31 December 2017, management of the Target Company has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The Target Company performs an ongoing individual credit evaluation of its sole customer's financial condition.

From 1 January 2018, the Target Company has three types of assets that are subject to the ECL model:

- Trade and tariff adjustment receivables
- Other receivables and amount due from an intermediate holding company
- Cash deposits (including cash at banks, restricted cash and pledged deposits)

(i) Trade and tariff adjustment receivables

The trade and tariff adjustment receivables of the Target Company were arising from sales of electricity and were all due from a state-owned enterprise. As described in note 16, the Target Company's solar power plants are eligible for tariff adjustment since July 2017 and are successfully enlisted on the second batch of the List. The directors of the Target Company are of the opinion that the tariff adjustment receivables will be settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance. There is no due date for settlement. Given the track record of regular settlement of receivables from sales of electricity and the collection of tariff adjustment receivables are well supported by the government policy, the directors of the Target Company are of the opinion that the risk of default by the sole customer is not significant and does not expect any losses from non-performance by the sole customer. Therefore, ECL rate of trade and tariff adjustment receivables are assessed to be close to zero and no provision was made as at the end of each reporting period.

- (ii) Other receivables and amount due from an intermediate holding company

Impairment loss of other receivables and amount due from an intermediate holding company are measured as either 12-months ECL or lifetime ECL on individual basis, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment loss is measured as lifetime ECL.

The Target Company's management considers that its credit risk on these other receivables and amount due from an intermediate holding company has not increased significantly since initial recognition as the risk of default is low after considering (i) the assessment criteria as set out in note 2.6(d); and (ii) the strong financial background of the intermediate holding company and its historical default rate, adjusted by current and forward-looking information. Thus, the impairment provision is determined based on the 12-ECL which is close to zero.

- (iii) Cash deposits (including cash at banks, restricted cash and pledged deposits)

The credit risks on cash at banks, restricted cash and pledged deposits are limited because the counterparties are reputable banks and financial institutions with high credit ratings assigned by international credit rating agencies in the PRC. Therefore, ECL rate of cash at banks, restricted cash and pledged deposits is assessed to be close to zero and no provision was made as at the end of each reporting period.

#### ***25.4 Liquidity risk***

Cash flow forecasts are prepared by the Target Company's management. The Target Company's management monitors rolling forecasts on the liquidity requirements to ensure the Target Company maintains sufficient liquidity reserve to support sustainability and growth of the Target Company's business. Currently, the Target Company finances its working capital requirements through funds generated from operations and obtaining other borrowings.

The Target Company's management monitors rolling forecasts of the Target Company's liquidity reserve on the basis of expected cash flows. The Target Company's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

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## FINANCIAL INFORMATION OF THE TARGET COMPANY

The table below analyses the Target Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                                            | Effective<br>interest rate<br>% | Less than 1<br>year or<br>repayable on<br>demand<br>RMB'000 | Between 1 and<br>2 years<br>RMB'000 | Between 2 and<br>5 years<br>RMB'000 | More than 5<br>years<br>RMB'000 | Total<br>undiscounted<br>cash flows<br>RMB'000 | Total carrying<br>amount<br>RMB'000 |
|--------------------------------------------|---------------------------------|-------------------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------|------------------------------------------------|-------------------------------------|
| <b>At 31 December 2017</b>                 |                                 |                                                             |                                     |                                     |                                 |                                                |                                     |
| Other payables                             | -                               | 1,295,840                                                   | -                                   | -                                   | -                               | 1,295,840                                      | 1,295,840                           |
| Amount due to immediate<br>holding company | -                               | 5,000                                                       | -                                   | -                                   | -                               | 5,000                                          | 5,000                               |
| Amounts due to fellow<br>subsidiaries      | -                               | 37,094                                                      | -                                   | -                                   | -                               | 37,094                                         | 37,094                              |
|                                            |                                 | <u>1,337,934</u>                                            | <u>-</u>                            | <u>-</u>                            | <u>-</u>                        | <u>1,337,934</u>                               | <u>1,337,934</u>                    |
| <b>At 31 December 2018</b>                 |                                 |                                                             |                                     |                                     |                                 |                                                |                                     |
| Other payables                             | -                               | 64,906                                                      | -                                   | -                                   | -                               | 64,906                                         | 64,906                              |
| Other borrowings                           | 8.17%                           | 100,253                                                     | 104,285                             | 615,605                             | 1,561,872                       | 2,382,015                                      | 1,554,491                           |
| Amount due to immediate<br>holding company | -                               | 47,764                                                      | -                                   | -                                   | -                               | 47,764                                         | 47,764                              |
| Amounts due to fellow<br>subsidiaries      | -                               | 34,784                                                      | -                                   | -                                   | -                               | 34,784                                         | 34,784                              |
|                                            |                                 | <u>247,707</u>                                              | <u>104,285</u>                      | <u>615,605</u>                      | <u>1,561,872</u>                | <u>2,529,469</u>                               | <u>1,701,945</u>                    |
| <b>At 31 December 2019</b>                 |                                 |                                                             |                                     |                                     |                                 |                                                |                                     |
| Other payables                             | -                               | 66,120                                                      | -                                   | -                                   | -                               | 66,120                                         | 66,120                              |
| Other borrowings                           | 8.17%                           | 104,285                                                     | 103,553                             | 767,663                             | 1,306,261                       | 2,281,762                                      | 1,554,450                           |
| Amount due to immediate<br>holding company | -                               | 47,764                                                      | -                                   | -                                   | -                               | 47,764                                         | 47,764                              |
| Amounts due to fellow<br>subsidiaries      | -                               | 24,848                                                      | -                                   | -                                   | -                               | 24,848                                         | 24,848                              |
|                                            |                                 | <u>243,017</u>                                              | <u>103,553</u>                      | <u>767,663</u>                      | <u>1,306,261</u>                | <u>2,420,494</u>                               | <u>1,693,182</u>                    |
| <b>At 31 October 2020</b>                  |                                 |                                                             |                                     |                                     |                                 |                                                |                                     |
| Other payables                             | -                               | 75,423                                                      | -                                   | -                                   | -                               | 75,423                                         | 75,423                              |
| Other borrowings                           | 8.22%                           | 91,750                                                      | 98,913                              | 730,956                             | 1,121,746                       | 2,043,365                                      | 1,410,083                           |
| Amount due to immediate<br>holding company | -                               | 237,530                                                     | -                                   | -                                   | -                               | 237,530                                        | 237,530                             |
| Amounts due to fellow<br>subsidiaries      | -                               | 39,809                                                      | -                                   | -                                   | -                               | 39,809                                         | 39,809                              |
|                                            |                                 | <u>444,512</u>                                              | <u>98,913</u>                       | <u>730,956</u>                      | <u>1,121,746</u>                | <u>2,396,117</u>                               | <u>1,762,845</u>                    |

### 25.5 Fair values

All other current financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017, 2018, 2019 and 31 October 2020.

**26. Capital Management**

The Target Company's capital management objectives are to ensure the Target Company's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Target Company actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the directors of the Target Company consider cost of capital and the risks associated with the issued share capital. The Target Company may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

**27. Event After the Reporting Periods**

There was no significant event after the reporting periods that had a material impact on this report.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 October 2020 and up to the date of this report.

**(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The following is the illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (“Unaudited Pro Forma Financial Information”), being Beijing Energy International Holding Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) together with its interests in Yulin City Jiangshan Yongchen New Energy Limited (the “Target Company”), which has been prepared by the directors of the Company to illustrate the financial impacts of the proposed acquisition of 100% equity interests in the Target Company (the “Acquisition”) on the assets and liabilities of the Enlarged Group as if the Acquisition had been completed on 30 June 2020. Upon completion of the Acquisition, the Group will own as to 100% equity interests in the Target Company.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the Acquisition for inclusion in this circular (the “Circular”).

The preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group is based on (a) the unaudited consolidated statement of financial position of the Group as at 30 June 2020 which has been extracted from the published interim report of the Company for the six months ended 30 June 2020; (b) the audited statement of financial position of the Target Company as at 31 October 2020 extracted from the accountants’ reports as set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition as explained in the notes below that are (i) directly attributable to the Acquisition and not relating to future events or decisions; and (ii) factually supportable, as if the Acquisition had been completed on 30 June 2020. The accounting policies of the Target Company are stated in the accountants’ reports as set out in Appendix II of this Circular and such policies are consistent with the accounting policies of the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position or results of the Enlarged Group had the Acquisition been completed as at 30 June 2020 or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2020 and other financial information included elsewhere in this Circular.

# APPENDIX III

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

## (I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

|                                                              |                                                                                                                     | Pro forma adjustments                                                                                            |                                 |                       |                                                                                                           |
|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------|-----------------------------------------------------------------------------------------------------------|
|                                                              | Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2020<br>RMB'million<br>Note 1 | Audited statement of assets and liabilities of the Target Company as at 31 October 2020<br>RMB'million<br>Note 2 | Others<br>RMB'million<br>Note 3 | RMB'million<br>Note 4 | Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group<br>RMB'million |
| <b>ASSETS</b>                                                |                                                                                                                     |                                                                                                                  |                                 |                       |                                                                                                           |
| <b>Non-current assets</b>                                    |                                                                                                                     |                                                                                                                  |                                 |                       |                                                                                                           |
| Property, plant and equipment                                | 14,173                                                                                                              | 1,910                                                                                                            | 49                              |                       | 16,132                                                                                                    |
| Right-of-use assets                                          | 312                                                                                                                 | 92                                                                                                               |                                 |                       | 404                                                                                                       |
| Intangible assets                                            | 869                                                                                                                 | –                                                                                                                |                                 |                       | 869                                                                                                       |
| Investments accounted for using equity method                | 257                                                                                                                 | –                                                                                                                |                                 |                       | 257                                                                                                       |
| Other receivables, deposits and prepayments                  | 625                                                                                                                 | –                                                                                                                |                                 |                       | 625                                                                                                       |
| Pledged deposits                                             | 489                                                                                                                 | 144                                                                                                              |                                 |                       | 633                                                                                                       |
| Deferred tax assets                                          | 27                                                                                                                  | –                                                                                                                |                                 |                       | 27                                                                                                        |
|                                                              | <u>16,752</u>                                                                                                       | <u>2,146</u>                                                                                                     |                                 |                       | <u>18,947</u>                                                                                             |
| <b>Current assets</b>                                        |                                                                                                                     |                                                                                                                  |                                 |                       |                                                                                                           |
| Financial assets at fair value through profit or loss        | 42                                                                                                                  | –                                                                                                                |                                 |                       | 42                                                                                                        |
| Trade, bills and tariff adjustment receivables               | 4,319                                                                                                               | 524                                                                                                              |                                 |                       | 4,843                                                                                                     |
| Other receivables, contract assets, deposits and prepayments | 1,777                                                                                                               | 322                                                                                                              |                                 |                       | 2,099                                                                                                     |
| Pledged deposits                                             | 1,453                                                                                                               | –                                                                                                                |                                 |                       | 1,453                                                                                                     |
| Restricted cash                                              | 16                                                                                                                  | 53                                                                                                               |                                 |                       | 69                                                                                                        |
| Cash and cash equivalents                                    | 2,026                                                                                                               | 1                                                                                                                | (1,008)                         | (4)                   | 1,015                                                                                                     |
|                                                              | <u>9,633</u>                                                                                                        | <u>900</u>                                                                                                       |                                 |                       | <u>9,521</u>                                                                                              |
| <b>Total assets</b>                                          | <u>26,385</u>                                                                                                       | <u>3,046</u>                                                                                                     |                                 |                       | <u>28,468</u>                                                                                             |
| <b>LIABILITIES</b>                                           |                                                                                                                     |                                                                                                                  |                                 |                       |                                                                                                           |
| <b>Non-current liabilities</b>                               |                                                                                                                     |                                                                                                                  |                                 |                       |                                                                                                           |
| Bank and other borrowings                                    | 12,678                                                                                                              | 1,410                                                                                                            |                                 |                       | 14,088                                                                                                    |
| Lease liabilities                                            | 121                                                                                                                 | –                                                                                                                |                                 |                       | 121                                                                                                       |
| Deferred government grant                                    | 1                                                                                                                   | –                                                                                                                |                                 |                       | 1                                                                                                         |
| Deferred tax liabilities                                     | 256                                                                                                                 | –                                                                                                                | 10                              |                       | 266                                                                                                       |
| Other payables                                               | 8                                                                                                                   | –                                                                                                                |                                 |                       | 8                                                                                                         |
|                                                              | <u>13,064</u>                                                                                                       | <u>1,410</u>                                                                                                     |                                 |                       | <u>14,484</u>                                                                                             |
| <b>Current liabilities</b>                                   |                                                                                                                     |                                                                                                                  |                                 |                       |                                                                                                           |
| Other payables and accruals                                  | 2,642                                                                                                               | 355                                                                                                              | 170                             |                       | 3,167                                                                                                     |
| Lease liabilities                                            | 10                                                                                                                  | –                                                                                                                |                                 |                       | 10                                                                                                        |
| Bank and other borrowings                                    | 5,404                                                                                                               | –                                                                                                                |                                 |                       | 5,404                                                                                                     |
|                                                              | <u>8,056</u>                                                                                                        | <u>355</u>                                                                                                       |                                 |                       | <u>8,581</u>                                                                                              |
| <b>Total liabilities</b>                                     | <u>21,120</u>                                                                                                       | <u>1,765</u>                                                                                                     |                                 |                       | <u>23,065</u>                                                                                             |
| <b>Net assets</b>                                            | <u>5,265</u>                                                                                                        | <u>1,281</u>                                                                                                     |                                 |                       | <u>5,403</u>                                                                                              |

**(II) NOTES TO THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP**

*Note 1* The unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2020 is extracted from the published interim report of the Company as at 30 June 2020.

