THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this supplemental 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 supplemental circular, together with the enclosed revised 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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京能集团

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)

SUPPLEMENTAL CIRCULAR OF THE ANNUAL GENERAL MEETING IN RELATION TO MAJOR TRANSACTION INVOLVING ACQUISITIONS OF EQUITY INTERESTS IN EACH OF THE TARGET COMPANIES OWNING WIND POWER PROJECTS IN SHANXI PROVINCE, THE PRC AND SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

This supplemental circular should be read together with the circular of the Company dated 27 May 2022. The AGM of the Company will be held at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong and via online platform on Tuesday, 28 June 2022 at 11:00 a.m.. A supplemental notice convening the AGM is set out on pages 336 to 337 of this supplemental circular.

A revised form of proxy for the AGM is enclosed. Whether or not you are able to attend the AGM in person or via online platform, you are requested to complete the accompanying revised 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, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the AGM or any adjournment thereof (as the case may be). Completion and return of the revised form of proxy will not preclude you from attending and voting in person or via online platform at the AGM or any adjournment thereof (as the case may be) should you so wish.

13 June 2022

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

"Acquisition(s)"	all or any of the proposed acquisition of the equity interest in each of the Target Companies by the Purchaser from the Vendor, as contemplated under the Equity Transfer Agreements
"AGM" or "Annual General Meeting"	the annual general meeting of the Company to be convened at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong and via online platform on Tuesday, 28 June 2022 at 11:00 a.m. or any adjournment thereof, and the supplemental notice of which is set out in this supplemental circular
"Announcement"	the announcement of the Company dated 1 March 2022 in relation to the Equity Transfer Agreements and the transactions contemplated thereunder
"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 share capital of the Company
"Board"	the board of Directors of the Company
"Business Day"	a day excluding Saturdays, Sundays and statutory holidays in the PRC
"Closing"	completion of the relevant Acquisition pursuant to the corresponding Equity Transfer Agreement
"Company"	Beijing Energy International Holding Co., Ltd., a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 686)
"Conditions Precedent"	the conditions precedent to the completion of the sale and purchase of the equity interests in the Target Companies set out in each of the Equity Transfer Agreements
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	directors of the Company

"Enlarged Group"	the Group as enlarged by the Acquisitions upon Closing
"Equity Transfer Agreement(s)"	the conditional equity transfer agreement(s) and the supplemental agreement(s) (as applicable) dated 1 March 2022 entered into by the Purchaser and the Vendor, respectively, in relation to the relevant Acquisition, on the terms and conditions set out therein
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	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
"Latest Practicable Date"	8 June 2022, being the latest practicable date prior to the printing of this supplemental circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Outstanding Matters"	the outstanding matters stipulated in the respective Equity Transfer Agreement and as supplemented to be completed by the Vendor and each of the relevant Target Companies
"percentage ratio"	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
"PRC"	the People's Republic of China, which for the purpose of this supplemental circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Previous Acquisitions"	the Group's acquisitions of entire equity interests in certain companies from the Vendor as disclosed in the announcements of the Company dated 10 December 2021 and 17 December 2021

"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 subsidiary of the Company owned as to approximately 99.9%
"RMB"	Renminbi, the lawful currency of the PRC
"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) of the Company
"Shuozhou Wind Energy"	Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd.*(朔州市平魯區紅溝風電有限公司), a company established in the PRC with limited liability and is directly wholly owned by the Vendor as at the Latest Practicable Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company(ies)"	All or any of Shuozhou Wind Energy, Xiyang New Energy, Xiyang Wind Energy and Youyu Wind Energy
"Valuation Reports"	the valuation reports dated 8 January 2022 prepared by the Valuer in relation to the entire equity interest in each of the Target Companies
"Valuer"	China Alliance Appraisal Co., Ltd.*(北京中同華資產評估有限公司), a limited liability company established in the PRC
"Vendor"	Shanghai Sineng Investment Co., Ltd.*(上海斯能投資有限公司), a company established in the PRC with limited liability

"Xiyang New Energy"	Xiyang County Sineng New Energy Co., Ltd.*(昔陽縣斯能新能源有限公司), a company established in the PRC with limited liability and is directly owned as to 49% by the Vendor and 51% by China Three Gorges Renewables (Group) Co., Ltd.*(中國三峽新能源(集團)股份有限公司) as at the Latest Practicable Date
"Xiyang Wind Energy"	Xiyang County Sineng Wind Energy Co., Ltd.*(昔陽縣斯能風電有限公司), a company established in the PRC with limited liability and is directly wholly owned by the Vendor as at the Latest Practicable Date
"Youyu Wind Energy"	Youyu County Sineng Wind Energy Co., Ltd.*(右玉縣斯能風電有限公司), a company established in the PRC with limited liability and is directly wholly owned by the Vendor as at the Latest Practicable Date
"%"	per cent

* *In this supplemental 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.*

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. Wang Heng

Non-executive Directors:
Mr. Zhao Bing
Mr. Su Yongjian
Mr. Li Hao

Independent Non-executive Directors:
Ms. Jin Xinbin
Ms. Li Hongwei
Mr. Zhu Jianbiao

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business in Hong Kong:
Unit 1012, 10/F.
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

13 June 2022

To the Shareholders

Dear Sir or Madam,

SUPPLEMENTAL CIRCULAR OF THE ANNUAL GENERAL MEETING IN RELATION TO MAJOR TRANSACTION INVOLVING ACQUISITIONS OF EQUITY INTERESTS IN EACH OF THE TARGET COMPANIES OWNING WIND POWER PROJECTS IN SHANXI PROVINCE, THE PRC AND SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

1. INTRODUCTION

This supplemental circular should be read together with the circular of the Company dated 27 May 2022 which contains, among other things, information regarding the resolutions to be proposed at the AGM.

References are made to the Announcement dated 1 March 2022 in relation to the Acquisitions and the announcements of the Company dated 10 December 2021 and 17 December 2021 in relation to the Group's entering into of the Previous Acquisitions.

The purpose of this supplemental circular is to provide you with, among other things, (i) details of the Equity Transfer Agreements; (ii) financial information of the Group and the Target Companies; (iii) unaudited pro forma financial information of the Enlarged Group; (iv) the Valuation Reports of the Target Companies; (v) other information as required under the Listing Rules; and (vi) the supplemental notice of AGM, to enable you to make an informed decision on whether to vote for or against the resolution proposed at the AGM.

2. MAJOR TRANSACTION IN RELATION TO THE ACQUISITIONS OF THE EQUITY INTERESTS IN EACH OF THE TARGET COMPANIES

On 1 March 2022 (after trading hours), the Purchaser (an indirect non wholly-owned subsidiary of the Company) and the Vendor entered into the Equity Transfer Agreements, respectively, in relation to the Acquisitions of each of the Target Companies, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the equity interests in each of the Target Companies.

THE ACQUISITIONS

The Equity Transfer Agreements

Each of the Equity Transfer Agreements is of similar principal terms except the identity of the Target Companies and the consideration, which are set out as below:

Date: 1 March 2022 (after trading hours)

Parties: (i) The Purchaser

(ii) The Vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and each of the Target Companies and their respective ultimate beneficial owners (if applicable) are independent third parties of the Company and its connected persons as at the Latest Practicable Date.

Equity interests to be acquired

Pursuant to the respective Equity Transfer Agreement, the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire equity interests in each of Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy and 49% equity interests in Xiyang New Energy.

Consideration and Payment Terms

The consideration for the transfer of equity interests in Shuozhou Wind Energy, Xiyang New Energy, Xiyang Wind Energy and Youyu Wind Energy is approximately RMB510,867,000, RMB431,640,000, RMB179,907,000 and RMB328,224,000, respectively. The aggregate consideration of the Acquisitions amounts to approximately RMB1,450,638,000 and the consideration shall be paid by the Purchaser to the Vendor by way of bank transfer and by instalments, specific amount of which are stated below:

	Shuozhou Wind Energy *(RMB)* *Approximate*	**Xiyang New Energy** *(RMB)* *Approximate*	**Xiyang Wind Energy** *(RMB)* *Approximate*	**Youyu Wind Energy** *(RMB)* *Approximate*
First instalment[(1)]	220,616,000	258,984,000	82,996,000	172,496,000
Second instalment[(2)]	274,951,000	170,131,000[(4)]	93,336,000	131,378,000
Remaining balance[(3)]	15,300,000	N/A	3,575,000	24,350,000
Total	510,867,000	429,115,000[(4)]	179,907,000	328,224,000

Notes:

(1) Payable within five (5) Business Days upon the effective of the Equity Transfer Agreements.

(2) Payable within seven (7) Business Days upon the date of Closing.

(3) Payable within five (5) Business Days after the Purchaser receives the documents proving the completion of the Outstanding Matters to its satisfaction.

(4) The defects rectification payment of approximately RMB2,525,000 relates to the defects discovered by the Group during the due diligence process. However, as China Three Gorges Renewables (Group) Co., Ltd.* (中國三峽新能源(集團)股份有限公司)("**China Three Gorges**") will continue to have control over Xiyang New Energy after Closing, the timing and the actual measures of the rectification plan are uncertain and will be determined by China Three Gorges. As such, instead of requiring China Three Gorges and the Vendor to agree on rectifying the defects within a specified time frame, the Purchaser requested the Vendor to make a payment which will be reserved for rectifying the defects in the future and such payment will be deducted from the second instalment. Prior to the said deduction, the total consideration is RMB431,640,000 and the second instalment is approximately RMB172,656,000.

Basis of the Consideration

The consideration under each of the Equity Transfer Agreements was determined after arm's length negotiation between the Group and the Vendor after considering various factors, among others, including (i) the financial performance of each of the Target Companies as at 30 June 2021, such as the revenue to be generated by each of the Target Companies and the total construction costs of the wind power generation projects owned by each of the Target Companies; (ii) the tariff adjustment receivables to be received by each of the Target Companies as at 30 June 2021; (iii) the consolidated liabilities and expenses payable by each of the Target Companies as at 30 June 2021; and (iv) the appraised value for the entire equity interest of Shuozhou Wind

Energy, Xiyang New Energy, Xiyang Wind Energy and Youyu Wind Energy as at 30 June 2021 of approximately RMB502,000,000, RMB884,000,000, RMB190,000,000 and RMB449,000,000, respectively, as stated in the Valuation Reports.

Summary of the Valuation Reports

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

Basis assumptions

Details of the key assumptions used in determining the value of the entire equity interest in each of the Target Companies upon which the Valuation Reports were issued are set out below:

(i) General Assumptions

1. All the subject assets are at the transaction stage and the valuer conduct market simulation and valuation based on the transaction terms etc..

2. The assets being transacted and proposed to be transacted in the market have equal standing and the parties have sufficient opportunities and time to obtain market information to enable them to make rational judgment as to the subject assets' functionality, usage and transaction price etc..

3. The subject entity will fully comply with all the relevant laws and regulations and maintain continuous operation during the lifetime of the equipment.

(ii) Specific Assumptions

1. The specific valuation purposes stated in the valuation report are the premises of the valuation.

2. There will be no material change in the current applicable national laws, regulations, macro-economic condition. Besides, there will be no unforeseeable material change as to the external economic environment, including interest rate, exchange rate, taxation basis, tax rate and administrative charges etc..

3. The future operation and management team of the subject entity will commit due effort and maintain the current mode of operation and management and the scope and way of conducting business shall be consistent with the present direction.

4. The subject asset shall be used continuously in accordance with the current usage, way of using, scale, frequency and environment etc.. The valuation does not take into account the optimal usage of each of the assets.

5. Based on the current way and standard of management, there will not be any force majeure factors or unforeseeable factors which constitute a material adverse effect on the entity.

6. The relevant basic and financial information provided by the subject entity and principal are true, accurate and complete.

7. The financial statements and transaction records etc. of the comparables relied upon by the valuation personnel are true and reliable.

8. The scope of valuation is based on the valuation declaration forms provided by the principal and the subject entity and does not take into account any other assets or contingent liabilities which fall outside the said forms.

9. The net cashflow of the subject entity is evenly recorded during the year.

10. The subject entity will obtain the compliance permits such as the ownership certificate for the properties, the construction land planning permit and the planning permit for construction engineering etc. by the end of 2022 and the relevant administrative penalties involving the construction land are withdrawn. (in respect of the valuation for Youyu Wind Energy, Shuozhou Wind Energy and Xiyang Wind Energy)

11. The subject entity can enter the subsidy list of renewable energy electricity*（可再生能源發電補貼清單）and obtain subsidies in full in the future. Besides, it is assumed that the subsidies will be recovered within a receivable period of two years. (in respect of the valuation for Youyu Wind Energy and Shuozhou Wind Energy)

12. The renewal energy subsidies being received during a receivable period of two years. (in respect of the valuation for Xiyang Wind Energy)

13. The subject entity will be able to receive various levels of subsidies in full within a receivable period of two years. (in respect of the valuation for Xiyang New Energy)

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 Companies prepared by the Valuer used in the Valuation Reports, which do not involve the adoption of accounting policies.

The Directors confirm that the valuation of the entire equity interest of each of the Target Companies in the Valuation Reports, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry. A report from Grant Thornton in compliance with Rule 14.62(2) of the Listing Rules is included in Appendix VI to this supplemental circular and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules is included in Appendix VI to this supplemental circular.

Experts and consents

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

Name	**Qualification**
China Alliance Appraisal Co., Ltd.* (北京中同華資產評估有限公司)	Valuer
Grant Thornton Hong Kong Limited	Certified Public Accountants, Hong Kong

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

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

Conditions Precedent

The Closing is conditional on, among other things:

(i) the relevant Equity Transfer Agreement having been executed by the Vendor and the Purchaser;

(ii) all necessary and required approvals regarding the transaction contemplated under the Equity Transfer Agreements having been obtained, including: (a) with respect to the Vendor, both internal and external approvals, consents and authorities and the consents from all other third parties (if necessary); and (b) with respect to the Purchaser, the approval from its shareholders (if applicable) and its board of directors and the shareholders' approval from its controlling shareholder, namely the Company;

(iii) no regulations or orders having been formulated, published, promulgated, implemented or approved by any governmental authorities that would cause the Equity Transfer Agreements and the transactions contemplated thereunder illegal or otherwise restrict or prohibit the Equity Transfer Agreements and any transaction contemplated thereunder;

(iv) both Vendor and Purchaser having fulfilled their commitments and promises under the Equity Transfer Agreements in all material respects on or before the date of Closing and both Vendor and Purchaser ensure that all the representations and warranties are and will be true and accurate in all material respects as at the date of the Equity Transfer Agreements and the date of Closing unless such representations and warranties are provided on a specific date which would be true and accurate in all material respects as at such specific date under this circumstance;

(v) the names of the proposed legal representative, director(s), supervisor(s), manager(s) and financial officer(s) to be changed and the proposed amendments on the articles of association of the relevant Target Companies having been provided by the Purchaser;

(vi) no occurrence of events with material negative impact on the Target Companies, or such issues having being resolved before the date of Closing;

(vii) the Purchaser and Vendor having obtained the written approval from the financial institutions as the debt creditors of the Target Companies or notified such financial institutions in relation to the Acquisitions; and

(viii) the Purchaser having paid the Vendor the first instalment of the consideration under each of the Equity Transfer Agreements.

Apart from those Conditions Precedent, the acquisition of Xiyang New Energy is also conditional on China Three Gorges Renewables (Group) Co., Ltd.*（中國三峽新能源(集團)股份有限公司）having consented to not exercise its right of first refusal on the acquisition of 49% equity interests in Xiyang New Energy in written or being deemed to consent to not exercise such right pursuant to the PRC laws and the articles of association of Xiyang New Energy.

As at the Latest Practicable Date, Conditions Precedent (i), (iii), (v) and (vi) have been fulfilled. Other than that, China Three Gorges Renewables (Group) Co., Ltd. has informed the Vendor in written that it will not exercise its right of first refusal on the acquisition of 49% equity interests in Xiyang New Energy.

Closing

Closing of each of the Equity Transfer Agreements shall take place within three (3) Business Days after the Conditions Precedent have been fulfilled or waived in writing and both Vendor and Purchaser shall complete the registration of the transfer of equity interest in the relevant Target Company under the name of the Purchaser. The issuance date of the new business license being issued to the relevant Target Company shall be the date of Closing.

Upon Closing of the Acquisitions, Xiyang New Energy will be accounted for as an associate of the Company and its financial results and assets and liabilities will not be consolidated into the consolidated financial statements of the Company while other Target Companies will become an indirect non wholly-owned subsidiaries of the Company and their financial results and assets and liabilities will be consolidated into the consolidated financial statements of the Company.

Closing of each of the Equity Transfer Agreements is not conditional upon each other.

INFORMATION ABOUT THE PARTIES TO THE EQUITY TRANSFER AGREEMENTS

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 power plants and other renewable energy projects.

The Purchaser is a company established in the PRC with limited liability and an indirect subsidiary of the Company owned as to approximately 99.9%. It is principally engaged in the investment, development and operation of solar energy and other clean energy.

Information of the Target Companies

Each of the Target Companies is a company established in the PRC with limited liability. The Target Companies are principally engaged in the operation, maintenance and management of new energy power plants in the PRC and located in different counties in Shanxi, the PRC. Shuozhou Wind Energy is operating a wind power plant with the grid-connected capacity of 100MW, Xiyang New Energy is operating a wind power plant with the grid-connected capacity of 200MW, Xiyang Wind Energy is operating three wind power plants with the grid-connected capacity of 10MW each and Youyu Wind Energy is operating a wind power plant with the grid-connected capacity of 99.5MW.

The table below sets out certain audited financial information of the Target Companies for the two years ended 31 December 2021:

Shuozhou Wind Energy

	For the year ended 31 December	
	2020	**2021**
	(audited)	(audited)
	RMB'000	*RMB'000*
Profit before taxation	12,206	42,820
Profit after taxation	15,268	42,820

As at 31 December 2021, the net assets of Shuozhou Wind Energy amounted to approximately RMB247,415,000.

Xiyang New Energy

	For the year ended 31 December	
	2020	**2021**
	(audited)	(audited)
	RMB'000	*RMB'000*
Profit before taxation	46,559	77,645
Profit after taxation	39,952	58,202

As at 31 December 2021, the net assets of Xiyang New Energy amounted to approximately RMB470,071,000.

Xiyang Wind Energy

	For the year ended 31 December	
	2020	**2021**
	(audited)	(audited)
	RMB'000	*RMB'000*
Profit before taxation	8,438	17,373
Profit after taxation	9,250	17,373

As at 31 December 2021, the net assets of Xiyang Wind Energy amounted to approximately RMB74,868,000.

Youyu Wind Energy

	For the year ended 31 December	
	2020	**2021**
	(audited)	(audited)
	RMB'000	*RMB'000*
Profit before taxation	26,029	37,774
Profit after taxation	29,615	32,722

As at 31 December 2021, the net assets of Youyu Wind Energy amounted to approximately RMB233,145,000.

Information of the Vendor

The Vendor is principally engaged in the wind power generation, photovoltaic power generation, high-tech investment consulting and investment management. As at the Latest Practicable Date, each of the Target Companies, apart from Xiyang New Energy, is a direct wholly-owned subsidiary of the Vendor and Xiyang New Energy is owned as to 49% by the Vendor and 51% by China Three Gorges Renewables (Group) Co., Ltd.*(中國三峽新能源(集團)股份有限公司)(an other joint stock company (listed) established in the PRC with limited liability and listed on Shanghai Stock Exchange with stock code of 600905). The Vendor is directly owned as to 50% by each of Shanghai Maifu New Energy Technology Company Limited*(上海勤福新能源科技有限公司)("**Shanghai Maifu**") and Tibet Shannan Heyi Investment Holding Company Limited*(西藏山南合一投資控股有限公司)("**Tibet Shannan**"). Shanghai Maifu is ultimately wholly owned by Macquarie Group Limited ("**MQG**"), a company listed in Australian Securities Exchange Limited (the "**ASX**") with stock code of MQG, which is a global financial services group operating in 32 markets pursuant to MQG's annual report for the year ended 31 March 2021 published on the website of the ASX. Tibet Shannan is ultimately controlled by Ms. Zhang Jin Hui(張錦輝女士).

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners, including Ms. Zhang Jin Hui(張錦輝女士), MQG and its ultimate beneficial owners are independent third parties of the Company and its connected persons as at the Latest Practicable Date.

FINANCIAL EFFECTS OF THE ACQUISITIONS

Upon Closing of the Acquisition, Xiyang New Energy will be accounted for as an associate of the Company and its financial results and assets and liabilities will not be consolidated into the consolidated financial statements of the Company while other Target Companies will become an indirect non wholly-owned subsidiaries of the Company and their financial results and assets and liabilities will be consolidated into the consolidated financial statements of the Company.

As referred to in "Appendix III – Unaudited Pro Forma Financial Information of the Enlarged Group" to this supplemental circular, on the basis the Acquisitions had taken place and had completed on 31 December 2021, the unaudited pro forma consolidated total assets of the Enlarged Group would have increased from approximately RMB46,159 million to approximately RMB48,900 million and the unaudited pro forma consolidated total liabilities of the Enlarged Group would have increased from approximately RMB36,875 million to approximately RMB39,585 million.

It is expected that the Target Companies will enhance the revenue stream of the Group upon Closing. It is also expected that the Acquisition would have a positive effect on the Group's future earnings, after taking into account the historical revenue and financial performance of the Target Companies. For details of the financial information of the Target Companies, please also refer to Appendix IIA to IID to this supplemental circular.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group, being principally engaged in the development, investment, operation and management of 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 Acquisitions 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 Acquisitions are 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 Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the Previous Acquisitions and the Acquisitions 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 Acquisitions exceeds 25% but is less than 100%, the Previous Acquisitions and the Acquisitions together constitute major transactions of the Company and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

3. ANNUAL GENERAL MEETING AND REVISED FORM OF PROXY

A supplemental notice convening the AGM is set out on pages 336 to 337 of this supplemental circular, at which ordinary resolutions will be proposed for the Shareholders to consider, and if thought fit, to approve, among others, the Equity Transfer Agreements and the transactions contemplated thereunder.

A revised form of proxy for use at the AGM is enclosed to this supplemental circular and such revised form of proxy is also published on websites of the HKEXnews (http://www.hkexnews.hk) and the Company (http://www.bjei.com). In order to be valid, the revised 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, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 AGM (the "**Closing Time**") or any adjournment thereof (as the case may be). Completion and return of the revised form of proxy will not preclude you from attending and voting in person or via online platform at the AGM or any adjournment thereof (as the case may be) should you so wish.

Any Shareholder who has not yet deposited the original form of proxy is requested to deposit only the revised form of proxy if he/she intends to appoint a proxy to attend the AGM on his/her behalf. Any Shareholder who has already deposited the original form of proxy should note that:

(i) if the revised form of proxy is deposited before the Closing Time, the revised form of proxy will revoke and supersede the original form of proxy previously deposited by the Shareholder. The revised form of proxy (if duly completed) will be treated as a valid form of proxy deposited by the Shareholder; and

(ii) if no revised form of proxy is deposited before the Closing Time, the original form of proxy (if duly completed) will be treated as a valid form of proxy deposited by the Shareholder. The proxy so appointed pursuant to the original form of proxy will be entitled to vote in accordance with the instructions previously given by the Shareholder or at his/her discretion (if no such instructions are given) on any resolution properly put to the AGM, including the newly added ordinary resolution as set out in the supplemental notice of AGM.

Apart from the new ordinary resolution and other information as set out in this supplemental circular, all the other matters of the AGM remain unchanged. For details of other resolutions to be considered and approved at the AGM, eligibility for attending the AGM, closure of register of members and other relevant matters, please refer to the circular of the Company dated 27 May 2022.

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 Equity Transfer Agreements and the Acquisitions. Therefore, no Shareholder is required to abstain from voting at the AGM in respect of the ordinary resolution approving the Equity Transfer Agreements and the transactions contemplated thereunder.

4. VOTING BY WAY OF POLL

According to Rule 13.39(4) of the Listing Rules, any vote 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 AGM 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.

5. RECOMMENDATION

The Board considers that the terms of the Equity Transfer Agreements 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.

Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed in respect of approving Equity Transfer Agreements and the transactions contemplated thereunder at the AGM.

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 2019, 2020 and 2021 are disclosed in the following documents, which can be accessed on both the websites of the HKEXnews (http://www.hkexnews.hk) and the Company (http://www.bjei.com).

1. 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

2. Annual report of the Company for the year ended 31 December 2020 (pages 86-178), which can be accessed via the link at:

   https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200401.pdf

3. Annual report of the Company for the year ended 31 December 2021 (pages 127-294), which can be accessed via the link at:

   https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100465.pdf

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

Indebtedness

As at the close of business on 30 April 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this supplemental circular, the Group and the Target Companies had the following indebtedness:

	The Group	**The Target Companies**	**Total**
	RMB'million	*RMB'million*	*RMB'million*
Bank borrowings			
Secured and with guarantee	7,524	–	7,524
Secured and without guarantee	1,588	969	2,557
Unsecured and with guarantee	5,783	–	5,783
Unsecured and without guarantee	8,774	–	8,774
Finance lease liabilities			
Secured and with guarantee	5,760	–	5,760
Secured and without guarantee	4,718	–	4,718
Unsecured and with guarantee	–	–	–
Unsecured and without guarantee	–	–	–
Other finance			
Secured and without guarantee	57	–	57
Unsecured and without guarantee	68	–	68
Convertible bonds			
Unsecured and without guarantee	346	–	346
	34,618	969	35,587

Save as aforesaid and apart from intra-group liabilities, the Enlarged 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 30 April 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this supplemental circular.

The Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2022 up to and including the Latest Practicable Date.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources of the Enlarged Group (including the Enlarged Group's internal resources, available banking and other borrowing facilities and credit enhancement guarantee from BEH, a controlling shareholder of the Company holding approximately 32% of the issued capital of the Company), in the absence of any unforeseen circumstances, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for the Group's requirements for at least the next 12 months from the date of the supplemental circular.

4. MATERIAL CHANGES

As at the Latest Practicable Date, there has not been any material change in the financial or operation position or outlook of the Group since 31 December 2021, 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 March 2022, the Group had 102 grid-connected power plants with an aggregate installed capacity of approximately 4,130.02 MW in the PRC. According to the Group's preliminary operational statistics, the 102 power plants generated electricity in an aggregate volume of approximately 1,182,265 megawatt hours ("**MWh**") in the first quarter of 2022.

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 supplemental circular, received from the independent reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong.

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 Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd. (the "Target Company") set out on pages 25 to 66, which comprises the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021, 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 2019, 2020 and 2021 (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 25 to 66 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 13 June 2022 in connection with the proposed acquisition of 100% equity interests in the Target Company by the Company.

Sole Director's Responsibility for the Historical Financial Information

The sole director of the Target 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 sole director 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.

The directors of the Company are responsible for the contents of this supplemental circular in which the Historical Financial Information of the Target Company is included, and for such information is prepared based on the accounting policies materially consistent with those of the Company.

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 sole director, 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 2019, 2020 and 2021, 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.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 25 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
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

13 June 2022

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) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2019	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	–	24,535	111,655
Other income	*5*	–	–	185
Maintenance costs		–	–	(3,734)
Other expenses		–	–	(5,747)
EBITDA[#]		–	24,535	102,359
Depreciation of property, plant and equipment		–	(6,816)	(33,470)
Depreciation of right-of-use assets		–	–	(83)
Finance income	*6*	–	10	106
Finance costs	*7*	–	(5,523)	(26,092)
Profit before income tax	*8*	–	12,206	42,820
Income tax credit	*11*	–	3,062	–
Profit and total comprehensive income for the year		–	15,268	42,820

[#] *EBITDA represents earnings before depreciation, finance income, finance costs, income tax credit 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.*

(B) STATEMENT OF FINANCIAL POSITION

		As at 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*13*	607,981	654,223	630,059
Right-of-use assets	*14*	–	–	4,917
Deferred tax assets	*15*	–	3,062	3,062
Value-added tax recoverable		64,272	50,939	37,700
		672,253	708,224	675,738
Current assets				
Trade and tariff adjustment receivables	*16*	–	46,980	113,282
Prepayments and other receivables	*17*	300	206	570
Value-added tax recoverable		–	13,356	14,729
Amounts due from fellow subsidiaries	*23*	–	107	167
Restricted deposits	*18*	–	4,813	5,523
Cash and cash equivalents	*18*	5,616	10,903	8,071
		5,916	76,365	142,342
Current liabilities				
Other payables	*19*	5,551	8,652	53,795
Amount due to ultimate holding company	*23*	10,200	5,100	63,500
Amounts due to fellow subsidiaries	*23*	182,418	49,569	10,370
Bank borrowings	*20*	7,143	33,000	39,000
		205,312	96,321	166,665
Net current liabilities		(199,396)	(19,956)	(24,323)
Total assets less current liabilities		464,857	688,268	651,415

		As at 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liability				
Bank borrowings	*20*	242,857	443,000	404,000
Net assets		230,000	245,268	247,415
EQUITY				
Paid-up capital	*21*	230,000	230,000	230,000
Reserves		–	15,268	17,415
Total equity		230,000	245,268	247,415

(C) STATEMENT OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Statutory reserve* *RMB'000 (Note)*	Retained earnings* *RMB'000*	Total *RMB'000*
At 1 January 2019	120,000	–	–	120,000
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	–	–
Transaction with equity holders:				
Capital injection *(Note 21)*	110,000	–	–	110,000
At 31 December 2019 and 1 January 2020	230,000	–	–	230,000
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	15,268	15,268
Transaction with equity holders:				
– Transfer to statutory reserve	–	1,527	(1,527)	–
At 31 December 2020 and 1 January 2021	230,000	1,527	13,741	245,268
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	42,820	42,820
Transactions with equity holders:				
– Transfer to statutory reserve	–	4,282	(4,282)	–
– Dividend declared *(Note 12)*	–	–	(40,673)	(40,673)
At 31 December 2021	230,000	5,809	11,606	247,415

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

Note:

According to the Target Company's articles of association, the Target Company is required to transfer at least 10% (at the discretion of the sole director) of its profit after taxation, as determined under PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the paid-in capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory reserve can be used to offset accumulated losses, if any, and may be converted into paid-in capital by new capital injection by shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the paid-up capital.

(D) STATEMENT OF CASH FLOWS

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	–	12,206	42,820
Adjustments for:			
Depreciation of property, plant and equipment	–	6,816	33,470
Depreciation of right-of-use assets	–	–	83
Finance income	–	(10)	(106)
Finance costs	–	5,523	26,092
Operating profit before working capital changes	–	24,535	102,359
Increase in trade and tariff adjustment receivables	–	(46,980)	(66,302)
Increase in prepayments and other receivables	(300)	94	(364)
(Decrease)/increase in value-added tax recoverable	(63,838)	(23)	11,866
Increase/(decrease) in other payables	936	(853)	(30)
Net cash (used in)/generated from operating activities	(63,202)	(23,227)	47,529
Cash flows from investing activities			
Acquisition of property, plant and equipment	(587,958)	(32,984)	(2,352)
Acquisition of right-of-use assets	–	–	(5,000)
Repayment from ultimate holding company	100,000	–	–
Advances to fellow subsidiaries	–	(107)	(60)
Interest received	–	10	106
Net cash used in investing activities	(487,958)	(33,081)	(7,306)
Cash flows from financing activities			
Proceeds from capital injection	110,000	–	–
Advances from/(repayment to) ultimate holding company	10,200	(5,100)	58,400
Advances from/(repayment to) fellow subsidiaries	182,418	(132,849)	(39,199)
Proceeds from bank borrowings	250,000	240,000	–
Repayment of bank borrowings	–	(14,000)	(33,000)
Increase in restricted deposits	–	(4,813)	(710)
Interests paid on bank borrowings	(5,025)	(21,643)	(28,546)
Net cash generated from/(used in) financing activities	547,593	61,595	(43,055)
Net (decrease)/increase in cash and cash equivalents	(3,567)	5,287	(2,832)
Cash and cash equivalent at beginning of the year	9,183	5,616	10,903
Cash and cash equivalent at end of year	5,616	10,903	8,071

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

1. GENERAL INFORMATION

Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd. (the "Target Company") was established in the People's Republic of China (the "PRC") on 9 January 2017. The address of its registered office is No.1, North Coal yuan Road, Pingyang Street, Jingping Town, Pinglu District, Shuozhou City, Shanxi Province. The Target Company is principally engaged in the development, operation and management of wind power plants.

In the opinion of the sole director of the Target Company, the immediate holding company and ultimate holding company of the Target Company is Shanghai Sineng Investment Co., Ltd.(上海斯能投資有限公司), a company incorporated in the PRC with limited liability.

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 consistently applied all HKFRSs which are effective for the financial period beginning on or after 1 January 2021. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Periods. 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 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 December 2021 amounted to RMB8,071,000 and current liabilities of RMB166,665,000. 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 Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

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.

2.2 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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 Effective date not yet determined

4 Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 April 2021

Amendments to HKAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds received from selling items produced before that asset is available for use (i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management). Instead, an entity should recognise such sales proceeds and related costs in profit or loss. The entity should measure the cost of those items in accordance with HKAS 2 "Inventories".

Besides, the amendments also clarify the meaning of "testing whether an asset is functioning properly" and require additional disclosures for the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities.

Amendments to HKAS 16 are effective for annual period beginning on or after 1 January 2022 and apply retrospectively, but only to items of property, plant and equipment that are available for intended use by the management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies to the amendments. The Target Company's existing accounting policy is to account for trial operation income as reduction of cost of the relevant property, plant and equipment. Upon application of the amendments, such trial operation income will be included in profit and loss with corresponding adjustments to the cost of property, plant and equipment. As at 31 December 2021, trial operation income included in property, plant and equipment amounted to RMB27,299,000 which will be reclassified to the retained earnings upon the application of the amendments. In addition, deferred tax assets of RMB3,062,000 arising from trial operation income will be derecognised accordingly.

Excepted as disclosed above, the sole director 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 on or after the effective date of the pronouncement, and these are not expected to have a material impact on the Target Company's financial statements.

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.

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 and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. 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.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values (i.e. 3%), over their estimated useful lives, as follows:

Power generating modules and equipment	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each Relevant Periods.

Gains or losses on disposals are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in profit or loss.

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 profit or loss during the financial period in which they are incurred.

2.4 Impairment of non-financial assets

Non-financial 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 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. 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. Impairment loss is charged pro-rata to the assets in the 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.

2.5 Financial assets

(a) Classification

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.

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 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 fair value through profit or loss ("FVPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

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

Debt instruments

Subsequent measurement of debt instruments depends on the business model for managing the 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 profit or loss and presented in other expenses. Loss allowances are presented as separate line item in the statement of profit or loss and other comprehensive income. The Target Company's trade and tariff adjustment receivables, other receivables, amounts due from fellow subsidiaries, restricted deposits and cash and cash equivalents fall into this category of financial instruments.

(d) Impairment

The Target Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the end of each Relevant Periods; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

In applying the forward-looking approach of ECL assessment, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of each Relevant Periods.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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.

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and including forward-looking information.

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 regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

The Target Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

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 of the Relevant Periods. 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 16 and Note 25.3.

2.6 Financial liabilities

(a) Recognition and measurement

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

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 unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of each Relevant Periods.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.7 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash at bank and on hand.

2.8 Paid-up capital

Paid-up capital is classified as equity. Incremental costs directly attributable to the capital contribution are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

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, it is performed that the assessment and the identification of 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.

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 arising from the sale of electricity and tariff adjustment is recognised at a point in time when electricity is generated, transmitted and delivered to the offtakers. Revenue from these sales is recognised based on the price specified in the power purchase agreements. The electricity generation will be confirmed with the offtakers regularly, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidy received and receivable pursuant to prevailing government policy in respect of the Target Company's renewable energy projects. Tariff adjustment is recognised at a point in time at 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.

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 wind power plant operators in the PRC and the revenue from sales of electricity.

(b) Interest income

Interest income is recognised over time using the effective interest method.

2.10 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 profit or loss in the period in which they are incurred.

2.11 Current income tax and deferred 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 each Relevant Periods 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 tax

Deferred 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 financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each Relevant Periods and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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.

2.12 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 each Relevant Periods in which the employees render the related service are recognised in respect of employees' services up to the end of each Relevant Periods and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Post-employment obligations

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to 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.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Target Company's obligations under these plans are limited to the fixed percentage contributions payable.

2.13 Leases

(a) Definition of a lease and the Target Company as a lessee

At inception of a contract, 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.

(b) Measurement and recognition of leases as a lessee

At lease commencement date, the Target Company recognises a right-of-use asset on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of lease payments made in advance of the lease commencement date (net of any lease incentives received).

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 asset 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 asset for impairment when such indicator exists.

In the Historical Financial Information, right-of-use assets represented the prepaid lease payments for leasehold land.

2.14 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.

2.15 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 ASSUMPTIONS

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) Revenue recognition on tariff adjustment on sales of electricity

During the years ended 31 December 2020 and 2021, the Target Company recognised tariff adjustment of RMB12,205,000 and RMB55,542,000, respectively in the sales of electricity.

The wind power plants of the Target Company was enlisted in the List (as defined in Note 16) on 30 September 2021. Accordingly, the tariff adjustment for the year ended 31 December 2020 and for the period from 1 January 2021 to 30 September 2021 of RMB12,205,000 and RMB41,919,000, respectively, were only recognised to the extent that it is highly probable that such recognition would not result in significant revenue reversal in the future on the basis that these power plants had been qualified for and had met all the requirements and conditions for the entitlement of the tariff subsidy under the prevailing nationwide government policies on renewable energy for power plants and the accrued revenue on tariff subsidy are fully recoverable.