*Note 2* The audited statement of assets and liabilities of the Target Company as at 31 October 2020 is extracted from the audited statement of financial position of the Target Company as set out in Appendix II to this Circular.

*Note 3* On 4 December 2020, Beijing United Rongbang New Energy Technology Co., Ltd (the “**Purchaser**”), an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Jiangshan Fengrong Investment Co., Limited (the “**Vendor**”) to acquire 100% of the equity interest in the Target Company.

Pursuant to the Sale and Purchase Agreement, the cash consideration for the acquisition of 100% of the equity interest of the Target Company is approximately RMB1,177,829,000, of which RMB169,637,000 will be paid within twelve months upon the completion of the Acquisition. Details of the consideration and payment terms are set out in the “Letter from the Board” section to this Circular.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. The identifiable assets and liabilities of the Target Company will be accounted for in the Unaudited Pro Forma Financial Information of the Enlarged Group at fair value under the acquisition method of accounting in accordance with HKFRS 3 (Revised) “Business Combinations”.

- (i) The provisional purchase price allocation arising from the Acquisition is calculated as follows:

|                                                                                                                                       | <i>RMB'million</i>  |
|---------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>Consideration</b>                                                                                                                  |                     |
| Cash consideration                                                                                                                    | <u>1,178</u>        |
| <b>Less: Total identifiable assets acquired and liabilities assumed</b>                                                               |                     |
| Carrying amount of net assets of the Target Company acquired (Appendix II)                                                            | (1,281)             |
| Pro forma fair value surplus of property, plant and equipment (see Note 3(ii) below)                                                  | (49)                |
| Effect on deferred tax liabilities arising from pro forma fair value surplus of property, plant and equipment (see Note 3(iii) below) | <u>10</u>           |
|                                                                                                                                       | <u>(1,320)</u>      |
| Bargain purchase gain recognised in the profit or loss of the Enlarged Group                                                          | <u><u>(142)</u></u> |

## (ii) Pro forma fair value adjustment to property, plant and equipment

For the purpose of the Unaudited Pro Forma Financial Information, the fair values of the solar power plant owned by the Target Company with an aggregate installed capacity of approximately 300MW as at 31 October 2020 (the “**Solar Power Plant**”) was based on an individual valuation report dated 25 December 2020 prepared by the independent qualified professional valuer, Zhonghe Appraisal Co., Ltd. The valuation of the Solar Power Plant owned by the Target Company was prepared using the income approach, through the use of the discounted cash flow method.

## (iii) Deferred tax liabilities

Related deferred tax liabilities of approximately RMB10,086,000 arising from the pro forma fair value surplus on the property, plant and equipment of approximately RMB49,439,000 was estimated based on PRC Corporate Income Tax rate of 25% and preferential tax concession with a tax rate of 7.5% for the years up to 31 December 2022 and followed by a tax rate of 15% for seven years up to 31 December 2030.

Since the fair value of the identifiable assets and liabilities of the Target Company at the completion date may be substantially different from the fair value used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identified net assets, goodwill or bargain purchase gain to be recognised in connection with the Acquisition may be different from the amounts presented above.

*Note 4* The adjustment represents the estimated transaction costs of approximately RMB3,654,000 paid by the Company in connection with the Acquisition.

*Note 5* Apart from the Acquisition, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Enlarged Group subsequent to 30 June 2020.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****Grant Thornton**  
**致同****TO THE DIRECTORS OF BEIJING ENERGY INTERNATIONAL HOLDING CO., LTD.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Beijing Energy International Holding Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) and Yulin City Jiangshan Yongchen New Energy Limited (the “Target Company”) (collectively the “Enlarged Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2020 and related notes as set out in Part A of Appendix III to the circular dated 12 March 2021 (the “Circular”) issued by the Company (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the financial impact of the proposed acquisition of 100% equity interests in the Target Company (the “Acquisition”) on the Group’s assets and liabilities as at 30 June 2020 as if the Acquisition had taken place at 30 June 2020. As part of this process, information about the Group’s assets and liabilities as at 30 June 2020 has been extracted by the Directors from the Group’s interim condensed consolidated financial statements for the six months ended 30 June 2020, on which no audit or review report has been published.

**DIRECTORS’ RESPONSIBILITIES FOR THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**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 HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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 ACCOUNTANT’S RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

12 March 2021

**Chiu Wing Ning**

Practising certificate number: P04920

**Outlook of the Solar Energy Industry**

According to the white paper entitled *Energy in China's New Era* published by the State Council Information Office in December 2020, China will adopt more vigorous policies and measures, striving to have carbon dioxide emissions peak before 2030 and to achieve carbon neutrality before 2060. Under the plan, by 2030, the consumption of non-fossil energy will account for about 25% of the primary energy consumption, and the total installed capacity of wind power and solar power will reach over 1.2 billion kW. It is expected that by 2060, the shares of electrical energy consumption, non-fossil energy consumption and clean energy generation will exceed 70%, 80% and 90%, respectively in China. Given the strong policy support for the solar energy industry, China's solar energy industry grew rapidly in 2020 and is expected to continue to see a rapid growth during the period of 14th Five-Year Plan.

**Review of Business**

The Target Company is principally engaged in the construction, operation, maintenance and management of solar photovoltaic power plants; technical consultation on solar photovoltaic power projects; and sales of solar photovoltaic power generation products. Currently, the Target Company owns a ground-mounted solar power plant in Shaanxi Province, the PRC, with a total installed capacity of 300 MW. The Target Company was enlisted to the 2nd batch of Renewable Energy Tariff Subsidy Project List of State Grid Corporation in 2020 on 31 July 2020, with a feed-in tariff of RMB0.80/kWh.

For 2018, 2019 and the ten-month period ended 31 October 2020, the Target Company recognized revenue from solar power of RMB245 million, RMB277 million and RMB281 million, respectively.

**Income from Solar Power**

|                      | <b>2017</b>    | <b>2018</b>    | <b>2019</b>    | <b><u>In the first 10 months of</u></b> |                |
|----------------------|----------------|----------------|----------------|-----------------------------------------|----------------|
|                      | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <b>2019</b>                             | <b>2020</b>    |
|                      |                |                |                | <i>RMB'000</i>                          | <i>RMB'000</i> |
|                      |                |                |                | (unaudited)                             |                |
| Sales of electricity | 43,041         | 97,333         | 115,395        | 105,144                                 | 115,229        |
| National subsidies   | <u>54,090</u>  | <u>147,796</u> | <u>161,807</u> | <u>146,369</u>                          | <u>165,959</u> |
|                      | <u>97,131</u>  | <u>245,129</u> | <u>277,202</u> | <u>251,513</u>                          | <u>281,188</u> |

**Segmental information**

During the reporting period, the Target Company operated one reportable and operating segment, being the operation of ground-mounted solar power plant in Shaanxi Province, the PRC. As such, there was no segmental information available for the reporting period.

**Property, Plant and Equipment**

As at 31 October 2020, the net carrying amount of the Target Company's property, plant and equipment amounted to approximately RMB1,910 million.

**Current Assets, Non-Current Assets, Liabilities and Capital**

As at 31 October 2020, the net current assets of the Target Company amounted to approximately RMB545 million. Current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB524 million, prepayments and other receivables of approximately RMB149 million, amount due from intermediate holding company of approximately RMB173 million, and deposits and restricted deposits of approximately RMB54 million. In addition, the Target Company had current liabilities of approximately RMB355 million, non-current assets of approximately RMB2,146 million and non-current liabilities of approximately RMB1,410 million.

**Liquidity and financial resources**

The Target Company's principal source of funding has been cash generated from its operations and proceeds from issue of share. The primary liquidity requirements have been for financing working capital and the repayment of the Target Company's loans.

|                                                      | <b>Ten months ended 31 October</b> |                |                 |                |
|------------------------------------------------------|------------------------------------|----------------|-----------------|----------------|
|                                                      | <b>2017</b>                        | <b>2018</b>    | <b>2019</b>     | <b>2020</b>    |
|                                                      | <i>RMB'000</i>                     | <i>RMB'000</i> | <i>RMB'000</i>  | <i>RMB'000</i> |
| Net cash (used in)/from operating activities         | (90,145)                           | (1,262,455)    | 76,116          | 201,955        |
| Net cash from/(used in) investing activities         | 34,012                             | (64,746)       | 23,533          | (1,008)        |
| Net cash from/(used in) financing activities         | –                                  | 1,408,440      | (174,236)       | (207,051)      |
| Net (decrease)/increase in cash and cash equivalents | <u>(56,133)</u>                    | <u>81,239</u>  | <u>(74,587)</u> | <u>(6,104)</u> |

Net cash (used in)/from operating activities mainly comprised (i) operating cashflows before working capital changes; (ii) net cash inflow/outflow arising from changes in working capital; and (iii) cash outflow arising from income tax paid. The significant increase in the net cash from operating activities for the ten months ended 31 October 2020 is mainly because the Target Company was enlisted to the 2nd batch of Renewable Energy Tariff Subsidy Project List of State Grid Corporation in 2020 on 31 July 2020. The Target Company will receive more tariff adjustment from then on.

Net cash from/(used in) investing activities mainly comprised (i) payment for construction in progress; (ii) purchase of land use rights; and (iii) decrease/increase in amount due from an intermediate holding company.

Net cash from/(used in) financing activities mainly comprised (i) cash inflow arising from the proceed from other borrowings; and (ii) cash outflow arising from the repayment of obligations under other borrowings including interest payments.

The Target Company had not maintained any committed borrowing facilities or made any bank drawdown. The Target Company did not have any funding requirements for capital expenditure contracted for and authorized but not contracted for.

#### **Capital structure and cash management**

The registered and paid up capital of the Target Company was RMB1,200 million as at each year of 31 December 2017, 2018, 2019 and as at 31 October 2020.

The cash and bank balances were held in the form of bank deposits in RMB. The Target Company's management monitors rolling forecasts on the liquidity requirements to ensure the Target Company maintains sufficient liquidity reserve to support sustainability and growth of the Target Company's business.

The borrowing bare floating interest rate and is repayable by quarterly instalments by 2023.

The Target Company did not have any financial instruments for hedging purpose.

#### **Gearing Ratio**

As at 31 October 2020, the gearing ratio of the Target Company was approximately 57.9%. The gearing ratio was defined as total liabilities divided by total assets.

#### **Treasury policies**

There were no treasury policies in the Target Company as of 31 October 2020.

**Capital commitments**

There was no capital commitment in the Target Company as of 31 October 2020.

**Significant investment, material acquisitions and disposals**

The Target Company did not have any significant investment, nor any material acquisition or other material disposal during the reporting period.

**Prospect for new business**

The Target Company did not have any plans for new investments as of 31 October 2020.

**Future plans for material investments or capital assets**

The Target Company did not have any plans for new investments as of 31 October 2020.

**Pledge of assets**

As of 31 October 2020, assets of the Target Company used as pledge for borrowings included: (1) property, plant and equipment of approximately RMB1,910 million, (2) trade and tariff adjustment receivables of approximately RMB524 million and (3) pledged deposit of approximately RMB144 million.

**Remuneration policies and employee information**

As of 31 October 2020, the Target Company did not have any direct employees.

**Foreign exchange exposure**

The assets, liabilities and business transactions of the Target Company are denominated in Renminbi. There was no financial arrangement for hedging purpose in respect of the Target Company during the financial period for ten months ended 31 October 2020.

**Contingent liabilities**

As of 31 October 2020, the Target Company did not have any contingent liabilities.

*The following is an English translation of the summary of the Valuation Report dated 14 August 2020 in respect of the Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司), which is prepared by ZhongHe Appraisal Co., Ltd. for the purpose of inclusion in this circular. Such report is prepared in Chinese and this English translation is provided for your reference only. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.*

ZhongHe Appraisal Co., Ltd. holds the domestic assets appraisal qualification jointly granted by the China Securities Regulatory Commission and the Ministry of Finance of the PRC.

**SUMMARY OF THE ASSET VALUATION REPORT ON THE ENTIRE  
SHAREHOLDERS' EQUITY INTERESTS IN YULIN CITY JIANGSHAN YONGCHEN  
NEW ENERGY LIMITED\* (榆林市江山永宸新能源有限公司)  
IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS BY  
BEIJING UNITED RONGBANG NEW ENERGY TECHNOLOGY CO., LTD.\*  
(北京聯合榮邦新能源科技有限公司)**

Zhong He Ping Bao Zi (2020)

No. BJV3031D004

**I. EXECUTIVE SUMMARY**

ZhongHe Appraisal Co., Ltd. (hereinafter referred to as the “**Asset Appraisal Institution**”) has accepted the engagement of Beijing United Rongbang New Energy Technology Co., Ltd.\* to conduct an valuation on the market value of the entire shareholders' equity interests in Yulin City Jiangshan Yongchen New Energy Limited\* in relation to the proposed acquisition of equity interests by Beijing United Rongbang New Energy Technology Co., Ltd.\* as at the Valuation Base Date, pursuant to the laws, administrative regulations and asset valuation standards, and by adhering to the principles of independence, objectivity and impartiality and in accordance with the necessary valuation procedures. The asset valuation is summarized as follows:

**Objectives of the Valuation:** Beijing United Rongbang New Energy Technology Co., Ltd.\* proposes to acquire the equity interests of Yulin City Jiangshan Yongchen New Energy Limited\*

**Subject of the Valuation:** All shareholders' equity interests of Yulin City Jiangshan Yongchen New Energy Limited\*.

**Scope of the Valuation:** The total assets and related liabilities of Yulin City Jiangshan Yongchen New Energy Limited\*.

**Valuation Base Date:** 30 April 2020

**Type of Value:** Market value.

**Valuation Approach:** Asset-based approach and income approach.

**Valuation Conclusion:** According to specified circumstances of this project, the result under the income approach is selected as the conclusion of this valuation.

The carrying value of the total assets and the total liabilities of Yulin City Jiangshan Yongchen New Energy Limited\* were RMB3,247.2346 million and RMB1,831.6316 million, respectively, and the carrying value and the assessed value under the income approach of the entire shareholders' equity interests were RMB1,415.6030 million and RMB1,455.3700 million, respectively, representing an increase of RMB39.7670 million or 2.81%.

**The Validity Period of the Valuation Conclusion:** one year from the Valuation Base Date, namely 30 April 2020.

**Significant and Special Matters:**

1. The accounting statements of Yulin City Jiangshan Yongchen New Energy Limited\* on the Valuation Base Date have been audited by ShineWing Certified Public Accountants (Special General Partnership), and a special auditor's report with unqualified opinions (No. XYZH/2020BJA100518) has been issued.
2. In this valuation under the income approach, the power ratio of the components during their entire lifetime is mainly based on the Feasibility Study Report on the 300MW Photovoltaic Power Generation Project of Jiangshan Yongchen in Yuyang, Yulin (《江山永宸榆林榆陽光伏300MW發電工程可行性研究報告》) prepared by China Power Engineering Consulting Group Northwest Electric Power Design Institute Engineering Co., Ltd. (中國電力工程顧問集團西北電力設計院有限公司).
3. This assessed value of the fixed assets does not include VAT.
4. In December 2018, China Development Bank Financial Leasing Co., Ltd. and Yulin City Jiangshan Yongchen New Energy Limited\* entered into a financial lease contract numbered Guo Jin Zu [2018] Zu Zi No. (B-098). The lease item was the 300MW photovoltaic power station assets of Yulin City Jiangshan Yongchen New Energy Limited\* and its auxiliary facilities, etc., and the lease was of the value of RMB1.65 billion. The lease term is 12 years. At the same time, Jiangshan Fengrong Investment Company Limited\* (江山豐融投資有限公司), a shareholder of Yulin City Jiangshan Yongchen New Energy Limited\* pledged 100% of its equity interests in the Company to China Development Bank Financial Leasing Co., Ltd.
5. There are a total of 7 buildings involved in this reporting valuation, involving a floor area of 3,347.90 square meters. As of the Valuation Base Date, the initial registration of housing ownership is still on hold, which is included in the valuation scope by the valuation personnel based on the declaration and explanatory information of Yulin City Jiangshan Yongchen New Energy Limited\*. The valuation results of buildings that have not been registered for ownership do not include the cost of confirming the housing ownership by completing the registration procedures and the administrative fines that may be involved.

6. The transportation vehicles in this reporting valuation have been disposed of in May 2020. The valuation personnel has checked the relevant information such as the vehicle disposal contract, vouchers and invoices. This valuation confirms that the assessed value is based on the verified disposal value.
7. After being included into subsidies catalogue, the expected recovery period of tariff adjustment has a great impact on the valuation of the value of the entire equity interests of shareholders of Yulin City Jiangshan Yongchen New Energy Limited\*. Sensitivity analysis on the accounting period of tariff adjustment after being included into subsidies catalogue is as follows:

**Sensitivity analysis on the recovery period of tariff adjustment after  
being included into subsidies catalogue**

| <b>Recovery period of tariff adjustment after being<br/>included into subsidies catalogue</b> | <b>Valuation</b> | <b>Rate of<br/>valuation<br/>changes</b> |
|-----------------------------------------------------------------------------------------------|------------------|------------------------------------------|
| 0 year                                                                                        | 156,521.00       | 7.55%                                    |
| 1 year                                                                                        | 145,537.00       | 0.00%                                    |
| 2 years                                                                                       | 135,481.00       | -6.91%                                   |
| 3 years                                                                                       | 126,358.00       | -13.18%                                  |

## II. OBJECTIVES OF THE VALUATION

Since Beijing United Rongbang New Energy Technology Co., Ltd.\* (北京聯合榮邦新能源科技有限公司) proposes to acquire the equity interests of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司), it is necessary to evaluate the value of the entire shareholders' equity of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) in order to determine its market value on 30 April 2020, the Valuation Base Date and provide a reference value for this economic behavior.

This economic behavior has been approved in the CEO Meeting Minutes of Panda Green Energy Group Limited (the 11th issue in 2020 of the total 53th issue).

### III. OBJECTIVES AND SCOPE OF THE VALUATION

In light of the purpose of this valuation, the objective of this valuation is the value of the entire shareholders' equity of Yulin City Jiangshan Yongchen New Energy Limited\*. The scope of valuation covers the total assets and related liabilities of Yulin City Jiangshan Yongchen New Energy Limited\*.

Based on this valuation, the total assets amounted to RMB3,247,234,643.53 with current assets of RMB976,079,180.09, fixed assets of RMB1,951,201,205.86 and intangible assets of RMB5,156,936.14; and total liabilities amounted to RMB1,831,631,553.44 with current liabilities of RMB199,631,553.44, non-current liabilities of RMB1,632,000,000.00 and shareholders' equity was RMB1,415,603,090.09. Detailed information is set out in the table below:

#### Balance sheet as at 30 April 2020

Unit: RMB

| Assets                                 | Amount                | Liabilities and shareholders' equity        | Amount                  |
|----------------------------------------|-----------------------|---------------------------------------------|-------------------------|
| <b>Current assets:</b>                 |                       | <b>Current liabilities:</b>                 |                         |
| Cash                                   | 74,928,219.24         | Short-term borrowings                       | –                       |
| Held-for-trading financial assets      | –                     | Held-for-trading financial liabilities      | –                       |
| Bills receivable                       | –                     | Bills payable                               | –                       |
| Accounts receivable                    | 509,606,509.52        | Accounts payable                            | 105,548,465.03          |
| Prepayments                            | 12,704,661.88         | Payments received in advance                | –                       |
| Interests receivable                   | –                     | Staff remuneration payable                  | –                       |
| Dividends receivable                   | –                     | Taxes payable                               | 2,761,579.51            |
| Other receivables                      | 193,259,083.53        | Interests payable                           | 8,556,851.85            |
| Inventories                            | –                     | Dividends payable                           | 42,763,954.76           |
| Non-current assets due within one year | –                     | Other payable                               | 32,000,702.29           |
| Other current assets                   | 185,580,705.92        | Non-current liabilities due within one year | 8,000,000.00            |
|                                        |                       | Other current liabilities                   | –                       |
| <b>Total current assets</b>            | <b>976,079,180.09</b> | <b>Total current liabilities</b>            | <b>199,631,553.44</b>   |
| <b>Non-current assets:</b>             |                       | <b>Non-current liabilities:</b>             |                         |
| Available-for-sale financial assets    | –                     | Long-term borrowings                        | –                       |
| Held-to-maturity investments           | –                     | Debentures payable                          | –                       |
| Long-term receivables                  | 165,000,000.00        | Long-term payable                           | 1,632,000,000.00        |
| Long-term equity investment            | –                     | Deferred income                             | –                       |
| Investment properties                  | –                     | Estimated liabilities                       | –                       |
| Fixed assets                           | 1,951,201,205.86      | Deferred income tax liabilities             | –                       |
| Projects under construction            | –                     | Other non-current liabilities               | –                       |
| Project materials                      | –                     | Deferred tax credits                        | –                       |
| Right-of-use assets                    | 88,945,610.80         | <b>Total non-current liabilities</b>        | <b>1,632,000,000.00</b> |
| Capitalized biological assets          | –                     | <b>Total liabilities</b>                    | <b>1,831,631,553.44</b> |

| Assets                          | Amount                  | Liabilities and shareholders' equity              | Amount                  |
|---------------------------------|-------------------------|---------------------------------------------------|-------------------------|
| Oil and gas assets              | –                       | <b>Shareholders' equity:</b>                      |                         |
| Intangible assets               | 5,156,936.14            | Equity                                            | 1,200,000,000.00        |
| Development expenditure         | –                       | Capital reserve                                   |                         |
| Goodwill                        | –                       | Less: treasury stock                              | –                       |
| Long-term deferred expenses     | 60,851,710.64           | Special reserves                                  | –                       |
| Deferred income tax assets      |                         | Surplus reserve                                   | 25,836,704.49           |
| Other non-current assets        |                         | General risk reserve                              | –                       |
|                                 |                         | Undistributed profit                              | 189,766,385.60          |
| <b>Total non-current assets</b> | <b>2,271,155,463.44</b> | <b>Total shareholders' equity</b>                 | <b>1,415,603,090.09</b> |
| <b>Total assets</b>             | <b>3,247,234,643.53</b> | <b>Total liabilities and shareholders' equity</b> | <b>3,247,234,643.53</b> |

- (I) The above objective and scope of the Valuation are the same as the objective and scope of the Valuation involved in economic behavior, and their carrying amounts have been audited by ShineWing Certified Public Accountants (Special General Partnership).