(b) Impairment of trade and tariff adjustment receivables

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 Relevant Periods. Note 25.3 provides the basis of the calculation of the loss allowance. As at 31 December 2019, 2020 and 2021, the carrying amount of trade and tariff adjustment receivables were nil, RMB46,980,000 and RMB113,282,000, respectively.

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Target Company's financial condition and results of operations. As at 31 December 2019, 2020 and 2021, the carrying amount of property, plant and equipment were RMB607,981,000, RMB654,223,000 and RMB630,059,000, respectively. As at 31 December 2019, 2020 and 2021, the carrying amount of right-of-use assets were nil, nil and RMB4,917,000, respectively.

(d) 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.

4. REVENUE

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2020 and 2021. Tariff adjustment is recognised as revenue in accordance with the power purchase agreement.

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	–	12,330	56,113
Tariff adjustment	–	12,205	55,542
	–	24,535	111,655

5. OTHER INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Government subsidies	–	–	185

6. FINANCE INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest income on bank balances and restricted deposits	–	10	106

7. FINANCE COSTS

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses in relation to bank borrowings:	5,455	26,646	26,092
Less: Interest expenses capitalised in construction in progress in relation to bank borrowings	(5,455)	(21,123)	–
	–	5,523	26,092

The borrowing costs have been capitalised at a rate of 5.64% per annum for the years ended 31 December 2019 and 2020.

8. PROFIT BEFORE INCOME TAX

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation:			
– Owned assets	–	6,816	33,470
– Right-of-use assets	–	–	83
Total depreciation	–	6,816	33,553
Auditor's remuneration	–	–	135

9. EMPLOYEES BENEFIT EXPENSES

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	–	–	33
Retirement benefit scheme contributions	–	–	5
	–	–	38

10. DIRECTORS' EMOLUMENTS

No emolument was paid or payable to the sole director 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 sole director as an inducement to join or upon joining the Target Company or as compensation for loss of office. There was no arrangement under which any director waived or agreed to waive any remuneration during the Relevant Periods.

11. INCOME TAX CREDIT

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") and implementation regulations of the EIT Law. The Target Company engaged in wind power project, under the EIT Law and its relevant regulations, is entitled tax holidays of 3-year full exemption from 1 January 2020 to 31 December 2022 followed by 3-year 50% exemption from 1 January 2023 to 31 December 2025.

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax	–	3,062	–

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

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax credit	–	12,206	42,820
Tax on profit before income tax, calculated at the rate of 25%	–	3,051	10,705
Tax effect of PRC tax concession	–	(3,051)	(10,705)
Others *(note)*	–	(3,062)	–
Income tax credit	–	(3,062)	–

Note: Amount represented the temporary difference recognised in respect of the trial operation income.

12. DIVIDEND

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interim dividends	–	–	40,673

No dividends has been paid, declared or proposed during the years ended 31 December 2019 and 2020, nor any dividend been proposed subsequent to 31 December 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Power generating modules and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2019			
Cost	–	10,963	10,963
Accumulated depreciation	–	–	–
Net book amount	–	10,963	10,963
Year ended 31 December 2019			
Opening net book amount	–	10,963	10,963
Additions	–	597,018	597,018
Closing net book amount	–	607,981	607,981
At 31 December 2019 and 1 January 2020			
Cost	–	607,981	607,981
Accumulated depreciation	–	–	–
Net book amount	–	607,981	607,981
Year ended 31 December 2020			
Opening net book amount	–	607,981	607,981
Additions	–	53,058	53,058
Depreciation charge	(6,816)	–	(6,816)
Transfer	247,964	(247,964)	–
Closing net book amount	241,148	413,075	654,223
At 31 December 2020 and 1 January 2021			
Cost	247,964	413,075	661,049
Accumulated depreciation	(6,816)	–	(6,816)
Net book amount	241,148	413,075	654,223
Year ended 31 December 2021			
Opening net book amount	241,148	413,075	654,223
Additions	9,306	–	9,306
Depreciation charge	(33,470)	–	(33,470)
Transfer	413,075	(413,075)	–
Closing net book amount	630,059	–	630,059
At 31 December 2021			
Cost	670,345	–	670,345
Accumulated depreciation	(40,286)	–	(40,286)
Net book amount	630,059	–	630,059

As at 31 December 2020 and 2021, power generating modules and equipment with carrying values of approximately RMB241,148,000 and RMB630,059,000, respectively were pledged as security for the Target Company's bank borrowings of approximately RMB476,000,000 and RMB443,000,000, respectively (Note 22).

14. RIGHT-OF-USE ASSETS

The Target Company's right-of-use assets mainly arise from lease of land use rights for wind power plant projects with typically lease term of 20 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants.

The movements of right-of-use assets (i.e. land use rights) are analysed as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	–	–	–
Additions	–	–	5,000
Depreciation	–	–	(83)
At the end of the year	–	–	4,917

15. DEFERRED TAX ASSETS

	Trial operation income		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	–	–	3,062
Credited to profit or loss	–	3,062	–
At 31 December	–	3,062	3,062

16. TRADE AND TARIFF ADJUSTMENT RECEIVABLES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	8,608	7,930
Tariff adjustment receivables	–	38,372	105,352
	–	46,980	113,282

As at 31 December 2020 and 2021, trade receivables of approximately RMB46,980,000 and RMB7,930,000, respectively, represented receivables from sales of electricity and are usually settled within one to six months.

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

The sole director of the Target Company consider that the ECL for trade and tariff adjustment receivables is insignificant as at 31 December 2020 and 2021. Note 23.3 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Unbilled *(Note)*	–	38,372	105,352
1-30 days	–	8,608	7,930
	–	46,980	113,282

Note: As at 31 December 2019, 2020 and 2021, 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	–	9,361	7,576
31-60 days	–	4,622	7,375
61-90 days	–	4,839	4,065
91-180 days	–	7,000	11,006
181-365 days	–	12,549	39,007
1-2 years	–	–	36,323
	–	38,372	105,352

The maximum exposure to credit risk at the end of each Relevant Periods was the carrying value of trade and tariff adjustment receivables. Trade and tariff adjustment receivables are denominated in RMB.

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 ("NDRC"), 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.

In January 2020, the Ministry of Finance, the NDRC, and the National Energy Administration jointly issued Caijian 2020 No. 4 Notice on Several Opinions of Promoting the Healthy Development of the Power Generation of Non-Water Renewable Energy（關於促進非水可再生能源發電健康發展的若干意見）. Pursuant to Caijian 2020 No. 4 Notice, the Central Government will no longer 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 in the Tariff Subsidy Project List（補貼項目清單）(the "List"). The Qualified Power Plants include all 1st to 7th batch Catalogue power plants, which will be automatically enlisted in the List.

The wind power plants of the Target Company with an aggregate capacity of 100MW was successfully enlisted in the List. Management 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 repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. The tariff adjustment receivables are fully recoverable considering that the background of the customer is a state-owned enterprise and such tariff adjustment is only subject to timing of allocation of funds by the PRC government.

During the years ended 31 December 2019, 2020 and 2021, the Target Company received an aggregate amount of approximately nil, nil and RMB2,049,000, respectively, including the subsidies in relation to the wind power plant projects enlisted in the List. 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 of trade and tariff adjustment receivables was recognised as at 31 December 2020 and 2021.

As of 31 December 2020 and 2021, 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	300	206	84
Other receivables	–	–	486
	300	206	570

The sole director 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.

18. CASH DEPOSITS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Restricted deposits *(note (b))*	–	4,813	5,523
Cash and cash equivalents	5,616	10,903	8,071
	5,616	15,716	13,594

Notes:

(a) The Target Company's bank balances were deposited with banks or other financial institutions 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) Restricted deposits represented deposits placed in a restricted bank account which will be utilised for repayment of bank borrowings in future.

19. OTHER PAYABLES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Retention payable	4,126	3,077	10,031
Other payables and accruals	995	142	112
Interest payable	430	5,433	2,979
Dividends payable	–	–	40,673
	5,551	8,652	53,795

20. BANK BORROWINGS

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Due:			
Within 1 year			
– current portion of long-term bank borrowings	7,143	33,000	39,000
After 1 year but within 2 years	16,837	39,000	41,000
After 2 years but within 5 years	62,245	125,000	126,500
Over 5 years	163.775	279,000	236,500
	242,857	443,000	404,000
Total	250,000	476,000	443,000
Classified as:			
Current portion	7,143	33,000	39,000
Non-current portion	242,857	443,000	404,000
	250,000	476,000	443,000

As at 31 December 2019, 2020 and 2021, bank loans of approximately RMB250,000,000, RMB476,000,000 and RMB443,000,000, respectively were secured by the Target Company's property, plant and equipment, restricted deposits and the fee collection right in relation to the sales of electricity. The bank loans carried an effective interest rate of 5.64%, 5.64 % and 5.59% per annum during the years ended 31 December 2019, 2020 and 2021, respectively, and repayable by instalments till 2033.

21. PAID-UP CAPITAL

	Registered and paid-up capital		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	120,000	230,000	230,000
Capital injection on 30 April 2019	110,000	–	–
As at 31 December	230,000	230,000	230,000

22. PLEDGE OF ASSETS

The Target Company's bank 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	–	241,148	630,059
Restricted deposits	–	4,813	5,523
	–	245,961	635,582

23. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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
上海斯能投資有限公司	Ultimate holding company
南自晉能自動化設備有限公司	Controlled and beneficially owned by the ultimate holding company
潤世達工程有限公司	Controlled and beneficially owned by the ultimate holding company
北京東冉電力工程有限公司	Controlled and beneficially owned by the ultimate holding company
北京玉禹韻文化傳播有限公司	Controlled and beneficially owned by the ultimate holding company
山西潤世華新能源技術服務有限公司	Controlled and beneficially owned by the ultimate holding company
朔州市平魯區斯能風電有限公司	Controlled and beneficially owned by the 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 2019

		RMB'000
北京玉禹韻文化傳播有限公司	Consultancy fee	352
北京東冉電力工程有限公司	Consultancy fee	4,028
潤世達工程有限公司	Construction service fee	486,123
南自晉能自動化設備有限公司	Construction service fee	76,675

For the year ended 31 December 2020

		RMB'000
北京玉禹韻文化傳播有限公司	Consultancy fee	292
北京東冉電力工程有限公司	Consultancy fee	1,804
潤世達工程有限公司	Construction service fee	32,782
南自晉能自動化設備有限公司	Construction service fee	47,346

For the year ended 31 December 2021

RMB'000

山西潤世華新能源技術服務有限公司	Maintenance service fee	833

(c) Significant related parties balances

Amounts due from fellow subsidiaries

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
北京玉禹韻文化傳播有限公司	–	107	–
山西潤世華新能源技術服務有限公司	–	–	167
	–	107	167

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

Amount due to ultimate holding company

The amount due is unsecured, interest-free and repayable on demand.

Amounts due to fellow subsidiaries

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
南自晉能自動化設備有限公司	27,061	19,316	–
潤世達工程有限公司	155,357	30,253	–
朔州市平魯區斯能風電有限公司	–	–	10,370
	182,418	49,569	10,370

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

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:

	Bank borrowings *RMB'000*	Interest payable *RMB'000*	Amount due to ultimate holding company *RMB'000*	Amounts due to fellow subsidiaries *RMB'000*	Total *RMB'000*
As at 1 January 2019	–	–	–	–	–
Cash flows					
– Proceeds	250,000	–	10,200	182,418	442,618
– Interest paid	–	(5,025)	–	–	(5,025)
Non-cash changes					
– Finance costs capitalised in construction in progress *(Note 7)*	–	5,455	–	–	5,455
As at 31 December 2019 and 1 January 2020	250,000	430	10,200	182,418	443,048
Cash flows					
– Proceeds	240,000	–	–	–	240,000
– Interest paid	–	(21,643)	–	–	(21,643)
– Repayments	(14,000)	–	(5,100)	(132,849)	(151,949)
Non-cash changes					
– Finance costs capitalised in construction in progress *(Note 7)*	–	21,123	–	–	21,123
– Finance costs incurred *(Note 7)*	–	5,523	–	–	5,523
As at 31 December 2020 and 1 January 2021	476,000	5,433	5,100	49,569	536,102
Cash flows					
– Proceeds	–	–	58,400	–	58,400
– Interest paid	–	(28,546)	–	–	(28,546)
– Repayments	(33,000)	–	–	(39,199)	(72,199)
Non-cash changes					
– Finance costs incurred *(Note 7)*	–	26,092	–	–	26,092
As at 31 December 2021	443,000	2,979	63,500	10,370	519,849

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.

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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
– Trade and tariff adjustment receivables	–	46,980	113,282
– Other receivables	–	–	486
– Amounts due from fellow subsidiaries	–	107	167
– Restricted deposits	–	4,813	5,523
– Cash and cash equivalents	5,616	10,903	8,071
	5,616	62,803	127,529
Financial liabilities			
Financial liabilities at amortised cost			
– Other payables	5,551	8,652	53,795
– Bank borrowings	250,000	476,000	443,000
– Amount due to ultimate holding company	10,200	5,100	63,500
– Amounts due to fellow subsidiaries	182,418	49,569	10,370
	448,169	539,321	570,665

25.2 Interest rate risk

The Target Company does not anticipate significant impact to cash deposits because the interest rates of cash deposits 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 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 2019, 2020 and 2021, 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, profit for the years ended 31 December 2020 and 2021 and retained earnings as at 31 December 2020 and 2021 would be decreased/increased by approximately RMB2,380,000 and RMB2,215,000 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 bank borrowings as at 31 December 2019, 2020 and 2021 existed throughout the respective Relevant 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, amounts due from fellow subsidiaries and cash deposits.

As at 31 December 2020 and 2021, 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 sole director of the Target Company is 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

The Target Company has three types of assets that are subject to the ECL model:

- Trade and tariff adjustment receivables
- Other receivables
- Cash deposits (including cash at banks and restricted 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 14, the Target Company's wind power plants are eligible for tariff adjustment and are successfully enlisted on the List. The sole director 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 sole director 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 Relevant Periods.

(ii) Other receivables and amounts due from fellow subsidiaries

Impairment loss of other receivables and amounts due from fellow subsidiaries 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 has not increased significantly since initial recognition with reference to the counterparties historical default rate, adjusted by current and forward-looking information. The impairment provision is determined based on the 12-month ECL which is close to zero.

(iii) Cash deposits (including cash at banks and restricted deposits)

The credit risks on cash at banks and restricted 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 and restricted deposits is assessed to be close to zero and no provision was made as at the end of each Relevant Periods.

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 bank 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.

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

	Effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Other payables	–	5,551	–	–	–	5,551	5,551
Amount due to ultimate holding company	–	10,200	–	–	–	10,200	10,200
Amounts due to fellow subsidiaries	–	182,418	–	–	–	182,418	182,418
Bank borrowings	5.64	21,465	30,507	96,665	206,439	355,076	250,000
		219,634	30,507	96,665	206,439	553,245	448,169
At 31 December 2020							
Other payables	–	8,652	–	–	–	8,652	8,652
Amount due to ultimate holding company	–	5,100	–	–	–	5,100	5,100
Amounts due to fellow subsidiaries	–	49,569	–	–	–	49,569	49,569
Bank borrowings	5.64	59,794	63,766	185,441	335,029	644,030	476,000
		123,115	63,766	185,441	335,029	707,351	539,321
At 31 December 2021							
Other payables	–	53,795	–	–	–	53,795	53,795
Amount due to ultimate holding company	–	63,500	–	–	–	63,500	63,500
Amounts due to fellow subsidiaries	–	10,370	–	–	–	10,370	10,370
Bank borrowings	5.59	63,568	63,329	179,346	276,865	583,108	443,000
		191,233	63,329	179,346	276,865	710,773	570,665

25.5 Fair values

All current financial instruments are carried at amounts not materially different from their fair values as at 31 December 2019, 2020 and 2021.

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 sole director of the Target Company consider cost of capital and the risks associated with the paid-up capital. The Target Company may adjust the amount of dividends paid to shareholders, capital injection, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27. CAPITAL COMMITMENT

As at 31 December 2019, 2020 and 2021, the Target Company had capital commitments in respect of property, plant and equipment amounted to approximately RMB53,058,000, RMB14,306,000 and nil respectively.

28. EVENT AFTER THE REPORTING PERIODS

There was no significant event after 31 December 2021 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 December 2021 and up to the date of this report.

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

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 Xiyang County Sineng New Energy Co., Ltd. (the "Target Company") set out on pages 70 to 109, which comprises the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021, 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 2019, 2020 and 2021 (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 70 to 109 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 13 June 2022 in connection with the proposed acquisition of 49% equity interests in the Target Company by the Company.

Directors' Responsibility for the Historical Financial Information

The directors of the Target 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.

The directors of the Company are responsible for the contents of this supplemental circular in which the Historical Financial Information of the Target Company is included, and for such information is prepared based on the accounting policies materially consistent with those of the Company.

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 2019, 2020 and 2021, 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.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 70 have been made.

Dividends

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

13 June 2022

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) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	186,978	172,799	206,673
Other income	*5*	–	2,216	10
Employee benefits expenses	*9*	(3,897)	(3,649)	(5,830)
Maintenance costs		(1,999)	(3,277)	(1,466)
Other expenses		(2,499)	(1,594)	(2,883)
EBITDA[#]		178,583	166,495	196,504
Depreciation of property, plant and equipment		(76,148)	(75,276)	(79,354)
Depreciation of right-of-use assets		(131)	(131)	(131)
Gain on disposal of property, plant and equipment		6,179	–	–
Finance income	*6*	1,277	1,187	580
Finance costs	*7*	(51,017)	(45,716)	(39,954)
Profit before income tax	*8*	58,743	46,559	77,645
Income tax expense	*11*	(7,375)	(6,607)	(19,443)
Profit and total comprehensive income for the year		51,368	39,952	58,202

[#] *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.*

(B) STATEMENT OF FINANCIAL POSITION

		As at 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*13*	1,168,643	1,093,487	1,016,055
Right-of-use assets	*14*	6,113	5,982	5,851
Value-added tax recoverable		47,535	16,912	–
		1,222,291	1,116,381	1,021,906
Current assets				
Inventories	*15*	–	130	1,099
Trade and tariff adjustment receivables	*16*	195,627	229,632	312,045
Prepayments and other receivables	*17*	30,375	9,527	79
Value-added tax recoverable		22,464	26,867	21,931
Restricted deposits	*18*	1,851	1,857	1,866
Cash and cash equivalents	*18*	129,929	90,155	63,255
		380,246	358,168	400,275
Current liabilities				
Other payables	*19*	64,219	48,643	30,265
Amounts due to fellow subsidiaries	*23(c)*	5	5	55
Bank borrowings	*20*	99,617	98,465	105,477
Income tax payable		3,576	2,829	9,052
		167,417	149,942	144,849
Net current assets		212,829	208,226	255,426
Total assets less current liabilities		1,435,120	1,324,607	1,277,332
Non-current liability				
Bank borrowings	*20*	1,011,203	912,738	807,261
Net assets		423,917	411,869	470,071
EQUITY				
Paid-up capital	*21*	347,600	347,600	347,600
Reserves		76,317	64,269	122,471
Total equity		423,917	411,869	470,071

(C) STATEMENT OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Statutory reserve* *RMB'000* *(Note)*	Retained earnings* *RMB'000*	Total *RMB'000*
At 1 January 2019	347,600	18,250	66,699	432,549
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	51,368	51,368
Transactions with equity holders:				
– Transfer to statutory reserve	–	5,137	(5,137)	–
– Dividend declared and paid *(Note 12)*	–	–	(60,000)	(60,000)
At 31 December 2019 and 1 January 2020	347,600	23,387	52,930	423,917
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	39,952	39,952
Transactions with equity holders:				
– Transfer to statutory reserve	–	3,995	(3,995)	–
– Dividend declared and paid *(Note 12)*	–	–	(52,000)	(52,000)
At 31 December 2020 and 1 January 2021	347,600	27,382	36,887	411,869
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	58,202	58,202
Transaction with equity holders:				
– Transfer to statutory reserve	–	5,820	(5,820)	–
At 31 December 2021	347,600	33,202	89,269	470,071

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

Note:

According to the Target Company's articles of association, the Target Company is required to transfer at least 10% (at the discretion of the board of directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the paid-in capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory reserve can be used to offset accumulated losses, if any, and may be converted into paid-in capital by new capital injection by shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the paid-up capital.

(D) STATEMENT OF CASH FLOWS

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	58,743	46,559	77,645
Adjustments for:			
Depreciation of property, plant and equipment	76,148	75,276	79,354
Depreciation of right-of-use assets	131	131	131
Gain on disposal of property, plant and equipment	(6,179)	–	–
Finance income	(1,277)	(1,187)	(580)
Finance costs	51,017	45,716	39,954
Operating profit before working capital changes	178,583	166,495	196,504
Decrease in value-added tax recoverable	29,344	22,324	21,848
Increase in inventories	–	(130)	(969)
Increase in trade and tariff adjustment receivables	(12,024)	(34,005)	(82,413)
(Increase)/decrease in prepayments and other receivables	(33,858)	24,744	9,448
Increase in other payables	174	50	1,170
Cash generated from operations	162,219	179,478	145,588
Income tax paid	(6,670)	(7,354)	(13,220)
Net cash from operating activities	155,549	172,124	132,368
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	29,930	–	–
Interest received	1,277	1,187	580
Purchase of property, plant and equipment	(204)	(15,701)	(21,355)
Net cash from/(used in) investing activities	31,003	(14,514)	(20,775)

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities			
Repayment of bank borrowings	(96,230)	(99,617)	(98,465)
Dividend paid	(60,000)	(52,000)	–
Advance from fellow subsidiaries	5	–	50
Interests paid on bank borrowings	(51,146)	(45,761)	(40,069)
Increase in restricted deposits	(1,851)	(6)	(9)
Net cash used in financing activities	(209,222)	(197,384)	(138,493)
Net decrease in cash and cash equivalents	(22,670)	(39,774)	(26,900)
Cash and cash equivalent at beginning of the year	152,599	129,929	90,155
Cash and cash equivalent at end of year	129,929	90,155	63,255

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

1. GENERAL INFORMATION

Xiyang County Sineng New Energy Co., Ltd. (the "Target Company") was established in the People's Republic of China (the "PRC") on 30 January 2013. The address of its registered office is Zhanshang Zhen Xin Kou Shang Cun, Xiyang County, Jinzhong City, Shanxi Province. The Target Company is principally engaged in the development, operation and management of wind power plants.

In the opinion of the directors of the Target Company, the immediate holding company and ultimate holding company of the Target Company is China Three Gorges Renewables (Group) Co.,Ltd.(中國三峽新能源(集團)股份有限公司), a company incorporated in the PRC with limited liability.

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 consistently applied all HKFRSs which are effective for the financial period beginning on or after 1 January 2021. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Periods. 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 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 December 2021 amounted to RMB63,255,000 and current liabilities of RMB144,853,000. 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 and the Company. Consequently, the Historical Financial Information have been prepared on a going concern basis.

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

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.

2.2 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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]

Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment -Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 Effective date not yet determined

4 Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 April 2021

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 on or after the effective date of the pronouncement, and these are not expected to have a material impact on the Target Company's financial statements.

2.3 Property, plant and equipment

Property, plant and equipment 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.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values (i.e. 3%), 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each Relevant Periods.

Gains or losses on disposals are determined as difference between the sales proceeds and the carrying amount of the asset and are recognised in profit or loss.

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 profit or loss during the financial period in which they are incurred.

2.4 Impairment of non-financial assets

Non-financial 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 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. 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. Impairment loss is charged pro-rata to the assets in the 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.

2.5 Financial assets

(a) Classification

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.

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 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.

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

(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 fair value through profit or loss ("FVPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the business model for managing the 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 profit or loss and presented in other expenses. Loss allowances are presented as separate line item in the statement of profit or loss and other comprehensive income. The Target Company's trade and tariff adjustment receivables, other receivables, restricted deposits and cash and cash equivalents fall into this category of financial instruments.

(d) Impairment

The Target Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the end of each Relevant Periods; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

In applying the forward-looking approach of ECL assessment, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of each Relevant Periods.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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.

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and including forward-looking information.

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 regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant deterioration in the operating results of the debtor.

The Target Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

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 of the Relevant Periods. 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 16 and Note 25.3.

2.6 Financial liabilities

(a) Recognition and measurement

The Target Company's financial liabilities include other payables, amounts due to fellow subsidiaries and bank borrowings.

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 profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities 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 each Relevant Periods.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.7 Inventories

Inventories are carried at the lower of cost and net realisable values. Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

2.8 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash at bank, at financial institution and on hand.

2.9 Paid-up capital

Paid-up capital is classified as equity. Incremental costs directly attributable to the capital contribution are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

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, it is performed that the assessment and the identification of 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.

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 arising from the sale of electricity and tariff adjustment is recognised at a point in time when electricity is generated, transmitted and delivered to the offtakers. Revenue from these sales is recognised based on the price specified in the power purchase agreements. The electricity generation will be confirmed with the offtakers regularly, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidy received and receivable pursuant to prevailing government policy in respect of the Target Company's renewable energy projects. Tariff adjustment is recognised at a point in time at 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.

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 wind power plant operators in the PRC and the revenue from sales of electricity.

(b) Interest income

Interest income is recognised over time using the effective interest method.

2.11 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.12 Current income tax and deferred 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 each Relevant Periods 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 tax

Deferred 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 financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each Relevant Periods and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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.

2.13 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 each Relevant Periods in which the employees render the related service are recognised in respect of employees' services up to the end of each Relevant Periods and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Post-employment obligations

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to 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.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Target Company's obligations under these plans are limited to the fixed percentage contributions payable.

2.14 Leases

(a) Definition of a lease and the Target Company as a lessee

At inception of a contract, 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.

(b) Measurement and recognition of leases as a lessee

At lease commencement date, the Target Company recognises a right-of-use asset on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of lease payments made in advance of the lease commencement date (net of any lease incentives received).

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 asset 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 asset for impairment when such indicator exists.

In the Historical Financial Information, right-of-use assets represented the prepaid lease payments for leasehold land.

2.15 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 ASSUMPTIONS

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

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 Relevant Periods. Note 25.3 provides the basis of the calculation of the loss allowance. As at 31 December 2019, 2020 and 2021, the carrying amount of trade and tariff adjustment receivables were RMB195,627,000, RMB229,632,000 and RMB312,045,000, respectively.

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Target Company's financial condition and results of operations. As at 31 December 2019, 2020 and 2021, the carrying amount of property, plant and equipment were RMB1,168,643,000, RMB1,093,487,000 and RMB1,016,055,000, respectively. As at 31 December 2019, 2020 and 2021, the carrying amount of right-of-use assets were RMB6,113,000, RMB5,982,000 and RMB5,851,000, respectively.

(c) Useful lives of property, plant and equipment

The Target Company estimates the 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.

4. REVENUE

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2019, 2020 and 2021. Tariff adjustment is recognised as revenue in accordance with the power purchase agreement.

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	96,599	86,387	95,447
Tariff adjustment	90,379	86,412	111,226
	186,978	172,799	206,673

5. OTHER INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Compensation income from government *(Note)*	–	2,216	–
Others	–	–	10
	–	2,216	10

Note:

Amount represented compensation received from the local government for the interruption of operation during the year.

6. FINANCE INCOME

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	1,277	1,187	580

7. FINANCE COSTS

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses in relation to bank borrowings	51,017	45,716	39,954

8. PROFIT BEFORE INCOME TAX

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation:			
– Owned assets	76,148	75,276	79,354
– Right-of-use assets	131	131	131
Total depreciation	76,279	75,407	79,485
Auditor's remuneration	28	19	19

9. EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	2,738	2,820	3,856
Retirement benefit scheme contributions *(Note)*	1,159	829	1,974
	3,897	3,649	5,830

Note:

Due to the impact of coronavirus disease, a number of policies including the relief of social insurance have been promulgated by the PRC government since February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020.

10. DIRECTORS EMOLUMENTS

No emolument was paid or payable to the directors of the Target Company during the Relevant Periods as the directors emoluments were borne by its group company.

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 or as compensation for loss of office. There was no arrangement under which any director waived or agreed to waive any remuneration during the Relevant Periods.

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") and implementation regulations of the EIT Law. The Target Company engaged in wind power project, under the EIT Law and its relevant regulations, is entitled tax holidays of 3-year full exemption from 1 January 2015 to 31 December 2017 followed by 3-year 50% exemption from 1 January 2018 to 31 December 2020.

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– PRC enterprise income tax	7,375	6,607	19,443

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

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax expense	58,743	46,559	77,645
Tax on profit before income tax, calculated at the rate of 25%	14,686	11,640	19,411
Tax effect of PRC tax concession	(7,343)	(5,820)	–
Tax effect of non-deductible expenses	32	787	32
Income tax expense	7,375	6,607	19,443

12. DIVIDENDS

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Final dividends declared and paid in respect of prior financial year	60,000	52,000	–

No dividends has been proposed subsequent to 31 December 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Power generating modules and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Total *RMB'000*
At 1 January 2019				
Cost	1,507,667	668	489	1,508,824
Accumulated depreciation	(239,716)	(245)	(359)	(240,320)
Net book amount	1,267,951	423	130	1,268,504
Year ended 31 December 2019				
Opening net book amount	1,267,951	423	130	1,268,504
Additions	3	–	35	38
Depreciation charge	(75,984)	(108)	(56)	(76,148)
Disposal	(23,751)	–	–	(23,751)
Closing net book amount	1,168,219	315	109	1,168,643
At 31 December 2019 and 1 January 2020				
Cost	1,477,454	668	524	1,478,646
Accumulated depreciation	(309,235)	(353)	(415)	(310,003)
Net book amount	1,168,219	315	109	1,168,643
Year ended 31 December 2020				
Opening net book amount	1,168,219	315	109	1,168,643
Additions	8	–	112	120
Depreciation charge	(75,002)	(229)	(45)	(75,276)
Closing net book amount	1,093,225	86	176	1,093,487
At 31 December 2020 and 1 January 2021				
Cost	1,477,462	668	636	1,478,766
Accumulated depreciation	(384,237)	(582)	(460)	(385,279)
Net book amount	1,093,225	86	176	1,093,487
Year ended 31 December 2021				
Opening net book amount	1,093,225	86	176	1,093,487
Additions	1,899	–	23	1,922
Depreciation charge	(79,289)	(24)	(41)	(79,354)
Closing net book amount	1,015,835	62	158	1,016,055

	Power generating modules and equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Total *RMB'000*
At 31 December 2021				
Cost	1,479,361	668	659	1,480,688
Accumulated depreciation	(463,526)	(606)	(501)	(464,633)
Net book amount	1,015,835	62	158	1,016,055

During the years ended 31 December 2019 and 2020, depreciation of power generating modules and equipment was calculated with residual values ranging from 3% to 5%. With effect from 1 January 2021, residual value of 3% is applied to all power generating modules and equipment. This change in residual value has increased the depreciation charge for the year ended 31 December 2021.

As at 31 December 2019, 2020 and 2021, power generating modules and equipment with carrying values of approximately RMB1,168,219,000, RMB1,093,225,000 and RMB1,015,835,000, respectively were pledged as security for the Target Company's bank borrowings of approximately RMB1,110,820,000, RMB1,011,203,000 and RMB912,738,000, respectively (Note 22).

14. RIGHT-OF-USE ASSETS

The Target Company's right-of-use assets mainly arise from lease of land use rights for wind power plant projects with typically lease term of 50 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants.

The movements of right-of-use assets (i.e. land use rights) are analysed as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	6,244	6,113	5,982
Depreciation	(131)	(131)	(131)
At the end of the year	6,113	5,982	5,851

15. INVENTORIES

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Spare parts	–	130	1,099

All of the inventories for future usage are expected to be utilised within one year.

16. TRADE AND TARIFF ADJUSTMENT RECEIVABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	16,923	17,343	11,117
Tariff adjustment receivables	178,704	212,289	300,928
	195,627	229,632	312,045

As at 31 December 2019, 2020 and 2021, trade receivables of approximately RMB16,923,000, RMB17,343,000 and RMB11,117,000, respectively, represented receivables from sales of electricity and are usually settled within one to six months.

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

The directors of the Target Company consider that the ECL for trade and tariff adjustment receivables is insignificant as at 31 December 2019, 2020 and 2021. 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Unbilled *(Note)*	178,704	212,289	300,928
1-30 days	16,923	17,343	11,117
	195,627	229,632	312,045

Note: As at 31 December 2019, 2020 and 2021, 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	16,476	17,508	13,269
31-60 days	11,697	9,092	12,136
61-90 days	8,103	6,864	5,992
91-180 days	13,335	13,576	15,087
181-365 days	53,285	50,606	79,201
1-2 years	75,808	102,895	97,646
2-5 years	–	11,748	77,597
	178,704	212,289	300,928

The maximum exposure to credit risk at the end of each Relevant Periods was the carrying value of trade and tariff adjustment receivables. Trade and tariff adjustment receivables are denominated in RMB.

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 ("NDRC"), 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.

In January 2020, the Ministry of Finance, the NDRC, and the National Energy Administration jointly issued Caijian 2020 No. 4 Notice on Several Opinions of Promoting the Healthy Development of the Power Generation of Non-Water Renewable Energy（關於促進非水可再生能源發電健康發展的若干意見）. Pursuant to Caijian 2020 No. 4 Notice, the Central Government will no longer 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 in the Tariff Subsidy Project List（補貼項目清單）(the "List"). The Qualified Power Plants include all 1st to 7th batch Catalogue power plants, which will be automatically enlisted in the List.

The wind power plants of the Target Company with an aggregate capacity of 200MW was successfully enlisted in the List. Management 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 repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. The tariff adjustment receivables are fully recoverable considering that the background of the customer is a state-owned enterprise and such tariff adjustment is only subject to timing of allocation of funds by the PRC government.

During the years ended 31 December 2019, 2020 and 2021, the Target Company received an aggregate amount of approximately RMB94,312,000, RMB64,061,000 and RMB37,046,000, respectively, mainly for the subsidies in relation to the wind power plant projects enlisted in the List. 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 of trade and tariff adjustment receivables was recognised as at 31 December 2019, 2020 and 2021.

As of 31 December 2019, 2020 and 2021, 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		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	445	490	53
Other receivables	29,930	9,037	26
	30,375	9,527	79

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.

18. CASH DEPOSITS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Restricted deposit *(note (b))*	1,851	1,857	1,866
Cash and cash equivalents	129,929	90,155	63,255
	131,780	92,012	65,121

Notes:

(a) The Target Company's bank balances were deposited with banks or other financial institutions 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) Restricted deposits represented deposits placed in a restricted bank account which will be utilised for repayment of bank borrowings in future.

19. OTHER PAYABLES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Retention payable	62,191	46,610	27,177
Other payables	690	740	1,910
Interest payable	1,338	1,293	1,178
	64,219	48,643	30,265

20. BANK BORROWINGS

	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Due:			
Within 1 year			
– current portion of long-term bank borrowings	99,617	98,465	105,477
After 1 year but within 2 years	98,465	105,477	96,967
After 2 years but within 5 years	293,534	281,558	280,564
Over 5 years	619,204	525,703	429,730
	1,011,203	912,738	807,261
Total	1,110,820	1,011,203	912,738
Classified as:			
Current portion	99,617	98,465	105,477
Non-current portion	1,011,203	912,738	807,261
	1,110,820	1,011,203	912,738

As at 31 December 2019, 2020 and 2021, bank borrowings of approximately RMB1,110,820,000, RMB1,011,203,000 and RMB912,738,000, respectively were secured by the Target Company's property, plant and equipment, restricted deposits and the fee collection right in relation to the sales of electricity. The bank borrowings carried an effective interest rate of 4.59%, 4.52% and 4.38% per annum during the years ended 31 December 2019, 2020 and 2021, respectively, and repayable by instalments till 2031.

21. PAID-UP CAPITAL

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid up capital	347,600	347,600	347,600

22. PLEDGE OF ASSETS

The Target Company's bank 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		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	1,168,219	1,093,225	1,015,835
Restricted deposits	1,851	1,857	1,866
	1,170,070	1,095,082	1,017,701

23. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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
中國三峽新能源(集團)股份有限公司	Ultimate holding company
三峽高科信息科技有限責任公司	Controlled and beneficially owned by the ultimate holding company
三峽財務有限責任公司	Controlled and beneficially owned by the ultimate holding company
長江三峽(成都)電子商務有限公司	Controlled and beneficially owned by the 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 2019

		RMB'000
三峽高科信息科技有限責任公司	Procurement of maintenance services	89
三峽財務有限責任公司	Interest income	1,247

For the year ended 31 December 2020

		RMB'000
三峽財務有限責任公司	Interest income	1,130

For the year ended 31 December 2021

		RMB'000
三峽財務有限責任公司	Interest income	558

(c) Significant related parties balances

Amounts due to fellow subsidiaries

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
三峽高科信息科技有限責任公司	5	5	–
長江三峽(成都)電子商務有限公司	–	–	55
	5	5	55

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

Cash deposit placed with a fellow subsidiary

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
三峽財務有限責任公司	36,694	89,636	63,216

The amount borne interest at 0.46% per annum.

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:

	Bank borrowings *RMB'000*	Interest payables *RMB'000*	Dividend payable *RMB'000*	Amounts due to fellow subsidiaries *RMB'000*	Total *RMB'000*
As at 1 January 2019	1,207,050	1,467	–	–	1,208,517
Cash flows					
– Proceeds	–	–	–	5	5
– Repayment	(96,230)	–	–	–	(96,230)
– Dividend paid *(Note 12)*	–	–	(60,000)	–	(60,000)
– Interest paid	–	(51,146)	–	–	(51,146)
Non-cash changes					
– Dividend declared *(Note 12)*	–	–	60,000	–	60,000
– Finance costs *(Note 7)*	–	51,017	–	–	51,017
As at 31 December 2019 and 1 January 2020	1,110,820	1,338	–	5	1,112,163
Cash flows					
– Repayment	(99,617)	–	–	–	(99,617)
– Dividend paid *(Note 12)*	–	–	(52,000)	–	(52,000)
– Interest paid	–	(45,761)	–	–	(45,761)
Non-cash changes					
– Dividend declared *(Note 12)*	–	–	52,000	–	52,000
– Finance costs *(Note 7)*	–	45,716	–	–	45,716
As at 31 December 2020 and 1 January 2021	1,011,203	1,293	–	5	1,012,501
Cash flows					
– Proceeds	–	–	–	50	50
– Repayment	(98,465)	–	–	–	(98,465)
– Interest paid	–	(40,069)	–	–	(40,069)
Non-cash changes					
– Finance costs	–	39,954	–	–	39,954
As at 31 January 2021	912,738	1,178	–	55	913,971

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.

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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
– Trade and tariff adjustment receivables	195,627	229,632	312,045
– Other receivables	33,826	9,037	26
– Pledged bank deposit	1,851	1,857	1,866
– Cash and cash equivalents	129,929	90,155	63,255
	361,233	330,681	377,192
Financial liabilities			
Financial liabilities at amortised cost			
– Other payables	64,219	48,643	30,265
– Bank borrowings	1,110,820	1,011,203	912,738
– Amounts due to fellow subsidiaries	5	5	55
	1,175,044	1,059,851	943,058

25.2 Interest rate risk

The Target Company does not anticipate significant impact to cash deposits because the interest rates of cash deposits 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 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 2019, 2020 and 2021, 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, profit for the years ended 31 December 2019, 2020 and 2021 and retained earnings as at 31 December 2019, 2020 and 2021 would be decreased/ increased by approximately RMB4,860,000, RMB4,424,000 and RMB3,423,000 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 bank borrowings as at 31 December 2019, 2020 and 2021 existed throughout the respective Relevant 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 and cash deposits.

As at 31 December 2019, 2020 and 2021, 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

The Target Company has three types of assets that are subject to the ECL model:

- Trade and tariff adjustment receivables
- Other receivables
- Cash deposits (including cash at banks and restricted deposit)

(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 wind power plants are eligible for tariff adjustment and are successfully enlisted on 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 Relevant Periods.

(ii) Other receivables

Impairment loss of other receivables 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 has not increased significantly since initial recognition with reference to the counterparties historical default rate, adjusted by current and forward-looking information. The impairment provision is determined based on the 12-month ECL which is close to zero.

(iii) Cash deposits (including cash at banks and restricted deposit)

The credit risks on cash at banks and pledged bank deposit 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 and restricted deposits is assessed to be close to zero and no provision was made as at the end of each Relevant Periods.

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 bank 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.

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

	Effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Other payables	–	64,219	–	–	–	64,219	64,219
Amount due to a fellow subsidiary	–	5	–	–	–	5	5
Bank borrowings	4.59	145,378	138,534	390,492	703,044	1,377,449	1,110,820
		209,602	138,534	390,492	703,044	1,441,673	1,175,044
At 31 December 2020							
Other payables	–	48,643	–	–	–	48,643	48,643
Amount due to a fellow subsidiary	–	5	–	–	–	5	5
Bank borrowings	4.52	138,534	141,962	366,316	585,258	1,232,071	1,011,203
		187,182	141,962	366,316	585,258	1,280,719	1,059,851
At 31 December 2021							
Other payables	–	30,265	–	–	–	30,265	30,265
Amounts due to fellow subsidiaries	–	55	–	–	–	55	55
Bank borrowings	4.38	145,455	129,158	353,396	465,099	1,093,108	912,738
		175,775	129,158	353,396	465,099	1,123,428	943,058

25.5 Fair values

All current financial instruments are carried at amounts not materially different from their fair values as at 31 December 2019, 2020 and 2021.

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 paid-up capital. The Target Company may adjust the amount of dividends paid to shareholders, capital injection, 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 31 December 2021 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 December 2021 and up to the date of this report.

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

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 Xiyang County Sineng Wind Energy Co., Ltd. (the "Target Company") set out on pages 113 to 155, which comprises the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021, 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 2019, 2020 and 2021 (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 113 to 155 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 13 June 2022 in connection with the proposed acquisition of 100% equity interests in the Target Company by the Company.

Sole Director's Responsibility for the Historical Financial Information

The sole director of the Target 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 sole director 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.

The directors of the Company are responsible for the contents of this supplemental circular in which the Historical Financial Information of the Target Company is included, and for such information is prepared based on the accounting policies materially consistent with those of the Company.

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 sole director, 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 2019, 2020 and 2021, 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.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 113 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.

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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) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2019	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	9,968	29,194	39,053
Other income	*5*	–	–	307
Maintenance costs		(526)	(2,750)	(3,048)
Other expenses		(152)	(493)	(67)
EBITDA[#]		9,290	25,951	36,245
Depreciation of property, plant and equipment		(2,695)	(10,136)	(11,029)
Depreciation of right-of-use assets		–	(22)	(88)
Finance income	*6*	7	28	42
Finance costs	*7*	(1,774)	(7,383)	(7,797)
Profit before income tax	*8*	4,828	8,438	17,373
Income tax credit	*11*	–	812	–
Profit and total comprehensive income for the year		4,828	9,250	17,373

[#] *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.*

(B) STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000
Non-current assets				
Property, plant and equipment	*13*	204,011	194,658	183,942
Right-of-use assets	*14*	–	1,742	1,654
Deferred tax assets	*15*	–	812	812
Value-added tax recoverable		5,508	–	–
		209,519	197,212	186,408
Current assets				
Trade and tariff adjustment receivables	*16*	10,060	26,844	45,826
Amount due from a fellow subsidiary	*21(c)*	–	52	–
Value-added tax recoverable		–	2,778	16,050
Restricted deposits	*17*	5,588	9,790	11,243
Cash and cash equivalents	*17*	4,687	4,245	1,820
		20,335	43,709	74,939
Current liabilities				
Other payables	*18*	554	1,963	29,212
Amount due to ultimate holding company	*21(c)*	19,907	18,307	9,307
Amounts due to fellow subsidiaries	*21(c)*	2,682	4,690	315
Bank borrowings	*19*	–	–	13,997
		23,143	24,960	52,831
Net current (liabilities)/assets		(2,808)	18,749	22,108
Total assets less current liabilities		206,711	215,961	208,516
Non-current liability				
Bank borrowings	*19*	130,883	130,883	133,648
Net assets		75,828	85,078	74,868
EQUITY				
Paid-up capital	*20*	71,000	71,000	71,000
Reserves		4,828	14,078	3,868
Total equity		75,828	85,078	74,868

(C) STATEMENT OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Statutory reserve* *RMB'000* *(Note)*	Retained earnings* *RMB'000*	Total *RMB'000*
At 1 January 2019	71,000	–	–	71,000
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	4,828	4,828
Transaction with equity holders:				
– Transfer to statutory reserve	–	483	(483)	–
At 31 December 2019 and 1 January 2020	71,000	483	4,345	75,828
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	9,250	9,250
Transaction with equity holders:				
– Transfer to statutory reserve	–	925	(925)	–
At 31 December 2020 and 1 January 2021	71,000	1,408	12,670	85,078
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	17,373	17,373
Transactions with equity holders:				
– Transfer to statutory reserve	–	1,737	(1,737)	–
– Dividend declared *(Note 12)*	–	–	(27,583)	(27,583)
At 31 December 2021	71,000	3,145	723	74,868

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

Note:

According to the Target Company's articles of association, the Target Company is required to transfer at least 10% (at the discretion of the sole director) of its profit after taxation, as determined under PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the paid-in capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory reserve can be used to offset accumulated losses, if any, and may be converted into paid-in capital by new capital injection by shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the paid-up capital.

(D) STATEMENT OF CASH FLOWS

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	4,828	8,438	17,373
Adjustments for:			
Depreciation of property, plant and equipment	2,695	10,136	11,029
Depreciation of right-of-use assets	–	22	88
Finance income	(7)	(28)	(42)
Finance costs	1,774	7,383	7,797
Operating profit before working capital changes	9,290	25,951	36,245
(Increase)/decrease in value-added tax recoverables	(2,481)	2,730	(13,272)
Increase in trade and tariff adjustment receivables	(10,060)	(16,784)	(18,982)
Increase/(decrease) in other payables	360	1,379	(304)
Net cash (used in)/from operating activities	(2,891)	13,276	3,687
Cash flows from investing activities			
(Advances to)/repayment from a fellow subsidiary	–	(52)	52
Interest received	7	28	42
Purchase of property, plant and equipment	(110,601)	(783)	(313)
Purchase of land use right	–	(1,764)	–
Net cash used in investing activities	(110,594)	(2,571)	(219)
Cash flows from financing activities			
Bank borrowings raised	130,883	–	16,762
Advances from/(repayment to) fellow subsidiaries	1,846	2,008	(4,375)
Interests paid	(4,075)	(7,353)	(7,827)
Repayment to ultimate holding company	(5,711)	(1,600)	(9,000)
Increase in restricted deposit	(5,588)	(4,202)	(1,453)
Net cash from/(used in) financing activities	117,355	(11,147)	(5,893)

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Net increase/(decrease) in cash and cash equivalents	3,870	(442)	(2,425)
Cash and cash equivalent at beginning of the year	817	4,687	4,245
Cash and cash equivalent at end of year	4,687	4,245	1,820

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

1. GENERAL INFORMATION

Xiyang County Sineng Wind Energy Co., Ltd. (the "Target Company") was established in the People's Republic of China (the "PRC") on 17 November 2016. The address of its registered office is Lianhua Mountain, Qijie Village, Xizhai Township, Xiyang County, Jinzhong City, Shanxi Province. The Target Company is principally engaged in the development, operation and management of wind power plants.

In the opinion of the sole director of the Target Company, the immediate holding company and ultimate holding company of the Target Company is Shanghai Sineng Investment Co., Ltd.(上海斯能投資有限公司), a company incorporated in the PRC with limited liability.

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 consistently applied all HKFRSs which are effective for the financial period beginning on or after 1 January 2021. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Periods. 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 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 December 2021 amounted to RMB1,820,000 and current liabilities of RMB52,831,000. 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 Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

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.

2.2 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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 Effective date not yet determined

4 Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 April 2021

Amendments to HKAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds received from selling items produced before that asset is available for use (i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management). Instead, an entity should recognise such sales proceeds and related costs in profit or loss. The entity should measure the cost of those items in accordance with HKAS 2 "Inventories".

Besides, the amendments also clarify the meaning of "testing whether an asset is functioning properly" and require additional disclosures for the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities

Amendments to HKAS 16 are effective for annual period beginning on or after 1 January 2022 and apply retrospectively, but only to items of property, plant and equipment that are available for intended use by the management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies to the amendments. The Target Company's existing accounting policy is to account for trial operation income as reduction of cost of the relevant property, plant and equipment. Upon application of the amendments, such trial operation income will be included in profit and loss with corresponding adjustments to the cost of property, plant and equipment. As at 31 December 2021, trial operation income included in property, plant and equipment amounted to RMB4,228,000 which will be reclassified to the retained earnings upon the application of the amendments. In addition, deferred tax assets of RMB812,000 arising from trial operation income will be derecognised accordingly.

Excepted as disclosed above, the sole director 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 on or after the effective date of the pronouncement, and these are not expected to have a material impact on the Target Company's financial statements.

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.

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 and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. 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.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values (i.e. 3%), over their estimated useful lives, as follows:

Power generating modules and equipment	20 years
Furniture, fixtures and office equipment	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each Relevant Periods.

Gains or losses on disposals are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in profit or loss.

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 profit or loss during the financial period in which they are incurred.

2.4 Impairment of non-financial assets

Non-financial 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 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. 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. Impairment loss is charged pro-rata to the assets in the 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.

2.5 Financial assets

(a) Classification

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.

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 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.

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

(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 fair value through profit or loss ("FVPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Subsequent measurement of debt instruments depends on the business model for managing the 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 profit or loss and presented in other expenses. Loss allowances are presented as separate line item in the statement of profit or loss and other comprehensive income. The Target Company's trade and tariff adjustment receivables, other receivables, restricted deposits and cash and cash equivalents fall into this category of financial instruments.

(d) Impairment

The Target Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the end of each Relevant Periods; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

In applying the forward-looking approach of ECL assessment, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of each Relevant Periods.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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.

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and including forward-looking information.

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 regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

The Target Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

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 of the Relevant Periods. 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 Notes 16 and 24.3.

2.6 Financial liabilities

(a) Recognition and measurement

The Target Company's financial liabilities include other payables, amounts due to fellow subsidiaries and bank borrowings.

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 profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities 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 each Relevant Periods.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.7 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash at bank and on hand.

2.8 Paid-up capital

Paid-up capital is classified as equity. Incremental costs directly attributable to the capital contribution are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

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, it is performed that the assessment and the identification of 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.

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 arising from the sale of electricity and tariff adjustment is recognised at a point in time when electricity is generated, transmitted and delivered to the offtakers. Revenue from these sales is recognised based on the price specified in the power purchase agreements. The electricity generation will be confirmed with the offtakers regularly, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidy received and receivable pursuant to prevailing government policy in respect of the Target Company's renewable energy projects. Tariff adjustment is recognised at a point in time at 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.

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 wind power plant operators in the PRC and the revenue from sales of electricity.

(b) Interest income

Interest income is recognised over time using the effective interest method.

2.10 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 profit or loss in the period in which they are incurred.

2.11 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 each Relevant Periods in which the employees render the related service are recognised in respect of employees' services up to the end of each Relevant Periods and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Post-employment obligations

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to 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.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Target Company's obligations under these plans are limited to the fixed percentage contributions payable.

2.12 Current income tax and deferred 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 each Relevant Periods 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 tax

Deferred 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 financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each Relevant Periods and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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.

2.13 Leases

(a) Definition of a lease and the Target Company as a lessee

At inception of a contract, 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.

(b) Measurement and recognition of leases as a lessee

At lease commencement date, the Target Company recognises a right-of-use asset on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of lease payments made in advance of the lease commencement date (net of any lease incentives received).

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 asset 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 asset for impairment when such indicator exists.

The Target Company has elected to account for short-term leases and leases of low-value assets 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. Low-value assets comprise small items of office equipment.

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

2.14 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.

2.15 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 ASSUMPTIONS

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) Revenue recognition on tariff adjustment on sales of electricity

During the years ended 31 December 2019, 2020 and 2021, the Target Company recognised tariff adjustment of RMB4,576,000, RMB13,996,000 and RMB21,067,000, respectively in the sales of electricity.

The wind power plants of the Target Company was enlisted in the List (as defined in Note 16) on 15 August 2021. Accordingly, the tariff adjustment for the years ended 31 December 2019, 2020 and for the period from 1 January 2021 to 15 August 2021 of RMB4,576,000, RMB13,996,000 and RMB13,936,000, respectively, were only recognised to the extent that it is highly probable that such recognition would not result in significant revenue reversal in the future on the basis that these power plants had been qualified for and had met all the requirements and conditions for the entitlement of the tariff subsidy under the prevailing nationwide government policies on renewable energy for power plants and the accrued revenue on tariff subsidy are fully recoverable.

(b) Impairment of trade and tariff adjustment receivables

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 Relevant Periods. Note 24.3 provides the basis of the calculation of the loss allowance. As at 31 December 2019, 2020 and 2021, the carrying amount of trade and tariff adjustment receivables were RMB10,060,000, RMB26,844,000 and RMB45,826,000, respectively.

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Target Company's financial condition and results of operations. As at 31 December 2019, 2020 and 2021, the carrying amount of property, plant and equipment were RMB204,011,000, RMB194,658,000 and RMB183,942,000, respectively. As at 31 December 2019, 2020 and 2021, the carrying amount of right-of-use assets were nil, RMB1,742,000 and RMB1,654,000, respectively.

(d) 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.

4. REVENUE

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2019, 2020 and 2021. Tariff adjustment is recognised as revenue in accordance with the power purchase agreement.

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	5,392	15,198	17,986
Tariff adjustment	4,576	13,996	21,067
	9,968	29,194	39,053

5. OTHER INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Government grants	–	–	307

Note: Government grants mainly represent the grants from government for environmental protection. There is no unfulfilled condition relating to those grants.

6. FINANCE INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest income on bank balances	7	28	42

7. FINANCE COSTS

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses in relation to bank borrowings	4,075	7,383	7,797
Less: Amount capitalised in the cost of qualified assets	(2,301)	–	–
	1,774	7,383	7,797

The borrowing costs have been capitalised at a rate of 6.6% per annum for the year ended 31 December 2019.

8. PROFIT BEFORE INCOME TAX

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Depreciation:			
– Owned assets	2,695	10,136	11,029
– Right-of-use assets	–	22	88
Total depreciation	2,695	10,158	11,117
Auditor's remuneration	47	70	40

9. EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	1	97	84
Retirement benefit scheme contributions	–	16	14
	1	113	98

10. DIRECTORS' EMOLUMENTS

No emolument was paid or payable to the sole director 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 sole director as an inducement to join or upon joining the Target Company or as compensation for loss of office. There was no arrangement under which any director waived or agreed to waive any remuneration during the Relevant Periods.

11. INCOME TAX CREDIT

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") and implementation regulations of the EIT Law. The Target Company engaged in wind power project, under the EIT Law and its relevant regulations, is entitled tax holidays of 3-year full exemption from 1 January 2019 to 31 December 2021 followed by 3-year 50% exemption from 1 January 2022 to 31 December 2024.

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
– PRC enterprise income tax	–	–	–
Deferred tax *(Note 15)*	–	(812)	–
	–	(812)	–

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

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax credit	4,828	8,438	17,373
Tax on profit before income tax, calculated at the rate of 25%	1,207	2,110	4,343
Tax effect of PRC tax concession	(1,207)	(2,110)	(4,343)
Others *(note)*	–	(812)	–
Income tax credit	–	(812)	–

Note: Amount represented the temporary difference recognised in respect of the trial operation income.

12. DIVIDEND

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interim dividends	–	–	27,583

No dividends has been paid, declared or proposed during the years ended 31 December 2019 and 2020, nor any dividend been proposed subsequent to 31 December 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Power generating modules and equipment *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2019				
Cost	–	–	39,319	39,319
Accumulated depreciation	–	–	–	–
Net book amount	–	–	39,319	39,319
Year ended 31 December 2019				
Opening net book amount	–	–	39,319	39,319
Additions	–	–	167,387	167,387
Depreciation charge	(2,689)	(6)	–	(2,695)
Transfer	206,395	311	(206,706)	–
Closing net book amount	203,706	305	–	204,011
At 31 December 2019 and 1 January 2020				
Cost	206,395	311	–	206,706
Accumulated depreciation	(2,689)	(6)	–	(2,695)
Net book amount	203,706	305	–	204,011
Year ended 31 December 2020				
Opening net book amount	203,706	305	–	204,011
Additions	–	5	778	783
Depreciation charge	(10,111)	(25)	–	(10,136)
Closing net book amount	193,595	285	778	194,658
At 31 December 2020 and 1 January 2021				
Cost	206,395	316	778	207,489
Accumulated depreciation	(12,800)	(31)	–	(12,831)
Net book amount	193,595	285	778	194,658

	Power generating modules and equipment *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Year ended 31 December 2021				
Opening net book amount	193,595	285	778	194,658
Additions	125	–	188	313
Transfer	966	–	(966)	–
Depreciation charge	(10,964)	(65)	–	(11,029)
Closing net book amount	183,722	220	–	183,942
At 31 December 2021				
Cost	207,486	316	–	207,802
Accumulated depreciation	(23,764)	(96)	–	(23,860)
Net book amount	183,722	220	–	183,942

As at 31 December 2019, 2020 and 2021, power generating modules and equipment with carrying values of approximately RMB203,706,000, RMB193,595,000 and RMB183,722,000, respectively were pledged as security for the Target Company's bank borrowings of approximately RMB130,883,000, RMB130,883,000 and RMB147,645,000, respectively (Note 19).

14. RIGHT-OF-USE ASSETS

The Target Company's right-of-use assets arise from land use rights for wind power plant projects with typically lease term of 20 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants.

The movements of right-of-use assets (i.e. land use rights) are analysed as follows:

	Year ended 31 December		
	2019 *RMB'000*	**2020** *RMB'000*	**2021** *RMB'000*
At the beginning of the year	–	–	1,742
Additions	–	1,764	–
Depreciation	–	(22)	(88)
At the end of the year	–	1,742	1,654

15. DEFERRED TAX ASSETS

	Trial operation income		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	–	–	812
Credited to profit or loss	–	812	–
At 31 December	–	812	812

16. TRADE AND TARIFF ADJUSTMENT RECEIVABLES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	2,084	3,052	1,080
Tariff adjustment receivables	7,976	23,792	44,746
	10,060	26,844	45,826

As at 31 December 2019, 2020 and 2021, trade receivables of approximately RMB2,084,000, RMB3,052,000 and RMB1,080,000, respectively, represented receivables from sales of electricity and are usually settled within one to six months.

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

The sole director of the Target Company consider that the ECL for trade and tariff adjustment receivables is insignificant as at 31 December 2019, 2020 and 2021. Note 24.3 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Unbilled *(Note)*	7,976	23,792	44,746
1-30 days	2,084	3,052	1,080
	10,060	26,844	45,826

Note: As at 31 December 2019, 2020 and 2021, 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	1,904	2,700	2,412
31-60 days	4,317	1,709	2,775
61-90 days	1,755	1,188	1,274
91-180 days	–	2,872	2,190
181-365 days	–	7,347	13,907
1-2 years	–	7,976	17,064
2-5 years	–	–	5,124
	7,976	23,792	44,746

The maximum exposure to credit risk at the end of each Relevant Periods was the carrying value of trade and tariff adjustment receivables. Trade and tariff adjustment receivables are denominated in RMB.

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 "NDRC", 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.

In January 2020, the Ministry of Finance, the NDRC, and the National Energy Administration jointly issued Caijian 2020 No. 4 Notice on Several Opinions of Promoting the Healthy Development of the Power Generation of Non-Water Renewable Energy（關於促進非水可再生能源發電健康發展的若干意見）. Pursuant to Caijian 2020 No. 4 Notice, the Central Government will no longer 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 in the Tariff Subsidy Project List（補貼項目清單）(the "List"). The Qualified Power Plants include all 1st to 7th batch Catalogue power plants, which will be automatically enlisted in the List.

The wind power plants of the Target Company with an aggregate capacity of 30MW was successfully enlisted in the List. Management 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 repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. The tariff adjustment receivables are fully recoverable considering that the background of the customer is a state-owned enterprise and such tariff adjustment is only subject to timing of allocation of funds by the PRC government.

During the years ended 31 December 2019, 2020 and 2021, the Target Company received an aggregate amount of approximately nil, nil and RMB2,852,000, respectively, mainly for the subsidies in relation to the wind power plant projects enlisted in the List. 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 of trade and tariff adjustment receivables was recognised as at 31 December 2019, 2020 and 2021.

As of 31 December 2019, 2020 and 2021, all trade receivables were expected to be recoverable. The carrying amounts of trade receivables approximate their fair values.

17. CASH DEPOSITS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Restricted deposits *(note (b))*	5,588	9,790	11,243
Cash and cash equivalents	4,687	4,245	1,820
	10,275	14,035	13,063

Notes:

(a) The Target Company's bank balances were deposited with banks or other financial institutions 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) Restricted deposits represented deposits placed in a restricted bank account which will be utilised for repayment of bank borrowings in future.

18. OTHER PAYABLES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Retention payable	490	1,891	1,588
Interest payable	–	30	–
Dividends payable	–	–	27,583
Other payables	64	42	41
	554	1,963	29,212

19. BANK BORROWINGS

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Due:			
Within 1 year	–	–	13,997
After 1 year but within 2 years	–	6,252	13,100
After 2 years but within 5 years	33,227	41,720	44,263
After 5 years	97,656	82,911	76,285
Total	130,883	130,883	147,645
Classified as:			
Current portion	–	–	13,997
Non-current portion	130,883	130,883	133,648
Total	130,883	130,883	147,645

As at 31 December 2019, 2020 and 2021, bank borrowings of approximately RMB130,883,000, RMB130,883,000 and RMB147,645,000, respectively were secured by the Target Company's property, plant and equipment, restricted deposits and the fee collection right in relation to the sales of electricity. The bank borrowings carried an effective interest rate of 3.11%, 5.64 % and 5.28% per annum during the years ended 31 December 2019, 2020 and 2021, respectively, and repayable by instalments till 2031.

20. PAID-UP CAPITAL

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid up capital	71,000	71,000	71,000

21. PLEDGE OF ASSETS

The Target Company's bank 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	203,706	193,595	183,722
Restricted deposits	5,588	9,790	11,243
	209,294	203,385	194,965

22. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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**
上海斯能投資有限公司	Ultimate holding company
潤世達工程有限公司	Controlled and beneficially owned by the ultimate holding company
北京東冉電力工程有限公司	Controlled and beneficially owned by the ultimate holding company
北京玉禹韻文化傳播有限公司	Controlled and beneficially owned by the ultimate holding company
潤世華新能源控股集團有限公司	Controlled and beneficially owned by the ultimate holding company
南自晉能自動化有限公司	Controlled and beneficially owned by the 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 2019

		RMB'000
南自晉能自動化有限公司	Purchase of property, plant and equipment	8,851
潤世達工程有限公司	Purchase of property, plant and equipment	153,757
北京玉禹韻文化傳播有限公司	Management fee	98
北京東冉電力工程有限公司	Design fee	1,051

For the year ended 31 December 2020

		RMB'000
北京玉禹韻文化傳播有限公司	Management fee	192
潤世華新能源控股集團有限公司	Consultancy fee	130

For the year ended 31 December 2021

		RMB'000
潤世華新能源控股集團有限公司	Consultancy fee	27

(c) Significant related parties balances

Amount due to ultimate holding company

The amount due is unsecured, interest-free and repayable on demand.

Amount due from a fellow subsidiary

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
北京玉禹韻文化傳播有限公司	–	52	–

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

Amounts due to fellow subsidiaries

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
北京東冉電力工程有限公司	789	–	–
潤世華新能源控股集團有限公司	1,836	353	225
潤世達工程有限公司	57	2,714	90
南自晉能自動化有限公司	–	1,623	–
	2,682	4,690	315

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

23. 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 to ultimate holding company *RMB'000*	Amounts due to fellow subsidiaries *RMB'000*	Bank Borrowings *RMB'000*	Interest payable *RMB'000*	Total *RMB'000*
As at 1 January 2019	25,618	836	–	–	26,454
Cash flows					
– Proceed	–	1,846	130,883	–	132,729
– Repayment	(5,711)	–	–	–	(5,711)
– Interest paid	–	–	–	(4,075)	(4,075)
Non-cash changes					
– Finance costs *(Note 7)*	–	–	–	1,774	1,774
– Interest capitalised	–	–	–	2,301	2,301
As at 31 December 2019 and 1 January 2020	19,907	2.682	130,883	–	153,472
Cash flows					
– Proceed	–	2.008	–	–	2,008
– Repayment	(1,600)	–	–	–	(1,600)
– Interest paid	–	–	–	(7,353)	(7,353)
Non-cash changes					
– Finance costs *(Note 7)*	–	–	–	7,383	7,383
As at 31 December 2020 and 1 January 2021	18,307	4.690	130,883	30	153,910
Cash flows					
– Proceed	–	–	16,762	–	16,762
– Repayment	(9,000)	(4,375)	–	–	(13,375)
– Interest paid	–	–	–	(7,827)	(7,827)
Non-cash changes					
– Finance costs *(Note 7)*	–	–	–	7,797	7,797
As at 31 December 2021	9,307	315	147,645	–	157,267

24. 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.

24.1 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
– Trade and tariff adjustment receivables	10,060	26,844	45,826
– Amount due from a fellow subsidiary	–	52	–
– Restricted deposits	5,588	9,790	11,243
– Cash and cash equivalents	4,687	4,245	1,820
	20,335	40,931	58,889
Financial liabilities			
Financial liabilities at amortised cost			
– Other payables	554	1,963	29,212
– Amount due to ultimate holding company	19,907	18,307	9,307
– Amounts due to fellow subsidiaries	2,682	4,690	315
– Bank borrowings	130,883	130,883	147,645
	154,026	155,843	186,479

24.2 Interest rate risk

The Target Company does not anticipate significant impact to cash deposits because the interest rates of cash deposits 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 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 2019, 2020 and 2021, 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, profit for the years ended 31 December 2019, 2020 and 2021 and retained earnings as at 31 December 2019, 2020 and 2021 would be decreased/ increased by approximately RMB654,000, RMB654,000 and RMB738,000, 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 bank borrowings as at 31 December 2019, 2020 and 2021 existed throughout the respective Relevant Periods.

24.3 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, amount due from a fellow subsidiary and cash deposits.

As at 31 December 2019, 2020 and 2021, 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 sole director 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

The Target Company has three types of assets that are subject to the ECL model:

- Trade and tariff adjustment receivables

- Amount due from a fellow subsidiary
- Cash deposits (including cash at banks and restricted 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 wind power plants are eligible for tariff adjustment and are successfully enlisted on the List. The sole director 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 sole director 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 Relevant Periods.

(ii) Amount due from a fellow subsidiary

The Target Company's management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparties historical default rate, adjusted by current and forward-looking information. The impairment provision is determined based on the 12-month ECL which is close to zero.

(iii) Cash deposits (including cash at banks and restricted deposits)

The credit risks on cash at banks and restricted 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 and restricted deposits is assessed to be close to zero and no provision was made as at the end of each Relevant Periods.

24.4 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 bank 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.

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

	Effective interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Other payables	–	554	–	–	–	554	554
Amount due to ultimate holding company	–	19,907	–	–	–	19,907	19,907
Amounts due to fellow subsidiaries	–	2,682	–	–	–	2,682	2,682
Bank borrowings	3.11	7,383	7,797	56,811	135,912	207,903	130,883
		30,526	7,797	56,811	135,912	231,046	154,026
At 31 December 2020							
Other payables	–	1,963	–	–	–	1,963	1,963
Amount due to ultimate holding company	–	18,307	–	–	–	18,307	18,307
Amounts due to fellow subsidiaries	–	4,690	–	–	–	4,690	4,690
Bank borrowings	5.64	7,797	15,004	63,702	118,692	205,195	130,883
		32,757	15,004	63,702	118,692	230,155	155,843
At 31 December 2021							
Other payables	–	29,212	–	–	–	29,212	29,212
Amount due to immediate holding company	–	9,307	–	–	–	9,307	9,307
Amounts due to fellow subsidiaries	–	315	–	–	–	315	315
Bank borrowings	5.28	21,793	21,234	63,702	89,668	196,397	147,645
		60,627	21,234	63,702	89,668	235,231	186,479

24.5 Fair values

All current financial instruments are carried at amounts not materially different from their fair values as at 31 December 2019, 2020 and 2021.

25. 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 sole director of the Target Company consider cost of capital and the risks associated with the paid-up capital injection. The Target Company may adjust the amount of dividends paid to shareholders, capital injection, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

26. CAPITAL COMMITMENT

As at 31 December 2019, 2020 and 2021, the Target Company had capital commitments in respect of property, plant and equipment amounted to approximately RMB2,547,000, RMB313,000 and nil respectively.

27. EVENT AFTER THE REPORTING PERIODS

There was no significant event after 31 December 2021 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 December 2021 and up to the date of this report.

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

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 Youyu County Sineng Wind Energy Co., Ltd. (the "Target Company") set out on pages 159 to 202, which comprises the statements of financial position of the Target Company as at 31 December 2019, 2020 and 2021, 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 2019, 2020 and 2021 (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 159 to 202 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 13 June 2022 in connection with the proposed acquisition of 100% equity interests in the Target Company by the Company.

Sole Director's Responsibility for the Historical Financial Information

The sole director of the Target 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 sole director 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.

The directors of the Company are responsible for the contents of this supplemental circular in which the Historical Financial Information of the Target Company is included, and for such information is prepared based on the accounting policies materially consistent with those of the Company.

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 sole director, 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 2019, 2020 and 2021, 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.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 159 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
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

13 June 2022

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) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2019	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	101,495	95,805	103,712
Other income	*5*	–	1,845	2,068
Employee benefits expenses	*9*	(17)	(56)	(30)
Maintenance costs		(3,351)	(4,780)	(4,695)
Other expenses		(2,235)	(3,012)	(2,547)
EBITDA[#]		95,892	89,802	98,508
Depreciation of property, plant and equipment		(32,785)	(32,081)	(33,779)
Depreciation of right-of-use assets		–	(187)	(124)
Finance income	*6*	106	41	28
Finance costs	*7*	(27,597)	(31,546)	(26,859)
Profit before income tax	*8*	35,616	26,029	37,774
Income tax credit/(expense)	*11*	–	3,586	(5,052)
Profit and total comprehensive income for the year		35,616	29,615	32,722

[#] *EBITDA represents earnings before depreciation, finance income, finance costs, income tax credit/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.*

(B) STATEMENT OF FINANCIAL POSITION

		As at 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*13*	615,552	585,393	560,283
Right-of-use assets	*14*	2,492	2,305	2,181
Deferred tax assets	*15*	–	3,586	3,474
Pledged deposits		13,053	13,968	14,895
		631,097	605,252	580,833
Current assets				
Trade and tariff adjustment receivables	*16*	103,086	158,058	210,197
Prepayments and other receivables	*17*	300	379	99
Value-added tax recoverable		886	504	1,067
Amount due from ultimate holding company	*23(c)*	18,000	–	–
Amount due from a fellow subsidiary	*23(c)*	–	–	450
Restricted deposits	*18*	13,471	3,030	19,763
Cash and cash equivalents	*18*	1,063	4,722	3,631
		136,806	166,693	235,207
Current liabilities				
Other payables	*19*	21,415	18,901	113,988
Amount due to ultimate holding company	*23(c)*	–	5,600	65,600
Amounts due to fellow subsidiaries	*23(c)*	20,878	20,815	–
Amounts due to related companies	*23*	1,993	4,388	19,632
Bank borrowings	*20*	30,991	35,666	63,449
Income tax payable		–	–	540
		75,277	85,370	263,209
Net current assets/(liabilities)		61,529	81,323	(28,002)

		As at 31 December		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Total assets less current liabilities		692,626	686,575	552,831
Non-current liability				
Bank borrowings	*20*	418,801	383,135	319,686
Net assets		273,825	303,440	233,145
EQUITY				
Paid-up capital	*21*	220,000	220,000	220,000
Reserves		53,825	83,440	13,145
Total equity		273,825	303,440	233,145

(C) STATEMENT OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Statutory reserve* *RMB'000* *(Note)*	Retained earnings* *RMB'000*	Total *RMB'000*
At 1 January 2019	220,000	1,821	16,388	238,209
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	35,616	35,616
Transaction with equity holders:				
– Transfer to statutory reserve	–	3,562	(3,562)	–
At 31 December 2019 and 1 January 2020	220,000	5,383	48,442	273,825
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	29,615	29,615
Transaction with equity holders:				
– Transfer to statutory reserve	–	2,961	(2,961)	–
At 31 December 2020 and 1 January 2021	220,000	8,344	75,096	303,440
Total comprehensive income:				
Profit and total comprehensive income for the year	–	–	32,722	32,722
Transactions with equity holders:				
– Transfer to statutory reserve	–	3,272	(3,272)	–
Dividend declared *(Note 12)*	–	–	(103,017)	(103,017)
At 31 December 2021	220,000	11,616	1,529	233,145

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

Note:

According to the Target Company's articles of association, the Target Company is required to transfer at least 10% (at the discretion of the sole director) of its profit after taxation, as determined under PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the paid-in capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory reserve can be used to offset accumulated losses, if any, and may be converted into paid-in capital by new capital injection by shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the paid-up capital.