ShineWing Certified Public Accountants (Special General Partnership) has issued an unqualified audit report on the financial statements of the valued unit for the prior year and Valuation Base Date with report number XYZH/2020BJA100518.

- (II) Type and quantity of off-balance-sheet assets declared by the valued unit: nil.
- (III) Reference of the type, quantity and carrying amount involved in the conclusion of reports issued by other institutions: nil.

#### IV. TYPE OF VALUE AND ITS DEFINITION

Based on the purpose of valuation and the characteristics of the objective, the type of value concluded in this Valuation is determined to be market value.

Market value represents the estimated amount of value for which the objective will be exchanged on the Valuation Base Date between a willing buyer and a willing seller in an arm's length transaction wherein the parties have acted rationally and without compulsion.

#### V. VALUATION BASE DATE

- (I) The Valuation Base Date for this valuation report is 30 April 2020.
- (II) The Valuation Base Date was determined by the client. The Valuation Base Date was determined by taking into consideration of the end of the accounting period and factors beneficial to the realization of this economic behavior.
- (III) The Valuation Base Date of this valuation report is the same as the Valuation Base Date specified in the asset valuation engagement contract.

**VI. BASIS OF VALUATION****Basis of economic behavior:**

The CEO Meeting Minutes of Panda Green Energy Group Limited ( the 11th issue in 2020 of the total 53th issue).

**Legal and regulation basis:**

- (I) “Asset Appraisal Law of the People’s Republic of China” (adopted at the 21st Meeting of the Standing Committee of Twelfth National People’s Congress on 2 July 2016);
- (II) “Law of the People’s Republic of China on the State-owned Assets of Enterprises” (adopted at the 5th Meeting of the Standing Committee of Eleventh National People’s Congress on 28 October 2008);
- (III) “Company Law of the People’s Republic of China” (amendments as approved at the 6th Meeting of the Standing Committee of Thirteenth National People’s Congress on 26 October 2018);
- (IV) “Property Law of the People’s Republic of China” (adopted at the 5th Meeting of Tenth National People’s Congress on 16 March 2007);
- (V) “Land Administration Law of the People’s Republic of China” (amendments as approved at the 12th Meeting of the Standing Committee of Thirteenth National People’s Congress on 26 August 2019);
- (VI) “Law of the People’s Republic of China on the Administration of Urban Property” (amendments as approved at the 12th Meeting of the Standing Committee of Thirteenth National People’s Congress on 26 August 2019);
- (VII) Measures for the Administration of State-owned Asset Valuation (Order No. 91 of the State Council, 1991);
- (VIII) Detailed Rules for the Implementation of the Administrative Measures for State-Owned Assets Assessment (Circular [1992] No. 36 released by the former State Administration for State-owned Assets);
- (IX) Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (Order No. 32 of the SASAC and the Ministry of Finance);
- (X) Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 of the SASAC);

- (XI) Provisions on Certain Issues Concerning the Management of the Valuation of State-owned Assets (Order No. 14 of the Ministry of Finance);
- (XII) Measures for Financial Supervision and Administration of the Asset Valuation Sector (Promulgated by Order No. 86 of the Ministry of Finance on 21 April 2017, and amended in accordance with the Decision of the Ministry of Finance on the Amendment of Two Departmental Rules including the Measures for the Practice Licensing and Supervision and Administration of Accounting Firms on 2 January 2019);
- (XIII) Guidelines for the Filing for Recordation of the Assessment Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
- (XIV) Notice on Issues Relating to Strengthening the Management of the Valuation of State-owned Assets of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
- (XV) Notice on Matters Regarding Review of Asset Valuation Reports for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941).
- (XVI) Other laws and regulations in relation to asset valuation.

**Standards basis:**

- (i) Basic Standards on Asset Valuation (Caizi [2017] No. 43);
- (ii) Code of Professional Ethics for Asset Valuation (CAS [2017] No. 30);
- (iii) Code of Practice on Asset Valuation – Asset Valuation Procedures (CAS [2018] No. 36);
- (iv) Code of Practice on Asset Valuation – Asset Valuation Reports (CAS [2018] No. 35);
- (v) Code of Practice on Asset Valuation – Asset Valuation Engagement Contracts (CAS [2017] No. 33);
- (vi) Code of Practice on Asset Valuation – Asset Valuation Files (CAS [2018] No. 37);
- (vii) Code of Practice on Asset Valuation – Asset Valuation Methods (CAS [2019] No. 35);
- (viii) Code of Practice on Asset Valuation – Use of Expert Work and Related Reports (CAS [2017] No. 35);
- (ix) Code of Practice on Asset Valuation – Enterprise Value (CAS [2018] No. 38);
- (x) Code of Practice on Asset Valuation – Intangible assets》(CAS [2017] No. 37);

- (xi) Code of Practice on Asset Valuation – Real Property (CAS [2017] No. 38);
- (xii) Code of Practice on Asset Valuation – Machinery and Equipment (CAS [2017] No. 39);
- (xiii) Guide to the Valuation Report on State-owned Assets of Enterprises (CAS [2017] No. 42);
- (xiv) Guide to Quality Control of Asset Valuation Agency Operations (CAS [2017] No. 46);
- (xv) Guidance on Types of Asset Valuation Values (CAS [2017] No. 47);
- (xvi) Guidance on the Legal Ownership of Asset Valuation Subjects (CAS [2017] No. 48).

**Basis of ownership:**

- (i) Approval documents, relevant agreements and others provided by Yulin City Jiangshan Yongchen New Energy Limited\*;
- (ii) The Title Deed of the PRC Real Property\* (《中華人民共和國不動產權證》) provided by Yulin City Jiangshan Yongchen New Energy Limited\*;
- (iii) Other relevant certificate of property title.

**Basis for pricing:**

- (i) The website named Appraisal Information (www.pingguw.com) by ZhongHe Appraisal Co., Ltd.;
- (ii) The list of equipment provided by Yulin City Jiangshan Yongchen New Energy Limited\*;
- (iii) The operation record of equipment and various relevant information provided by Yulin City Jiangshan Yongchen New Energy Limited\*;
- (iv) The record of verification issued by appraisers upon the investigation on appraised objectives;
- (v) Manual for Quotation of Electromechanical Products (2020);
- (vi) Purchase and construction contracts and their original vouchers for key equipments provided by Yulin City Jiangshan Yongchen New Energy Limited\*;
- (vii) Information searched by appraisers through the internet;
- (viii) Price List of Installation Projects of Shaanxi Province (2009);

- (ix) Price List of Architectural Decoration Projects of Shaanxi Province (2009);
- (x) Preparation Regulation for Cost Estimation of Photovoltaic Power Projects (NB/T32027-2016);
- (xi) Basis of Calculation for Investigation and Design of Photovoltaic Power Projects (NB/T32030-2016);
- (xii) Notice on Issuing the Transitional Implementation Plan on Adaption of the Pricing Basis of Power Projects to the Replacement of Business Tax with Value-Added Tax (Notice [2016] No. 9 by China Electric Power Project Cost Administration);
- (xiii) Announcement on Relevant Policies for Deepening Value-added Tax Reform (Announcement No. 39 by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs in 2019);
- (xiv) Report of Feasibility Studies on Jiangshan Yongchen Yulin Yuyang PV 300MW Power Generation Project prepared by Northwest Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group\* (中國電力工程顧問集團西北電力設計院有限公司);
- (xv) Notice on Shaanxi Provincial Price Bureau on Relevant Issues Concerning the Provincial On-grid Tariff Management (Shan Jia Shang Fa [2017] No. 67);
- (xvi) Notice on Leveraging the Lever of Price to Promote the Healthy Development of the PV Industry (NDRC Fa Gai Price [2013] No. 1638);
- (xvii) Wind Information;
- (xviii) Other information in relation to the overall asset valuation.

**Other basis:**

- (i) Audit report of the appraised objective as at the Valuation Base Date;
- (ii) Asset valuation engagement contract.

**VII. VALUATION APPROACH**

Basic assets valuation approaches include the market approach, income approach and asset-based approach.

The market approach is a valuation approach whereby the value of the valuation subject is determined by comparing the valuation subject with comparable listed companies or comparable transaction cases.

The income approach is a valuation approach whereby the value of the valuation subject is determined by capitalizing or realizing the expected income.

The asset-based approach is a valuation approach whereby the value of the valuation subject is determined by reasonably assessing the value of all the on and off-balance-sheet assets and liabilities based on the balance sheet as at the Valuation Base Date of the valued unit.

As there is a lack of appropriate and comparable transaction cases of the valuation subject and relevant information required for the comparative analysis of the valuation subject, without the operational conditions for implementation of the market approach satisfied, hence the market approach is not appropriate for this valuation.

As the necessary information required for analyzing the historical condition and forecasting its future earnings and risk of the valuation subject could be collected, with the operational conditions for implementation of the income approach satisfied, hence the income approach is appropriate for this valuation.

As the assets and liabilities of the valuation subject could be reasonably identified according to accounting policies, enterprise's operations, etc., the valuation has the conditionally selected appropriate and specific valuation approaches targeting the characteristics of assets and liabilities, with the operational conditions for implementation of these valuation approaches satisfied, hence the asset-based approach is appropriate for such valuation.

The asset-based approach and income approach are adopted in view of the purpose of this valuation, characteristics of the valuation subject and conditions for valuation approach application.

**Particulars of valuation approaches and application are as follows:**

- **Asset-based approach**

- (I) Current Assets: in this valuation, current assets are divided into the following categories, each using different valuation approaches:

- 1. Monetary current assets: mainly referring to bank deposits, which are valued at their verified value after review by means of checking bank statement and bank confirmations;
    - 2. Current assets receivable and prepayments: including accounts receivable, prepayments, other receivables, etc; current assets receivable are valued mainly based on the recoverable amount of the verified book balance; prepayments are valued based on the recoverable goods or services and assets or rights generated thereby;

3. Other current assets: other current assets are deductible value added tax, and in this valuation, the verified book value is taken as the valuation basis.
- (II) Non-current assets: in this valuation, non-current assets are divided into the following categories, each using different valuation approaches:

**1. Buildings**

The valuation approach can be determined according to the purpose and characteristics of the buildings. As for buildings acquired through self-built, the valuation will adopt replacement cost approach.

*1) Replacement cost approach*

The valuation result of valued buildings is calculated with the following formula:

$$\text{Valuation value} = \text{Total replacement cost} \times \text{newness rate}$$

Total replacement cost excludes deductible input value added tax according to the Interim Regulation on the Value Added Tax of the PRC (中華人民共和國增值稅暫行條例).

**1. Determination of the total replacement cost**

Total replacement cost = Construction and installation engineering comprehensive cost + preliminary cost and other costs + capital cost

Among which:

Construction and installation engineering comprehensive cost refers to the construction cost directly put into construction and paid to contractor by the construction unit.

Construction and installation engineering cost = Construction engineering cost + decoration engineering cost + installation engineering cost

The valuers will choose representative buildings from buildings of same use and structures according to the category of the valued buildings, and determine the construction and installation engineering comprehensive cost on the Valuation Base Date based on the materials gathered that reflect the design, final budget and contract and the local construction project budget and engineering cost information.

Other buildings can be calculated on the basis of the construction and installation engineering cost of certain representative buildings from buildings of same use and structures, which is calculated by the valuers, or the construction and installation cost of similar engineering collected by the valuers, combining the common data and parameter used for evaluation of buildings and using comparison method to calculate the construction and installation engineering comprehensive cost through difference adjustment of such buildings.

Upfront fees and other expenses refer to expenses incurred during the project construction which should be paid to the units or the government departments other than the engineering contractors. The amounts will be determined respectively according to the billing items and standards set by the local and national supervision authorities and billing standards for professional services, and the characteristics of the valued buildings. For the buildings that have not performed the construction project reporting procedures as of the Valuation Base Date, administrative charge payable in project reporting procedures has not been taken into account during the valuation. However, the professional service fee and management expenses of construction unit are calculated according to the construction requirement and the effective standards as at the Valuation Base Date of the valued buildings.