(D) STATEMENT OF CASH FLOWS

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	35,616	26,029	37,774
Adjustments for:			
Depreciation of property, plant and equipment	32,785	32,081	33,779
Depreciation of right-of-use assets	–	187	124
Finance income	(106)	(41)	(28)
Finance costs	27,597	31,546	26,859
Operating profit before working capital changes	95,892	89,802	98,508
Increase in trade and tariff adjustment receivables	(95,114)	(54,972)	(52,139)
(Increase)/decrease in prepayments and other receivables	(9)	(79)	280
Decrease/(increase) in value-added tax recoverable	9,035	382	(563)
Increase/(decrease) in other payables	2,209	(2,251)	(478)
Cash generated from operations	12,013	32,882	45,608
Income tax paid	–	–	(4,400)
Net cash generated from operating activities	12,013	32,882	41,208
Cash flows from investing activities			
Purchase of property, plant and equipment	(37,247)	(2,185)	(16,121)
Purchase of land use rights	(2,492)	–	–
(Advances to)/repayment from ultimate holding company	(18,000)	18,000	–
Advance to a fellow subsidiary	–	–	(450)
Interest received	106	41	28
Net cash (used in)/generated from investing activities	(57,633)	15,856	(16,543)

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from financing activities			
Proceeds from bank borrowings	49,373	–	–
Repayment of bank borrowings	(16,235)	(30,991)	(35,666)
Decrease/(increase) in pledged deposits	40,591	(915)	(927)
Interest paid	(27,597)	(31,546)	(26,859)
Decrease/(increase) in restricted deposits	5,239	10,441	(16,733)
Advance from ultimate holding company	–	5,600	60,000
Repayment to fellow subsidiaries	(17,892)	(63)	(20,815)
Repayment to related companies	669	2,395	15,244
Net cash generated from/(used in) financing activities	34,148	(45,079)	(25,756)
Net (decrease)/increase in cash and cash equivalents	(11,472)	3,659	(1,091)
Cash and cash equivalent at beginning of the year	12,535	1,063	4,722
Cash and cash equivalent at end of year	1,063	4,722	3,631

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

1. GENERAL INFORMATION

Youyu County Sineng Wind Energy Co., Ltd. (the "Target Company") was established in the People's Republic of China (the "PRC") on 27 December 2016. The address of its registered office is Yanjiayao Village, Weiyuan Town, Youyu County, Shuozhou City, Shanxi Province. The Target Company is principally engaged in the development, operation and management of wind power plants.

In the opinion of the sole director of the Target Company, the immediate holding company and ultimate holding company of the Target Company is Shanghai Sineng Investment Co., Ltd.(上海斯能投資有限公司), a company incorporated in the PRC with limited liability.

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 consistently applied all HKFRSs which are effective for the financial period beginning on or after 1 January 2021. The significant accounting policies that have been used in the preparation of the Historical Financial Information have been consistently applied throughout the Relevant Periods. 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 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 December 2021 amounted to RMB3,631,000 and current liabilities of RMB263,209,000. 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 Historical Financial Information has been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

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.

2.2 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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 Effective date not yet determined

4 Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 April 2021

Amendments to HKAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds received from selling items produced before that asset is available for use (i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management). Instead, an entity should recognise such sales proceeds and related costs in profit or loss. The entity should measure the cost of those items in accordance with HKAS 2 "Inventories".

Besides, the amendments also clarify the meaning of "testing whether an asset is functioning properly" and require additional disclosures for the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities.

Amendments to HKAS 16 are effective for annual period beginning on or after 1 January 2022 and apply retrospectively, but only to items of property, plant and equipment that are available for intended use by the management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies to the amendments. The Target Company's existing accounting policy is to account for trial operation income as reduction of cost of the relevant property, plant and equipment. Upon application of the amendments, such trial operation income will be included in profit and loss with corresponding adjustments to the cost of property, plant and equipment. As at 31 December 2021, trial operation income included in property, plant and equipment amounted to RMB20,057,000 which will be reclassified to the retained earnings upon the application of the amendments. In addition, deferred tax assets of RMB3,474,000 arising from trial operation income will be derecognised accordingly.

Excepted as disclosed above, the sole director 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 on or after the effective date of the pronouncement, and these are not expected to have a material impact on the Target Company's financial statements.

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.

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 and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. 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.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values (i.e. 3%), over their estimated useful lives, as follows:

Power generating modules and equipment	20 years
Buildings	20 years
Furniture, fixtures and office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each Relevant Periods.

Gains or losses on disposals are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in profit or loss.

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 profit or loss during the financial period in which they are incurred.

2.4 Impairment of non-financial assets

Non-financial 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 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. 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. Impairment loss is charged pro-rata to the assets in the 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.

2.5 Financial assets

(a) Classification

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.

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 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 fair value through profit or loss ("FVPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset.

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

Debt instruments

Subsequent measurement of debt instruments depends on the business model for managing the 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 profit or loss and presented in other expenses. Loss allowances are presented as separate line item in the statement of profit or loss and other comprehensive income. The Target Company's trade and tariff adjustment receivables, other receivables, amount due from ultimate holding company and amounts due from fellow subsidiaries, restricted cash and cash and cash equivalents fall into this category of financial instruments.

(d) Impairment

The Target Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the end of each Relevant Periods; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Company is exposed to credit risk.

In applying the forward-looking of ECL assessment, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of each Relevant Periods.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and all the cash flows that the Target Company expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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.

For other financial assets measured at amortised cost, the ECLs are based on the 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Target Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Target Company's historical experience and including forward-looking information.

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 regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant deterioration in the operating results of the debtor.

The Target Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Target Company has reasonable and supportable information that demonstrates otherwise.

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 of the Relevant Periods. 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 Notes 16 and 25.3.

2.6 Financial liabilities

(a) Recognition and measurement

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

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 profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities 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 each Relevant Periods.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.7 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash at bank and on hand.

2.8 Paid-up capital

Paid-up capital is classified as equity. Incremental costs directly attributable to the capital contribution are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

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, it is performed that the assessment and the identification of 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.

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 arising from the sale of electricity and tariff adjustment is recognised at a point in time when electricity is generated, transmitted and delivered to the offtakers. Revenue from these sales is recognised based on the price specified in the power purchase agreements. The electricity generation will be confirmed with the offtakers regularly, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidy received and receivable pursuant to prevailing government policy in respect of the Target Company's renewable energy projects. Tariff adjustment is recognised at a point in time at 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.

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 wind power plant operators in the PRC and the revenue from sales of electricity.

(b) Interest income

Interest income is recognised over time using the effective interest method.

2.10 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 profit or loss in the period in which they are incurred.

2.11 Current income tax and deferred 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 each Relevant Periods 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 tax

Deferred 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 financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of each Relevant Periods and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred 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.

2.12 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 each Relevant Periods in which the employees render the related service are recognised in respect of employees' services up to the end of each Relevant Periods and are measured at the amounts expected to be paid when the liabilities are settled.

(b) Post-employment obligations

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to 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.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Target Company's obligations under these plans are limited to the fixed percentage contributions payable.

2.13 Leases

(a) Definition of a lease and the Target Company as a lessee

At inception of a contract, 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.

(b) Measurement and recognition of leases as a lessee

At lease commencement date, the Target Company recognises a right-of-use asset on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of lease payments made in advance of the lease commencement date (net of any lease incentives received).

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 asset 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 asset for impairment when such indicator exists.

In the Historical Financial Information, right-of-use assets represented the prepaid lease payments for leasehold land.

2.14 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 ASSUMPTIONS

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) Revenue recognition on tariff adjustment on sales of electricity

During the years ended 31 December 2019, 2020 and 2021, the Target Company recognised tariff adjustment of RMB54,372,000, RMB50,874,000 and RMB59,113,000, respectively in the sales of electricity.

The wind power plants of the Target Company was enlisted in the List (as defined in Note 16) on 30 September 2021. Accordingly, the tariff adjustment for the years ended 31 December 2019, 2020 and for the period from 1 January 2021 to 30 September 2021 of RMB54,372,000, RMB50,874,000 and RMB43,184,000, respectively, were only recognised to the extent that it is highly probable that such recognition would not result in significant revenue reversal in the future on the basis that these power plants had been qualified for and had met all the requirements and conditions for the entitlement of the tariff subsidy under the prevailing nationwide government policies on renewable energy for power plants and the accrued revenue on tariff subsidy are fully recoverable.

(b) Impairment of trade and tariff adjustment receivables

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 Relevant Periods. Note 25.3 provides the basis of the calculation of the loss allowance. As at 31 December 2019, 2020 and 2021, the carrying amount of trade and tariff adjustment receivables were RMB103,086,000, RMB158,058,000 and RMB210,197,000, respectively.

(c) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Target Company's financial condition and results of operations. As at 31 December 2019, 2020 and 2021, the carrying amount of property, plant and equipment were RMB615,552,000, RMB585,393,000 and RMB560,283,000, respectively. As at 31 December 2019, 2020 and 2021, the carrying amount of right-of-use assets were RMB2,492,000, RMB2,305,000 and RMB2,181,000, respectively.

(d) Useful lives of property, plant and equipment

The Target Company estimates the 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.

4. REVENUE

Revenue represents revenue arising on sales of electricity which is recognised at a point in time. Substantially, all of the revenue is derived from electricity sales to local grid companies in the PRC for the years ended 31 December 2019, 2020 and 2021. Tariff adjustment is recognised as revenue in accordance with the power purchase agreement.

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	47,123	44,931	44,599
Tariff adjustment	54,372	50,874	59,113
	101,495	95,805	103,712

5. OTHER INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Value-added tax refund	–	1,845	2,068

6. FINANCE INCOME

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest income on bank balances	106	41	28

7. FINANCE COSTS

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	27,597	31,546	26,859

8. PROFIT BEFORE INCOME TAX

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation:			
– Owned assets	32,785	32,081	33,779
– Right-of-use assets	–	187	124
Total depreciation	32,785	32,268	33,903
Auditor's remuneration	142	122	134

9. EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and bonuses	17	46	27
Retirement benefit scheme contributions	–	10	3
	17	56	30

10. DIRECTORS' EMOLUMENTS

No emolument was paid or payable to the sole director 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 sole director as an inducement to join or upon joining the Target Company or as compensation for loss of office. There was no arrangement under which any director waived or agreed to waive any remuneration during the Relevant Periods.

11. INCOME TAX (CREDIT)/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") and implementation regulations of the EIT Law. The Target Company engaged in wind power project, under the EIT Law and its relevant regulations, is entitled tax holidays of 3-year full exemption from 1 January 2018 to 31 December 2020 followed by 3-year 50% exemption from 1 January 2021 to 31 December 2023.

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– PRC enterprise income tax	–	–	4,940
Deferred tax *(Note 15)*	–	(3,586)	112
Income tax (credit)/expense	–	(3,586)	5,052

Reconciliation between tax (credit)/expense and accounting profit at applicable tax rate are as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax (credit)/expense	35,616	26,029	37,774
Tax on profit before income tax, calculated at the rate of 25%	8,904	6,507	9,444
Tax effect of PRC tax concession	(8,904)	(6,507)	(4,722)
Tax effect of non-deductible expenses	–	–	330
Others *(note)*	–	(3,586)	–
Income tax (credit)/expense	–	(3,586)	5,052

Note: Amount represented the temporary difference recognised in respect of the trial operation income.

12. DIVIDEND

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Interim dividends	–	–	103,017

No dividends has been paid, declared or proposed during the years ended 31 December 2019 and 2020, nor any dividend been proposed subsequent to 31 December 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Power generating modules and equipment *RMB'000*	Buildings *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Total *RMB'000*
At 1 January 2019				
Cost	586,417	27,329	31	613,777
Accumulated depreciation	(14,176)	(634)	(3)	(14,813)
Net book amount	572,241	26,695	28	598,964
Year ended 31 December 2019				
Opening net book amount	572,241	26,695	28	598,964
Additions	49,373	–	–	49,373
Depreciation charge	(31,454)	(1,325)	(6)	(32,785)
Closing net book amount	590,160	25,370	22	615,552
At 31 December 2019 and 1 January 2020				
Cost	635,790	27,329	31	663,150
Accumulated depreciation	(45,630)	(1,959)	(9)	(47,598)
Net book amount	590,160	25,370	22	615,552
Year ended 31 December 2020				
Opening net book amount	590,160	25,370	22	615,552
Additions	1,922	–	–	1,922
Depreciation charge	(30,753)	(1,322)	(6)	(32,081)
Closing net book amount	561,329	24,048	16	585,393
At 31 December 2020 and 1 January 2021				
Cost	637,736	27,329	31	665,072
Accumulated depreciation	(76,407)	(3,281)	(15)	(79,679)
Net book amount	561,329	24,048	16	585,393
Year ended 31 December 2021				
Opening net book amount	561,329	24,048	16	585,393
Additions	69	8,600	–	8,669
Depreciation charge	(30,839)	(2,934)	(6)	(33,779)
Closing net book amount	530,559	29,714	10	560,283
At 31 December 2021				
Cost	637,805	35,929	31	673,741
Accumulated depreciation	(107,246)	(6,215)	(21)	(113,458)
Net book amount	530,559	29,714	10	560,283

As at 31 December 2019, 2020 and 2021, power generating modules and equipment with carrying values of approximately RMB590,160,000, RMB561,329,000 and RMB530,559,000, respectively were pledged as security for the Target Company's bank borrowings of approximately RMB449,792,000, RMB418,801,000 and RMB383,135,000, respectively (Note 22).

14. RIGHT-OF-USE ASSETS

The Target Company's right-of-use assets mainly arise from lease of land use rights for wind power plant projects with typically lease term of 20 years. Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants.

The movements of right-of-use assets (i.e. land use rights) are analysed as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	–	2,492	2,305
Addition	2,492	–	–
Depreciation	–	(187)	(124)
At the end of the year	2,492	2,305	2,181

15. DEFERRED TAX ASSETS

	Trial operation income		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	–	–	3,586
Credited/(charged) to profit or loss	–	3,586	(112)
At 31 December	–	3,586	3,474

16. TRADE AND TARIFF ADJUSTMENT RECEIVABLES

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	8,815	6,300	5,281
Tariff adjustment receivables	94,271	151,758	204,916
	103,086	158,058	210,197

As at 31 December 2019, 2020 and 2021, trade receivables of approximately RMB8,815,000, RMB6,300,000 and RMB5,281,000 respectively, represented receivables from sales of electricity and are usually settled within one to six months.

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

The sole director of the Target Company consider that the ECL for trade and tariff adjustment receivables is insignificant as at 31 December 2019, 2020 and 2021. 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		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Unbilled *(Note)*	94,271	151,758	204,916
1-30 days	8,815	6,300	5,281
	103,086	158,058	210,197

Note: As at 31 December 2019, 2020 and 2021, 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
1-30 days	2,065	4,272	8,974
31-60 days	4,655	3,449	3,679
61-90 days	8,363	7,340	2,157
91-180 days	3,836	2,320	4,737
181-365 days	27,987	40,106	47,250
1-2 years	47,365	54,370	57,487
2-5 years	–	39,901	80,632
	94,271	151.758	204,916

The maximum exposure to credit risk at the end of each Relevant Periods was the carrying value of trade and tariff adjustment receivables. Trade and tariff adjustment receivables are denominated in RMB.

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 ("NDRC"), 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.

In January 2020, the Ministry of Finance, the NDRC, and the National Energy Administration jointly issued Caijian 2020 No. 4 Notice on Several Opinions of Promoting the Healthy Development of the Power Generation of Non-Water Renewable Energy（關於促進非水可再生能源發電健康發展的若干意見）. Pursuant to Caijian 2020 No. 4 Notice, the Central Government will no longer 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 in the Tariff Subsidy Project List（補貼項目清單）(the "List"). The Qualified Power Plants include all 1st to 7th batch Catalogue power plants, which will be automatically enlisted in the List.

The wind power plants of the Target Company with an aggregate capacity of 99.5MW was successfully enlisted in the List. Management 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 repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. The tariff adjustment receivables are fully recoverable considering that the background of the customer is a state-owned enterprise and such tariff adjustment is only subject to timing of allocation of funds by the PRC government.

During the years ended 31 December 2019, 2020 and 2021, the Target Company received an aggregate amount of approximately nil, nil and RMB13,639,000, respectively, including the subsidies in relation to the wind power plant projects enlisted in the List. 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 of trade and tariff adjustment receivables was recognised as at 31 December 2019, 2020 and 2021.

As of 31 December 2019, 2020 and 2021, 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	300	185	99
Other receivables	–	194	–
	300	379	99

The sole director 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.

18. CASH DEPOSITS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Restricted deposits *(note (b))*	13,471	3,030	19,763
Cash and cash equivalents	1,063	4,722	3,631
	14,534	7,752	23,394

Notes:

(a) The Target Company's bank balances were deposited with banks or other financial institutions 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) Restricted deposits represented deposits placed in a restricted bank account which will be utilised for repayment of bank borrowings in future.

19. OTHER PAYABLES

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Retention payable	18,464	18,201	10,749
Dividends payables	–	–	103,017
Other payables and accruals	2,951	700	222
	21,415	18,901	113,988

20. BANK BORROWINGS

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Due:			
Within 1 year			
– current portion of long-term bank borrowings	30,991	35,666	63,449
After 1 year but within 2 years	35,666	63,449	63,449
After 2 years but within 5 years	190,348	190,348	190,348
Over 5 years	192,787	129,338	65,889
	418,801	383,135	319,686
Total	449,792	418,801	383,135
Classified as:			
Current portion	30,991	35,666	63,449
Non-current portion	418,801	383,135	319,686
	449,792	418,801	383,135

As at 31 December 2019, 2020 and 2021, bank loans of approximately RMB449,792,000, RMB418,801,000 and RMB383,135,000, respectively were secured by The Target Company's property, plant and equipment, pledged deposits, restricted deposits and the fee collection right in relation to the sales of electricity. The bank loans carried an effective interest rate of 6.14%, 7.53% and 7.01% per annum during the years ended 31 December 2019, 2020 and 2021, respectively, and repayable by instalments till 2030.

21. PAID-UP CAPITAL

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid-up capital	220,000	220,000	220,000

22. PLEDGE OF ASSETS

The Target Company's bank 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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	590,160	561,329	530,559
Pledged deposits	13,053	13,968	14,895
Restricted deposits	13,471	3,030	19,763
	616,684	578,327	565,217

23. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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
上海斯能投資有限公司	Ultimate holding company
潤世達工程有限公司	Controlled and beneficially owned by the ultimate holding company
南自晉能自動化有限公司	Controlled and beneficially owned by the ultimate holding company
北京東冉電力工程有限公司	Controlled and beneficially owned by the ultimate holding company
潤世華新能源控股集團有限公司	Controlled and beneficially owned by the ultimate holding company
北京玉禹韻文化傳播有限公司	Controlled and beneficially owned by the ultimate holding company
山西潤世華新能源技術服務有限公司	Controlled and beneficially owned by the ultimate holding company
朔州市平魯區臥龍風電有限公司	An associate of the ultimate holding company
朔州市平魯區天瑞風電有限公司	An associate of the 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 2019

RMB'000

潤世達工程有限公司	Consultancy fee	658
北京玉禹韻文化傳播有限公司	Consultancy fee	207

For the year ended 31 December 2020

		RMB'000
北京玉禹韻文化傳播有限公司	Consultancy and management fee	151
潤世華新能源控股集團有限公司	Construction service fee	1,239
朔州市平魯區臥龍風電有限公司	Construction service fee	2,394

For the year ended 31 December 2021

		RMB'000
北京玉禹韻文化傳播有限公司	Consultancy fee	144
山西潤世華新能源技術服務有限公司	Maintenance service fee	550
朔州市平魯區臥龍風電有限公司	Consultancy and management fee	2,784

(c) Significant related parties balances

Amount due from/to ultimate holding company

The amount due is unsecured, interest-free and repayable on demand.

Amounts due from/(to) fellow subsidiaries

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
山西潤世華新能源技術服務有限公司	–	–	450
潤世達工程有限公司	(20,395)	(20,196)	–
南自晉能自動化有限公司	(408)	(408)	–
北京東冉電力工程有限公司	(75)	(75)	–
潤世華新能源控股集團有限公司	–	(136)	–
	(20,878)	(20,815)	450

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

Amounts due to related companies

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
朔州市平魯區臥龍風電有限公司	1,993	4,388	16,416
朔州市平魯區天瑞風電有限公司	–	–	3,216
	1,993	4,388	19,632

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

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 to ultimate holding company *RMB'000*	**Amounts due to fellow subsidiaries** *RMB'000*	**Amounts due to related companies** *RMB'000*	**Bank borrowings** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	–	38,770	1,324	416,654	456,748
Cash flows					
– Proceeds	–	–	669	49,373	50,042
– Repayment	–	(17,892)	–	(16,235)	(34,127)
– Interest paid	–	–	–	(27,597)	(27,597)
Non-cash changes					
– Finance costs *(Note 7)*	–	–	–	27,597	27,597
As at 31 December 2019 and 1 January 2020	–	20,878	1,993	449,792	472,663
Cash flows					
– Proceeds	5,600	–	2,395	–	7,995
– Repayment	–	(63)	–	(30,991)	(31,054)
– Interest paid	–	–	–	(31,546)	(31,546)
Non-cash changes					
– Finance costs *(Note 7)*	–	–	–	31,546	31,546
As at 31 December 2020 and 1 January 2021	5,600	20,815	4,388	418,801	449,604
Cash flows					
– Proceeds	60,000	–	15,244	–	75,244
– Repayment	–	(20,815)	–	(35,666)	(56,481)
– Interest paid	–	–	–	(26,859)	(26,859)
Non-cash changes					
– Finance costs *(Note 7)*	–	–	–	26,859	26,859
As at 31 December 2021	65,600	–	19,632	383,135	468,367

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.

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		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
– Trade and tariff adjustment receivables	103,086	158,058	210,197
– Other receivables	–	194	–
– Amount due from ultimate holding company	18,000	–	–
– Amount due from a fellow subsidiary	–	–	450
– Restricted deposits	13,471	3,030	19,763
– Cash and cash equivalents	1,063	4,722	3,631
	135,620	166,004	234,041
Financial liabilities			
Financial liabilities at amortised cost			
– Other payables	21,415	18,901	113,988
– Amount due to ultimate holding company	–	5,600	65,600
– Amounts due to fellow subsidiaries	20,878	20,815	–
– Amounts due to related companies	1,993	4,388	19,632
– Bank borrowings	449,792	418,801	383,135
	494,078	468,505	582,355

25.2 Interest rate risk

The Target Company does not anticipate significant impact to cash deposits because the interest rates of cash deposits 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 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 2019, 2020 and 2021, 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, profit for the years ended 31 December 2019, 2020 and 2021 and retained earnings as at 31 December 2019, 2020 and 2021 would be decreased/ increased by approximately RMB2,249,000, RMB2,094,000 and RMB1,676,000 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 bank borrowings as at 31 December 2019, 2020 and 2021 existed throughout the respective Relevant 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, amounts due from ultimate holding company, amount due from a fellow subsidiary and cash deposits.

As at 31 December 2019, 2020 and 2021, 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 sole director of the Target Company is 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

The Target Company has three types of assets that are subject to the ECL model:

- Trade and tariff adjustment receivables
- Other receivables, amount due from ultimate holding company and amount due from a fellow subsidiary
- Cash deposits (including cash at banks and restricted 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 wind power plants are eligible for tariff adjustment and are successfully enlisted on the List. The sole director 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 sole director 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 Relevant Periods.

(ii) Other receivables, amount due from ultimate holding company and amount due from a fellow subsidiary

The Target Company's management considers that their credit risk have not increased significantly since initial recognition with reference to the counterparties historical default rate, adjusted by current and forward-looking information. The impairment provision is determined based on the 12-month ECL which is close to zero.

(iii) Cash deposits (including cash at banks and restricted deposits)

The credit risks on cash at banks and restricted 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 and restricted deposits is assessed to be close to zero and no provision was made as at the end of each Relevant Periods.

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 bank 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.

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

	Effective interest rate	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Other payables	–	21,415	–	–	–	21,415	21,415
Amounts due to fellow subsidiaries	–	20,878	–	–	–	20,878	20,878
Amounts due to related companies	–	1,993	–	–	–	1,993	1,993
Bank borrowings	6.14	58,608	63,283	215,498	398,895	736,284	449,792
		102,894	63,283	215,498	398,895	780,570	494,078
At 31 December 2020							
Other payables	–	18,901	–	–	–	18,901	18,901
Amount due to ultimate holding company	–	5,600	–	–	–	5,600	5,600
Amounts due to fellow subsidiaries	–	20,815	–	–	–	20,815	20,815
Amounts due to related companies	–	4,388	–	–	–	4,388	4,388
Bank borrowings	7.53	63,283	94,984	215,498	290,686	664,451	418,801
		112,987	94,984	215,498	290,686	714,155	468,505
At 31 December 2021							
Other payables	–	113,988	–	–	–	113,988	113,988
Amount due to ultimate holding company	–	65,600	–	–	–	65,600	65,600
Amounts due to related companies	–	19,632	–	–	–	19,632	19,632
Bank borrowings	7.01	94,984	90,268	215,498	191,869	592,619	383,135
		294,204	90,268	215,498	191,869	791,839	582,355

25.5 Fair values

All current financial instruments are carried at amounts not materially different from their fair values as at 31 December 2019, 2020 and 2021.

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 sole director of the Target Company consider cost of capital and the risks associated with the paid-up capital. The Target Company may adjust the amount of dividends paid to shareholders, capital injection, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27. CAPITAL COMMITMENT

As at 31 December 2019, 2020 and 2021, the Target Company had capital commitments in respect of property, plant and equipment amounted to approximately RMB1,922,000, RMB8,669,000 and nil respectively.

28. EVENT AFTER THE REPORTING PERIODS

There was no significant event after 31 December 2021 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 December 2021 and up to the date of this report.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Introduction to Unaudited Pro Forma Financial Information

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 (i) Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd. (''Shuozhou Wind Energy''); (ii) Xiyang County Sineng New Energy Co., Ltd. (''Xiyang New Energy''); (iii) Xiyang County Sineng Wind Energy Co., Ltd. (''Xiyang Wind Energy'') and (iv) Youyu County Sineng Wind Energy Co., Ltd. (''Youyu Wind Energy'') (collectively the ''Target Companies''), which has been prepared by the directors of the Company to illustrate the financial effects of the proposed acquisition of the equity interests in the Target Companies (the ''Acquisitions'') on the assets and liabilities of the Enlarged Group as if the Acquisitions had been completed on 31 December 2021. Upon completion of the Acquisitions, the Group will own as to 100% equity interests in the Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy and 49% equity interest in Xiyang New Energy.

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 Acquisitions on the assets and liabilities of the Enlarged Group for inclusion in this supplemental circular (the ''Supplemental Circular'').

The preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group is based on (a) the audited consolidated statement of financial position of the Group as at 31 December 2021 which has been extracted from the published annual report of the Company for the year ended 31 December 2021; (b) the audited statements of financial position of the Target Companies as at 31 December 2021 extracted from the accountants' reports as set out in Appendix II to this Supplemental Circular, after making pro forma adjustments relating to the Acquisitions as explained in the notes below that are (i) directly attributable to the Acquisitions and not relating to future events or decisions; and (ii) factually supportable, as if the Acquisitions had been completed on 31 December 2021. The accounting policies of the Target Companies are stated in the accountants' reports as set out in Appendix II of this Supplemental 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 Acquisitions been completed as at 31 December 2021 or at 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 annual report of the Company for the year ended 31 December 2021 and other financial information included elsewhere in this Supplemental Circular.

(ii) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

		Pro forma adjustments			
	Audited consolidated statement of assets and liabilities of the Group as at 31 December 2021	Audited statement of assets and liabilities of Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy as at 31 December 2021	Others		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2021
	RMB'million *Note 1*	*RMB'million* *Note 2*	*RMB'million* *Note 3*	*RMB'million* *Note 4*	*RMB'million*
ASSETS					
Non-current assets					
Property, plant and equipment	26,172	1,374	517		28,063
Right-of-use assets	1,083	9			1,092
Intangible assets	972	–	99		1,071
Investments accounted for using equity method	279	–	432		711
Other receivables, deposits and prepayments	1,038	38			1,076
Pledged deposits	939	15			954
Deferred tax assets	5	7			12
	30,488	1,443			32,979
Current assets					
Financial assets at fair value through profit or loss	39	–			39
Trade, bills and tariff adjustment receivables	7,552	369			7,921
Other receivables, contract assets, deposits and prepayments	3,175	32	(200)		3,007
Pledged deposits	91	–			91
Restricted cash	–	37			37
Cash and cash equivalents	4,814	14		(2)	4,826
	15,671	452			15,921
Total assets	46,159	1,895			48,900
LIABILITIES					
Non-current liabilities					
Financial liabilities at fair value through profit or loss	346	–			346
Bank and other borrowings	24,261	857			25,118
Lease liabilities	563	–			563
Deferred income	16	–			16
Deferred tax liabilities	366	–	119		485
	25,552	857			26,528
Current liabilities					
Other payables and accruals	3,507	367	1,251		5,125
Lease liabilities	38	–			38
Bank and other borrowings	7,778	116			7,894
	11,323	483			13,057
Total liabilities	36,875	1,340			39,585

(iii) Notes to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

Note 1 The consolidated statement of assets and liabilities of the Group as at 31 December 2021 is extracted from the published annual report of the Company as at 31 December 2021.

Note 2 The audited statements of assets and liabilities of Target Companies as at 31 December 2021 are extracted from the audited statements of financial position of the Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy as set out in Appendix II to this Supplemental Circular.

Note 3 On 1 March 2022, Beijing United Rongbang New Energy Technology Co., Ltd (the "Purchaser"), an non wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreements with Shanghai Sineng Investment Co., Ltd. (the "Vendor"), an independent third party, to acquire the entire equity interests in each of Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy and 49% equity interests in Xiyang New Energy.

Pursuant to the Equity Transfer Agreements, the considerations for the transfer of equity interests in Shuozhou Wind Energy, Xiyang Wind Energy, Youyu Wind Energy and Xiyang New Energy are approximately RMB510,867,000, RMB179,907,000, RMB328,224,000 and RMB431,640,000, respectively. The aggregate consideration of the Acquisitions amounts to approximately RMB1,450,638,000. Details of the consideration and payment terms are set out in the "Letter from the Board" section to this Supplemental Circular.

Upon completion of the Acquisitions, Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy will become indirect wholly-owned subsidiaries of the Company and Xiyang New Energy will become an associate of the Company. The identifiable assets and liabilities of Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy 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". The 49% equity interest in Xiyang New Energy will be accounted for using equity method of accounting.

(i) The provisional purchase price allocation arising from the acquisitions of the entire equity interests in Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy is calculated as follows:

	RMB'million
Consideration	
Cash consideration	1,019
Less: Total identifiable assets acquired and liabilities assumed	
Carrying amounts of net assets of Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy acquired (Appendix II)	(555)
Pro forma fair value surplus of property, plant and equipment *(see Note (ii) below)*	(517)
Effect on deferred tax liabilities arising from pro forma fair value surplus of property, plant and equipment *(see Note (iii) below)*	119
	(953)
	66
Representing	
Goodwill recognised in the consolidated statement of financial position of the Enlarged Group	99
Bargain purchase gain recognised in the consolidated statement of profit or loss of the Enlarged Group	(33)
	66

Goodwill will be recognised in relation to the acquisitions of the equity interests in Shuozhou Wind Energy and Xiyang Wind Energy for the amounts of approximately RMB67 million and RMB32 million, respectively, while bargain purchase gain of approximately RMB33 million will be recognised in profit or loss in relation to the acquisition of the equity interest in Youyu Wind Energy.

(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 wind power plants owned by Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy with an aggregate installed capacity of approximately 229.5MW as at 31 December 2021 (the "Wind Power Plants") were based on the individual valuation reports dated 21 April 2022 prepared by the independent qualified professional valuer, China Alliance Appraisal Co.,Ltd. The valuations of the Wind Power Plants owned by Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy were prepared using the income approach, through the use of the discounted cash flow method.

(iii) Deferred tax liabilities

Related deferred tax liabilities of approximately RMB118,962,000 arising from the pro forma fair value surplus on the property, plant and equipment of approximately RMB516,963,000 was estimated based on PRC Corporate Income Tax rate of 25% and preferential tax concession for the years up to 31 December 2025.

Since the fair values of the identifiable assets and liabilities of Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy at the completion date may be substantially different from the fair values 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 Acquisitions may be different from the amounts presented above.

(iv) Investments accounted for using equity method

Under the equity method of accounting, the 49% equity interest in Xiyang New Energy will be recognised at cost, which is the consideration of approximately RMB431,640,000. Such amount is approximate to its fair value as at 31 December 2021.

(v) Other receivables, contract assets, deposits and prepayments

Reference is made to the announcement of the Company dated 10 December 2021, "The Group entered into a term sheet with the Vendor on the same date for the potential acquisition of additional renewable energy projects owned by the Vendor (the "Potential Acquisition"), which may further enhance the Group's renewable power plant portfolio and benefit the Shareholders and the Group as a whole. The deposit paid by the Group under the term sheet of the Potential Acquisition amounts to RMB200 million which is refundable subject to certain conditions." Pursuant to the agreement between the parties, the deposit of RMB200 million paid in advance will be used to offset the total consideration of the Acquisitions.

(vi) Other payables and accruals

The total consideration for the Acquisitions was approximately RMB1,451 million, of which the deposit paid in advance by the Group of RMB200 million was available for offsetting and the remaining consideration payable of approximately RMB1,251 million was included in other payables and accruals and repayable within one year.

Note 4 The adjustment represents the estimated transaction costs of approximately RMB2,002,000 paid by the Company in connection with the Acquisitions.

Note 5 Apart from the Acquisitions, 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 31 December 2021.

Note 6 Having taken into account that a) each of the Target Companies had recorded net profits during the track record period; b) each of the Target Companies had recorded net assets as at 31 December 2019, 2020 and 2021; c) the valuation reports set out in Appendices VA to VD do not recommend any impairment in respect of each of the Target Companies; and d) the impairment assessment method that adopted by the Company is consistent with the valuation method used in the valuation reports set out in Appendices VA to VD, the management of the Company is of the opinion that no further impairment assessment in relation to the Acquisitions is required as there was no impairment indicator was noticed.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 (i) Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd.; (ii) Xiyang County Sineng New Energy Co., Ltd.; (iii) Xiyang County Sineng Wind Energy Co., Ltd. and (iv) Youyu County Sineng Wind Energy Co., Ltd. (the "Target Companies") (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 31 December 2021 and related notes as set out in Part A of Appendix III to the circular dated 13 June 2022 (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 impact of the proposed acquisition of the equity interests in the Target Companies (the "Acquisition") on the Group's financial position as at 31 December 2021 as if the Acquisition had taken place at 31 December 2021. As part of this process, information about the Group's financial position as at 31 December 2021 has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2021, on which audit 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 31 December 2021 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.

Yours faithfully,

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

13 June 2022

Chiu Wing Ning
Practising certificate number: P04920

Prospects for the Wind Power Industry

In recent years, the grid-connected installed capacity of wind power in the PRC continued to grow, and exceeded 200 million kW in 2019 and 300 million kW in 2021, doubled from the end of 2016. At present, the grid-connected installed capacity of wind power in the PRC has ranked the first in the world for 12 consecutive years.

China has clearly stated that by 2030, China's carbon dioxide emissions per unit of GDP will drop by more than 65% compared to 2005, the share of non-fossil energy in primary energy consumption will account for about 25%, the total installed capacity of wind and solar power will reach over 1.2 billion kW. In the process of implementing China's carbon emission peak and carbon neutrality goals and realising transformation of China's energy structure, vigorously developing wind power shall be the designated courses.

During the 14th Five-Year period, the wind power industry will create more room for development, and it is expected to achieve an additional development scale of more than 250 million kW for wind power with an average annual newly installed capacity of not less than 50 million kW, which is the minimum requirement to achieve the dual carbon goals. Among them, the "Northeast China, North China and Northwest China" markets need to achieve additional installed capacity of 100 million to 125 million kW of wind power, with an average annual increase of 20 million to 25 million kW; offshore wind power needs to achieve additional installed capacity of 40 million to 80 million kW, with an average annual increase of 8 million to 16 million kW; the Central China and Southeast markets need to achieve additional installed capacity of 75 million to 100 million kW of wind power, with an average annual increase of 15 million to 20 million kW. By 2025, the aggregated installed capacity of wind power will reach 580 million kW, 1 billion kW by 2030, and at least 3 billion kW by 2060.

Review of Business

The Target Companies are principally engaged in the operation, maintenance and management of new energy power plants in the PRC and located in different counties in Shanxi, the PRC. Shuozhou Wind Energy is operating a wind power plant with the grid-connected capacity of 100MW, Xiyang New Energy is operating a wind power plant with the grid-connected capacity of 200MW, Xiyang Wind Energy is operating three wind power plants with the grid-connected capacity of 10MW each and Youyu Wind Energy is operating a wind power plant with the grid-connected capacity of 99.5MW.

Shuozhou Wind Energy: In 2019, the Target Company was still under construction, and no revenue was recognised; and for the two years ended 31 December 2021, the Target Company recognised wind power generation revenue of RMB25 million and RMB112 million, respectively.

Xiyang New Energy: For the three years ended 31 December 2021, the Target Company recognised wind power generation revenue of RMB187 million, RMB173 million and RMB207 million, respectively.

Xiyang Wind Energy: For the three years ended 31 December 2021, the Target Company recognised wind power generation revenue of RMB10 million, RMB29 million and RMB39 million, respectively.

Youyu Wind Energy: For the three years ended 31 December 2021, the Target Company recognised wind power generation revenue of RMB101 million, RMB96 million and RMB104 million, respectively.