Capital cost is calculated by the available prevailing lending rate on the Valuation Base Date based on the reasonable duration of the valued construction project determined by construction scale of the construction project, and assuming the construction capital has been injected equably.

## 2. Determining the comprehensive newness rate

The two results of comprehensive age limit approach and scoring approach are determined according to the following calculation formulas:

Comprehensive newness rate = newness rate determined by scoring approach  $\times$  60% + newness rate determined by age limit approach  $\times$  40%

Among them:

Newness rate by age limit approach = remaining durable years of the building  $\div$  (utilized years of the buildings + remaining durable years of the buildings)  $\times$  100%

Remaining durable years is determined according to the economic lives of buildings, combining their actual application and maintenance condition.

Newness rate by scoring approach is determined according to the scoring criteria of the newness rate of the buildings, combining the site survey result of the structure, decoration and equipment (facilities) of the buildings.

Newness rate by scoring approach = scoring of the structure newness  $\times$  G + scoring of decoration newness  $\times$  S + scoring of equipment (facilities) newness  $\times$  B

G, S and B refer to the cost ratio of the structure, decoration and equipment (facilities), respectively.

The scoring criteria of the newness rate of valued buildings are determined according to the national and local scoring criteria of the damage level and newness of the buildings, combining the requirement of design and usage of the buildings.

## 2. *Equipment*

According to the purpose of valuation and the characteristics of assessed equipment, it is mainly evaluated by replacement cost approach. The equipment that can collect trade information on the second-hand market is evaluated by the market approach. For the equipment that has been disposed of after the benchmark date, the assessed value shall be determined at the transaction price of the actual sales contract.

Where the replacement cost approach is adopted for valuation:

Assessed value = complete replacement value × newness rate

Complete replacement value excludes the deduction of input value-added tax which is allowed pursuant to the Interim Regulations of the People's Republic of China on Value-added Tax.

### 1) *Determination of the Equipments' Complete Replacement Cost*

#### 1. The Standard Equipment Acquired Domestically

Complete replacement cost generally includes equipment purchasing fee, transportation and miscellaneous fee, installation and commissioning fee, upfront and other fees and cost of capital; for consideration and way of fee (cost) other than equipment purchasing fee, it is determined based on the characteristics of relevant equipment, price composition of equipment acquired during the valuation and transaction conditions.

Among them:

Equipment purchasing fee is determined on basis of the recent transaction price, inquiry results from the suppliers for related equipment, and other public price information gathered by the valuer. Equipment without direct price information will use information of alternative products for adjustment. And when there is no alternative product, the value will be determined with the price index adjustment approach on the basis of implementing rationality verification of the original acquisition cost.

Transportation and miscellaneous fee mainly consists of fees of procurement, transportation, handling charge, safekeeping, etc. and is determined on the basis of the types of assessed equipment, distance, and ways of transportation.

Installation and commissioning fee is determined based on the usage, characteristics and difficulty of installation of assessed equipment. For equipment which required to set up basis separately, its basis fee is also calculated based on its usage and loading, except for those constructed in the plant.

## 2. Electronic Equipment

It is determined mainly based on the relevant quotation information enquired as at the Valuation Base Date.

### 2) *Determination of Comprehensive Newness Rate*

Mechanical and electronic equipment

In the case of on-site investigation, newness rate of the equipment is comprehensively determined by the valuer following the weighted average of useful life approach and scoring approach.

The formula is :

Comprehensive newness rate = newness rate by useful life approach  $\times$  40% + newness rate by scoring approach  $\times$  60%

in which:

Newness rate by useful life approach = (stipulated useful life – used life) / stipulated useful life

Newness rate by scoring approach : The valuer carries out on-site investigation of the equipment, fills in the table of on-site investigation, and determines its newness rate by scoring approach.

## 3. *Land Use Rights*

The valuation approach is determined according to the title condition, usage, location and using condition of the valued parcel as well as the requirements of the Standards for Assets Valuation – Real Estate. Market approach is applied in the valuation of local similar land-use rights with active trading in the markets.

The basic formula is:

Valued value for land use rights = Transacted price of land use rights in comparable case × correction coefficient of trading factors × correction coefficient of trading date × correction coefficient of regional factors × correction coefficient of individual factors

4. Long-term receivables: in terms of risk mitigation fund for financing lease, the value will be determined on basic of the audited carrying amount after the relevant contracts and original financial certificates of the transaction had been examined by the valuers.
5. Right-of-use assets: in terms of land lease payments and farmland occupation tax, the valuers verified the relevant contracts and original financial certificates (remittance form, etc.) of the transaction first, and then learned about the then land lease price in the local market and the tax policy for farmland occupation tax. The value is determined on basic of the audited amortized value subject to minimal changes in the relevant market conditions.

(III) Liabilities: The valuation value is valued according to the liabilities and amounts thereof actually borne by the valued units.

- **Income approach:**

The income approach refers to the valuation approach that determines the value of an valued unit by capitalizing or discounting the expected earnings of the valued unit. For the purpose of valuation, discounted cash flow method is used in this valuation for the entire shareholders' equity of the valued unit. Discounted free cash flow for the firm is adopted based on the future business model, capital structure, assets use and development trend of future income of the valued unit.

Total value of shareholders' equity = the overall value of the valued unit – interest-bearing liabilities

Overall value of the valued unit = value of operating assets + value of overage assets + value of non-operating assets

Interest-bearing liabilities refer to the debts on the accounts of the valued unit that bear interest on the Valuation Base Date, including short-term borrowing, interest-bearing notes payable, long-term borrowing maturing within one year and long-term borrowing.

1. The formula for calculating the value of operating assets is:

$$P = \left[ \sum_{i=1}^n R_i (1+r)^{-i} \right]$$

Where:  $P$  – value of the valued unit’s operating assets as at the Valuation Base Date

$R_i$  – expected net free cash flow of the valued unit of the  $i^{\text{th}}$  year in the future

$r$  – discount rate

$i$  – year for profits forecast

$n$  – expected profitable years

Of which,  $R_i$  is calculated using the following formula:

Expected free cash flow of the  $i^{\text{th}}$  year = earnings before interest and tax  $\times$  (1-income tax rate) + depreciation and amortization – capital expenditures – increase in operating capital

2. Determination of the value of redundant assets

Redundant assets refer to surplus assets which are not directly relating to the operation income of the valued unit and which are in excess of what is needed for the valued unit’s operation. Redundant assets are valued by using the cost method.

3. Determination of the value of non-operational assets

Non-operational assets refer to assets which are not directly relating to the normal operation income of the valued unit, including unproductive assets and assets not relating to the profits forecast. The former does not generate profit while the latter, although generating profit, is not taken into account in the profits forecast. Non-operational assets are mainly valued by using the cost method.

4. Selection of the discount rate

We adopt the weighted average cost of capital (“WACC”) model for selection of the discount rate. The WACC model may be expressed by the following mathematical formula:

$$\text{WACC} = k_e \times [E \div (D+E)] + k_d \times (1-t) \times [D \div (D+E)]$$

Where:

$k_e$ : cost of equity capital

E: market value of equity capital

D: market value of debt capital

$k_d$ : cost of debt capital

t: income tax rate

To calculate the cost of equity capital, we use the capital asset pricing model (“CAPM”).

CAPM is a generally applied method for evaluating the cost of equity capital. The CAPM model may be expressed by the following mathematical formula:

$$E[R_e] = R_{f1} + \beta (E[R_m] - R_{f2}) + \text{Alpha}$$

Where:

$E[R_e]$ : expected rate of return on the equity, i.e., cost of equity capital

$R_{f1}$ : expected rate of return on long-term treasury bonds

$\beta$ : beta coefficient

$E[R_m]$ : market expected rate of return

$R_{f2}$ : market expected rate of long-term return

Alpha: special risk premium

$(E[R_m] - R_{f2})$ : the rate of return for excessive risks in the equity market, namely, ERP

The valuers conducted a comprehensive analysis on the measurement results formed by the above valuation approaches, and used the results of the income approach as the valuation conclusion of this valuation report based on the valuation purpose, the quality and quantity of the data used in the valuation approaches and other factors.

### **VIII. PROCESS AND CONDITIONS OF THE IMPLEMENTATION OF VALUATION PROCEDURES**

The valuers have performed the valuation of the assets and liabilities included in the valuation scope. A summary of the valuation process is as follows:

#### **(I) Acceptance of engagement**

Before accepting the engagement, the asset valuation organization had talks with the relevant persons from Beijing United Rongbang New Energy Technology Co., Ltd.\* and had communicated with the relevant persons of this valuation for several times to get full information of the purposes of the valuation, valuation subject and scope as well as the Valuation Base Date, etc.. And on such basis, we entered into the asset valuation engagement contract with Beijing United Rongbang New Energy Technology Co., Ltd.\* and developed a valuation plan correspondingly in accordance with relevant regulations of the PRC.

#### **(II) On-site investigation, data collection and verification**

According to the asset valuation declaration materials provided by Yulin City Jiangshan Yongchen New Energy Limited\*, the valuers conducted necessary investigations on the valuation subject and the assets and liabilities included in the valuation from 29 July 2020 to 2 August 2020.

The valuers listened to the relevant introduction presented by relevant persons from Yulin City Jiangshan Yongchen New Energy Limited\*, learned about the current situation of the valuation subject, given attention to the legal status of the valuation subject and performed a verification between the accounts and records, accounts and statements, and accounts and physical goods on the contents reported by Yulin City Jiangshan Yongchen New Energy Limited\*. The valuers also collected relevant data concerning the valuation subject and valuation scope, and supported valuation and estimation procedures through channels such as the client or other relevant persons, government departments, relevant professional institutions, and the market based on the characteristics of the valuation subject and the situation of business being valued.

The valuers have requested the client or other relevant persons to confirm the Breakdown of Asset Valuation and other important information provided by him/them, and verified the information used in the asset valuation activities.

***1. Inspection of buildings and structures***

For the buildings and ancillary facilities declared by the valued unit, the valuers have carried out on-site survey for each item on the declaration checklist to ascertain the GFA and check property ownership certificates and to inspect the structure, quality, completion date, plane shape, inside and outside decorations, installation and utilization of ancillary facilities such as water, heating and electricity supply systems. The collected data and relevant work records are served as the key basis for valuation and estimates.

***2. Inspection of machinery and equipment***

For the machinery and equipment, electronic devices and transportation vehicles declared, the valuers have performed necessary verification based on the declaration checklist; understood the operating environment, maintenance and repair of the equipment through inquiries, observation and examination; and investigated the management and use of equipment and the implementation of related management systems by contacting equipment management and operating personnel. In respect of findings identified during the verification, the valuers have recommended the valued unit to make versification, modification or explanation accordingly.

***3. Inspection of land use rights***

For the inspection of land use rights, the valuers have verified relevant ownership certificates, contracts and payment vouchers, and examined the metes and bounds and use status of the lands involved in the valuation.

***4. Inspection of receivable and payables and other assets and liabilities***

For receivable and payables as well as other assets and liabilities, the valuers collected various original documents, documentary evidence and accounting records based on the declaration checklist, performed external confirmation procedures for the significant receivable and payables and necessary verification of accounts of intangible assets and liabilities. The examined and verified materials serve as the basis for valuation.

***5. Investigation for the purpose of income approach***

- (1) Debrief the introduction on the general operations, assets and financial conditions by relevant persons of Yulin City Jiangshan Yongchen New Energy Limited\*, get an understanding of the allocation and use of assets and collect basic data related to operations and finance;
- (2) Analyze the expected revenue, cost and expenses and analyze its profitability and development prospects;

- (3) Analyze such factors as the comprehensive strength, management standard, profitability, development ability and competitive edges of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司);
- (4) Forecast the expected earnings, beneficial periods and related risks of the company in the future;
- (5) Establish a pricing model for valuation under income approach.

### **(III) Valuation and estimates**

For valuation using asset-based approach, the valuers, after conducting necessary market survey and inquiry, valued and estimated the value of each asset and liability of the enterprise by using specific valuation approaches as appropriate, thereby determining the value of the shareholders' equity of the valued unit.

For valuation using income approach, the valuers performed a quantitative analysis on future earnings, beneficial periods and risk-reward of the enterprise through interviews with the management, in combined with a compare analysis on the similar listed companies, and based on a full understanding of market conditions, thereby determining the value of the shareholders' equity of the valued unit.

### **(IV) Valuation summary and report**

In accordance with the Standards for Asset Valuation–Valuation Report and the Guidance on State-owned Assets Valuation Report, the valuation results were summarized and analyzed and the Valuation Report and valuation explanation were prepared accordingly. The Valuation Report was internally reviewed in accordance with our internal quality control system.

## **IX. APPRAISAL ASSUMPTIONS**

### **(I) General Assumptions**

1. There will be no material changes in the state and local laws, regulations, rules and social political and economic policies currently in force and applicable to Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司).
2. Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) will maintain continuous operation during the lifetime of the power plant.
3. There will be no material changes in PRC's existing tax basis and rates, preferential tax policies, bank lending rates and other policy-based charges.

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 Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) would remain relatively stable and there would be no significant outflow of core professional personnel in the following years.
2. The present and future management of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) are responsible and its management would be able to steadily proceed with the development plan of the company to maintain a good operating position.
3. The future management of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) would comply with relevant PRC laws and regulations, and there would be no major non-compliance that might affect the development and earnings of the company.
4. Since the electricity generated by Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) in prior years has been connected to the grid for settlement according to actual installed capacity, this appraisal assumes that the corporate 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 300MWp Fengrong Photovoltaic Power Station Project in Yuyang District, Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) 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 company, the subsidy income of electricity tariff before being included in the subsidy catalog is expected to be recovered within three years from the Valuation Base Date, and the subsidy income of electricity tariff for 2021 and onwards is expected to be received around 1 year.
6. The accounting policies adopted by Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) are basically consistent with the accounting policies and the accounting methods used in revenue prediction in material aspects.

In the event that there is any discrepancy between the actual conditions and the above valuation assumptions in the future, the valuation conclusion of this valuation report will be affected, and the client and other users of the Valuation Report should give sufficient consideration to the potential impact of valuation assumptions on the valuation conclusion when using this valuation report.

\* For identification purposes only

## X. VALUATION CONCLUSIONS

### (I) Valuation conclusions under the asset-based approach

As per the valuation under the asset-based approach, the carrying value and the valuation value of the total assets of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) were RMB3,247.2346 million and RMB2,306.3967 million, respectively, representing an increase of RMB-940.8379 million or -28.97%; the carrying value and the valuation value of the total liabilities were RMB1,831.6316 million and RMB1,831.6316 million, respectively, representing an increase of RMB0.00 million or 0.00%; and the carrying value and the valuation value of all equity interests held by shareholders were RMB1,415.6030 million and RMB474.7651 million, respectively, representing an increase of RMB-940.8379 million or -66.46%. The valuation results are detailed in the following summary:

#### Summary of Asset Valuation Results

Valuation Base Date: 30 April 2020

Unit: RMB0,000

| Item                                               | Carrying<br>value<br>A | Valuation<br>value<br>B | Increase or<br>decrease<br>C=B-A | Appreciation<br>rate %<br>D=C/A×100 |
|----------------------------------------------------|------------------------|-------------------------|----------------------------------|-------------------------------------|
| 1 Current assets                                   | 97,607.92              | 97,607.92               | —                                | —                                   |
| 2 Non-current assets                               | 227,115.54             | 133,031.75              | -94,083.79                       | -41.43                              |
| 3 of which: available-for-sale<br>financial assets | —                      | —                       | —                                |                                     |
| 4 Held-to-maturity investments                     | —                      | —                       | —                                |                                     |
| 5 Long-term receivables                            | 16,500.00              | 16,500.00               | —                                | —                                   |
| 6 Long-term equity investments                     | —                      | —                       | —                                |                                     |
| 7 Investment properties                            | —                      | —                       | —                                |                                     |
| 8 Fixed assets                                     | 195,120.12             | 101,005.29              | -94,114.83                       | -48.23                              |
| 9 Construction-in-progress                         | —                      | —                       | —                                |                                     |
| 10 Construction materials                          | —                      | —                       | —                                |                                     |

| Item                                 | Carrying<br>value<br>A | Valuation<br>value<br>B | Increase or<br>decrease<br>C=B-A | Appreciation<br>rate %<br>D=C/A×100 |
|--------------------------------------|------------------------|-------------------------|----------------------------------|-------------------------------------|
| 11 Right-of-use assets               | 8,894.56               | 8,894.56                | —                                | —                                   |
| 12 Productive biological assets      | —                      | —                       | —                                | —                                   |
| 13 Oil and gas assets                | —                      | —                       | —                                | —                                   |
| 14 Intangible assets                 | 515.69                 | 546.73                  | 31.04                            | 6.02                                |
| 15 Development expenditures          | —                      | —                       | —                                | —                                   |
| 16 Goodwill                          | —                      | —                       | —                                | —                                   |
| 17 Long term deferred expenses       | 6,085.17               | 6,085.17                | —                                | —                                   |
| 18 Deferred income tax assets        | —                      | —                       | —                                | —                                   |
| 19 Other non-current assets          | —                      | —                       | —                                | —                                   |
| 20 Total assets                      | 324,723.46             | 230,639.67              | -94,083.79                       | -28.97                              |
| 21 Current liabilities               | 19,963.16              | 19,963.16               | —                                | —                                   |
| 22 Non-current liabilities           | 163,200.00             | 163,200.00              | —                                | —                                   |
| 23 Total liabilities                 | 183,163.16             | 183,163.16              | —                                | —                                   |
| 24 Net assets (shareholders' equity) | 141,560.30             | 47,476.51               | -94,083.79                       | -66.46                              |

## (II) Valuation conclusions under the income approach

As per the valuation under the income approach, the carrying value of the total assets and the total liabilities of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) were RMB3,247.2346 million and RMB1,831.6316 million, respectively, and the carrying value and the valuation under the income approach of all equity interests held by shareholders were RMB1,415.6030 million and RMB1,455.37 million, representing an increase of RMB39.7670 million or 2.81%.

## (III) Determination of valuation conclusions

The reason for the difference between the valuation results under the income approach and the asset-based approach: the valuation results under the income approach and the asset-based approach of all equity interests held by shareholders were RMB1,455.3700 million and RMB474.7651 million, with a difference of RMB980.6049 million or 206.55%.

The excess of the valuation result under the income approach over that under the cost method was attributable to the fact that the 300MWp Fengrong Photovoltaic Power Station Project in Yuyang District, Yulin City of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) has been supported by national industrial policies such as the subsidised tariff for renewable resources, while the market price of photovoltaic modules has decreased significantly in recent years.

At the same time, considering that the income approach emphasizes on the expected profitability of the overall assets of an enterprise and the valuation result thereunder represents the quantification and present value of the expected profitability of its overall assets. The cost approach indirectly values the fair market value of the assets from an asset replacement perspective and determines the overall value of an enterprise based on the present value of its assets.

The fundamental purpose of an enterprise's existence is to make profits. In the sale and purchase of overall assets or corporate equities, the purpose of purchase is often not the asset itself, but the profitability of the asset. The value determined by valuating the overall value of an enterprise under the income approach refers to the total amount of money paid to obtain the right to obtain the expected income of the assets. The overall value of an enterprise is closely related to the utility or usefulness of the assets. The greater an asset's utility, the stronger the profitability, and the greater its value.

In view of the above reasons, the valuation result under the income approach is determined to be the final valuation result of target assets in this valuation. That is, the value of the entire equity interests of shareholders of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) is estimated to be RMB1,455.37 million.

The valuation conclusion of this report is based on the above valuation. The impacts of liquidity on the value of shareholders' equity interests have not been taken into account in the valuation conclusion.

## **XI. NOTES ON PARTICULAR ISSUES**

The particular issues presented in this valuation report refer to, subject to confirmation of the valuation conclusion, the issues discovered by the valuation personnel which may affect the valuation conclusion but the assessment of such issues is beyond the practice standard and capabilities of the valuation personnel.

1. The accounting statements of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) on the Valuation Base Date have been audited by ShineWing Certified Public Accountants (Special General Partnership), and a special audit report with unqualified opinions (No. XYZH/2020BJA100518) has been issued.
2. In this valuation under the income approach, the power ratio of the components during their entire lifetime is mainly based on the Feasibility Study Report on the 300MW Photovoltaic Power Generation Project of Jiangshan Yongchen in Yuyang, Yulin (《江山永宸榆林榆陽光伏300MW發電工程可行性研究報告》) prepared by China Power Engineering Consulting Group Northwest Electric Power Design Institute Engineering Co., Ltd. (中國電力工程顧問集團西北電力設計院有限公司).

3. This estimated value of the fixed assets does not include VAT.
4. In December 2018, China Development Bank Financial Leasing Co., Ltd. and Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) entered into a financial lease contract numbered Guo Jin Zu [2018] Zu Zi No. (B-098). The lease item was the 300MW photovoltaic power station assets and auxiliary facilities, etc. of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司), and the lease was worth RMB1.65 billion. The lease term is 12 years. At the same time, Jiangshan Fengrong Investment Company Limited\* (江山豐融投資有限公司), a shareholder of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) pledged 100% of its equity interests in the Company to China Development Bank Financial Leasing Co., Ltd.
5. There are a total of 7 houses and buildings involved in this reporting valuation, with a floor area of 3,347.90 square meters. As of the Valuation Base Date, the initial registration of housing ownership has not been completed. The valuation personnel, based on the declaration and explanatory information of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司), included it in the valuation scope. The valuation results of houses that have not been registered for ownership do not include the cost of confirming the ownership of the houses to complete the registration procedures and the administrative fines that may be involved.
6. The transportation vehicles in this reporting valuation have been disposed of in May 2020. The valuation personnel checked relevant information such as the vehicle disposal contract, vouchers and invoices. This valuation confirms the assessed value based on the verified disposal value.
7. The registered capacity of the 300MWp Fengrong Photovoltaic Power Station Project of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司) in Yuyang, Yulin in this reporting valuation is 300MW. This valuation is estimated based on the actual installed capacity.

8. After being included into subsidies catalogue, the expected recovery period of tariff adjustment has a great impact on the valuation of the value of the entire equity interests of shareholders of Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司). Sensitivity analysis on the recovery period of tariff adjustment after being included into subsidies catalogue is as follows:

**Sensitivity analysis on the recovery period of tariff adjustment after  
being included into subsidies catalogue**

| <b>Recovery period of tariff adjustment after being<br/>included into subsidies catalogue</b> | <b>Valuation</b> | <b>Rate of<br/>valuation<br/>changes</b> |
|-----------------------------------------------------------------------------------------------|------------------|------------------------------------------|
| 0 year                                                                                        | 156,521.00       | 7.55%                                    |
| 1 year                                                                                        | 145,537.00       | 0.00%                                    |
| 2 years                                                                                       | 135,481.00       | -6.91%                                   |
| 3 years                                                                                       | 126,358.00       | -13.18%                                  |

9. The impacts of liquidity on the value of shareholders' equity interests have not been taken into account in the valuation conclusion.

## **XII. EXPLANATION OF THE LIMITATION ON THE USE OF VALUATION REPORT**

1. This valuation report shall be used for the valuation purpose and use set out in the Valuation Report.
2. The asset valuation agency and its asset appraisers take no responsibility if the client or other users of the Valuation Report fail to use this Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Valuation Report.
3. Except for the client, the other users of the Valuation Report as agreed in the asset valuation engagement contract and the users of the Valuation Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of the Valuation Report.
4. Users of the Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.
5. According to relevant regulations, this Valuation Report shall be submitted to the state-owned assets authority for filing purpose, and it shall not be used to realize the specified economic behavior until the filing formalities are completed.