Shuozhou Wind Energy

	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	–	12,330	56,113
Tariff adjustment	–	12,205	55,542
	–	24,535	111,655

Xiyang New Energy

	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	96,599	86,387	95,447
Tariff adjustment	90,379	86,412	111,226
	186,978	172,799	206,673

Xiyang Wind Energy

	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	5,392	15,198	17,986
Tariff adjustment	4,576	13,996	21,067
	9,968	29,194	39,053

Youyu Wind Energy

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Sales of electricity	47,123	44,931	44,599
Tariff adjustment	54,372	50,874	59,113
	101,495	95,805	103,712

Segmental information

During the three years ended 31 December 2021, each of the Target Companies operated one reportable and operating segment, being the operation of wind power plants in Shanxi Province, the PRC, respectively. As such, there was no segmental information available for the three years ended 31 December 2021.

Property, Plant and Equipment

Shuozhou Wind Energy: As at 31 December 2019, 31 December 2020 and 31 December 2021, the net book amounts of the property, plant and equipment of the Target Company were approximately RMB608 million, RMB654 million and RMB630 million, respectively.

Xiyang New Energy: As at 31 December 2019, 31 December 2020 and 31 December 2021, the net book amounts of the property, plant and equipment of the Target Company were approximately RMB1,169 million, RMB1,093 million and RMB1,016 million, respectively.

Xiyang Wind Energy: As at 31 December 2019, 31 December 2020 and 31 December 2021, the net book amounts of the property, plant and equipment of the Target Company were approximately RMB204 million, RMB195 million and RMB184 million, respectively.

Youyu Wind Energy: As at 31 December 2019, 31 December 2020 and 31 December 2021, the net book amounts of the property, plant and equipment of the Target Company were approximately RMB616 million, RMB585 million and RMB560 million, respectively.

Liquidity and financial resources

Shuozhou Wind Energy: As at 31 December 2021, the current assets of the Target Company were approximately RMB142 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB113 million, value-added tax recoverable of approximately RMB15 million, restricted deposits of approximately RMB6 million, and cash and cash equivalents of approximately RMB8 million. In addition, the Target Company had current liabilities of approximately RMB167 million, non-current assets of approximately RMB676 million and non-current liabilities of approximately RMB404 million.

As at 31 December 2020, the current assets of the Target Company were approximately RMB76 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB47 million, value-added tax recoverable of approximately RMB13 million, restricted deposits of approximately RMB5 million, and cash and cash equivalents of approximately RMB11 million. In addition, the Target Company has current liabilities of approximately RMB96 million, non-current assets of approximately RMB708 million and non-current liabilities of approximately RMB443 million.

As at 31 December 2019, the current assets of the Target Company were approximately RMB6 million, mainly comprising of cash and cash equivalents of approximately RMB6 million. In addition, the Target Company has current liabilities of approximately RMB205 million, non-current assets of approximately RMB672 million and non-current liabilities of approximately RMB243 million.

In 2019, the Target Company's wind power projects were under construction, so the scale of current assets and liabilities were relatively small.

Xiyang New Energy: As at 31 December 2021, the current assets of the Target Company were approximately RMB400 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB312 million, value-added tax recoverable of approximately RMB22 million, restricted deposits of approximately RMB2 million, and cash and cash equivalents of approximately RMB63 million. In addition, the Target Company had current liabilities of approximately RMB145 million, non-current assets of approximately RMB1,022 million and non-current liabilities of approximately RMB807 million.

As at 31 December 2020, the current assets of the Target Company were approximately RMB358 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB230 million, prepayments and other receivables of approximately RMB9 million, value-added tax recoverable of approximately RMB27 million, restricted deposits of approximately RMB2 million, and cash and cash equivalents of approximately RMB90 million. In addition, the Target Company has current liabilities of approximately RMB150 million, non-current assets of approximately RMB1,116 million and non-current liabilities of approximately RMB913 million.

As at 31 December 2019, the current assets of the Target Company were approximately RMB380 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB196 million, prepayments and other receivables of approximately RMB30 million, value-added tax recoverable of approximately RMB22 million, restricted deposits of approximately RMB2 million, and cash and cash equivalents of approximately RMB130 million. In addition, the Target Company has current liabilities of approximately RMB167 million, non-current assets of approximately RMB1,222 million and non-current liabilities of approximately RMB1,011 million.

Since the projects of Xiyang New Energy were put into operation in 2015, as at 31 December 2019, 2020 and 2021, the operation position and the asset scale were basically and relatively stable. Only receivables and tariff adjustment receivables increased continuously with the accumulation of operations.

Xiyang Wind Energy: As at 31 December 2021, the current assets of the Target Company were approximately RMB75 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB46 million, value-added tax recoverable of approximately RMB16 million, restricted deposits of approximately RMB11 million, and cash and cash equivalents of approximately RMB2 million. In addition, the Target Company had current liabilities of approximately RMB53 million, non-current assets of approximately RMB186 million and non-current liabilities of approximately RMB134 million.

As at 31 December 2020, the current assets of the Target Company were approximately RMB44 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB27 million, value-added tax recoverable of approximately RMB3 million, restricted deposits of approximately RMB10 million, and cash and cash equivalents of approximately RMB4 million. In addition, the Target Company has current liabilities of approximately RMB25 million, non-current assets of approximately RMB197 million and non-current liabilities of approximately RMB131 million.

As at 31 December 2019, the current assets of the Target Company were approximately RMB20 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB10 million, restricted deposits of approximately RMB5 million, and cash and cash equivalents of approximately RMB5 million. In addition, the Target Company has current liabilities of approximately RMB23 million, non-current assets of approximately RMB210 million and non-current liabilities of approximately RMB131 million.

Since the projects of Xiyang Wind Energy were put into operation in 2019, the operation position and the asset scale were basically and relatively stable when compared with those as at 31 December 2019, 2020 and 2021. Only receivables and tariff adjustment receivables increased continuously with the accumulation of operations.

Youyu Wind Energy: As at 31 December 2021, the net current assets of the Target Company were approximately RMB235 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB210 million, value-added tax recoverable of approximately RMB1 million, restricted deposits of approximately RMB20 million, and cash and cash equivalents of approximately RMB4 million. In addition, the Target Company had current liabilities of approximately RMB263 million, non-current assets of approximately RMB581 million and non-current liabilities of approximately RMB320 million.

As at 31 December 2020, the current assets of the Target Company were approximately RMB167 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB158 million, restricted deposits of approximately RMB3 million, and cash and cash equivalents of approximately RMB5 million. In addition, the Target Company has current liabilities of approximately RMB85 million, non-current assets of approximately RMB605 million and non-current liabilities of approximately RMB383 million.

As at 31 December 2019, the current assets of the Target Company were approximately RMB137 million. The current assets were mainly comprised of trade and tariff adjustment receivables of approximately RMB103 million, amount due from ultimate holding company of approximately RMB18 million, restricted deposits of approximately RMB13 million, and cash and cash equivalents of approximately RMB1 million. In addition, the Target Company has current liabilities of approximately RMB75 million, non-current assets of approximately RMB631 million and non-current liabilities of approximately RMB419 million.

Since the Target Company's projects were put into operation in 2018, the operation position and the asset scale were basically and relatively stable when compared with those as at 31 December 2019, 2020 and 2021. Only receivables and tariff adjustment receivables increased continuously with the accumulation of operations.

Shuozhou Wind Energy

	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(63,202)	(23,227)	47,529
Net cash used in investing activities	(487,958)	(33,081)	(7,306)
Net cash generated from/(used in) financing activities	547,593	61,595	(43,055)
Net (decrease)/increase in cash and cash equivalents	(3,567)	5,287	(2,832)

Xiyang New Energy

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Net cash from operating activities	155,549	172,124	132,368
Net cash from/(used in) investing activities	31,003	(14,514)	(20,775)
Net cash used in financing activities	(209,222)	(197,384)	(138,493)
Net decrease in cash and cash equivalents	(22,670)	(39,774)	(26,900)

Xiyang Wind Energy

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/from operating activities	(2,891)	13,276	3,687
Net cash used in investing activities	(110,594)	(2,571)	(219)
Net cash from/(used in) financing activities	117,355	(11,147)	(5,893)
Net increase/(decrease) in cash and cash equivalents	3,870	(442)	(2,425)

Youyu Wind Energy

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	12,013	32,882	41,208
Net cash (used in)/generated from investing activities	(57,633)	15,856	(16,543)
Net cash generated from/(used in) financing activities	34,148	(45,079)	(25,756)
Net (decrease)/increase in cash and cash equivalents	(11,472)	3,659	(1,091)

Capital structure and cash management

Shuozhou Wind Energy: As at 31 December 2019, 2020 and 2021, the registered and paid up capitals of the Target Company were all RMB230 million.

Xiyang New Energy: As at 31 December 2019, 2020 and 2021, the registered and paid up capitals of the Target Company were all approximately RMB348 million.

Xiyang Wind Energy: As at 31 December 2019, 2020 and 2021, the registered and paid up capitals of the Target Company were all RMB71 million.

Youyu Wind Energy: As at 31 December 2019, 2020 and 2021, the registered and paid up capitals of the Target Company were all RMB220 million.

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

Shuozhou Wind Energy: The borrowing bore floating interest rate and is repayable by 30 July 2033.

Xiyang New Energy: The borrowing bore floating interest rate and is repayable by 15 January 2031.

Xiyang Wind Energy: The borrowing bore floating interest rate and is repayable by 15 April 2031.

Youyu Wind Energy: The borrowing bore floating interest rate and is repayable by 15 January 2030.

None of the Target Companies had any financial instruments for hedging purpose.

Gearing Ratio

Shuozhou Wind Energy: As at 31 December 2019, 2020 and 2021, the gearing ratio of the Target Company was approximately 66.1%, 68.7% and 69.8%, respectively. The gearing ratio was defined as total liabilities divided by total assets.

Xiyang New Energy: As at 31 December 2019, 2020 and 2021, the gearing ratio of the Target Company was approximately 73.5%, 72.1% and 66.9%, respectively. The gearing ratio was defined as total liabilities divided by total assets.

Xiyang Wind Energy: As at 31 December 2019, 2020 and 2021, the gearing ratio of the Target Company was approximately 67.0%, 64.7% and 71.4%, respectively. The gearing ratio was defined as total liabilities divided by total assets.

Youyu Wind Energy: As at 31 December 2019, 2020 and 2021, the gearing ratio of the Target Company was approximately 64.3%, 60.7% and 71.4%, respectively. The gearing ratio was defined as total liabilities divided by total assets.

Treasury policies

There were no treasury policies in each of the Target Companies as at 31 December 2019, 2020 and 2021.

Capital commitments

Shuozhou Wind Energy: As at 31 December 2019, 2020 and 2021, the capital commitments of the property, plant and equipment of the Target Company were approximately RMB53,058,000, RMB14,306,000 and nil, respectively.

Xiyang New Energy: There was no capital commitment in the Target Company as at 31 December 2019, 2020 and 2021 as the wind power project has been in operation since 2015.

Xiyang Wind Energy: As at 31 December 2019, 2020 and 2021, the capital commitments of the property, plant and equipment of the Target Company were approximately RMB2,547,000, RMB313,000 and nil, respectively.

Youyu Wind Energy: As at 31 December 2019, 2020 and 2021, the capital commitments of the property, plant and equipment of the Target Company were approximately RMB1,922,000, RMB8,669,000 and nil, respectively.

Significant investment, material acquisitions and disposals

None of the Target Companies had any significant investment, nor any material acquisition or other material disposal during the three years ended 31 December 2021, respectively.

Prospect for new business

None of the Target Companies had any plans for new business as of 31 December 2021.

Future plans for material investments or capital assets

None of the Target Companies had any plans for new material investments or capital assets as of 31 December 2021.

Pledge of assets

Shuozhou Wind Energy: As of 31 December 2019, 2020 and 2021, assets of the Target Company used as pledge for borrowings included: (1) property, plant and equipment of approximately nil, RMB241 million and RMB630 million, respectively and (2) restricted deposits of approximately nil, RMB5 million and RMB6 million, respectively.

Xiyang New Energy: As of 31 December 2019, 2020 and 2021, assets of the Target Company used as pledge for borrowings included: (1) property, plant and equipment of approximately RMB1,168 million, RMB1,093 million and RMB1,016 million, respectively and (2) restricted deposits of approximately RMB2 million for each of the said reference date.

Xiyang Wind Energy: As of 31 December 2019, 2020 and 2021, assets of the Target Company used as pledge for borrowings included: (1) property, plant and equipment of approximately RMB204 million, RMB194 million and RMB184 million, respectively and (2) restricted deposits of approximately RMB6 million, RMB10 million and RMB11 million, respectively.

Youyu Wind Energy: As of 31 December 2019, 2020 and 2021, assets of the Target Company used as pledge for borrowings included: (1) property, plant and equipment of approximately RMB590 million, RMB561 million and RMB531 million, respectively, (2) pledged deposits of approximately RMB13 million, RMB14 million and RMB15 million and (3) restricted deposits of approximately RMB13 million, RMB3 million and RMB20 million, respectively.

Remuneration policies and employee information

For the three years ended 31 December 2021, none of Shuozhou Wind Energy, Xiyang Wind Energy and Youyu Wind Energy had any direct employee or adopted any share option scheme.

For the three years ended 31 December 2021, the average number of employees of Xiyang New Energy was approximately 20, 18 and 22, respectively. Xiyang New Energy provided orientation training for all new employees as well as specific training related to the nature of their positions. Xiyang New Energy adopted a remuneration package consisting of basic salary, supplements and statutory contributions. Xiyang New Energy determined the salary of employees based on their responsibilities, qualifications, performance and market rate. For the three years ended 31 December 2021, total staff costs of Xiyang New Energy were approximately RMB3,897,000, RMB3,649,000 and RMB5,830,000, respectively. The fluctuations in staff costs were mainly due to changes in the number of employees employed by Xiyang New Energy and adjustments in per capita salaries during the relevant period. Xiyang New Energy has not adopted any share option scheme.

Foreign exchange exposure

The assets, liabilities and business transactions of the Target Companies are denominated in Renminbi. There was no financial arrangement for hedging purpose in respect of the Target Companies for the financial years ended 31 December 2019, 2020 and 2021.

Contingent liabilities

As of 31 December 2019, 2020 and 2021, none of the Target Companies had any contingent liabilities.

Appendices VA to VD set out the English translation of the summary of the valuation reports in respect of the valuation of the entire equity interest of the Target Company as at 30 June 2021, which is prepared by China Alliance Appraisal Co., Ltd.(北京中同華資產評估有限公司) for the purpose of inclusion in this supplemental circular. Such reports are 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.*

China Alliance Appraisal Co., Ltd.(北京中同華資產評估有限公司) holds the qualification certificate for engaging in appraisal business in relation to securities and futures, jointly granted by the China Securities Regulatory Commission and the Ministry of Finance of the People's Republic of China.*

1. SHUOZHOU WIND ENERGY

Summary of the Report on Valuation of the Value of Entire Shareholders' Equity of Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd. Related to the Proposed Equity Acquisition by Beijing United Rongbang New Energy Technology Co., Ltd.

Zhong Tong Hua Ping Bao Zi (2022) No. 050038

I. SUMMARY

Upon your engagement, we, China Alliance Appraisal Co., Ltd. ("China Alliance" or "we"), have appraised the market value of the entire shareholders' equity of Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd. ("Shuozhou Wind Energy") as at the valuation reference date by adopting the recognised valuation methods and carrying out necessary valuation procedures and in accordance with the relevant laws, regulations and asset valuation standards and asset valuation principles. We hereby summarize the valuation report as follows:

Valuation Purpose: To appraise the value of entire shareholders' equity of Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd., to estimate its market value as at the valuation reference date and to provide a value reference to the economic activity that Beijing United Rongbang New Energy Technology Co., Ltd. proposes to acquire the equity interest of Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd.

Valuation Target: The entire shareholders' equity of Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd.

Valuation Scope: All assets and liabilities of Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd.

Valuation Reference Date: 30 June 2021.

Type of the Value: Market value

Valuation Methodology: Income approach, market approach

Valuation Conclusion: This asset valuation report adopts the conclusion under the income approach as the final valuation conclusion.

The book value of total assets of Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd. is RMB882,903,600; the book value of total liabilities is RMB610,704,200; the value of entire shareholders' equity is RMB272,199,400. The value of entire shareholders' equity assessed under the income approach is RMB502,000,000, representing an appreciation of RMB229,800,600 and an appreciation rate of 84.42%.

Validity of the Valuation Conclusion: This asset valuation report only serves as a value reference for the economic activity stated herein; in principle, the valuation conclusion is valid for one year from the valuation reference date. When the asset position and market conditions change significantly from the position and conditions as at the valuation reference date, the client should engage appraisal agencies to update the valuation or perform re-assessment.

Notes on Significant Special Matter:

(I) Nature and amount of guarantees, leases and contingent liabilities (or contingent assets) and their relationship with the valuation target

On 18 March 2019, Shuozhou Wind Energy and Bank of China Shuozhou Branch entered into the Fixed Assets Loan Contract and a supplementary agreement subsequently, pursuant to which Shuozhou Wind Energy was granted long-term loans of RMB490,000,000 with a term of 156 months to Shuozhou Wind Energy for project construction, with the pledge of fixed assets and rights to electricity tariffs and the joint-liability guarantee of Shanghai Sineng and Zhang Jin Hui.

The valuation has not considered the impact of the above matter on the valuation conclusion.

II. VALUATION PURPOSE

According to the CEO Meeting Minutes of Beijing Energy International Holding Co., Ltd. (the 1st issue in 2022), Beijing United Rongbang New Energy Technology Co., Ltd. proposes to acquire the equity interest of Shuozhou Wind Energy.

The purpose of the valuation is to reflect the market value of the entire shareholders' equity of Shuozhou Wind Energy as at the valuation reference date, to provide a value reference for the aforesaid economic activity.

III. VALUATION TARGET AND VALUATION SCOPE

The valuation target is the entire shareholders' equity of Shuozhou Wind Energy.

The scope of assets related to the valuation target covers all the assets and liabilities of Shuozhou Wind Energy, the specific types and audited book values of which are set out in the table below:

Unit: RMB

Item		Book value
I.	**Total current assets**	**178,854,064.93**
	Cash and cash equivalents	97,097,251.11
	Accounts receivable	81,088,226.75
	Prepayments	168,157.86
	Other receivables	500,429.21
II.	**Total non-current assets**	**704,049,494.74**
	Fixed assets	635,966,571.34
	Including: machinery and equipment	635,966,571.34
	Right-of-use assets	8,568,921.00
	Deferred income tax assets	3,061,979.57
	Other non-current assets	56,452,022.83
III.	**Total assets**	**882,903,559.67**
IV.	**Total current liabilities**	**177,398,566.87**
	Accounts payable	236,976.53
	Taxes payable	19,080.38
	Other payable	139,398,566.87
	Non-current liabilities due within one year	38,000,000.00
V.	**Total non-current liabilities**	**433,305,613.57**
	Long-term borrowings	423,999,998.00
	Lease liabilities	9,305,615.57
VI.	**Total liabilities**	**610,704,180.44**
VII.	**Net asset (owner's equity)**	**272,199,379.23**

The book values of assets and liabilities stated above have been audited by Grant Thornton (Special General Partnership), which has issued the Audit Report (Zhi Tong Zhuan Zi (2022) No. 110C000107) with unqualified audit opinion.

(I) The assets and liabilities included in the valuation scope are the same as those reported at the time of engagement; the client and the appraised entity have undertaken that the target and scope engaged to appraise is the same as the valuation target and scope related to the economic activity.

(II) Off-balance sheet assets reported

As at the valuation reference date, Shuozhou Wind Energy reports no off-balance sheet assets within the reporting scope.

(III) Types, quantity and carrying amounts of assets in the reference to conclusions of reports issued by other institutions

The generating equipment availability hours in the forecast under the income approach adopted in this valuation refer to the Report on Technical Due Diligence of Shuozhou City Pinglu District Xiashuitou 100MW Wind Power Project (Reference No. 74830820.10.1) (the "Technical Due Diligence Report") issued by TUV SUD Certification and Testing (China) Co., Ltd. The Technical Due Diligence Report is dated 5 January 2022 and develops the following conclusion:

According to the micro site selection report provided by the wind farm, the average equivalent utilisation hours of the wind farm is 2,634.51 hours.

IV. TYPE OF VALUE AND ITS DEFINITION

Based on the valuation purpose, market conditions and the conditions of valuation target, the value of valuation target is determined as market value.

Market value represents the estimated amount of value for which the valuation target will be exchanged on the valuation reference 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 REFERENCE DATE

The valuation reference date of this project is 30 June 2021.

The valuation reference date is determined by the client, which mainly considers factors including the realisation of the economic activity and the end of the accounting period.

VI. BASIS OF VALUATION

(I) Basis of economic activity

1. The CEO Meeting Minutes of Beijing Energy International Holding Co., Ltd. (the 1st issue in 2022).

(II) Legal basis

1. Asset Appraisal Law of the People's Republic of China (adopted at the 21st Session of the Standing Committee of the 12th National People's Congress of the People's Republic of China on 2 July 2016);

2. Company Law of the People's Republic of China (amended for the fourth time by the Decision on Amending the Company Law of the People's Republic of China at the 6th Session of the Standing Committee of the 13th National People's Congress on 26 October 2018);

3. Civil Code of the People's Republic of China (adopted at the 3rd Session of the 13th National People's Congress on 28 May 2020);

4. Measures for the Fiscal Supervision and Administration of the Asset Appraisal Industry (Order No. 86 of the Ministry of Finance, amended by Order No. 97 of the Ministry of Finance on 2 January 2019);

5. Enterprise Income Tax Law of the People's Republic of China (amended for the second time at the 7th Session of the Standing Committee of the 13th National People's Congress on 29 December 2018);

6. Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (Order No. 512 [2018] of the State Council);

7. Announcement of the State Taxation Administration on Matters Concerning Preferential Income Tax Policies for New Power Projects of Power Enterprises;

8. Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 691 [2017] of the State Council);

9. Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 65 [2011] of the Ministry of Finance and the State Taxation Administration);

10. Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (No. 36 [2016] of the Ministry of Finance and the State Taxation Administration);

11. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);

12. Law of the People's Republic of China on the State-Owned Assets of Enterprises (adopted at the 5th Session of the Standing Committee of the 11th National People's Congress on 28 October 2008);

13. Rules on the Administration of Appraisal of State-owned Assets (Order No. 91 [1991] of the State Council, issued by Order No. 91 of the State Council on 16 November 1991, amended in accordance with the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (Order No. 732 of the State Council) on 29 November 2020);

14. Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, amended by Order No. 709 of the State Council on 2 March 2019);

15. Requirements on Certain Matters Concerning the Administration of Appraisal of State-owned Assets (Order No. 14 [2001] of the Ministry of Finance);

16. Interim Measures for the Administration of Appraisal of State-owned Assets of Enterprises (Order No. 12 [2005] of the State-owned Assets Supervision and Administration Commission of the State Council);

17. Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (Order No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance on 24 June 2016);

18. Notice on Certain Matters Concerning Strengthening the Administration of Appraisal of State-owned Assets (Chan Quan [2006] No. 274 of State-owned Assets Supervision and Administration Commission of the State Council);

19. Supplementary Notice on Certain Matters Related to the Several Opinions on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No. 426);

20. Notice of the Ministry of Finance and the State Taxation Administration on Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences (Cai Shui [2008] No. 46);

21. Notice of the Ministry of Finance and the State Taxation Administration on Value-Added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74);

22. Other laws and regulations related to asset appraisal.

(III) Basis of valuation standard

1. Basic Standards on Assets Valuation (Cai Zi [2017] No. 43);

2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);

3. Practice Guidelines for Asset Valuation-Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);

4. Practice Guidelines for Asset Valuation-Asset Valuation Report (Zhong Ping Xie [2018] No. 35);

5. Practice Guidelines for Asset Valuation-Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);

6. Practice Guidelines for Asset Valuation-Asset Valuation File (Zhong Ping Xie [2018] No. 37);

7. Practice Guidelines for Asset Valuation-Asset Valuation Methods (Zhong Ping Xie [2019] No. 35);

8. Practice Guidelines for Asset Valuation-Enterprise Value (Zhong Ping Xie [2018] No. 38);

9. Practice Guidelines for Asset Valuation-Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35);

10. Practice Guidelines for Asset Valuation-Machinery and Equipment (Zhong Ping Xie [2017] No. 39);

11. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);

13. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (Zhong Ping Xie [2017] No. 48);

14. Guidelines for the Valuation Report on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);

15. Guidelines for the Assessment of Investment Value of Acquisitions and Mergers of Enterprises (Zhong Ping Xie [2020] No. 30);

16. Terms for Asset Appraisal Standard 2020 (Zhong Ping Xie [2020] No. 31).

(IV) Basis of ownership

1. Contracts for the transfer of property;

2. Other title documents provided by the appraised entity.

(V) Pricing basis

1. Financial statements and audit reports of previous years provided by the appraised entity;

2. Financial and operation information, including relevant agreements, contracts and invoices, provided by the appraised entity;

3. Loan Prime Rate (LPR) announced by the National Interbank Funding Center;

4. Notice of Shanxi Development and Reform Commission on Feed-in Tariffs for Certain Renewable Energy Power Generation Projects (Jin Fa Gai Shang Ping Fa [2020] No. 414);

5. Contract for Purchasing and Selling Electricity Generated by Wind Farm;

6. Manual of Common Parameters for Asset Valuation;

7. Market inquiry information;

8. Analytical information about macro and industry statistics;

9. Profit forecast and relevant information provided by the appraised entity;

10. Relevant information of comparable listed companies;

11. iFiND financial information terminal of RoyalFlush;

12. Due Diligence Report issued by TUV SUD Certification and Testing (China) Co., Ltd.;

13. Other relevant information related to valuation recorded and collected by the appraisers during on-site survey.

(VI) Other basis

1. All kinds of Asset Valuation Reporting Schedule provided by the appraised entity;

2. Asset Valuation Engagement Contract;

3. Records of interviews with relevant personnel of the appraised entity;

4. Other relevant information provided by the appraised entity.

VII. VALUATION APPROACH

(I) Selection of valuation approach

According to the basic principles of asset valuation, valuation approaches to determine the asset value include three basic approaches, namely market approach, income approach and cost approach, and their derivative approaches.

Asset valuers should analyse the applicability of the three basic approaches, namely market approach, income approach and cost approach, according to the valuation purpose, valuation target, type of the value and the information collected, and select the appropriate approach for valuation.

Conditions for applying the market approach:

(1) Comparable assets to the valuation target are actively traded in the open market;

(2) Necessary information of the transactions is available.

Conditions for applying the income approach:

(1) Future incomes of the valuation target can be reasonably estimated and measured in monetary terms;

(2) Risks associated with the expected incomes can be measured;

(3) The income period can be determined or reasonably estimated.

Conditions for applying the cost (asset-based) approach:

(1) The valuation target can be used or is being used;

(2) The valuation target can be acquired through replacement;

(3) The replacement cost of the valuation target and the relevant depreciation can be reasonably estimated.

The valuation adopts the income approach and the market approach, with the reasons provided below:

Reasons for selecting the market approach: The appraised entity is principally engaged in wind power business. Currently, comparable transactions with the same or similar nature of the valuation target are easily available in the capital market and the equity exchange market for such business. Moreover, many listed companies have the same principal business as the appraised entity. Therefore, the market approach is appropriate.

Reasons for selecting the income approach: The future income period and income amounts of the appraised entity can be estimated and measured in monetary terms. Moreover, the risks associated with the expected incomes can be quantified. Therefore, the income approach is selected for the valuation.

Reasons for not selecting the asset-based approach: The appraised entity is a wind power enterprise, while wind power is a kind of clean energy encouraged by the country with strong policy support. The value of this type of enterprise relies more on the future income. Further, market prices of wind power facilities have been significantly fluctuating in recent years. Therefore, it is difficult for the asset-based approach to reflect the overall value of the enterprise.

(II) Income approach of valuation approaches

1. Introduction of income approach

The income approach is a valuation approach whereby the value of the valuation target is determined by capitalising or discounting the expected income.

The specific approaches commonly used in income approach include dividend discount method, free cash flow of equity discount method and free cash flow of firm discount method.

Dividend discount method refers to the specific method to determine the value of valuation target by discounting the expected dividend, which is usually applicable for appraising the value of partial non-controlling shareholders' interest.

For free cash flow of equity discount method, the accounting of cash flow refers to the cash flow attributable to shareholders, where the corresponding discount rate is the cost of equity capital, and the appraised value refers to the value of entire shareholders' equity. The formula for cash flow calculation is:

Free cash flow of equity = net profit + depreciation and amortization – capitalised expense – incremental working capital – repayment of the principal on interest-bearing debts + the principal of new interest-bearing debts

For free cash flow of firm discount method, the accounting of cash flow refers to the cash flow attributable to all investors including shareholders and creditors on interest-bearing debts, where the corresponding discount rate is the weighted average cost of capital, and the appraised value refers to the overall value of enterprises. The formula for cash flow calculation is:

Free cash flow of firm = net profit + depreciation/amortisation + interest expense after tax – incremental working capital – capitalised expense

2. Cash flow discount model

This valuation chooses to adopt free cash flow of firm discount model.

Basic formula is:

$$E = B - D$$

where: E refers to the market value of the entire shareholders' equity of the appraised entity, D refers to the market value of interest-bearing debts, B refers to the overall market value of enterprises.

$$B = P + \sum C_i$$

where: P refers to the value of operational assets, ΣC_i refers to the value of existing non-operational assets and liabilities (including surplus assets) as at the valuation reference date.

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{P_n}{(1+r)^n}$$

where: R_i: Expected free cash flow of firm in the i year after the valuation reference date; r: discount rate; P_n: ultimate value; n: forecast period.

3. Forecast period (n)

Shuozhou Wind Energy project was connected to the grid at full capacity in September 2020. When predicting the future period, the operating period of the wind turbine equipment is estimated to be approximately 20 years according to the service life of the wind turbine equipment, and thus the forecast profit period is until September 2040.

4. Operating income forecast

The income of Shuozhou Wind Energy project is mainly arising from sales of electricity, which is composed of transaction electricity price income and subsidy income. The formula for calculating the project income is as follows:

Project income = billing electricity consumption × market-based transaction unit price (excluding tax) + billing electricity consumption × subsidy electricity price per kilowatt-hour (excluding tax).

The relevant parameters for project income forecast are mainly set with reference to the company's historical data and technical due diligence reports for wind power projects.

5. Operating costs forecast

Operating costs mainly include depreciation expenses, operation and maintenance fees and utilities.

(1) Depreciation expenses forecast: Depreciation expenses are calculated according to the book value of fixed assets and right-of-use assets and the depreciation period of different types of assets.

(2) Operation and maintenance fees forecast: It is calculated with reference to the operation and maintenance contracts signed by the company with Ningbo Goldwind Green Energy Co., Ltd.(寧波金風綠能能源有限公司), which is RMB47,500/MW/year (tax included) during the wind turbine warranty period and RMB76,000/MW/year (tax included) after the expiration of the wind turbine warranty period. The warranty period of the wind turbine is five years from the date of connection to the grid.

(3) Utilities forecast: The utilities are estimated to be RMB30,000 per year according to the interview and communication with the appraised unit.

6. Management costs forecast

The historical management costs of Shuozhou Wind Energy are mainly the travel expenses and business hospitality expenses of the management personnel of the superior companies, as well as the apportioned intermediary fees and technical service fees. The forecast for the management costs in this valuation is based on the appraised unit's expectation of the management costs.

7. Working capital forecast

In order to ensure the sustainable development of the business, the company needs to add additional operating capital in the future. Factors affecting working capital mainly include changes in operating cash, operating receivables and operating payables. Operating receivables include accounts receivable, other receivables, etc., and operating payables include accounts payable, taxes payable and other payables.

The working capital forecast for the future periods is mainly calculated based on the calculation of the turnover rates of the company's accounts receivable and accounts payable. The amount of working capital for each period is arrived at after considering the minimum cash holdings of the company.

8. Capital expenditures forecast

Capital expenditures are the capital expenditures that an enterprise needs to make every year to ensure that its production and operation can develop normally.

9. Corporate free cash flow (R_i)

Free cash flow (R_i) = net profit + depreciation/amortisation + interest expense after tax – incremental working capital – capital expenditures

10. Determination of discount rate (r)

Discount rate r is determined by weighted average cost of capital (WACC), and the formula is as follows:

$$WACC = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

where: R_e: cost of equity capital; R_d: cost of interest-bearing debt capital; T: income tax rate.

where: Cost of equity capital R_e is calculated by the Capital Asset Pricing Model (CAPM), and the formula is as follows:

$$R_e = R_f + \beta \times ERP + R_s$$

where: R_e refers to the return on equity; R_f refers to the risk-free return rate; β refers to risk coefficient; ERP refers to excess return on market risk; R_s refers to the excess return on firm-specific risk.

(1) Determination of risk-free return rate (R_f)

Treasury bond yields are generally considered risk-free as the risk of holding the bond to maturity is insignificant and negligible. We select treasury bonds with a remaining maturity of more than 10 years from the valuation reference date to the maturity date on the Shanghai Stock Exchange and Shenzhen Stock Exchange and calculate their yields to maturity, and then take the average of all treasury bond yields to maturity as the risk-free return rate for this valuation. We take the average yield to maturity of the above-mentioned treasury bonds (being 4.05%) as the risk-free return rate for this valuation.

(2) Determination of excess return on market risk (ERP_f)

Excess return on market risk is the return rate that investors expect from investing in the stock market in excess of the risk-free return rate. We calculate the ERP of the Chinese stock market as follows: a) estimating the return on investment of the stock market based on the CSI 300; b) choosing 10 years as the interval for calculating ERP after considering the characteristics of stock volatility in the Chinese stock market; c) we use the geometric mean method and the arithmetic mean method to measure the data respectively after considering the transaction closing resumption price of each selected constituent stock at the end of each year provided by the iFinD data system; d) the yield to maturity of treasury bonds with a remaining maturity of more than five years is used as the risk-free yield; and e) since the geometric mean can better represent the growth of the yield, we think it is more appropriate to use ERP=6.82% of treasury bonds with a maturity of over 10 years.

(3) Risk coefficient β

We choose the β calculator published by iFinD to calculate the β value of the comparable companies. The above β value is the one that incorporates the comparable company's own capital structure (the "Leveraged β Value"). The unleveraged β value can be calculated by removing the effect of the leverage factor of the comparable company. With further reference to the target capital structure ratio of the appraised unit and the Blume Adjustment method, the adjusted β value of the appraised unit is calculated to be approximately 0.8351.

(4) Excess return on firm-specific risk ($R_{s)}$

The company's special risk premium is mainly the risk premium or discount for the risks arising from some non-system-specific factors that the company has. Due to the simple business of wind power companies, the electricity price is certain. However, the wind power generation business is greatly affected by the weather and the quality of the wind turbines, and there is a certain risk as to whether the power generation in the technical due diligence can be achieved. After taking all factors into consideration, the excess return on firm-specific risk is estimated at 1%.

(5) Cost of interest-bearing debt capital ($R_{d)}$

The cost of interest-bearing debt capital is actually the rate of return on investment expected by debt investors of the appraised unit. Generally, the yield to maturity of corporate bonds that invest in the same industry and risk level as the target company should be selected as the indicator of the return on debt investment. Factors such as the solvency, cash flow of operating projects and capital structure of the appraised unit are also considered comprehensively. The one-year loan market quoted rate (LPR) plus 10% is determined as the annual rate of return on debt used in this valuation, i.e. 4.24%.

(6) Target capital structure

The target capital structure is determined with reference to the average capital structure of comparable listed companies, and the D/E value is 55.85%:44.15%.

(7) Cost of equity capital (R_e)

We input the above parameters into the Capital Asset Pricing Model (CAPM) to calculate return on equity:

$$R_e = R_f + \beta \times ERP + R_s$$

$= 4.05\% + 0.8351 \times 6.82\% + 1\%$

$= 10.75\%$

(8) Weighted average cost of capital (WACC)

We input the above relevant parameters into the WACC calculation formula as follows:

$$WACC = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

$=10.75\%\times44.15\% + 4.24\%\times55.85\%\times(1\text{-}25\%)$

$=6.52\%$

According to the above calculation, under the statutory income tax rate of 25%, the weighted average cost of capital of the appraised unit is 6.52%.

11. Determination of ultimate value (P_n)

Pursuant to the requirements of enterprise value standards, asset valuers shall select appropriate approach for estimating value in post-forecast period by analysing the income trends over the post-forecast period and the treatments after business termination based on the fact that the corporate development is at a stable stage.

In general, the ultimate enterprise value can be determined by perpetual growth model (fixed growth model), price-to-income ratio approach and carrying amount approach.

12. The value of non-operational assets and liabilities (including surplus assets) ΣCi

Non-operational assets and liabilities (including surplus assets) refer to the related assets and liabilities not involved in the forecast on free cashflow of firm. For the non-operational assets and liabilities, this valuation adopts the asset-based approach.

(III) Market approach of valuation approaches

The market approach is a method to determine the value of valuation target by comparing it to comparable listed companies or comparable transaction cases. Two common methods used by the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method determines the value of valuation target by obtaining and analysing the operational and financial information of comparable listed companies, calculating the value ratios and comparing them to the data of the appraised entity. Comparable enterprises involved in the listed company comparison method should be listed companies traded normally in the open market. The valuation conclusion should consider the impact of control right and liquidity on the value of valuation target as far as practicable.

The transaction case comparison method determines the value of valuation target by obtaining and analysing the information of the trading and acquisition and merger cases of comparable enterprises, calculating the value ratios and comparing them to the data of the appraised entity. The control right and the quantity of transactions may affect the prices of comparable transactions involved in the transaction case comparison method. The differences between the valuation target and the comparable transaction cases in terms of control right and liquidity and the impact of such differences on the value of valuation target should be considered as far as practicable.