6. For the excerpt, reference and disclosure of all or part of the contents of this Valuation Report, relevant contents shall be reviewed by the valuation agency unless it is otherwise provided by laws and administrative regulations and agreed by relevant parties.
7. The effective period for the use of the valuation conclusion shall be one year from the Valuation Base Date (i.e. it is ineffective to use the valuation conclusion of this Valuation Report after 29 April 2021).
8. This Valuation Report shall be used in its entirety. The asset valuation agency is not responsible for any losses arising from the use of only a portion of this report.

### **XIII. DATE OF THE VALUATION REPORT**

The date of this Valuation Report is 14 August 2020.

The above content is extracted from the full text of the Valuation Report. For the detailed information and correct understanding of the valuation conclusions of the valuated business, please refer to the full text of the Valuation Report.

**A. LETTER FROM REPORTING ACCOUNTANTS IN RELATION TO THE  
VALUATION REPORT****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

**B. 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 of the Board*

**1. RESPONSIBILITY STATEMENT**

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

**2. SHARE CAPITAL****(a) Share capital of the Company**

The authorised and issued share capital of the Company as at the Latest Practicable Date:

*Authorised:* *HK\$*

|                |        |               |
|----------------|--------|---------------|
| 30,000,000,000 | Shares | 3,000,000,000 |
|----------------|--------|---------------|

*Issued and fully paid:*

|                |        |                 |
|----------------|--------|-----------------|
| 22,427,948,432 | Shares | 2,242,794,843.2 |
|----------------|--------|-----------------|

All the issued shares in the capital of the Company rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

**(b) Share options**

As at the Latest Practicable Date, the Company has granted 589,250,000 share options conferring the right for the holders to subscribe for 589,250,000 Shares, details of which are set out as follows:-

| <b>Date of grant</b> | <b>Exercise price<br/>(HK\$/Share)</b> | <b>Number of<br/>outstanding<br/>share options</b> | <b>Exercise period <sup>(Note)</sup></b> |
|----------------------|----------------------------------------|----------------------------------------------------|------------------------------------------|
| 16 June 2017         | 1.076                                  | 197,500,000                                        | 16 June 2018 to 15 June 2022             |

*Note:* All share options granted by the Company shall vest in three tranches within a period of 3 years in proportions of 30%, 30% and 40%, i.e. 30% of the share options granted shall vest on the 1st anniversary of the grant, another 30% shall vest on the 2nd anniversary of the grant, and the remaining 40% shall vest on the 3rd anniversary of the grant. In this table, “exercise period” begins with the 1st anniversary of the grant date.

Save as disclosed in this circular and apart from the share options granted by the Company, the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

**3. DISCLOSURE OF INTERESTS OF DIRECTORS**

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in the Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

*Long positions in share options*

| Grantees                 | Date of grant | Exercise price<br>(HK\$/share) | Number of<br>outstanding<br>share options | Capacity         | Exercise period <sup>(Note)</sup> |
|--------------------------|---------------|--------------------------------|-------------------------------------------|------------------|-----------------------------------|
| Mr. Lu Zhenwei           | 16 June 2017  | 1.076                          | 5,000,000                                 | Beneficial owner | 16 June 2018 to<br>15 June 2022   |
| Mr. Kwan Kai<br>Cheong   | 16 June 2017  | 1.076                          | 3,000,000                                 | Beneficial owner | 16 June 2018 to<br>15 June 2022   |
| Mr. Yen Yuen Ho,<br>Tony | 16 June 2017  | 1.076                          | 3,000,000                                 | Beneficial owner | 16 June 2018 to<br>15 June 2022   |

*Note:* All share options granted by the Company shall vest in three tranches within a period of three years in proportions of 30%, 30% and 40%, i.e. 30% of the share options granted shall vest on the 1st anniversary of the grant, another 30% shall vest on the 2nd anniversary of the grant, and the remaining 40% shall vest on the 3rd anniversary of the grant. In this table, “exercise period” begins with the 1st anniversary of the grant date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Mr. Zhang Ping, an executive Director, is the assistant to the general manager of BEH, the Company’s controlling shareholder. Mr. Lu Zhenwei, an executive Director, is a director and the chairman of the board of directors of China Merchants New Energy Group Limited, which is a non wholly-owned subsidiary of China Merchants Group Limited, the Company’s substantial shareholder, and the director of New Energy Exchange Limited, which is a party acting in concert with China Merchants New Energy Group Limited. Mr. Xu Jianjun, an executive Director, is a deputy party secretary, general manager and a director of Qingdao Industrial Investment (Group) Co., Ltd.\* (青島城投實業投資(集團)有限公司), which is a wholly-owned subsidiary of the Company’s substantial shareholder, Qingdao City Construction Investment (Group) Co., Ltd. Mr. Sui Xiaofeng, a non-executive Director, is the head of strategic development department of BEH, the Company’s controlling shareholder, and a director and general manager of Beijing Energy Investment Holding (Hong Kong) Co., Limited, the Company’s controlling shareholder. Mr. Zhao Bing, a non-executive Director, is the head of finance department of BEH, the Company’s controlling shareholder, and the chairman and the general manager of Beijing Jingneng International Power Co., Ltd.\* (北京京能國際能源股份有限公司).

#### 4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, save as disclosed in the announcements of the Company dated 15 January 2020, 17 January 2020, 24 January 2020, 10 February 2020, 19 March 2020, 30 March 2020, 9 April 2020, 12 May 2020, 13 May 2020, 19 July 2020, 31 July 2020, 25 August 2020 and 28 September 2020, there was no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### 5. MATERIAL LITIGATION

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

#### 6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### 7. DIRECTOR'S INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

Reference is made to the announcement of the Company dated 31 December 2020 in relation to the cooperation framework agreement between United Photovoltaics (Shenzhen) Limited\* (聯合光伏(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, and Tibet Huaxing New Energy Technology Co., Ltd.\* (西藏華星新能源科技有限公司) (“**Tibet Huaxing**”) in relation to the proposed acquisition of the entire equity interest in a project company which owns a photovoltaic power generation project with total installed capacity of 20MW in Tibet, the PRC. Pursuant to the cooperation framework agreement, United Photovoltaics (Shenzhen) Limited\* (聯合光伏(深圳)有限公司) has agreed to pay a refundable amount of RMB50 million to Tibet Huaxing as earnest money, which shall be refundable (with interest) if the parties do not enter into a definitive agreement within the exclusivity period or the parties entered into a definitive agreement within the exclusivity period but later terminated such agreement. As at the Latest Practicable Date, Tibet Huaxing is ultimately owned and controlled by the family members of Ms. Xie Yi, a non-executive Director.

As at the Latest Practicable Date, save as disclosed herein, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group and no Director was interested in any assets which have been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2019 (being the date of which the latest published audited financial statements of the Group were made up).

## **8. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any of their close associates had interests in any business which competes or was likely to compete, either directly or indirectly, with the business of the Group which would fall to be discloseable under the Listing Rules.

## **9. EXPERTS AND CONSENT**

The following is the qualification of the expert who has given an opinion or advice, which is contained or referred to in this circular:

| <b>Name</b>                      | <b>Qualification</b>                    |
|----------------------------------|-----------------------------------------|
| ZhongHe Appraisal Co., Ltd.      | Valuer                                  |
| Grant Thornton Hong Kong Limited | Certified Public Accountants, Hong Kong |

The above mentioned experts are independent third parties of the Company and its connected persons and are collectively referred to as the “**Experts**” hereinafter.

Each of the Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of the Experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Experts did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

The letter from Grant Thornton in relation to the Valuation Report are set out in Appendix VI of this circular and is given as at the Latest Practicable Date for incorporation herein.

The Valuation Report from the Valuer is set out in Appendix V of this circular and is given as at the Latest Practicable Date for incorporation herein.

## 10. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and up to and including the Latest Practicable Date of this circular and are or may be material:

- (a) the capital increase agreement dated 25 February 2021 entered into by Qinqdao ICBC Shengjing Equity Investment Fund Co., Ltd.\* (青島工融盛景股權投資基金有限責任公司) and ICBC Financial Investment No. 3 (Tianjin) Equity Investment Partnership (Limited Partnership)\* (工融金投三號(天津)股權投資合夥企業(有限合夥))(together the “Investors”), and United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), United Photovoltaics (Shenzhen) Limited\* (聯合光伏(深圳)有限公司) and New Light Technology Limited (three of them are indirect wholly-owned subsidiaries of the Company) in relation to injection of RMB1 billion into United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) by way of cash contribution in return for RMB793,853,739 in the registered capital of United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司). Parties also agreed that the Investors are entitled to, but not obliged to, subsequently inject in aggregate of not more than RMB2 billion in return for RMB1,587,707,478 in the registered capital of United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司);
- (b) the sale and purchase agreement dated 8 February 2021 entered into by Beijing United Rongbang New Energy Technology Co., Ltd.\* (北京聯合榮邦新能源科技有限公司) and Inner Mongolia Xingbang United New Energy Co., Ltd.\* (內蒙古興邦聯合光伏新能源有限公司)(both are indirect wholly-owned subsidiaries of the Company), as purchasers and Zhongming Capital Holdings Group Co., Ltd.\* (中明資本控股集團有限公司) and Inner Mongolia Weiheng Industry and Trade Co., Ltd.\* (內蒙古偉恒工貿有限公司) as vendors in relation to the acquisition of entire equity interest in Inner Mongolia Minghua New Energy Co., Ltd.\* (內蒙古明華新能源股份有限公司) which holds in total 6 solar power plants with total installed capacity of 115MW in Inner Mongolia, the PRC at the consideration of RMB300,580,000;

- (c) the equity transfer agreement dated 29 January 2021 entered into by Beijing United Rongbang New Energy Technology Co., Ltd.\* (北京聯合榮邦新能源科技有限公司)(an indirect wholly-owned subsidiary of the Company), as purchaser and Inner Mongolia Yuanhai New Energy Co., Ltd.\* (內蒙古源海新能源有限責任公司) as vendor in relation to the acquisition of entire equity interest in Wulate Houqi Banner Yuanhai New Energy Co., Ltd.\* (烏拉特後旗源海新能源有限責任公司) which owns an operational solar power plant with the grid-connected capacity of 50MW located in Inner Mongolia, the PRC at the consideration of RMB52,550,000;
- (d) the framework agreement dated 31 December 2020 entered into by United Photovoltaics (Shenzhen) Limited\* (聯合光伏(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser and Tibet Huaxing New Energy Technology Co., Ltd.\* (西藏華星新能源科技有限公司), as vendor in relation to the proposed acquisition of the entire equity interest in a project company which owns a photovoltaic power generation project with total installed capacity of 20MW in Tibet, the PRC, pursuant to which the purchaser is required to pay a refundable amount of RMB50 million as earnest money;
- (e) the Sale and Purchase Agreement;
- (f) the agreement dated 18 September 2020 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser and State-owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP)\* (深圳國調招商併購股權投資基金合夥企業(有限合夥)) as vendor in relation to the buy-back of 17% equity interest in Fengxian Huize Photovoltaic Energy Limited\* (豐縣暉澤光伏能源有限公司) at the consideration of RMB50,326,107.31;
- (g) the agreement dated 15 September 2020 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser and Zhangjiagang City China Merchants Port Equity Investment Partnership Enterprise (LP)\* (張家港市招港股權投資合夥企業(有限合夥)) as vendor in relation to the buy-back of 17% equity interest in Fengxian Huize Photovoltaic Energy Limited\* (豐縣暉澤光伏能源有限公司) at the consideration of RMB48,163,851;
- (h) the agreements dated 17 August 2020 entered into by Yongsheng Huiguang Photovoltaic Power Generation Co. Ltd.\* (永勝惠光光伏發電有限公司), a subsidiary of the Company, as lessee and Shenzhen Jingneng Financial Leasing Co., Ltd.\* (深圳京能融資租賃有限公司) as lessor in relation to the sale and leaseback of Yongren Huiguang 35MW Photovoltaic Power Station and Yongsheng Huiguang 19.8MW Photovoltaic Power Station system equipment involving total lease amount payable of approximately RMB370 million and related security documents;