This valuation adopts the listed company comparison method, and the value ratios are earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT) and net operating income after tax (NOIAT).

Basic steps of the listed company comparison method are specified as follows:

Firstly, choose listed companies which operate in the same industry as the appraised entity and are active in stock trading as comparable companies, and calculate the market values of these comparable companies by their share prices;

Choose one or several profitability, asset, income and other particular ratios, such as EBIT and EBITDA, as ''analytical parameters'', and calculate the relation between the market values of comparable companies and the analytical parameters selected, which is referred to as Multiples;

Make necessary adjustments to the aforesaid Multiples, to reflect the differences between the comparable companies and the appraised entity;

Apply the adjusted Multiples to the corresponding analytical parameters of the appraised entity to determine the market value of valuation target.

(IV) Determination of valuation conclusion

Although the market approach adjusts the value ratios of comparable listed companies, the profitability parameters (generating equipment availability hours, feed-in tariffs) differ from one wind power company to another. Accordingly, the adjustments may not accurately quantify the impact of such facts on the enterprise value.

The income approach highlights the expected profitability of the overall assets of an enterprise. In light of the purpose of this acquisition, the investor focuses more on the future profitability of the appraised entity. Therefore, the valuation adopts the conclusion under the income approach as the value reference.

VIII. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES

(I) Preparation

We discussed with the client, clarified basic matters of the valuation business, comprehensively analysed and assessed our own professional competence, independence and business risks, entered into the asset valuation engagement contract; appointed the project leader, established the valuation project group, developed the asset valuation plan; assisted the appraised entity in completing the asset valuation reporting schedule, and prepared the necessary materials for valuation.

(II) Site investigation and collection of valuation information

Considering the specific conditions of this valuation business and following the standards on valuation procedures and other relevant provisions, the valuers conducted necessary verification on the assets and liabilities related to the valuation target through enquiry, interview, check, supervision of inventory taking, external confirmation and investigation, carried out due diligence to the operation and management of the appraised entity, acquired valuation information from every possible channels, checked the valuation scope, understood the current development of the valuation target and paid attention to the legal ownership of it.

(III) Estimate and preparation of preliminary valuation report

The professional valuers of the project group made necessary analysis, induction and reorganisation of the valuation information collected, to form the basis and working paper for evaluation and estimation; based on relevant conditions including the valuation target, value type, collection of valuation information, the valuers selected the proper valuation method, formula and parameter for analysis, calculation and judgement to obtain the preliminary measurement result and valuation statement of each kind of speciality and asset.

After confirming that the preliminary measurement result and valuation statement of each kind of speciality and asset submitted by members of the project group are correct, and that there is no repetition or omission, the summary analysis of asset valuation was made, and the preliminary valuation report was prepared.

(IV) Internal review and submission of asset valuation report

According to laws, administrative rules, asset valuation standards and the internal quality control system of our own, we carried out internal review on the preliminary asset valuation report and developed the valuation conclusion; conducted requisite communication with the client or the relevant parties recognised by the client in relation to the content of the asset valuation report; submitted the formal asset valuation report to the client in compliance with the requirements set out in the asset valuation engagement contract.

IX. VALUATION ASSUMPTIONS

(I) General assumptions

1. Transaction assumption: All assets to be appraised are assumed to be in the transaction process already, the asset valuers conduct the valuation according to the simulated market such as transaction conditions of the assets to be appraised.

2. Open market assumption: Both parties of the asset transaction are assumed to be in equal position for the assets to be traded or proposed to be traded in the market, where opportunities and time are available for both to access adequate market information, in order to make rational judgements on the functions, uses and transaction prices of the assets.

3. Going concern assumption: The appraised entity is assumed to fully comply with all relevant laws and regulations, and will operate sustainably in the useful life of machinery and equipment.

(II) Special assumptions

1. This valuation regards the specific valuation purpose listed in this asset valuation report as its premises of basic assumptions;

2. There is no significant change in the relevant existing laws and regulations of the PRC or in the macroeconomic conditions of the PRC, and there is no unforeseeable significant change in external economic environment such as interest rate, exchange rate, tax basis and tax rate, and policy-related levies;

3. This valuation assumes the full accountability of appraised entity's management team in the future, the existing business management mode are kept, and the business scope and approach remain consistent with the present direction;

4. This valuation assumes the appraised assets are in continuous use according to the present use and its mode, size, frequency and environment of use, without taking into account the respective optimal use of each asset;

5. It is assumed that, on top of the existing management mode and management level of the company, there will be no material adverse impacts on the enterprise arising from other force majeure and unforeseeable factors;

6. The relevant basic information and financial information provided by the appraised entity and the client are true, accurate and complete;

7. The financial report and transaction data of the comparable companies which the valuers rely on are true and reliable;

8. The valuation scope is only based on the reporting form for valuation provided by the client and the appraised entity, without taking into account the possible contingent assets and contingent liabilities outside of the list provided by the client and the appraised entity;

9. This valuation assumes the enterprise would obtain a net cashflow in the year evenly;

10. This valuation assumes that the enterprise can be included into the List of Projects with Renewable Energy Power Generation Subsidies in the future and can receive the subsidies in full, and assumes the subsidy recovery period is two years.

(III) Valuation limitations

1. This valuation conclusion estimates the market value of valuation target on the basis of the valuation purpose and under the assumption of open market, without considering the impact on the appraised value caused by the potentially increased or decreased price resulted from the special transaction method, or the impact on the asset value caused by changes of the macroeconomic environment and the natural force and other force majeure.

2. The valuation reference date adopted by the valuation report has been stated hereinabove, and our estimate of the value is based on the purchasing power of the currency of the place where the enterprise is located as at the valuation reference date.

The valuation conclusion of this report is based on the aforesaid assumptions and limitations. When events that are inconsistent with the aforesaid assumptions and limitations occur, this valuation conclusion will generally be invalid.

X. VALUATION CONCLUSION

This valuation adopts the income approach and the market approach to assess the value of entire shareholders' equity of Shuozhou Wind Energy. As at the valuation reference date, being 30 June 2021, the audited book value of assets of Shuozhou Wind Energy is RMB882,903,600; liabilities are RMB610,704,200; net asset amounts to RMB272,199,400.

(I) Valuation conclusion under the income approach

Under the assumptions and limitations stated in the report, the value of entire shareholders' equity assessed by the income approach is RMB502,000,000, representing an appreciation rate of 84.42%.

(II) Valuation conclusion under the market approach

Under the assumptions and limitations stated in the report, the value of entire shareholders' equity assessed by the market approach is RMB598,000,000, representing an appreciation rate of 119.69%.

(III) Selection of valuation conclusion

In view of the following factors, this valuation adopts the conclusion under the income approach as the final valuation conclusion, which states that the appraised value of entire shareholders' equity of Shuozhou Wind Energy is RMB502,000,000.

The income approach is a method whereby the value of the valuation target is determined by capitalising or discounting the expected income of the appraised entity, estimating the enterprise value from the perspective of expected income and reflecting the comprehensive profitability of assets. The market approach assesses the value of valuation target by comparable assets in the market. The valuers have made necessary analysis and adjustments to the valuation target and comparable companies; but differences in asset under management, operation model and other aspects make it difficult to achieve thorough adjustments.

The Phase II of Pinglu District Xiashuitou 100MW Wind Power Project operated by Shuozhou Wind Energy is expected to be profitable in the future and qualified for subsidies granted by the country, indicating stable power generation efficiency and economic benefits in the future.

The income approach reflects the above advantages and highlights the expected profitability of the overall assets of an enterprise. In light of the purpose of this acquisition, the investor focuses more on the future profitability of the appraised entity. Therefore, the valuation adopts the conclusion under the income approach as the final conclusion.

(IV) Validity of the valuation conclusion

The valuation conclusion developed in this asset valuation report is valid for one year from the valuation reference date.

XI. NOTES ON SPECIAL MATTERS

The following are relevant matters identified during the valuation that may impact the valuation conclusion but cannot be assessed and estimated as they are beyond the professional level and ability of the valuers. Users of the report are advised to pay attention to the following matters:

(I) Significant use of expert work and relevant report

The generating equipment availability hours in the forecast under the income approach adopted in this valuation refer to the Report on Technical Due Diligence of Shuozhou City Pinglu District Xiashuitou 100MW Wind Power Project (Reference No. 74830820.10.1) (the "Technical Due Diligence Report") issued by TUV SUD Certification and Testing (China) Co., Ltd. The Technical Due Diligence Report is dated 5 January 2022 and develops the following conclusion:

According to the micro site selection report provided by the wind farm, the annual average equivalent utilisation hours of the wind farm is 2,634.51 hours.

On the basis of the verification of generating equipment availability hours in the Technical Due Diligence Report, the valuers make direct reference to the data of generating equipment availability hours reported. For the calculation and result of generating equipment availability hours, please read the relevant sections in the Technical Due Diligence Report issued by the agency stated above.

(II) Nature and amount of guarantees, leases and contingent liabilities (or contingent assets) and their relationship with the valuation target

On 18 March 2019, Shuozhou Wind Energy and Bank of China Shuozhou Branch entered into the Fixed Assets Loan Contract and a supplementary agreement subsequently, pursuant to which Shuozhou Wind Energy was granted long-term loans of RMB490,000,000 with a term of 156 months to Shuozhou Wind Energy for project construction, with the pledge of fixed assets and rights to electricity tariffs and the joint-liability guarantee of Shanghai Sineng and Zhang Jin Hui.

The valuation has not considered the impact of the above matters on the valuation conclusion.

(III) Other matters requiring explanation

1. The valuation conclusion of this valuation report reflects the value of the valuation target as at the valuation reference date for the valuation purpose stated hereinabove, under the assumption that there are no changes in the continuing operation and the external macroeconomic environment.

2. The valuation conclusion of this valuation report has not taken into consideration the potential relevant expenses and taxes in the process of registration or change of titles of the appraised assets, or the possible changes of tax obligation arising from the increase or decrease of the appraised value.

3. This valuation report is based on the information in relation to asset valuation provided by the client and related parties of the appraised entity. It is the responsibility of the client and the related parties to provide the necessary information and ensure the truthfulness, legality and completeness of the information provided. The responsibility of asset valuation professionals is to analyse, estimate and express professional view on the value of valuation target as at the valuation reference date for the specific purpose. Asset valuation professionals conduct the necessary verification and disclosure on such information and its sources, which does not represent any guarantee provided as to the truthfulness, legality and completeness of the above-mentioned information. It is beyond the scope of practice for asset valuation professionals to ascertain or express opinions on such information and its sources.

4. During the valuation, the checking of equipment mainly relied on the observation of their appearance by valuers, the recent inspection information provided by the appraised entity and the enquiries made to operators, due to the limitations of testing means and some equipment being in operation.

5. In this valuation, we referred to and adopted the historical financial statements of the appraised entity and its financial statements as at the valuation reference date, and the financial reports and transaction data of comparable companies we obtained from the iFiND financial information terminal of RoyalFlush. Our estimate depends largely on the said data in the financial statements and transaction data, and we assume that the said data in the financial statements and transaction data are true and reliable. The fact that our estimate relies on the data provided in such financial statements does not represent any guarantee we offer in respect of the correctness and completeness of such financial information, and does not mean that we can assure such information does not have other requirements that may conflict with our use of such data.

6. The future profit forecast of the appraised entity in this valuation is based on the profit forecast made by the management of the appraised entity. We have conducted necessary review on the aforesaid profit forecast.

7. The valuation assumptions adopted in this valuation by income approach is a reasonable anticipation on the future operation of the appraised entity based on the current conditions. If various unanticipated and unavoidable factors which may affect the realisation of the assumed prerequisites arise in the future, the extent of the realisation of profit forecast would be affected. We would like to remind the client and other related parties that we do not guarantee the above-mentioned assumptions can be realised, nor do we assume any obligations of realising or assisting in realising the above-mentioned assumptions.

8. The appraised entity has estimated the price of land acquisition in the future in the EPC contract, which is based on the average of estimated values of similar lands near the project land stated in their respective valuation reports. This valuation does not predict the future capital expenditures for land acquisition. For the payment of land grant price in the future land acquisition, users of the report should note that the client may need to pay the additional land grant price when the land market has significant price fluctuations and the estimated land price does not cover the actual land grant price.

9. When determining the value of entire shareholders' equity of Shuozhou Wind Energy, this valuation has not considered the impact of special transactions (such as premium of controlling interest) on the net asset value.

10. In the term of validity after the valuation reference date, if the quantity and pricing standard of assets change, treatment should be carried out in accordance with the following principles:

    (1) When the quantity of assets changes, corresponding adjustments should be made to the amount of assets in accordance with the original valuation method;

    (2) When the pricing standard of assets changes, which greatly affects the results of asset valuation, the client should engage qualified assets valuation agencies to re-determine the appraised value on a timely basis;

    (3) When determining the actual price of the assets, the client should give due consideration to the changes of the quantity and pricing standard of assets after the valuation reference date and make corresponding adjustments.

    Users of the asset valuation report should note the impact of the above special matters on the valuation conclusion.

XII. EXPLANATION OF THE LIMITATION ON THE USE OF ASSET VALUATION REPORT

The asset valuation report is subject to the following limitations on the use:

(I) Scope of use: The asset valuation report shall be used for the valuation purpose and the use stated hereinabove;

(II) We and our valuers take no responsibility if the client or other users of the asset valuation report fail to use this asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use stated hereinabove;

(III) Except for the client, the other users of the asset valuation report as agreed in the asset valuation engagement contract and the users of asset valuation report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of the report;

(IV) Users of the asset valuation report should correctly interpret and use the valuation conclusion, which is not equivalent to the realisable value of the valuation target and should not be considered as a guarantee for the realisable value of the valuation target;

(V) For the excerpt, reference and disclosure of all or part of the contents of this asset valuation report, relevant contents shall be reviewed by us unless it is otherwise provided by laws and administrative regulations and agreed by relevant parties;

(VI) This asset valuation report can be used officially after being signed by the asset valuers and stamped with our seal.

XIII. DATE OF THE ASSET VALUATION REPORT

The date of an asset valuation report is usually the date of developing the valuation conclusion, and the date of this asset valuation report is 8 January 2022.

The above content is an abstract from the full text of the asset valuation report. Please read the full text of the asset valuation report for the details of the valuation business and proper understanding of the valuation conclusions.

2. XIYANG NEW ENERGY

Summary of the Report on Valuation of the Value of Entire Shareholders' Equity of Xiyang County Sineng New Energy Co., Ltd. Related to the Proposed Equity Acquisition by Beijing United Rongbang New Energy Technology Co., Ltd.

Zhong Tong Hua Ping Bao Zi (2022) No. 050036

I. SUMMARY

Upon your engagement, we, China Alliance Appraisal Co., Ltd. ("China Alliance" or "we"), have appraised the market value of the entire shareholders' equity of Xiyang County Sineng New Energy Co., Ltd. ("Xiyang New Energy") as at the valuation reference date by adopting the recognised valuation methods and carrying out necessary valuation procedures and in accordance with the relevant laws, regulations and asset valuation standards and asset valuation principles. We hereby summarize the valuation report as follows:.

Valuation Purpose: To appraise the value of entire shareholders' equity of Xiyang County Sineng New Energy Co., Ltd., to estimate its market value as at the valuation reference date and to provide a value reference to the economic activity that Beijing United Rongbang New Energy Technology Co., Ltd. proposes to acquire the equity interest of Xiyang County Sineng New Energy Co., Ltd.

Valuation Target: The entire shareholders' equity of Xiyang County Sineng New Energy Co., Ltd.

Valuation Scope: All assets and liabilities of Xiyang County Sineng New Energy Co., Ltd.

Valuation Reference Date: 30 June 2021

Type of the Value: Market value

Valuation Methodology: Income approach, market approach

Valuation Conclusion: This asset valuation report adopts the conclusion under the income approach as the final valuation conclusion.

The book value of total assets of Xiyang County Sineng New Energy Co., Ltd. is RMB1,478,562,300; the book value of total liabilities is RMB1,014,560,100; the value of entire shareholders' equity is RMB464,002,200. The value of entire shareholders' equity assessed under the income approach is RMB884,000,000, representing an appreciation of RMB419,997,800 and an appreciation rate of 90.52%.

Validity of the Valuation Conclusion: This asset valuation report only serves as a value reference for the economic activity stated herein; in principle, the valuation conclusion is valid for one year from the valuation reference date. When the asset position and market conditions change significantly from the position and conditions as at the valuation reference date, the client should engage appraisal agencies to update the valuation or perform re-assessment.

Notes on Significant Special Matter:

On 6 February 2017, Xiyang New Energy and the Business Department of Agricultural Bank of China (Hebei Branch) entered into Fixed Assets Loan Contract numbered 13010420170000043 for a total amount of RMB1,320,000,000.00. The contract stipulates that Xiyang New Energy will render the entitlement to the receivables from the sale of electricity after completion of the Xiyang Xizhai 200,000kW wind power project pledged as security.

Under the Fixed Assets Loan Contract numbered 13010420170000043 entered into between Xiyang New Energy and the Business Department of Agricultural Bank of China (Hebei Branch), in the event of a major merger, acquisition and reorganization of the borrower, the lender has the right to unilaterally decide to cease the payment of the outstanding loan to the borrower and to collect part or all of the principal and interest of the loan in advance, and to take other measures in accordance with the law. Prior written consent of the lender is required in the event of merger, division, withdrawing, equity transfer, external investment, material increase in debt financing, significant asset and debt transfers and other matters that may adversely affect the borrower's ability to repay its debts.

II. VALUATION PURPOSE

According to the CEO Meeting Minutes of Beijing Energy International Holding Co., Ltd. (the 1st issue in 2022), Beijing United Rongbang New Energy Technology Co., Ltd. proposes to acquire the equity interest of Xiyang New Energy.

The purpose of the valuation is to reflect the market value of the entire shareholders' equity of Xiyang New Energy as at the valuation reference date, to provide a value reference for the aforesaid economic activity.

III. VALUATION TARGET AND VALUATION SCOPE

The valuation target is the entire shareholders' equity value of Xiyang New Energy.

The scope of assets related to the valuation target covers all the assets and liabilities of Xiyang New Energy, the specific types and audited book values of which are set out in the table below:

Unit: RMB

Item		Book value
I.	**Total current assets**	**388,267,106.62**
	Cash and cash equivalents	98,255,140.46
	Accounts receivable	289,593,930.10
	Prepayments	216,951.60
	Inventory	170,542.11
	Other current assets	30,542.35
II.	**Total non-current assets**	**1,090,295,171.86**
	Fixed assets	1,056,279,649.31
	Intangible assets	5,917,052.88
	Long-term deferred expenses	5,857.86
	Deferred income tax assets	2,074,401.83
	Other non-current assets	26,018,209.98
III.	**Total assets**	**1,478,562,278.48**
IV.	**Total current liabilities**	**859,999,244.00**
	Accounts payable	46,277,168.11
	Salaries payables	395,522.29
	Taxes payable	4,508,169.56
	Other payable	1,408,742.36
	Non-current liabilities due within one year	101,971,211.00
V.	**Total non-current liabilities**	**859,999,244.00**
	Long-term borrowings	859,999,244.00
VI.	**Total liabilities**	**1,014,560,057.32**
VII.	**Net asset (owner's equity)**	**464,002,221.16**

The book values of assets and liabilities stated above have been audited by Grant Thornton (Special General Partnership), which has issued the Audit Report (Zhi Tong Zhuan Zi (2022) No. 110C000109) with unqualified audit opinion.

(I) The assets and liabilities included in the valuation scope are the same as those reported at the time of engagement; the client and the appraised entity have undertaken that the target and scope engaged to appraise is the same as the valuation target and scope related to the economic activity.

(II) Off-balance sheet assets reported

As at the valuation reference date, Xiyang New Energy reports no off-balance sheet assets within the reporting scope.

(III) Types, quantity and carrying amounts of assets in the reference to conclusions of reports issued by other institutions

The generating equipment availability hours in the forecast under the income approach adopted in this valuation refer to the Report on Technical Due Diligence of Jinzhong City Xiyang County 200MW Wind Power Project (Reference No. 74830820.4.1) (the "Technical Due Diligence Report") issued by TUV SUD Certification and Testing (China) Co., Ltd. The Technical Due Diligence Report is dated 5 January 2022 and develops the following conclusion:

According to the micro site selection report provided by the wind farm, the average equivalent utilisation hours of the wind farm is 2,288 hours.

IV. TYPE OF VALUE AND ITS DEFINITION

Based on the valuation purpose, market conditions and the conditions of valuation target, the value of valuation target is determined as market value.

Market value represents the estimated amount of value for which the valuation target will be exchanged on the valuation reference 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 REFERENCE DATE

The valuation reference date of this project is 30 June 2021.

The valuation reference date is determined by the client, which mainly considers factors including the realisation of the economic activity and the end of the accounting period.

VI. BASIS OF VALUATION

(I) Basis of economic activity

1. The CEO Meeting Minutes of Beijing Energy International Holding Co., Ltd. (the 1st issue in 2022).

(II) Legal basis

1. Asset Appraisal Law of the People's Republic of China (adopted at the 21st Session of the Standing Committee of the 12th National People's Congress of the People's Republic of China on 2 July 2016);

2. Company Law of the People's Republic of China (amended for the fourth time by the Decision on Amending the Company Law of the People's Republic of China at the 6th Session of the Standing Committee of the 13th National People's Congress on 26 October 2018);

3. Civil Code of the People's Republic of China (adopted at the 3rd Session of the 13th National People's Congress on 28 May 2020);

4. Measures for the Fiscal Supervision and Administration of the Asset Appraisal Industry (Order No. 86 of the Ministry of Finance, amended by Order No. 97 of the Ministry of Finance on 2 January 2019);

5. Enterprise Income Tax Law of the People's Republic of China (amended for the second time at the 7th Session of the Standing Committee of the 13th National People's Congress on 29 December 2018);

6. Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (Order No. 512 [2018] of the State Council);

7. Announcement of the State Taxation Administration on Matters Concerning Preferential Income Tax Policies for New Power Projects of Power Enterprises;

8. Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 691 [2017] of the State Council);

9. Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 65 [2011] of the Ministry of Finance and the State Taxation Administration);

10. Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (No. 36 [2016] of the Ministry of Finance and the State Taxation Administration);

11. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);

12. Law of the People's Republic of China on the State-Owned Assets of Enterprises (adopted at the 5th Session of the Standing Committee of the 11th National People's Congress on 28 October 2008);

13. Rules on the Administration of Appraisal of State-owned Assets (Order No. 91 [1991] of the State Council, issued by Order No. 91 of the State Council on 16 November 1991, amended in accordance with the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (Order No. 732 of the State Council) on 29 November 2020);

14. Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, amended by Order No. 709 of the State Council on 2 March 2019);

15. Requirements on Certain Matters Concerning the Administration of Appraisal of State-owned Assets (Order No. 14 [2001] of the Ministry of Finance);

16. Interim Measures for the Administration of Appraisal of State-owned Assets of Enterprises (Order No. 12 [2005] of the State-owned Assets Supervision and Administration Commission of the State Council);

17. Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (Order No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance on 24 June 2016);

18. Notice on Certain Matters Concerning Strengthening the Administration of Appraisal of State-owned Assets (Chan Quan [2006] No. 274 of State-owned Assets Supervision and Administration Commission of the State Council);

19. Supplementary Notice on Certain Matters Related to the Several Opinions on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No. 426);

20. Notice of the Ministry of Finance and the State Taxation Administration on Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences (Cai Shui [2008] No. 46);

21. Notice of the Ministry of Finance and the State Taxation Administration on Value-Added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74);

22. Other laws and regulations related to asset appraisal.

(III) Basis of valuation standard

1. Basic Standards on Assets Valuation (Cai Zi [2017] No. 43);

2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);

3. Practice Guidelines for Asset Valuation-Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);

4. Practice Guidelines for Asset Valuation-Asset Valuation Report (Zhong Ping Xie [2018] No. 35);

5. Practice Guidelines for Asset Valuation-Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);

6. Practice Guidelines for Asset Valuation-Asset Valuation File (Zhong Ping Xie [2018] No. 37);

7. Practice Guidelines for Asset Valuation-Asset Valuation Methods (Zhong Ping Xie [2019] No. 35);

8. Practice Guidelines for Asset Valuation-Enterprise Value (Zhong Ping Xie [2018] No. 38);

9. Practice Guidelines for Asset Valuation-Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35);

10. Practice Guidelines for Asset Valuation-Machinery and Equipment (Zhong Ping Xie [2017] No. 39);

11. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);

13. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (Zhong Ping Xie [2017] No. 48);

14. Guidelines for the Valuation Report on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);

15. Guidelines for the Assessment of Investment Value of Acquisitions and Mergers of Enterprises (Zhong Ping Xie [2020] No. 30);

16. Terms for Asset Appraisal Standard 2020 (Zhong Ping Xie [2020] No. 31).

(IV) Basis of ownership

1. Real property certificates;

2. Motor vehicle driving permit;

3. Other title documents provided by the appraised entity.

(V) Pricing basis

1. Financial statements and audit reports of valuation reference date and previous years provided by the appraised entity;

2. Financial and operation information, including relevant agreements, contracts and invoices, provided by the appraised entity;

3. Loan Prime Rate (LPR) announced by the National Interbank Funding Center;

4. Notice of the Price Bureau of Shanxi Province on Feed-in Tariffs for the 200MW Wind Power Project of Xiyang County Sineng Wind Energy Co., Ltd. at Xizhai Town, Xiyang County and the Wind Power Generators of Phase II of (48MW) Wind Power Farm of CGN (Youyu) Wind Energy Co., Ltd. at Tieshanbao Village, Youyu County (Jin Jia Shang Zi [2015] No. 83);

5. Contract for Purchasing and Selling Electricity Generated by Wind Farm;

6. Market inquiry information;

7. Analytical information about macro and industry statistics;

8. Profit forecast and relevant information provided by the appraised entity;

9. Relevant information of comparable listed companies;

10. iFiND financial information terminal of RoyalFlush;

11. Due Diligence Report issued by TUV SUD Certification and Testing (China) Co., Ltd.;

12. Other relevant information related to valuation recorded and collected by the appraisers during on-site survey.

(VI) Other basis

1. All kinds of Asset Valuation Reporting Schedule provided by the appraised entity;

2. Asset Valuation Engagement Contract;

3. Records of interviews with relevant personnel of the appraised entity;

4. Other relevant information provided by the appraised entity.

VII. VALUATION APPROACH

(I) Selection of valuation approach

According to the basic principles of asset valuation, valuation approaches to determine the asset value include three basic approaches, namely market approach, income approach and cost approach, and their derivative approaches.

Asset valuers should analyse the applicability of the three basic approaches, namely market approach, income approach and cost approach, according to the valuation purpose, valuation target, type of the value and the information collected, and select the appropriate approach for valuation.

Conditions for applying the market approach:

(1) Comparable assets to the valuation target are actively traded in the open market;

(2) Necessary information of the transactions is available.

Conditions for applying the income approach:

(1) Future incomes of the valuation target can be reasonably estimated and measured in monetary terms;

(2) Risks associated with the expected incomes can be measured;

(3) The income period can be determined or reasonably estimated.

Conditions for applying the cost (asset-based) approach:

(1) The valuation target can be used or is being used;

(2) The valuation target can be acquired through replacement;

(3) The replacement cost of the valuation target and the relevant depreciation can be reasonably estimated.

The valuation adopts the income approach and the market approach, with the reasons provided below:

Reasons for selecting the market approach: The appraised entity is principally engaged in wind power business. Currently, comparable transactions with the same or similar nature of the valuation target are easily available in the capital market and the equity exchange market for such business. Moreover, many listed companies have the same principal business as the appraised entity. Therefore, the market approach is appropriate.

Reasons for selecting the income approach: The future income period and income amounts of the appraised entity can be estimated and measured in monetary terms. Moreover, the risks associated with the expected incomes can be quantified. Therefore, the income approach is selected for the valuation.

Reasons for not selecting the asset-based approach: The appraised entity is a wind power enterprise, while wind power is a kind of clean energy encouraged by the country with strong policy support. The value of this type of enterprise relies more on the future income. Further, market prices of wind power facilities have been significantly fluctuating in recent years. Therefore, it is difficult for the asset-based approach to reflect the overall value of the enterprise.

(II) Income approach of valuation approaches

1. Introduction of income approach

The income approach is a valuation approach whereby the value of the valuation target is determined by capitalising or discounting the expected income.

The specific approaches commonly used in income approach include dividend discount method, free cash flow of equity discount method and free cash flow of firm discount method.

Dividend discount method refers to the specific method to determine the value of valuation target by discounting the expected dividend, which is usually applicable for appraising the value of partial non-controlling shareholders' interest.

For free cash flow of equity discount method, the accounting of cash flow refers to the cash flow attributable to shareholders, where the corresponding discount rate is the cost of equity capital, and the appraised value refers to the value of entire shareholders' equity. The formula for cash flow calculation is:

Free cash flow of equity = net profit + depreciation and amortization – capitalised expense – incremental working capital – repayment of the principal on interest-bearing debts + the principal of new interest-bearing debts

For free cash flow of firm discount method, the accounting of cash flow refers to the cash flow attributable to all investors including shareholders and creditors on interest-bearing debts, where the corresponding discount rate is the weighted average cost of capital, and the appraised value refers to the overall value of enterprises. The formula for cash flow calculation is:

Free cash flow of firm = net profit + depreciation/amortisation + interest expense after tax – incremental working capital – capitalised expense

2. Cash flow discount model

This valuation chooses to adopt free cash flow of firm discount model.

Basic formula is:

$$E = B - D$$

where: E refers to the market value of the entire shareholders' equity of the appraised entity, D refers to the market value of interest-bearing debts, B refers to the overall market value of enterprises.

$$B = P + \sum C_i$$

where: P refers to the value of operational assets, ΣC_i refers to the value of existing non-operational assets and liabilities (including surplus assets) as at the valuation reference date.

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{P_n}{(1+r)^n}$$

where: R_i: Expected free cash flow of firm in the i year after the valuation reference date; r: discount rate; P_n: ultimate value; n: forecast period.

3. Forecast period (n)

Xiyang New Energy project was connected to the grid at full capacity in June 2015. When predicting the future period, the operating period of the wind turbine equipment is estimated to be approximately 20 years according to the service life of the wind turbine equipment, and thus the forecast profit period is until June 2035.

4. Operating income forecast

The income of Xiyang New Energy project is mainly arising from sales of electricity, which is composed of transaction electricity price income and subsidy income. The formula for calculating the project income is as follows:

Project income = billing electricity consumption × market-based transaction unit price (excluding tax) + billing electricity consumption × subsidy electricity price per kilowatt-hour (excluding tax).

The relevant parameters for project income forecast are mainly set with reference to the company's historical data and technical due diligence reports for wind power projects.

5. Operating costs forecast

Operating costs mainly include depreciation and amortization expenses, labor costs, operation and maintenance fees and utilities.

(1) Depreciation and amortization expenses forecast: Depreciation and amortization expenses are calculated according to the book value of fixed assets and intangible assets and the depreciation and amortization period of different types of assets.

(2) Labor costs forecast: Since the personnel are mainly the operation and maintenance personnel of the wind farms, the overall operation and maintenance workload of the wind farm is relatively evenly distributed and the number of personnel will not change significantly in the future. This forecast is based on the employee compensation from January to June 2021, the employee compensation remaining unchanged from July to December 2021, with a growth rate of 3% from 2022 onward.

(3) Maintenance fees and utilities forecast: Since maintenance fees and utilities are strongly related to enterprise operation and maintenance and daily operations and the wind farm operation and maintenance workload has been stable for a long time, we take the average costs of 2018-2020 to forecast maintenance fees and utilities in this valuation.

6. Management costs forecast

The historical management costs of Xiyang New Energy are mainly the remuneration of management personnel, depreciation expenses for office supplies, office expenses, travel expenses, audit fees and management expenses for office areas. In this valuation, the management costs are forecasted based on the appraised unit's expectations of the management costs and with reference to historical data.

7. Working capital forecast

In order to ensure the sustainable development of the business, the company needs to add additional operating capital in the future. Factors affecting working capital mainly include changes in operating cash, operating receivables and operating payables. Operating receivables include accounts receivable, other receivables, etc., and operating payables include accounts payable, taxes payable, other payables, etc..

The working capital forecast for the future periods is mainly calculated based on the calculation of the turnover rates of the company's accounts receivable and accounts payable. The amount of working capital for each period is arrived at after considering the minimum cash holdings of the company.

8. Capital expenditures forecast

Capital expenditures are the capital expenditures that an enterprise needs to make every year to ensure that its production and operation can develop normally.

9. Corporate free cash flow (R_i)

Free cash flow (R_i) = net profit + depreciation/amortisation + interest expense after tax – incremental working capital – capital expenditures

10. Determination of discount rate (r)

Discount rate r is determined by weighted average cost of capital (WACC), and the formula is as follows:

$$WACC = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

where: R_e: cost of equity capital; R_d: cost of interest-bearing debt capital; T: income tax rate.

where: Cost of equity capital R_e is calculated by the Capital Asset Pricing Model (CAPM), and the formula is as follows:

$$R_e = R_f + \beta \times ERP + R_s$$

where: R_e refers to the return on equity; R_f refers to the risk-free return rate; β refers to risk coefficient; ERP refers to excess return on market risk; R_s refers to the excess return on firm-specific risk.

(1) Determination of risk-free return rate (R_f)

Treasury bond yields are generally considered risk-free as the risk of holding the bond to maturity is insignificant and negligible. We select treasury bonds with a remaining maturity of more than 10 years from the valuation reference date to the maturity date on the Shanghai Stock Exchange and Shenzhen Stock Exchange and calculate their yields to maturity, and then take the average of all treasury bond yields to maturity as the risk-free return rate for this valuation. We take the average yield to maturity of the above-mentioned treasury bonds (being 4.05%) as the risk-free return rate for this valuation.

(2) Determination of excess return on market risk (ERP_f)

Excess return on market risk is the return rate that investors expect from investing in the stock market in excess of the risk-free return rate. We calculate the ERP of the Chinese stock market as follows: a) estimating the return on investment of the stock market based on the CSI 300; b) choosing 10 years as the interval for calculating ERP after considering the characteristics of stock volatility in the Chinese stock market; c) we use the geometric mean method and the arithmetic mean method to measure the data respectively after considering the transaction closing resumption price of each selected constituent stock at the end of each year provided by the iFinD data system; d) the yield to maturity of treasury bonds with a remaining maturity of more than five years is used as the risk-free yield; and e) since the geometric mean can better represent the growth of the yield, we think it is more appropriate to use ERP=6.82% of treasury bonds with a maturity of over 10 years.

(3) Risk coefficient β

We choose the β calculator published by iFinD to calculate the β value of the comparable companies. The above β value is the one that incorporates the comparable company's own capital structure (the "Leveraged β Value"). The unleveraged β value can be calculated by removing the effect of the leverage factor of the comparable company. With further reference to the target capital structure ratio of the appraised unit and the Blume Adjustment method, the adjusted β value of the appraised unit is calculated to be approximately 0.8351.

(4) Excess return on firm-specific risk (R_s)

The company's special risk premium is mainly the risk premium or discount for the risks arising from some non-system-specific factors that the company has. Due to the simple business of wind power companies, the electricity price is certain. However, the wind power generation business is greatly affected by the weather and the quality of the wind turbines, and there is a certain risk as to whether the power generation in the technical due diligence can be achieved. After taking all factors into consideration, the excess return on firm-specific risk is estimated at 1%.

(5) Cost of interest-bearing debt capital (R_d)

The cost of interest-bearing debt capital is actually the rate of return on investment expected by debt investors of the appraised unit. Generally, the yield to maturity of corporate bonds that invest in the same industry and risk level as the target company should be selected as the indicator of the return on debt investment. Factors such as the solvency, cash flow of operating projects and capital structure of the appraised unit are also considered comprehensively. The one-year loan market quoted rate (LPR) plus 10% is determined as the annual rate of return on debt used in this valuation, i.e. 4.24%.

(6) Target capital structure

The target capital structure is determined with reference to the average capital structure of comparable listed companies, and the D/E value is 55.85%:44.15%.

(7) Cost of equity capital (R_e)

We input the above parameters into the Capital Asset Pricing Model (CAPM) to calculate return on equity:

$$R_e = R_f + \beta \times ERP + R_s$$

$= 4.05\% + 0.8351 \times 6.82\% + 1\%$

$= 10.75\%$

(8) Weighted average cost of capital (WACC)

We input the above relevant parameters into the WACC calculation formula as follows:

$$WACC = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

$= 10.75\% \times 44.15\% + 4.24\% \times 55.85\% \times (1\text{-}25\%)$

$= 6.52\%$

According to the above calculation, under the statutory income tax rate of 25%, the weighted average cost of capital of the appraised unit is 6.52%.

11. Determination of ultimate value (P_n)

Pursuant to the requirements of enterprise value standards, asset valuers shall select appropriate approach for estimating value in post-forecast period by analysing the income trends over the post-forecast period and the treatments after business termination based on the fact that the corporate development is at a stable stage.

In general, the ultimate enterprise value can be determined by perpetual growth model (fixed growth model), price-to-income ratio approach and carrying amount approach.

12 The value of non-operational assets and liabilities (including surplus assets) ΣCi

Non-operational assets and liabilities (including surplus assets) refer to the related assets and liabilities not involved in the forecast on free cashflow of firm. For the non-operational assets and liabilities, this valuation adopts the cost approach.

(III) Market approach of valuation approaches

The market approach is a method to determine the value of valuation target by comparing it to comparable listed companies or comparable transaction cases. Two common methods used by the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method determines the value of valuation target by obtaining and analysing the operational and financial information of comparable listed companies, calculating the value ratios and comparing them to the data of the appraised entity. Comparable enterprises involved in the listed company comparison method should be listed companies traded normally in the open market. The valuation conclusion should consider the impact of control right and liquidity on the value of valuation target as far as practicable.

The transaction case comparison method determines the value of valuation target by obtaining and analysing the information of the trading and acquisition and merger cases of comparable enterprises, calculating the value ratios and comparing them to the data of the appraised entity. The control right and the quantity of transactions may affect the prices of comparable transactions involved in the transaction case comparison method. The differences between the valuation target and the comparable transaction cases in terms of control right and liquidity and the impact of such differences on the value of valuation target should be considered as far as practicable.

This valuation adopts the listed company comparison method, and the value ratios are earnings before interest and tax (EBIT), earnings before interest, tax, depreciation and amortisation (EBITDA) and net operating income after tax (NOIAT).

Basic steps of the listed company comparison method are specified as follows:

Firstly, choose listed companies which operate in the same industry as the appraised entity and are active in stock trading as comparable companies, and calculate the market values of these comparable companies by their share prices;

Choose one or several profitability, asset, income and other particular ratios, such as EBIT and EBITDA, as ''analytical parameters'', and calculate the relation between the market values of comparable companies and the analytical parameters selected, which is referred to as Multiples;

Make necessary adjustments to the aforesaid Multiples, to reflect the differences between the comparable companies and the appraised entity;

Apply the adjusted Multiples to the corresponding analytical parameters of the appraised entity to determine the market value of valuation target.

(IV) Determination of valuation conclusion

Although the market approach adjusts the value ratios of comparable listed companies, the profitability parameters (generating equipment availability hours, feed-in tariffs) differ from one wind power company to another. Accordingly, the adjustments may not accurately quantify the impact of such facts on the enterprise value.

The income approach highlights the expected profitability of the overall assets of an enterprise. In light of the purpose of this acquisition, the investor focuses more on the future profitability of the appraised entity. Therefore, the valuation adopts the conclusion under the income approach as the valuation conclusion.

VIII. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES

(I) Preparation

We discussed with the client, clarified basic matters of the valuation business, comprehensively analysed and assessed our own professional competence, independence and business risks, entered into the asset valuation engagement contract; appointed the project leader, established the valuation project group, developed the asset valuation plan; assisted the appraised entity in completing the asset valuation reporting schedule, and prepared the necessary materials for valuation.

(II) Site investigation and collection of valuation information

Considering the specific conditions of this valuation business and following the standards on valuation procedures and other relevant provisions, the valuers conducted necessary verification on the assets and liabilities related to the valuation target through enquiry, interview, check, supervision of inventory taking, external confirmation and investigation, carried out due diligence to the operation and management of the appraised entity, acquired valuation information from every possible channels, checked the valuation scope, understood the current development of the valuation target and paid attention to the legal ownership of it.

(III) Estimate and preparation of preliminary valuation report

The professional valuers of the project group made necessary analysis, induction and reorganisation of the valuation information collected, to form the basis and working paper for evaluation and estimation; based on relevant conditions including the valuation target, value type, collection of valuation information, the valuers selected the proper valuation method, formula and parameter for analysis, calculation and judgement to obtain the preliminary measurement result and valuation statement of each kind of speciality and asset.

After confirming that the preliminary measurement result and valuation statement of each kind of speciality and asset submitted by members of the project group are correct, and that there is no repetition or omission, the summary analysis of asset valuation was made, and the preliminary valuation report was prepared.

(IV) Internal review and submission of asset valuation report

According to laws, administrative rules, asset valuation standards and the internal quality control system of our own, we carried out internal review on the preliminary asset valuation report and developed the valuation conclusion; conducted requisite communication with the client or the relevant parties recognised by the client in relation to the content of the asset valuation report; submitted the formal asset valuation report to the client in compliance with the requirements set out in the asset valuation engagement contract.

IX. VALUATION ASSUMPTIONS

(I) General assumptions

1. Transaction assumption: All assets to be appraised are assumed to be in the transaction process already, the asset valuers conduct the valuation according to the simulated market such as transaction conditions of the assets to be appraised.

2. Open market assumption: Both parties of the asset transaction are assumed to be in equal position for the assets to be traded or proposed to be traded in the market, where opportunities and time are available for both to access adequate market information, in order to make rational judgements on the functions, uses and transaction prices of the assets.

3. Going concern assumption: The appraised entity is assumed to fully comply with all relevant laws and regulations, and will operate sustainably in the useful life of machinery and equipment.

(II) Special assumptions

1. This valuation regards the specific valuation purpose listed in this asset valuation report as its premises of basic assumptions;

2. There is no significant change in the relevant existing laws and regulations of the PRC or in the macroeconomic conditions of the PRC, and there is no unforeseeable significant change in external economic environment such as interest rate, exchange rate, tax basis and tax rate, and policy-related levies;

3. This valuation assumes the full accountability of appraised entity's management team in the future, the existing business management mode are kept, and the business scope and approach remain consistent with the present direction;

4. This valuation assumes the appraised assets are in continuous use according to the present use and its mode, size, frequency and environment of use, without taking into account the respective optimal use of each asset;

5. It is assumed that, on top of the existing management mode and management level of the company, there will be no material adverse impacts on the enterprise arising from other force majeure and unforeseeable factors;

6. The relevant basic information and financial information provided by the appraised entity and the client are true, accurate and complete;

7. The financial report and transaction data of the comparable companies which the valuers rely on are true and reliable;

8. The valuation scope is only based on the reporting form for valuation provided by the client and the appraised entity, without taking into account the possible contingent assets and contingent liabilities outside of the list provided by the client and the appraised entity;

9. This valuation assumes the enterprise would obtain a net cashflow in the year evenly;

10. This valuation assumes that the enterprise can receive the subsidies of various levels in full, and assumes the subsidy recovery period is two years.

(III) Valuation limitations

1. This valuation conclusion estimates the market value of valuation target on the basis of the valuation purpose and under the assumption of open market, without considering the impact on the appraised value caused by the potentially increased or decreased price resulted from the special transaction method, or the impact on the asset value caused by changes of the macroeconomic environment and the natural force and other force majeure.

2. The valuation reference date adopted by the valuation report has been stated hereinabove, and our estimate of the value is based on the purchasing power of the currency of the place where the enterprise is located as at the valuation reference date.

The valuation conclusion of this report is based on the aforesaid assumptions and limitations. When events that are inconsistent with the aforesaid assumptions and limitations occur, this valuation conclusion will generally be invalid.

X. VALUATION CONCLUSION

This valuation adopts the income approach and the market approach to assess the value of entire shareholders' equity of Xiyang New Energy. As at the valuation reference date, being 30 June 2021, the audited book value of assets of Xiyang New Energy is RMB1,478,562,300; liabilities are RMB1,014,560,100; net asset amounts to RMB464,002,200.

(I) Valuation conclusion under the income approach

Under the assumptions and limitations stated in the report, the value of entire shareholders' equity assessed by the income approach is RMB884,000,000, representing an appreciation rate of 90.52%.

(II) Valuation conclusion under the market approach

Under the assumptions and limitations stated in the report, the value of entire shareholders' equity assessed by the market approach is RMB1,354,000,000, representing an appreciation rate of 191.81%.

(III) Selection of valuation conclusion

In view of the following factors, this valuation adopts the conclusion under the income approach as the final valuation conclusion, which states that the appraised value of entire shareholders' equity of Xiyang New Energy is RMB884,000,000.

The income approach is a method whereby the value of the valuation target is determined by capitalising or discounting the expected income of the appraised entity, estimating the enterprise value from the perspective of expected income and reflecting the comprehensive profitability of assets. The market approach assesses the value of valuation target by comparable assets in the market. The valuers have made necessary analysis and adjustments to the valuation target and comparable companies; but differences in asset under management, operation model, profit parameters and other aspects make it difficult to achieve thorough adjustments.

The Phase II of Shanxi Xiyang 200MW Wind Power Project operated by Xiyang New Energy, which has entered the subsidy list and been qualified for subsidies, is expected to be profitable in the future, indicating stable power generation efficiency and economic benefits in the future.

The income approach reflects the above advantages and highlights the expected profitability of the overall of an enterprise assets. In light of the purpose of this acquisition, the investor focuses more on the future profitability of the appraised entity. Therefore, the valuation adopts the conclusion under the income approach as the final conclusion.

(IV) Validity of the valuation conclusion

The valuation conclusion developed in this asset valuation report is valid for one year from the valuation reference date.

XI. NOTES ON SPECIAL MATTERS

The following are relevant matters identified during the valuation that may impact the valuation conclusion but cannot be assessed and estimated as they are beyond the professional level and ability of the valuers. Users of the report are advised to pay attention to the following matters:

(I) Significant use of relevant expert report

The generating equipment availability hours in the forecast under the income approach adopted in this valuation refer to the Report on Technical Due Diligence of Jinzhong City Xiyang County 200MW Wind Power Project (Reference No. 74830820.4.1) (the "Technical Due Diligence Report") issued by TUV SUD Certification and Testing (China) Co., Ltd. The Technical Due Diligence Report is dated 5 January 2022 and develops the following conclusion:

According to the micro site selection report provided by the wind farm, the annual average equivalent utilisation hours of the wind farm is 2,288 hours.

On the basis of the verification of generating equipment availability hours in the Technical Due Diligence Report, the valuers make reference to the data of generating equipment availability hours reported. For the calculation and result of generating equipment availability hours, please read the relevant sections in the Technical Due Diligence Report issued by the agency stated above.

(II) Guarantees, mortgages and pledges

On 6 February 2017, Xiyang New Energy and the Business Department of Agricultural Bank of China (Hebei Branch) entered into Fixed Assets Loan Contract numbered 13010420170000043 for a total amount of RMB1,320,000,000.00. The contract stipulates that Xiyang New Energy will render the entitlement to the receivables from the sale of electricity after completion of the Xiyang Xizhai 200,000kW wind power project pledged as security.

Under the Fixed Assets Loan Contract numbered 13010420170000043 entered into between Xiyang New Energy and the Business Department of Agricultural Bank of China (Hebei Branch), in the event of a major merger, acquisition and reorganization of the borrower, the lender has the right to unilaterally decide to cease the payment of the outstanding loan to the borrower and to collect part or all of the principal and interest of the loan in advance, and to take other measures in accordance with the law. Prior written consent of the lender is required in the event of merger, division, withdrawing, equity transfer, external investment, material increase in debt financing, significant asset and debt transfers and other matters that may adversely affect the borrower's ability to repay its debts.

This valuation has been disclosed without considering the impact of the above matters.

(III) Other matters requiring explanation

1. The valuation conclusion of this valuation report reflects the value of the valuation target as at the valuation reference date for the valuation purpose stated hereinabove, under the assumption that there are no changes in the continuing operation and the external macroeconomic environment.

2. The valuation conclusion of this valuation report has not taken into consideration the potential relevant expenses and taxes in the process of registration or change of titles of the appraised assets, or the possible changes of tax obligation arising from the increase or decrease of the appraised value.

3. This valuation report is based on the information in relation to asset valuation provided by the client and related parties of the appraised entity. It is the responsibility of the client and the related parties to provide the necessary information and ensure the truthfulness, legality and completeness of the information provided. The responsibility of asset valuation professionals is to analyse, estimate and express professional view on the value of valuation target as at the valuation reference date for the specific purpose. Asset valuation professionals conduct the necessary verification and disclosure on such information and its sources, which does not represent any guarantee provided as to the truthfulness, legality and completeness of the above-mentioned information. It is beyond the scope of practice for asset valuation professionals to ascertain or express opinions on such information and its sources.

4. During the valuation, the checking of equipment mainly relied on the observation of their appearance by valuers, the recent inspection information provided by the appraised entity and the enquiries made to operators, due to the limitations of testing means and some equipment being in operation.

5. In this valuation, we referred to and adopted the historical financial statements of the appraised entity and its financial statements as at the valuation reference date, and the financial reports and transaction data of comparable companies we obtained from the iFiND financial information terminal of RoyalFlush. Our estimate depends largely on the said data in the financial statements and transaction data, and we assume that the said data in the financial statements and transaction data are true and reliable. The fact that our estimate relies on the data provided in such financial statements does not represent any guarantee we offer in respect of the correctness and completeness of such financial information, and does not mean that we can assure such information does not have other requirements that may conflict with our use of such data.

6. The future profit forecast of the appraised entity in this valuation is based on the profit forecast made by the management of the appraised entity. We have conducted necessary review on the aforesaid profit forecast.

7. The valuation assumptions adopted in this valuation by income approach is a reasonable anticipation on the future operation of the appraised entity based on the current conditions. If various unanticipated and unavoidable factors which may affect the realisation of the assumed prerequisites arise in the future, the extent of the realisation of profit forecast would be affected. We would like to remind the client and other related parties that we do not guarantee the above-mentioned assumptions can be realised, nor do we assume any obligations of realising or assisting in realising the above-mentioned assumptions.

8. When determining the value of entire shareholders' equity of Xiyang New Energy, this valuation has not considered the impact of special transactions (such as premium of controlling interest) on the net asset value.

9. In the term of validity after the valuation reference date, if the quantity and pricing standard of assets change, treatment should be carried out in accordance with the following principles:

   (1) When the quantity of assets changes, corresponding adjustments should be made to the amount of assets in accordance with the original valuation method;

   (2) When the pricing standard of assets changes, which greatly affects the results of asset valuation, the client should engage qualified assets valuation agencies to re-determine the appraised value on a timely basis;

(3) When determining the actual price of the assets, the client should give due consideration to the changes of the quantity and pricing standard of assets after the valuation reference date and make corresponding adjustments.

Users of the asset valuation report should note the impact of the above special matters on the valuation conclusion.

XII. EXPLANATION OF THE LIMITATION ON THE USE OF ASSET VALUATION REPORT

The asset valuation report is subject to the following limitations on the use:

(I) Scope of use: The asset valuation report shall be used for the valuation purpose and the use stated hereinabove;

(II) We and our valuers take no responsibility if the client or other users of the asset valuation report fail to use this asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use stated hereinabove;

(III) Except for the client, the other users of the asset valuation report as agreed in the asset valuation engagement contract and the users of asset valuation report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of the report;

(IV) Users of the asset valuation report should correctly interpret and use the valuation conclusion, which is not equivalent to the realisable value of the valuation target and should not be considered as a guarantee for the realisable value of the valuation target;

(V) For the excerpt, reference and disclosure of all or part of the contents of this asset valuation report, relevant contents shall be reviewed by us unless it is otherwise provided by laws and administrative regulations and agreed by relevant parties;

(VI) This asset valuation report can be used officially after being signed by the asset valuers and stamped with our seal.

XIII. DATE OF THE ASSET VALUATION REPORT

The date of an asset valuation report is usually the date of developing the valuation conclusion, and the date of this asset valuation report is 8 January 2022.

The above content is an abstract from the full text of the asset valuation report. Please read the full text of the asset valuation report for the details of the valuation business and proper understanding of the valuation conclusions.

3. XIYANG WIND ENERGY

Summary of the Report on Valuation of the Value of Entire Shareholders' Equity of Xiyang County Sineng Wind Energy Co., Ltd. Related to the Proposed Equity Acquisition by Beijing United Rongbang New Energy Technology Co., Ltd.

Zhong Tong Hua Ping Bao Zi (2022) No. 050037

I. SUMMARY

Upon your engagement, we, China Alliance Appraisal Co., Ltd. ("China Alliance" or "we"), have appraised the market value of the entire shareholders' equity of Xiyang County Sineng Wind Energy Co., Ltd. ("Xiyang Wind Energy") as at the valuation reference date by adopting the recognised valuation methods and carrying out necessary valuation procedures and in accordance with the relevant laws, regulations and asset valuation standards and asset valuation principles. We hereby summarize the valuation report as follows:

Valuation Purpose: To appraise the value of entire shareholders' equity of Xiyang County Sineng Wind Energy Co., Ltd., to estimate its market value as at the valuation reference date and to provide a value reference to the economic activity that Beijing United Rongbang New Energy Technology Co., Ltd. proposes to acquire the equity interest of Xiyang County Sineng Wind Energy Co., Ltd.

Valuation Target: The entire shareholders' equity of Xiyang County Sineng Wind Energy Co., Ltd.

Valuation Scope: All assets and liabilities of Xiyang County Sineng Wind Energy Co., Ltd.

Valuation Reference Date: 30 June 2021.

Type of the Value: Market value

Valuation Methodology: Income approach, market approach

Valuation Conclusion: This asset valuation report adopts the conclusion under the income approach as the final valuation conclusion.

The book value of total assets of Xiyang County Sineng Wind Energy Co., Ltd. is RMB244,174,600; the book value of total liabilities is RMB144,183,900; the value of entire shareholders' equity is RMB99,990,800. The value of entire shareholders' equity assessed under the income approach is RMB190,000,000, representing an appreciation of RMB90,009,200 and an appreciation rate of 90.02%.

Validity of the Valuation Conclusion: This asset valuation report only serves as a value reference for the economic activity stated herein; in principle, the valuation conclusion is valid for one year from the valuation reference date. When the asset position and market conditions change significantly from the position and conditions as at the valuation reference date, the client should engage appraisal agencies to update the valuation or perform re-assessment.

Notes on Significant Special Matter:

(I) Nature and amount of guarantees, leases and contingent liabilities (or contingent assets) and their relationship with the valuation target

On 24 May, 2019, Xiyang Wind Energy and Huadian Finance Lease Co., Ltd.*(華電融資租賃有限公司), a third party financial institution, entered into a financial lease contract numbered Hua Dian Zu Lin Zhi Zi [2019] No. 006 and related attached agreements, under which, Xiyang Wind Energy provides a pledge of receivables for tariff charging rights/ revenue rights (including but not limited to generation income and all subsidy income) and a mortgage of the wind power generation equipment for the Xiyang Project, and entered into the Pledge Contract of Receivables and Mortgage Contract of Movable Property numbered Hua Dian Zu Lin Bao Zi [2019] No. 005 and Hua Dian Zu Lin Bao Zi [2019] No. 003 respectively. Zhang Jin Hui(張錦輝), the ultimate beneficial of Shanghai Sineng Investment Co., ltd. provided an irrevocable joint and several liability guarantee and entered into the Guarantee Contract numbered Hua Dian Zu Lin Bao Zi [2019] No. 004; and Shanghai Sineng Investment Co., ltd. provided a pledge guarantee with its 100% equity interest in Xiyang Wind Energy and entered into the Equity Pledge Contract numbered Hua Dian Zu Lin Bao Zi [2019] No. 006. Xiyang Wind Energy, Huadian Finance and China Everbright Bank Limited Taiyuan Nanzhonghuan Street Sub-branch(中國光大銀行股份有限公司太原南中環街支行) entered into an account supervision agreement, in which Xiyang Wind Energy agreed to open a supervisory account with Everbright Bank and use the account as a collection account for tariff receivables and for supervision.

II. VALUATION PURPOSE

According to the CEO Meeting Minutes of Beijing Energy International Holding Co., Ltd. (the 1st issue in 2022), Beijing United Rongbang New Energy Technology Co., Ltd. proposes to acquire the equity interest of Xiyang Wind Energy.

The purpose of the valuation is to reflect the market value of the entire shareholders' equity of Xiyang Wind Energy as at the valuation reference date, to provide a value reference for the aforesaid economic activity.

III. VALUATION TARGET AND VALUATION SCOPE

The valuation target is the entire shareholders' equity of Xiyang Wind Energy.

The scope of assets related to the valuation target covers all the assets and liabilities of Xiyang Wind Energy, the specific types and audited book values of which are set out in the table below:

Unit: RMB

Item		Book value
I.	**Total current assets**	**51,833,074.01**
	Cash and cash equivalents	12,742,429.40
	Accounts receivable	38,802,139.14
	Prepayments	51,903.00
	Other receivables	35,000.00
	Other current assets	201,602.47
II.	**Total non-current assets**	**192,341,571.18**
	Fixed assets	67,472,107.97
	Including: properties and buildings	4,095,066.42
	machinery and equipment	63,377,041.55
	Construction in progress	966,413.95
	Right-of-use assets	121,377,777.99
	Intangible assets	1,713,610.27
	Including: land use right	1,713,610.27
	Deferred income tax assets	811,661.00
III.	**Total assets**	**244,174,645.19**
IV.	**Total current liabilities**	**24,286,270.34**
	Accounts payable	236,976.53
	Taxes payable	19,080.38
	Other payable	13,018,765.69
	Non-current liabilities due within one year	11,011,447.74
V.	**Total non-current liabilities**	**119,897,591.60**
	Lease liabilities	119,897,591.60
VI.	**Total liabilities**	**144,183,861.94**
VII.	**Net asset (owner's equity)**	**99,990,783.25**

The book values of assets and liabilities stated above have been audited by Grant Thornton (Special General Partnership), which has issued the Audit Report (Zhi Tong Zhuan Zi (2021) No. 110C017448) with unqualified audit opinion.

(I) The assets and liabilities included in the valuation scope are the same as those reported at the time of engagement; the client and the appraised entity have undertaken that the target and scope engaged to appraise is the same as the valuation target and scope related to the economic activity.

(II) Off-balance sheet assets reported

As at the valuation reference date, Xiyang Wind Energy reports no off-balance sheet assets within the reporting scope.

(III) Types, quantity and carrying amounts of assets in the reference to conclusions of reports issued by other institutions

The generating equipment availability hours in the forecast under the income approach adopted in this valuation refer to the Report on Technical Due Diligence of Jinzhong City Xiyang County 30MW Wind Power Project (Reference No. 74830820.7.1) (the "Technical Due Diligence Report") issued by TUV SUD Certification and Testing (China) Co., Ltd.. The Technical Due Diligence Report is dated 5 January 2022 and develops the following conclusion:

According to the micro site selection report provided by the wind farm, the annual average equivalent utilisation hours of the wind farm is 2,452.5 hours.

IV. TYPE OF VALUE AND ITS DEFINITION

Based on the valuation purpose, market conditions and the conditions of valuation target, the value of valuation target is determined as market value.

Market value represents the estimated amount of value for which the valuation target will be exchanged on the valuation reference 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 REFERENCE DATE

The valuation reference date of this project is 30 June 2021.

The valuation reference date is determined by the client, which mainly considers factors including the realisation of the economic activity and the end of the accounting period.

VI. BASIS OF VALUATION

(I) Basis of economic activity

1. The CEO Meeting Minutes of Beijing Energy International Holding Co., Ltd. (the 1st issue in 2022).

(II) Legal basis

1. Asset Appraisal Law of the People's Republic of China (adopted at the 21st Session of the Standing Committee of the 12th National People's Congress of the People's Republic of China on 2 July 2016);

2. Company Law of the People's Republic of China (amended for the fourth time by the Decision on Amending the Company Law of the People's Republic of China at the 6th Session of the Standing Committee of the 13th National People's Congress on 26 October 2018);

3. Civil Code of the People's Republic of China (adopted at the 3rd Session of the 13th National People's Congress on 28 May 2020);

4. Measures for the Fiscal Supervision and Administration of the Asset Appraisal Industry (Order No. 86 of the Ministry of Finance, amended by Order No. 97 of the Ministry of Finance on 2 January 2019);

5. Enterprise Income Tax Law of the People's Republic of China (amended for the second time at the 7th Session of the Standing Committee of the 13th National People's Congress on 29 December 2018);

6. Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (Order No. 512 [2018] of the State Council);

7. Announcement of the State Taxation Administration on Matters Concerning Preferential Income Tax Policies for New Power Projects of Power Enterprises;

8. Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 691 [2017] of the State Council);

9. Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 65 [2011] of the Ministry of Finance and the State Taxation Administration);

10. Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (No. 36 [2016] of the Ministry of Finance and the State Taxation Administration);

11. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);

12. Law of the People's Republic of China on the State-Owned Assets of Enterprises (adopted at the 5th Session of the Standing Committee of the 11th National People's Congress on 28 October 2008);

13. Rules on the Administration of Appraisal of State-owned Assets (Order No. 91 [1991] of the State Council, issued by Order No. 91 of the State Council on 16 November 1991, amended in accordance with the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (Order No. 732 of the State Council) on 29 November 2020);

14. Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, amended by Order No. 709 of the State Council on 2 March 2019);

15. Requirements on Certain Matters Concerning the Administration of Appraisal of State-owned Assets (Order No. 14 [2001] of the Ministry of Finance);

16. Interim Measures for the Administration of Appraisal of State-owned Assets of Enterprises (Order No. 12 [2005] of the State-owned Assets Supervision and Administration Commission of the State Council);

17. Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (Order No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance on 24 June 2016);

18. Notice on Certain Matters Concerning Strengthening the Administration of Appraisal of State-owned Assets (Chan Quan [2006] No. 274 of State-owned Assets Supervision and Administration Commission of the State Council);

19. Supplementary Notice on Certain Matters Related to the Several Opinions on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No. 426);

20. Notice of the Ministry of Finance and the State Taxation Administration on Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences (Cai Shui [2008] No. 46);

21. Notice of the Ministry of Finance and the State Taxation Administration on Value-Added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74);

22. Other laws and regulations related to asset appraisal.

(II) Basis of valuation standard

1. Basic Standards on Assets Valuation (Cai Zi [2017] No. 43);

2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);

3. Practice Guidelines for Asset Valuation-Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);

4. Practice Guidelines for Asset Valuation-Asset Valuation Report (Zhong Ping Xie [2018] No. 35);

5. Practice Guidelines for Asset Valuation-Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);

6. Practice Guidelines for Asset Valuation-Asset Valuation File (Zhong Ping Xie [2018] No. 37);

7. Practice Guidelines for Asset Valuation-Asset Valuation Methods (Zhong Ping Xie [2019] No. 35);

8. Practice Guidelines for Asset Valuation-Enterprise Value (Zhong Ping Xie [2018] No. 38);

9. Practice Guidelines for Asset Valuation-Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35);

10. Practice Guidelines for Asset Valuation-Machinery and Equipment (Zhong Ping Xie [2017] No. 39);

11. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);

13. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (Zhong Ping Xie [2017] No. 48);

14. Guidelines for the Valuation Report on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);

15. Guidelines for the Assessment of Investment Value of Acquisitions and Mergers of Enterprises (Zhong Ping Xie [2020] No. 30);

16. Terms for Asset Appraisal Standard 2020 (Zhong Ping Xie [2020] No. 31).

(IV) Basis of ownership

1. Contracts for the transfer of property;

2. Other title documents provided by the appraised entity.

(V) Pricing basis

1. Financial statements and audit reports of valuation reference date and previous years provided by the appraised entity;

2. Financial and operation information, including relevant agreements, contracts and invoices, provided by the appraised entity;

3. Loan Prime Rate (LPR) announced by the National Interbank Funding Center;

4. Notice of Shanxi Development and Reform Commission on Feed-in Tariffs for Wind Energy Power Generation Projects of Four Enterprises including Daixian Hongrunxiang New Energy Co., Ltd.（代縣泓潤翔新能源有限公司）(Jin Fa Gai Shang Ping Fa [2019] No. 265);

5. Contract for Purchasing and Selling Electricity Generated by Wind Farm;

6. Market inquiry information;

7. Analytical information about macro and industry statistics;

8. Profit forecast and relevant information provided by the appraised entity;

9. Relevant information of comparable listed companies;

10. iFiND financial information terminal of RoyalFlush;

11. Due Diligence Report issued by TUV SUD Certification and Testing (China) Co., Ltd.;

12. Other relevant information related to valuation recorded and collected by the appraisers during on-site survey.

(VI) Other basis

1. All kinds of Asset Valuation Reporting Schedule provided by the appraised entity;

2. Asset Valuation Engagement Contract;

3. Records of interviews with relevant personnel of the appraised entity;

4. Other relevant information provided by the appraised entity.

VII. VALUATION APPROACH

(I) Selection of valuation approach

According to the basic principles of asset valuation, valuation approaches to determine the asset value include three basic approaches, namely market approach, income approach and cost approach, and their derivative approaches.

Asset valuers should analyse the applicability of the three basic approaches, namely market approach, income approach and cost approach, according to the valuation purpose, valuation target, type of the value and the information collected, and select the appropriate approach for valuation.

Conditions for applying the market approach:

(1) Comparable assets to the valuation target are actively traded in the open market;

(2) Necessary information of the transactions is available.

Conditions for applying the income approach:

(1) Future incomes of the valuation target can be reasonably estimated and measured in monetary terms;

(2) Risks associated with the expected incomes can be measured;

(3) The income period can be determined or reasonably estimated.

Conditions for applying the cost (asset-based) approach:

(1) The valuation target can be used or is being used;

(2) The valuation target can be acquired through replacement;

(3) The replacement cost of the valuation target and the relevant depreciation can be reasonably estimated.

The valuation adopts the income approach and the market approach, with the reasons provided below:

Reasons for selecting the market approach: The appraised entity is principally engaged in wind power business. Currently, comparable transactions with the same or similar nature of the valuation target are easily available in the capital market and the equity exchange market for such business. Moreover, many listed companies have the same principal business as the appraised entity. Therefore, the market approach is appropriate.

Reasons for selecting the income approach: The future income period and income amounts of the appraised entity can be estimated and measured in monetary terms. Moreover, the risks associated with the expected incomes can be quantified. Therefore, the income approach is selected for the valuation.

Reasons for not selecting the asset-based approach: The appraised entity is a wind power enterprise, while wind power is a kind of clean energy encouraged by the country with strong policy support. The value of this type of enterprise relies more on the future income. Further, market prices of wind power facilities have been significantly fluctuating in recent years. Therefore, it is difficult for the asset-based approach to reflect the overall value of the enterprise.

(II) Income approach of valuation approaches

1. Introduction of income approach

The income approach is a valuation approach whereby the value of the valuation target is determined by capitalising or discounting the expected income.

The specific approaches commonly used in income approach include dividend discount method, free cash flow of equity discount method and free cash flow of firm discount method.

Dividend discount method refers to the specific method to determine the value of valuation target by discounting the expected dividend, which is usually applicable for appraising the value of partial non-controlling shareholders' interest.

For free cash flow of equity discount method, the accounting of cash flow refers to the cash flow attributable to shareholders, where the corresponding discount rate is the cost of equity capital, and the appraised value refers to the value of entire shareholders' equity. The formula for cash flow calculation is:

Free cash flow of equity = net profit + depreciation and amortization – capitalised expense – incremental working capital – repayment of the principal on interest-bearing debts + the principal of new interest-bearing debts

For free cash flow of firm discount method, the accounting of cash flow refers to the cash flow attributable to all investors including shareholders and creditors on interest-bearing debts, where the corresponding discount rate is the weighted average cost of capital, and the appraised value refers to the overall value of enterprises. The formula for cash flow calculation is:

Free cash flow of firm = net profit + depreciation/amortisation + interest expense after tax – incremental working capital – capitalised expense

2. Cash flow discount model

This valuation chooses to adopt free cash flow of firm discount model.

Basic formula is:

$$E = B - D$$

where: E refers to the market value of the entire shareholders' equity of the appraised entity, D refers to the market value of interest-bearing debts, B refers to the overall market value of enterprises.

$$B = P + \sum C_i$$

where: P refers to the value of operational assets, ΣC_i refers to the value of existing non-operational assets and liabilities (including surplus assets) as at the valuation reference date.

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{P_n}{(1+r)^n}$$

where: R_i: Expected free cash flow of firm in the i year after the valuation reference date; r: discount rate; P_n: ultimate value; n: forecast period.

3. Forecast period (n)

Xiyang Wind Energy project was connected to the grid at full capacity in July 2019. When predicting the future period, the operating period of the wind turbine equipment is estimated to be approximately 20 years according to the service life of the wind turbine equipment, and thus the forecast profit period is until July 2039.

4. Operating income forecast

The income of Xiyang Wind Energy project is mainly arising from sales of electricity, which is composed of transaction electricity price income and subsidy income. The formula for calculating the project income is as follows:

Project income = billing electricity consumption × market-based transaction unit price (excluding tax) + billing electricity consumption × subsidy electricity price per kilowatt-hour (excluding tax).

The relevant parameters for project income forecast are mainly set with reference to the company's historical data and technical due diligence reports for wind power projects.

5. Operating costs forecast

Operating costs mainly include depreciation expenses, operation and maintenance fees and spare parts costs.

(1) Depreciation expenses forecast: Depreciation expenses are calculated according to the book value of fixed assets and right-of-use assets and the depreciation period of different types of assets.

(2) Operation and maintenance fees forecast: It is calculated with reference to the current operation and maintenance contracts of the Company, which is RMB50,000/MW/year (tax included) during the wind turbine warranty period and RMB80,000/MW/year (tax included) after the expiration of the wind turbine warranty period.

(3) Spare parts costs forecast: In this valuation, the spare parts costs are estimated to be RMB100,000 per year based on the management's forecast and with reference to the historical data of the project.

6. Management costs forecast

The historical management costs of Xiyang Wind Energy are mainly the travel expenses and business hospitality expenses of the management personnel of the superior companies, as well as the apportioned intermediary fees and technical service fees. The forecast for the management costs in this valuation is based on the appraised unit's expectation of the management costs.

7. Working capital forecast

In order to ensure the sustainable development of the business, the company needs to add additional operating capital in the future. Factors affecting working capital mainly include changes in operating cash, operating receivables and operating payables. Operating receivables include accounts receivable, other receivables, etc., and operating payables include accounts payable, taxes payable and other payables.

The working capital forecast for the future periods is mainly calculated based on the calculation of the turnover rates of the company's accounts receivable and accounts payable. The amount of working capital for each period is arrived at after considering the minimum cash holdings of the company.

8. Capital expenditures forecast

Capital expenditures are the capital expenditures that an enterprise needs to make every year to ensure that its production and operation can develop normally.

9. Corporate free cash flow (R_i)

Free cash flow (R_i)= net profit + depreciation/amortisation + interest expense after tax – incremental working capital – capital expenditures

10. Determination of discount rate (r)

Discount rate r is determined by weighted average cost of capital (WACC), and the formula is as follows:

$$WACC = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

where: R_e: cost of equity capital; R_d: cost of interest-bearing debt capital; T: income tax rate.

where: Cost of equity capital R_e is calculated by the Capital Asset Pricing Model (CAPM), and the formula is as follows:

$$R_e = R_f + \beta \times ERP + R_s$$

where: R_e refers to the return on equity; R_f refers to the risk-free return rate; β refers to risk coefficient; ERP refers to excess return on market risk; R_s refers to the excess return on firm-specific risk.

(1) Determination of risk-free return rate (R_f)

Treasury bond yields are generally considered risk-free as the risk of holding the bond to maturity is insignificant and negligible. We select treasury bonds with a remaining maturity of more than 10 years from the valuation reference date to the maturity date on the Shanghai Stock Exchange and Shenzhen Stock Exchange and calculate their yields to maturity, and then take the average of all treasury bond yields to maturity as the risk-free return rate for this valuation. We take the average yield to maturity of the above-mentioned treasury bonds (being 4.05%) as the risk-free return rate for this valuation.

(2) Determination of excess return on market risk (ERP_f)

Excess return on market risk is the return rate that investors expect from investing in the stock market in excess of the risk-free return rate. We calculate the ERP of the Chinese stock market as follows: a) estimating the return on investment of the stock market based on the CSI 300; b) choosing 10 years as the interval for calculating ERP after considering the characteristics of stock volatility in the Chinese stock market; c) we use the geometric mean method and the arithmetic mean method to measure the data respectively after considering the transaction closing resumption price of each selected constituent stock at the end of each year provided by the iFinD data system; d) the yield to maturity of treasury bonds with a remaining maturity of more than five years is used as the risk-free yield; and e) since the geometric mean can better represent the growth of the yield, we think it is more appropriate to use ERP=6.82% of treasury bonds with a maturity of over 10 years.

(3) Risk coefficient β

We choose the β calculator published by iFinD to calculate the β value of the comparable companies. The above β value is the one that incorporates the comparable company's own capital structure (the "Leveraged β Value"). The unleveraged β value can be calculated by removing the effect of the leverage factor of the comparable company. With further reference to the target capital structure ratio of the appraised unit and the Blume Adjustment method, the adjusted β value of the appraised unit is calculated to be approximately 0.8351.

(4) Excess return on firm-specific risk (R_s)

The company's special risk premium is mainly the risk premium or discount for the risks arising from some non-system-specific factors that the company has. Due to the simple business of wind power companies, the electricity price is certain. However, the wind power generation business is greatly affected by the weather and the quality of the wind turbines, and there is a certain risk as to whether the power generation in the technical due diligence can be achieved. After taking all factors into consideration, the excess return on firm-specific risk is estimated at 1%.

(5) Cost of interest-bearing debt capital (R_d)

The cost of interest-bearing debt capital is actually the rate of return on investment expected by debt investors of the appraised unit. Generally, the yield to maturity of corporate bonds that invest in the same industry and risk level as the target company should be selected as the indicator of the return on debt investment. Factors such as the solvency, cash flow of operating projects and capital structure of the appraised unit are also considered comprehensively. The one-year loan market quoted rate (LPR) plus 10% is determined as the annual rate of return on debt used in this valuation, i.e. 4.24%.