- (i) the agreements dated 14 August 2020 entered into by CITIC Financial Leasing Co., Ltd.\* (中信金融租賃有限公司) as lessor and each of Datong Panda Photovoltaic Power Co., Ltd.\* (大同熊貓光伏發電有限公司), Hainan Zhouyahui New Energy Co., Ltd.\* (海南州亞暉新能源電力有限公司) and Zhongli Talesun Gonghe Photovoltaic Power Co., Ltd.\* (中利騰暉共和光伏發電有限公司), each a subsidiary of the Company, as lessee in relation to sale and leaseback of power station equipment for certain grid-connected photovoltaic power generation projects owned by such subsidiaries involving total lease amount payable of approximately RMB512 million and related security documents;
- (j) the financial services framework agreement dated 3 July 2020 entered into by the Company and BEH Finance Co., Ltd.\* (京能集團財務有限公司) in relation to the provision of deposit services, loan services and other financial services to the Group for the three years ending 31 December 2022;
- (k) the agreement dated 15 May 2020 (as amended by the supplemental agreement dated 5 August 2020) entered into by the Company and Shenzhen Jingneng Financial Leasing Co., Ltd.\* (深圳京能融資租賃有限公司) in relation to the provision of financial leasing services to the Company for the three years ending 31 December 2022;
- (l) the agreement dated 17 January 2020 entered into by the Company, China Merchants Union (BVI) Limited and Wealthy Marvel Enterprises Limited as subscribers and CMB International Capital Limited as placing agent in relation to the subscription and placing of the Company's US\$260,000,000 8% guaranteed senior notes due 2022;
- (m) the agreement dated 16 December 2019 entered into by the Company and CMB International Capital Limited as dealer manager and certain subsidiaries of the Company as subsidiary guarantors in relation to provision of dealer manager services in connection with the exchange offer for the Company's then outstanding US\$350,000,000 8.25% senior notes due 2020;
- (n) the agreement dated 19 November 2019 entered into by the Company and Beijing Energy Investment Holding (Hong Kong) Co., Limited as subscriber in relation to the subscription of 7,176,943,498 Shares at the subscription price of HK\$0.25 per Share;
- (o) the agreement dated 5 September 2019 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor and Changzhou Zhaolian Lvchang New Energy Limited\* (常州市招聯綠昌新能源有限公司) as purchaser in relation to the disposal of the entire equity interest in Changzhou Zhaolian Lvzhao New Energy Limited\* (常州市招聯綠昭新能源有限公司) at the consideration of RMB1 million;

- (p) the agreement dated on 5 September 2019 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor and Shanxi Silu Electricity Engineering Co. Ltd.\* (山西絲路電力工程有限公司) as purchaser in relation to the disposal of the entire equity interest in Changzhou Zhaolian Lvyi New Energy Limited\* (常州市招聯綠奕新能源有限公司) at the consideration of RMB197,500,000;
- (q) the agreement dated 5 July 2019 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor and Zhangjiagang City China Merchants Port Equity Investment Partnership Enterprise (LP)\* (張家港招港股權投資合夥企業(有限合夥)) as purchaser in relation to the disposal of 17% equity interest in Fengxian Huize Photovoltaic Energy Limited\* (豐縣輝澤光伏能源有限公司) at the consideration of RMB43,350,000;
- (r) the agreement and the supplemental agreement both dated 22 March 2019 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor and State-owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP)\* (深圳國調招商併購股權投資基金合夥企業(有限合夥)) as purchaser in relation to the disposal of 17% equity interest in Fengxian Huize Photovoltaic Energy Limited\* (豐縣輝澤光伏能源有限公司) at the consideration of RMB43,350,000; and
- (s) the sale and purchase agreement dated 19 March 2019 entered into by Pearl International Investments S.a.r.l., an indirect wholly-owned subsidiary of the Company, as seller and Greencoat Solar Assets II Limited as buyer in relation to the disposal of the entire equity interest in Notus Investments 2 S.à r.l. at the consideration of GBP 34,048,997.75.

## 11. GENERAL

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The Company's Hong Kong branch share registrar and transfer office is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (c) The company secretary of the Company is Ms. Zhang Xiao, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

- (d) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours (9:00 a.m. to 6:00 p.m.) from Monday to Friday (both days inclusive) up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (c) the Sale and Purchase Agreement;
- (d) the accountant's report on the financial information of the Target Company, the text of which is set out in Appendix II of this circular;
- (e) the unaudited pro forma financial information of the Enlarged Group and the report of Grant Thornton Hong Kong Limited thereon, the text of which is set out in Appendix III of this circular;
- (f) the Valuation Report from the Valuer, the summarised text of which is set out in Appendix V of this circular;
- (g) the letter from Grant Thornton in relation to the Valuation Report, the text of which is set out in Appendix VI of this circular;
- (h) the letter from the Board in relation to the profit forecast, the text of which is set out in Appendix VI of this circular;
- (i) the consent letters from the Valuer and Grant Thornton referred to in the section headed "9. Experts and Consent" in this appendix;
- (j) the material contracts of the Company set out in the section headed "10. Material Contracts" in this appendix; and
- (k) this circular.

*The following information is given to all Shareholders relating to the biographical details of the retiring Director eligible for re-election to be proposed at the SGM.*

**NON-EXECUTIVE DIRECTOR**

Mr. Zhao Bing (“**Mr. Zhao**”), aged 43, was appointed as a non-executive Director of the Company on 29 January 2021 and are members of the remuneration committee and the risk control committee of the Company. Mr. Zhao also serves as the head of finance department of Beijing Energy Holding Co., Ltd.\* (北京能源集團有限責任公司), being a controlling Shareholder of the Company, the chairman and the general manager of Beijing Jingneng International Power Co., Ltd.\* (北京京能國際能源股份有限公司), and a director of Bank of Beijing Co., Ltd.\* (北京銀行股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601169). Mr. Zhao served as the deputy general manager and the chief accountant of Beijing Jingneng Power Co., Ltd.\* (北京京能電力股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600578), successively from March 2018 to July 2020; the financial controller and the director of Beijing Haohua Energy Resource Co., Ltd.\* (北京昊華能源股份有限公司) (“**Haohua Energy**”), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601101), successively from March 2017 to May 2018; the head of strategic investment department of Beijing Jingmei Group Co., Ltd.\* (北京京煤集團有限責任公司) from June 2016 to March 2017; the head of securities department of Haohua Energy from June 2013 to June 2016; the deputy general manager and the financial controller of Erdos Haohua Clean Coal Co., Ltd.\* (鄂爾多斯市昊華精煤有限責任公司) successively from June 2009 to June 2013; the deputy head of finance department of Haohua Energy from November 2007 to June 2009. Mr. Zhao has extensive experience in finance and management. Mr. Zhao is a senior accountant who graduated from Heilongjiang University of Science and Technology with a bachelor’s degree in management, and received a master’s degree in finance from Queen’s University in Canada.

The Company and Mr. Zhao entered into a service contract for a term of one year commencing from 29 January 2021, which may be renewed for one year each time upon expiration if agreed by the parties, or may be terminated by one month’s notice in writing or payment in lieu of notice. Mr. Zhao is entitled to a director’s fee of HK\$200,000 per annum for his service as a non-executive Director, which was determined with reference to his duties and responsibilities with the Company, the Company’s remuneration policy and the prevailing market level of remuneration of similar position, and subject to review at the discretion of the Board at the end of each financial year.

As at the Latest Practicable Date, Mr. Zhao is not interested or deemed to be interested in any shares, underlying shares or debentures of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, (i) Mr. Zhao does not hold any other position with the Company or its subsidiaries nor have any relationship with any Director, senior management, substantial Shareholder or controlling Shareholder of the Company; (ii) Mr. Zhao did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iii) Mr. Zhao does not have other discloseable major appointments or professional qualifications.

Save as disclosed above, there are no matters concerning the re-election of Mr. Zhao that needs to be brought to the attention of the Shareholders or the Stock Exchange, nor is there any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the special general meeting (the “**Meeting**”) of Beijing Energy International Holding Co., Ltd. (the “**Company**”) will be held at Room 1811, 18/F., Building 5, No. 9 Courtyard, Guang’an Road, Fengtai District, Beijing, PRC and via video conference set up at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Wednesday, 31 March 2021 at 11:00 a.m., for the purpose of considering and, if thought fit, passing with or without modification or amendment the following purpose:

#### ORDINARY RESOLUTIONS

**“THAT:**

1. (a) the Sale and Purchase Agreement (as defined in the circular of the Company dated 12 March 2021 (the “**Circular**”)), a copy of which is marked “A” and initialled by the Chairman of the Meeting for the purpose of identification, the terms and the transactions contemplated thereunder as set out in the Circular be and are hereby approved, confirmed and ratified; and  
  
(b) any one of the directors of the Company be and is hereby authorised for and on behalf of the Company to take any action and execute such further documents as he or she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Sale and Purchase Agreement.”
2. **“THAT** Mr. Zhao Bing be re-elected as a non-executive director of the Company and the board of directors of the Company be authorised to fix his remuneration.”

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

Hong Kong, 12 March 2021

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. To facilitate shareholders of the Company (the “**Shareholders**”) attending the Meeting, electronic facilities will be set up at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong (the “**Hong Kong Venue**”) where Shareholders or his/her/its proxies may participate in the Meeting, and communicate with other attendees of the Meeting through such electronic facilities in a real and timely manner. Shareholders or his/her/its proxies can also cast their votes at Hong Kong Venue in person.

2. Precautionary measures for the Meeting

In view of the ongoing novel coronavirus disease (“**COVID-19**”) pandemic, the Company will implement the following precautionary measures at the Meeting venue and the Hong Kong Venue for the sake of health and safety of our Shareholders, Directors, staff, stakeholders and other participants, including, without limitation:

- 1) Compulsory temperature checks
- 2) Filling and submission of health declaration form
- 3) Wearing of surgical face mask
- 4) No refreshments or drinks will be provided

Any person who does not comply with the precautionary measures referred to items no.(1) to (3) above, with body temperature above 37.2 degree Celsius, has any of the symptoms stated in the health declaration form or is subject to any Hong Kong Government prescribed quarantine (in the case of attending Hong Kong Venue), may be denied entry into the Meeting venue or Hong Kong Venue. The Company encourages Shareholders to appoint the chairman of the Meeting as their proxy to vote according to their indicated voting instructions on the relevant resolutions at the Meeting as an alternative to attending the Meeting in person to exercise their voting rights at the Meeting. The Company will continue to review the COVID-19 pandemic situation and may implement further precautionary measures and may make relevant adjustments and arrangements for the Meeting accordingly. Further announcement will be issued as and when appropriate.

3. For the purpose of determining the entitlement for attending and voting at the Meeting, the register of members of the Company will be closed from Friday, 26 March 2021 to Wednesday, 31 March 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be qualified for attending and voting at the Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged at the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Thursday, 25 March 2021.
4. A member entitled to attend and vote at the Meeting is entitled to appoint one or, if he holds two or more shares, more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
5. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish. In such event, the instrument appointing such a proxy shall be deemed to be revoked.

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## NOTICE OF SPECIAL GENERAL MEETING

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6. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding of the Meeting or any adjournment thereof.
7. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
8. Votes on the ordinary resolutions set out herein and are to be passed at the Meeting will be taken by way of poll.
9. If Tropical Cyclone Warning Signal No.8 or above, black rainstorm warning or extreme conditions caused by super typhoons is in effect in Hong Kong after 8:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of the Company at <http://www.bjei.com> and on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> to notify shareholders of the date, time and place of the rescheduled meeting.
10. As at the date hereof, the Board comprises:

*Executive Directors:*

Mr. Zhang Ping (*Chairman*)

Mr. Lu Zhenwei

Mr. Xu Jianjun

*Non-executive Directors:*

Mr. Sui Xiaofeng

Mr. Zhao Bing

Mr. Li Hao

Ms. Xie Yi

*Independent Non-executive Directors:*

Mr. Kwan Kai Cheong

Mr. Yen Yuen Ho, Tony

Mr. Chen Hongsheng

Ms. Jin Xinbin