(6) Target capital structure

The target capital structure is determined with reference to the average capital structure of comparable listed companies, and the D/E value is 55.85%:44.15%.

(7) Cost of equity capital (R_e)

We input the above parameters into the Capital Asset Pricing Model (CAPM) to calculate return on equity:

$$R_e = R_f + \beta \times ERP + R_s$$

$= 4.05\% + 0.8351 \times 6.82\% + 1\%$

$= 10.75\%$

(8) Weighted average cost of capital (WACC)

We input the above relevant parameters into the WACC calculation formula as follows:

$$WACC = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

$= 10.75\% \times 44.15\% + 4.24\% \times 55.85\% \times (1\text{-}25\%)$

$= 6.52\%$

According to the above calculation, under the statutory income tax rate of 25%, the weighted average cost of capital of the appraised unit is 6.52%.

11. Determination of ultimate value (P_n)

Pursuant to the requirements of enterprise value standards, asset valuers shall select appropriate approach for estimating value in post-forecast period by analysing the income trends over the post-forecast period and the treatments after business termination based on the fact that the corporate development is at a stable stage.

In general, the ultimate enterprise value can be determined by perpetual growth model (fixed growth model), price-to-income ratio approach and carrying amount approach.

12. The value of non-operational assets and liabilities (including surplus assets) ΣCi

Non-operational assets and liabilities (including surplus assets) refer to the related assets and liabilities not involved in the forecast on free cashflow of firm. For the non-operational assets and liabilities, this valuation adopts the cost approach.

(III) Market approach of valuation approaches

The market approach is a method to determine the value of valuation target by comparing it to comparable listed companies or comparable transaction cases. Two common methods used by the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method determines the value of valuation target by obtaining and analysing the operational and financial information of comparable listed companies, calculating the value ratios and comparing them to the data of the appraised entity. Comparable enterprises involved in the listed company comparison method should be listed companies traded normally in the open market. The valuation conclusion should consider the impact of control right and liquidity on the value of valuation target as far as practicable.

The transaction case comparison method determines the value of valuation target by obtaining and analysing the information of the trading and acquisition and merger cases of comparable enterprises, calculating the value ratios and comparing them to the data of the appraised entity. The control right and the quantity of transactions may affect the prices of comparable transactions involved in the transaction case comparison method. The differences between the valuation target and the comparable transaction cases in terms of control right and liquidity and the impact of such differences on the value of valuation target should be considered as far as practicable.

This valuation adopts the listed company comparison method, and the value ratios are earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT) and net operating income after tax (NOIAT).

Basic steps of the listed company comparison method are specified as follows:

Firstly, choose listed companies which operate in the same industry as the appraised entity and are active in stock trading as comparable companies, and calculate the market values of these comparable companies by their share prices;

Choose one or several profitability, asset, income and other particular ratios, such as EBIT and EBITDA, as ''analytical parameters'', and calculate the relation between the market values of comparable companies and the analytical parameters selected, which is referred to as Multiples;

Make necessary adjustments to the aforesaid Multiples, to reflect the differences between the comparable companies and the appraised entity;

Apply the adjusted Multiples to the corresponding analytical parameters of the appraised entity to determine the market value of valuation target.

(IV) Determination of valuation conclusion

Although the market approach adjusts the value ratios of comparable listed companies, the profitability parameters (generating equipment availability hours, feed-in tariffs) differ from one wind power company to another. Accordingly, the adjustments may not accurately quantify the impact of such facts on the enterprise value.

The income approach highlights the expected profitability of the overall assets of an enterprise. In light of the purpose of this acquisition, the investor focuses more on the future profitability of the appraised entity. Therefore, the valuation adopts the conclusion under the income approach as the value reference.

VIII. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES

(I) Preparation

We discussed with the client, clarified basic matters of the valuation business, comprehensively analysed and assessed our own professional competence, independence and business risks, entered into the asset valuation engagement contract; appointed the project leader, established the valuation project group, developed the asset valuation plan; assisted the appraised entity in completing the asset valuation reporting schedule, and prepared the necessary materials for valuation.

(II) Site investigation and collection of valuation information

Considering the specific conditions of this valuation business and following the standards on valuation procedures and other relevant provisions, the valuers conducted necessary verification on the assets and liabilities related to the valuation target through enquiry, interview, check, supervision of inventory taking, external confirmation and investigation, carried out due diligence to the operation and management of the appraised entity, acquired valuation information from every possible channels, checked the valuation scope, understood the current development of the valuation target and paid attention to the legal ownership of it.

(III) Estimate and preparation of preliminary valuation report

The professional valuers of the project group made necessary analysis, induction and reorganisation of the valuation information collected, to form the basis and working paper for evaluation and estimation; based on relevant conditions including the valuation target, value type, collection of valuation information, the valuers selected the proper valuation method, formula and parameter for analysis, calculation and judgement to obtain the preliminary measurement result and valuation statement of each kind of speciality and asset.

After confirming that the preliminary measurement result and valuation statement of each kind of speciality and asset submitted by members of the project group are correct, and that there is no repetition or omission, the summary analysis of asset valuation was made, and the preliminary valuation report was prepared.

(IV) Internal review and submission of asset valuation report

According to laws, administrative rules, asset valuation standards and the internal quality control system of our own, we carried out internal review on the preliminary asset valuation report and developed the valuation conclusion; conducted requisite communication with the client or the relevant parties recognised by the client in relation to the content of the asset valuation report; submitted the formal asset valuation report to the client in compliance with the requirements set out in the asset valuation engagement contract.

IX. VALUATION ASSUMPTIONS

(I) General assumptions

1. Transaction assumption: All assets to be appraised are assumed to be in the transaction process already, the asset valuers conduct the valuation according to the simulated market such as transaction conditions of the assets to be appraised.

2. Open market assumption: Both parties of the asset transaction are assumed to be in equal position for the assets to be traded or proposed to be traded in the market, where opportunities and time are available for both to access adequate market information, in order to make rational judgements on the functions, uses and transaction prices of the assets.

3. Going concern assumption: The appraised entity is assumed to fully comply with all relevant laws and regulations, and will operate sustainably in the useful life of machinery and equipment.

(II) Special assumptions

1. This valuation regards the specific valuation purpose listed in this asset valuation report as its premises of basic assumptions;

2. There is no significant change in the relevant existing laws and regulations of the PRC or in the macroeconomic conditions of the PRC, and there is no unforeseeable significant change in external economic environment such as interest rate, exchange rate, tax basis and tax rate, and policy-related levies;

3. This valuation assumes the full accountability of appraised entity's management team in the future, the existing business management mode are kept, and the business scope and approach remain consistent with the present direction;

4. This valuation assumes the appraised assets are in continuous use according to the present use and its mode, size, frequency and environment of use, without taking into account the respective optimal use of each asset;

5. It is assumed that, on top of the existing management mode and management level of the company, there will be no material adverse impacts on the enterprise arising from other force majeure and unforeseeable factors;

6. The relevant basic information and financial information provided by the appraised entity and the client are true, accurate and complete;

7. The financial report and transaction data of the comparable companies which the valuers rely on are true and reliable;

8. The valuation scope is only based on the reporting form for valuation provided by the client and the appraised entity, without taking into account the possible contingent assets and contingent liabilities outside of the list provided by the client and the appraised entity;

9. This valuation assumes the enterprise would obtain a net cashflow in the year evenly;

10. This valuation assumes that all future renewable energy subsidies will be received in full over the 2-year accounts receivable period.

(III) Valuation limitations

1. This valuation conclusion estimates the market value of valuation target on the basis of the valuation purpose and under the assumption of open market, without considering the impact on the appraised value caused by the potentially increased or decreased price resulted from the special transaction method, or the impact on the asset value caused by changes of the macroeconomic environment and the natural force and other force majeure.

2. The valuation reference date adopted by the valuation report has been stated hereinabove, and our estimate of the value is based on the purchasing power of the currency of the place where the enterprise is located as at the valuation reference date.

The valuation conclusion of this report is based on the aforesaid assumptions and limitations. When events that are inconsistent with the aforesaid assumptions and limitations occur, this valuation conclusion will generally be invalid.

X. VALUATION CONCLUSION

This valuation adopts the income approach and the market approach to assess the value of entire shareholders' equity of Xiyang Wind Energy. As at the valuation reference date, being 30 June 2021, the audited book value of assets of Xiyang Wind Energy is RMB244,174,600; liabilities are RMB144,183,900; net asset amounts to RMB99,990,800.

(I) Valuation conclusion under the income approach

Under the assumptions and limitations stated in the report, the value of entire shareholders' equity assessed by the income approach is RMB190,000,000, representing an appreciation rate of 90.02%.

(II) Valuation conclusion under the market approach

Under the assumptions and limitations stated in the report, the value of entire shareholders' equity assessed by the market approach is RMB243,000,000, representing an appreciation rate of 136.02%.

(III) Selection of valuation conclusion

In view of the following factors, this valuation adopts the conclusion under the income approach as the final valuation conclusion, which states that the appraised value of entire shareholders' equity of Xiyang Wind Energy is RMB190,000,000.

The income approach is a method whereby the value of the valuation target is determined by capitalising or discounting the expected income of the appraised entity, estimating the enterprise value from the perspective of expected income and reflecting the comprehensive profitability of assets. The market approach assesses the value of valuation target by comparable assets in the market. The valuers have made necessary analysis and adjustments to the valuation target and comparable companies; but differences in asset under management, operation model, profit parameters and other aspects make it difficult to achieve thorough adjustments.

The Jinzhong City Xiyang County 30MW Wind Power Project operated by Xiyang Wind Energy is expected to be profitable in the future and has entered into the subsidy list and qualified for new energy subsidies, indicating stable power generation efficiency and economic benefits in the future.

The income approach reflects the above advantages and highlights the expected profitability of the overall assets of an enterprise. In light of the purpose of this acquisition, the investor focuses more on the future profitability of the appraised entity. Therefore, the valuation adopts the conclusion under the income approach as the final conclusion.

(IV) Validity of the valuation conclusion

The valuation conclusion developed in this asset valuation report is valid for one year from the valuation reference date.

XI. NOTES ON SPECIAL MATTERS

The following are relevant matters identified during the valuation that may impact the valuation conclusion but cannot be assessed and estimated as they are beyond the professional level and ability of the valuers. Users of the report are advised to pay attention to the following matters:

(I) Significant use of expert work and relevant report

The generating equipment availability hours in the forecast under the income approach adopted in this valuation refer to the Report on Technical Due Diligence of Jinzhong City Xiyang County 30MW Wind Power Project (Reference No. 74830820.7.1) (the "Technical Due Diligence Report") issued by TUV SUD Certification and Testing (China) Co., Ltd. The Technical Due Diligence Report is dated 5 January 2022.

On the basis of the verification of generating equipment availability hours in the Technical Due Diligence Report, the valuers make reference to the data of generating equipment availability hours reported. For the calculation and result of generating equipment availability hours, please read the relevant sections in the Technical Due Diligence Report issued by the agency stated above.

(II) Nature and amount of guarantees, leases and contingent liabilities (or contingent assets) and their relationship with the valuation target

On 24 May 2019, Xiyang Wind Energy and Huadian Finance Lease Co., Ltd.*(華電融資租賃有限公司), a third party financial institution, entered into a financial lease contract numbered Hua Dian Zu Lin Zhi Zi [2019] No. 006 and related attached agreements, under which, Xiyang Wind Energy provides a pledge of receivables for tariff charging rights/ revenue rights (including but not limited to generation income and all subsidy income) and a mortgage of the wind power generation equipment for the Xiyang Project, and entered into the Pledge Contract of Receivables and Mortgage Contract of Movable Property numbered Hua Dian Zu Lin Bao Zi [2019] No. 005 and Hua Dian Zu Lin Bao Zi [2019] No. 003 respectively. Zhang Jin Hui(張錦輝), the ultimate beneficial of Shanghai Sineng Investment Co., ltd. provided an irrevocable joint and several liability guarantee and entered into the Guarantee Contract numbered Hua Dian Zu Lin Bao Zi [2019] No. 004; and Shanghai Sineng Investment Co., ltd. provided a pledge guarantee with its 100% equity interest in Xiyang Wind Energy and entered into the Equity Pledge Contract numbered Hua Dian Zu Lin Bao Zi [2019] No. 006. Xiyang Wind Energy, Huadian Finance and China Everbright Bank Limited Taiyuan Nanzhonghuan Street Sub-branch(中國光大銀行股份有限公司太原南中環街支行) entered into an account supervision agreement, in which Xiyang Wind Energy agreed to open a supervisory account with Everbright Bank and use the account as a collection account for tariff receivables and for supervision.

(V) Other matters requiring explanation

1. The valuation conclusion of this valuation report reflects the value of the valuation target as at the valuation reference date for the valuation purpose stated hereinabove, under the assumption that there are no changes in the continuing operation and the external macroeconomic environment.

2. The valuation conclusion of this valuation report has not taken into consideration the potential relevant expenses and taxes in the process of registration or change of titles of the appraised assets, or the possible changes of tax obligation arising from the increase or decrease of the appraised value.

3. This valuation report is based on the information in relation to asset valuation provided by the client and related parties of the appraised entity. It is the responsibility of the client and the related parties to provide the necessary information and ensure the truthfulness, legality and completeness of the information provided. The responsibility of asset valuation professionals is to analyse, estimate and express professional view on the value of valuation target as at the valuation reference date for the specific purpose. Asset valuation professionals conduct the necessary verification and disclosure on such information and its sources, which does not represent any guarantee provided as to the truthfulness, legality and completeness of the above-mentioned information. It is beyond the scope of practice for asset valuation professionals to ascertain or express opinions on such information and its sources.

4. During the valuation, the checking of equipment mainly relied on the observation of their appearance by valuers, the recent inspection information provided by the appraised entity and the enquiries made to operators, due to the limitations of testing means and some equipment being in operation.

5. In this valuation, we referred to and adopted the historical financial statements of the appraised entity and its financial statements as at the valuation reference date, and the financial reports and transaction data of comparable companies we obtained from the iFiND financial information terminal of RoyalFlush. Our estimate depends largely on the said data in the financial statements and transaction data, and we assume that the said data in the financial statements and transaction data are true and reliable. The fact that our estimate relies on the data provided in such financial statements does not represent any guarantee we offer in respect of the correctness and completeness of such financial information, and does not mean that we can assure such information does not have other requirements that may conflict with our use of such data.

6. The future profit forecast of the appraised entity in this valuation is based on the profit forecast made by the management of the appraised entity. We have conducted necessary review on the aforesaid profit forecast.

7. The valuation assumptions adopted in this valuation by income approach is a reasonable anticipation on the future operation of the appraised entity based on the current conditions. If various unanticipated and unavoidable factors which may affect the realisation of the assumed prerequisites arise in the future, the extent of the realisation of profit forecast would be affected. We would like to remind the client and other related parties that we do not guarantee the above-mentioned assumptions can be realised, nor do we assume any obligations of realising or assisting in realising the above-mentioned assumptions.

8. The appraised entity has estimated the price of land acquisition in the future in the EPC contract, which is based on the average of estimated values of similar lands near the project land stated in their respective valuation reports. This valuation does not predict the future capital expenditures for land acquisition. For the payment of land grant price in the future land acquisition, users of the report should note that the client may need to pay the additional land grant price when the land market has significant price fluctuations and the estimated land price does not cover the actual land grant price.

9. When determining the value of entire shareholders' equity of Xiyang Wind Energy, this valuation has not considered the impact of special transactions (such as premium of controlling interest) on the share equity value.

10. In the term of validity after the valuation reference date, if the quantity and pricing standard of assets change, treatment should be carried out in accordance with the following principles:

    (1) When the quantity of assets changes, corresponding adjustments should be made to the amount of assets in accordance with the original valuation method;

    (2) When the pricing standard of assets changes, which greatly affects the results of asset valuation, the client should engage qualified assets valuation agencies to re-determine the appraised value on a timely basis;

    (3) When determining the actual price of the assets, the client should give due consideration to the changes of the quantity and pricing standard of assets after the valuation reference date and make corresponding adjustments.

    Users of the asset valuation report should note the impact of the above special matters on the valuation conclusion.

XII. EXPLANATION OF THE LIMITATION ON THE USE OF ASSET VALUATION REPORT

The asset valuation report is subject to the following limitations on the use:

(I) Scope of use: The asset valuation report shall be used for the valuation purpose and the use stated hereinabove;

(II) We and our valuers take no responsibility if the client or other users of the asset valuation report fail to use this asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use stated hereinabove;

(III) Except for the client, the other users of the asset valuation report as agreed in the asset valuation engagement contract and the users of asset valuation report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of the report;

(IV) Users of the asset valuation report should correctly interpret and use the valuation conclusion, which is not equivalent to the realisable value of the valuation target and should not be considered as a guarantee for the realisable value of the valuation target;

(V) For the excerpt, reference and disclosure of all or part of the contents of this asset valuation report, relevant contents shall be reviewed by us unless it is otherwise provided by laws and administrative regulations and agreed by relevant parties;

(VI) This asset valuation report can be used officially after being signed by the asset valuers and stamped with our seal.

XIII. DATE OF THE ASSET VALUATION REPORT

The date of an asset valuation report is usually the date of developing the valuation conclusion, and the date of this asset valuation report is 8 January 2022.

The above content is an abstract from the full text of the asset valuation report. Please read the full text of the asset valuation report for the details of the valuation business and proper understanding of the valuation conclusions.

4. YOUYU WIND ENERGY

Summary of the Report on Valuation of the Value of Entire Shareholders' Equity of Youyu County Sineng Wind Energy Co., Ltd. Related to the Proposed Equity Acquisition by Beijing United Rongbang New Energy Technology Co., Ltd.

Zhong Tong Hua Ping Bao Zi (2022) No. 050035

I. SUMMARY

Upon your engagement, we, China Alliance Appraisal Co., Ltd. ("China Alliance" or "we"), have appraised the market value of the entire shareholders' equity of Youyu County Sineng Wind Energy Co., Ltd. ("Youyu Wind Energy") as at the valuation reference date by adopting the recognised valuation methods and carrying out necessary valuation procedures and in accordance with the relevant laws, regulations and asset valuation standards and asset valuation principles. We hereby summarize the valuation report as follows:

Valuation Purpose: To appraise the value of entire shareholders' equity of Youyu County Sineng Wind Energy Co., Ltd., to estimate its market value as at the valuation reference date and to provide a value reference to the economic activity that Beijing United Rongbang New Energy Technology Co., Ltd. proposes to acquire the equity interest of Youyu County Sineng Wind Energy Co., Ltd.

Valuation Target: The entire shareholders' equity of Youyu County Sineng Wind Energy Co., Ltd.

Valuation Scope: All assets and liabilities of Youyu County Sineng Wind Energy Co., Ltd.

Valuation Reference Date: 30 June 2021.

Type of the Value: Market value

Valuation Methodology: Income approach, market approach

Valuation Conclusion: This asset valuation report adopts the conclusion under the income approach as the final valuation conclusion.

The book value of total assets of Youyu County Sineng Wind Energy Co., Ltd. is RMB802,143,900; the book value of total liabilities is RMB470,783,300; the value of entire shareholders' equity is RMB331,360,600. The value of entire shareholders' equity assessed under the income approach is RMB449,000,000, representing an appreciation of RMB117,639,400 and an appreciation rate of 35.5%.

Validity of the Valuation Conclusion: This asset valuation report only serves as a value reference for the economic activity stated herein; in principle, the valuation conclusion is valid for one year from the valuation reference date. When the asset position and market conditions change significantly from the position and conditions as at the valuation reference date, the client should engage appraisal agencies to update the valuation or perform re-assessment.

Notes on Significant Special Matters:

(I) Nature and amount of guarantees, leases and contingent liabilities (or contingent assets) and their relationship with the valuation target

Youyu Wind Energy has pledged its equity interest to Huaxia Leasing and registered the pledge. According to item 6 of term 1 under Article 5 of the Equity Pledge Agreement (No. HXZL-ZZ-2017056-004) entered into between Shanghai Sineng Investment Co., Ltd. and Huaxia Leasing, the pledgor undertakes that it shall not sign or agree to sign any assignment, transfer or assignment document in respect of the pledge or dispose of the pledge or any part thereof in any other manner without the consent of the pledgee.

Youyu Wind Energy has pledged the tariff charging rights related to the 99.5MW wind energy project in Weiyuan Town, Youyu County, Shuozhou City, Shanxi Province and the receivables arising from the tariff charging rights to Huaxia Leasing and entered into the Pledge Contract for Receivables (No. HXZL-ZZ-2017056-005).

The valuation has not considered the impact of the above matters on the valuation conclusion.

II. VALUATION PURPOSE

According to the CEO Meeting Minutes of Beijing Energy International Holding Co., Ltd. (the 1st issue in 2022), Beijing United Rongbang New Energy Technology Co., Ltd. proposes to acquire the equity interest of Youyu Wind Energy.

The purpose of the valuation is to reflect the market value of the entire shareholders' equity of Youyu Wind Energy as at the valuation reference date, to provide a value reference for the aforesaid economic activity.

III. VALUATION TARGET AND VALUATION SCOPE

The valuation target is the entire shareholders' equity of Youyu Wind Energy.

The scope of assets related to the valuation target covers all the assets and liabilities of Youyu Wind Energy, the specific types and audited book values of which are set out in the table below:

Unit: RMB

Item		Book value
I.	**Total current assets**	**205,405,504.63**
	Cash and cash equivalents	9,055,042.26
	Accounts receivable	194,610,847.20
	Prepayments	247,015.85
	Other current assets	1,492,599.32
II.	**Total non-current assets**	**596,738,409.19**
	Long-term receivable	14,431,932.35
	Fixed assets	176,099,133.87
	Right-of-use assets	400,413,172.36
	Intangible assets	2,264,114.91
	Deferred income tax assets	3,530,055.70
III.	**Total assets**	**802,143,913.82**
IV.	**Total current liabilities**	**132,413,646.53**
	Accounts payable	2,214,716.59
	Taxes payable	3,973,904.21
	Other payable	62,775,666.97
	Non-current liabilities due within one year	63,449,358.76
V.	**Total non-current liabilities**	**338,369,701.68**
VI.	**Total liabilities**	**470,783,348.21**
VII.	**Net asset (owner's equity)**	**331,360,565.61**

The book values of assets and liabilities stated above have been audited by Grant Thornton (Special General Partnership), which has issued the Audit Report (Zhi Tong Zhuan Zi (2022) No. 110C000133) with unqualified audit opinion.

(I) The assets and liabilities included in the valuation scope are the same as those reported at the time of engagement; the client and the appraised entity have undertaken that the target and scope engaged to appraise is the same as the valuation target and scope related to the economic activity.

(II) Off-balance sheet assets reported

As at the valuation reference date, Youyu Wind Energy reports no off-balance sheet assets within the reporting scope.

(III) Types, quantity and carrying amounts of assets in the reference to conclusions of reports issued by other institutions

There are no reports from other organizations cited in this evaluation.

IV. TYPE OF VALUE AND ITS DEFINITION

Based on the valuation purpose, market conditions and the conditions of valuation target, the value of valuation target is determined as market value.

Market value represents the estimated amount of value for which the valuation target will be exchanged on the valuation reference 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 REFERENCE DATE

The valuation reference date of this project is 30 June 2021.

The valuation reference date is determined by the client, which mainly considers factors including the realisation of the economic activity and the end of accounting period.

VI. BASIS OF VALUATION

(I) Basis of economic activity

1. The CEO Meeting Minutes of Beijing Energy International Holding Co., Ltd. (the 1st issue in 2022).

(II) Legal basis

1. Asset Appraisal Law of the People's Republic of China (adopted at the 21st Session of the Standing Committee of the 12th National People's Congress of the People's Republic of China on 2 July 2016);

2. Company Law of the People's Republic of China (amended for the fourth time by the Decision on Amending the Company Law of the People's Republic of China at the 6th Session of the Standing Committee of the 13th National People's Congress on 26 October 2018);

3. Civil Code of the People's Republic of China (adopted at the 3rd Session of the 13th National People's Congress on 28 May 2020);

4. Measures for the Fiscal Supervision and Administration of the Asset Appraisal Industry (Order No. 86 of the Ministry of Finance, amended by Order No. 97 of the Ministry of Finance on 2 January 2019);

5. Enterprise Income Tax Law of the People's Republic of China (amended for the second time at the 7th Session of the Standing Committee of the 13th National People's Congress on 29 December 2018);

6. Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (Order No. 512 [2018] of the State Council);

7. Announcement of the State Taxation Administration on Matters Concerning Preferential Income Tax Policies for New Power Projects of Power Enterprises;

8. Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 691 [2017] of the State Council);

9. Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 65 [2011] of the Ministry of Finance and the State Taxation Administration);

10. Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (No. 36 [2016] of the Ministry of Finance and the State Taxation Administration);

11. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);

12. Law of the People's Republic of China on the State-Owned Assets of Enterprises (adopted at the 5th Session of the Standing Committee of the 11th National People's Congress on 28 October 2008);

13. Rules on the Administration of Appraisal of State-owned Assets (Order No. 91 [1991] of the State Council, issued by Order No. 91 of the State Council on 16 November 1991, amended in accordance with the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (Order No. 732 of the State Council) on 29 November 2020);

14. Interim Regulation on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, amended by Order No. 709 of the State Council on 2 March 2019);

15. Requirements on Certain Matters Concerning the Administration of Appraisal of State-owned Assets (Order No. 14 [2001] of the Ministry of Finance);

16. Interim Measures for the Administration of Appraisal of State-owned Assets of Enterprises (Order No. 12 [2005] of the State-owned Assets Supervision and Administration Commission of the State Council);

17. Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (Order No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance on 24 June 2016);

18. Notice on Certain Matters Concerning Strengthening the Administration of Appraisal of State-owned Assets (Chan Quan [2006] No. 274 of State-owned Assets Supervision and Administration Commission of the State Council);

19. Supplementary Notice on Certain Matters Related to the Several Opinions on Promoting the Healthy Development of the Power Generation of Non-water Renewable Energy (Cai Jian [2020] No. 426);

20. Notice of the Ministry of Finance and the State Taxation Administration on Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences (Cai Shui [2008] No. 46);

21. Notice of the Ministry of Finance and the State Taxation Administration on Value-Added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74);

22. Other laws and regulations related to asset appraisal.

(III) Basis of valuation standard

1. Basic Standards on Assets Valuation (Cai Zi [2017] No. 43);

2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);

3. Practice Guidelines for Asset Valuation-Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);

4. Practice Guidelines for Asset Valuation-Asset Valuation Report (Zhong Ping Xie [2018] No. 35);

5. Practice Guidelines for Asset Valuation-Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);

6. Practice Guidelines for Asset Valuation-Asset Valuation File (Zhong Ping Xie [2018] No. 37);

7. Practice Guidelines for Asset Valuation-Asset Valuation Methods (Zhong Ping Xie [2019] No. 35);

8. Practice Guidelines for Asset Valuation-Enterprise Value (Zhong Ping Xie [2018] No. 38);

9. Practice Guidelines for Asset Valuation-Use of Expert Work and Related Reports (Zhong Ping Xie [2017] No. 35);

10. Practice Guidelines for Asset Valuation-Machinery and Equipment (Zhong Ping Xie [2017] No. 39);

11. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);

13. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (Zhong Ping Xie [2017] No. 48);

14. Guidelines for the Valuation Report on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);

15. Guidelines for the Assessment of Investment Value of Acquisitions and Mergers of Enterprises (Zhong Ping Xie [2020] No. 30);

16. Terms for Asset Appraisal Standard 2020 (Zhong Ping Xie [2020] No. 31).

(IV) Basis of ownership

1. Contracts for the transfer of property;

2. Other title documents provided by the appraised entity.

(V) Pricing basis

1. Financial statements and audit reports of previous years provided by the appraised entity;

2. Financial and operation information, including relevant agreements, contracts and invoices, provided by the appraised entity;

3. Loan Prime Rate (LPR) announced by the National Interbank Funding Center;

4. Notice of Shanxi Development and Reform Commission on Determining the Feed-in Tariffs for the 99.5 MW Wind Power Project of Youyu County Sineng Wind Energy Co., Ltd. at Weiyuan Town, Youyu County (Jin Fa Gai Shang Ping Fa [2019] No. 36);

5. Contract for Purchasing and Selling Electricity Generated by Wind Farm;

6. Manual of Common Parameters for Asset Valuation;

7. Market inquiry information;

8. Analytical information about macro and industry statistics;

9. Profit forecast and relevant information provided by the appraised entity;

10. Relevant information of comparable listed companies;

11. iFiND financial information terminal of RoyalFlush;

12. Due Diligence Report issued by TUV SUD Certification and Testing (China) Co., Ltd.;

13. Other relevant information related to valuation recorded and collected by the appraisers during on-site survey.

(VI) Other basis

1. All kinds of Asset Valuation Reporting Schedule provided by the appraised entity;

2. Asset Valuation Engagement Contract;

3. Records of interviews with relevant personnel of the appraised entity;

4. Other relevant information provided by the appraised entity.

VII. VALUATION APPROACH

(I) Selection of valuation approach

According to the basic principles of asset valuation, valuation approaches to determine the asset value include three basic approaches, namely market approach, income approach and cost approach, and their derivative approaches.

Asset valuers should analyse the applicability of the three basic approaches, namely market approach, income approach and cost approach, according to the valuation purpose, valuation target, type of the value and the information collected, and select the appropriate approach for valuation.

Conditions for applying the market approach:

(1) Comparable assets to the valuation target are actively traded in the open market;

(2) Necessary information of the transactions is available.

Conditions for applying the income approach:

(1) Future incomes of the valuation target can be reasonably estimated and measured in monetary terms;

(2) Risks associated with the expected incomes can be measured;

(3) The income period can be determined or reasonably estimated.

Conditions for applying the cost (asset-based) approach:

(1) The valuation target can be used or is being used;

(2) The valuation target can be acquired through replacement;

(3) The replacement cost of the valuation target and the relevant depreciation can be reasonably estimated.

The valuation adopts the income approach and the market approach, with the reasons provided below:

Reasons for selecting the market approach: The appraised entity is principally engaged in wind power business. Currently, comparable transactions with the same or similar nature of the valuation target are easily available in the capital market and the equity exchange market for such business. Moreover, many listed companies have the same principal business as the appraised entity. Therefore, the market approach is appropriate.

Reasons for selecting the income approach: The future income period and income amounts of the appraised entity can be estimated and measured in monetary terms. Moreover, the risks associated with the expected incomes can be quantified. Therefore, the income approach is selected for the valuation.

Reasons for not selecting the asset-based approach: The appraised entity is a wind power enterprise, while wind power is a kind of clean energy encouraged by the country with strong policy support. The value of this type of enterprise relies more on the future income. Further, market prices of wind power facilities have been significantly fluctuating in recent years. Therefore, it is difficult for the asset-based approach to reflect the overall value of the enterprise.

(II) Income approach of valuation approaches

1. Introduction of income approach

The income approach is a valuation approach whereby the value of the valuation target is determined by capitalising or discounting the expected income.

The specific approaches commonly used in income approach include dividend discount method, free cash flow of equity discount method and free cash flow of firm discount method.

Dividend discount method refers to the specific method to determine the value of valuation target by discounting the expected dividend, which is usually applicable for appraising the value of partial non-controlling shareholders' interest.

For free cash flow of equity discount method, the accounting of cash flow refers to the cash flow attributable to shareholders, where the corresponding discount rate is the cost of equity capital, and the appraised value refers to the value of entire shareholders' equity. The formula for cash flow calculation is:

Free cash flow of equity = net profit + depreciation and amortization – capitalised expense – incremental working capital – repayment of the principal on interest-bearing debts + the principal of new interest-bearing debts

For free cash flow of firm discount method, the accounting of cash flow refers to the cash flow attributable to all investors including shareholders and creditors on interest-bearing debts, where the corresponding discount rate is the weighted average cost of capital, and the appraised value refers to the overall value of enterprises. The formula for cash flow calculation is:

Free cash flow of firm = net profit + depreciation/amortisation + interest expense after tax – incremental working capital – capitalised expense

2. Cash flow discount model

This valuation chooses to adopt free cash flow of firm discount model.

Basic formula is:

$$E = B - D$$

where: E refers to the market value of the entire shareholders' equity of the appraised entity, D refers to the market value of interest-bearing debts, B refers to the overall market value of enterprises.

$$B = P + \sum C_i$$

where: P refers to the value of operational assets, ΣC_i refers to the value of existing non-operational assets and liabilities (including surplus assets) as at the valuation reference date.

$$P = \sum_{i=1}^{n} \frac{R_i}{(1+r)^i} + \frac{P_n}{(1+r)^n}$$

where: R_i: Expected free cash flow of firm in the i year after the valuation reference date; r: discount rate; P_n: ultimate value; n: forecast period.

3. Forecast period (n)

Youyu Wind Energy project was connected to the grid at full capacity in August 2018. When predicting the future period, the operating period of the wind turbine equipment is estimated to be approximately 20 years according to the service life of the wind turbine equipment, and thus the forecast profit period is until August 2038.

4. Operating income forecast

The income of Youyu Wind Energy project is mainly arising from sales of electricity, which is composed of transaction electricity price income and subsidy income. The formula for calculating the project income is as follows:

Project income = billing electricity consumption × market-based transaction unit price (excluding tax) + billing electricity consumption × subsidy electricity price per kilowatt-hour (excluding tax).

The relevant parameters for project income forecast are mainly set with reference to the company's historical data and technical due diligence reports for wind power projects.

5. Operating costs forecast

Operating costs mainly include depreciation expenses, operation and maintenance fees, spare parts costs and utilities.

(1) Depreciation expenses forecast: Depreciation expenses are calculated according to the book value of fixed assets and right-of-use assets and the depreciation period of different types of assets.

(2) Operation and maintenance fees forecast: It is calculated with reference to the current operation and maintenance contracts of the company, which is RMB50,000/MW/year (tax included) during the wind turbine warranty period and RMB80,000/MW/year (tax included) after the expiration of the wind turbine warranty period.

(3) Spare parts costs forecast: In this valuation, the spare parts costs are estimated to be RMB200,000 per year based on the management's forecast and with reference to the historical data of the project.

(4) Utilities forecast: The utilities are determined that the forecast was based on 2019 utility cost levels according to the interview and communication with the appraised unit.

6. Management costs forecast

The historical management costs of Youyu Wind Energy are mainly labor outsourcing staff salary, the travel expenses and business hospitality expenses of the management personnel of the superior companies, as well as the apportioned intermediary fees. The forecast for the management costs in this valuation is based on the appraised unit's expectation of the management costs.

7. Working capital forecast

In order to ensure the sustainable development of the business, the company needs to add additional operating capital in the future. Factors affecting working capital mainly include changes in operating cash, operating receivables and operating payables. Operating receivables include accounts receivable, prepayment, other receivables, etc., and operating payables include accounts payable, taxes payable and other payables.

The working capital forecast for the future periods is mainly calculated based on the calculation of the turnover rates of the company's accounts receivable and accounts payable. The amount of working capital for each period is arrived at after considering the minimum cash holdings of the company.

8. Capital expenditures forecast

Capital expenditures are the capital expenditures that an enterprise needs to make every year to ensure that its production and operation can develop normally.

9. Corporate free cash flow (R_i)

Free cash flow (R_i) = net profit + depreciation/amortisation + interest expense after tax – incremental working capital – capital expenditures

10. Determination of discount rate (r)

Discount rate r is determined by weighted average cost of capital (WACC), and the formula is as follows:

$$WACC = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

where: R_e: cost of equity capital; R_d: cost of interest-bearing debt capital; T: income tax rate.

where: Cost of equity capital R_e is calculated by the Capital Asset Pricing Model (CAPM), and the formula is as follows:

$$R_e = R_f + \beta \times ERP + R_s$$

where: R_e refers to the return on equity; R_f refers to the risk-free return rate; β refers to risk coefficient; ERP refers to excess return on market risk; R_s refers to the excess return on firm-specific risk.

(1) Determination of risk-free return rate (R_f)

Treasury bond yields are generally considered risk-free as the risk of holding the bond to maturity is insignificant and negligible. We select treasury bonds with a remaining maturity of more than 10 years from the valuation reference date to the maturity date on the Shanghai Stock Exchange and Shenzhen Stock Exchange and calculate their yields to maturity, and then take the average of all treasury bond yields to maturity as the risk-free return rate for this valuation. We take the average yield to maturity of the above-mentioned treasury bonds (being 4.05%) as the risk-free return rate for this valuation.

(2) Determination of excess return on market risk (ERP_f)

Excess return on market risk is the return rate that investors expect from investing in the stock market in excess of the risk-free return rate. We calculate the ERP of the Chinese stock market as follows: a) estimating the return on investment of the stock market based on the CSI 300; b) choosing 10 years as the interval for calculating ERP after considering the characteristics of stock volatility in the Chinese stock market; c) we use the geometric mean method and the arithmetic mean method to measure the data respectively after considering the transaction closing resumption price of each selected constituent stock at the end of each year provided by the iFinD data system; d) the yield to maturity of treasury bonds with a remaining maturity of more than five years is used as the risk-free yield; and e) since the geometric mean can better represent the growth of the yield, we think it is more appropriate to use ERP=6.82% of treasury bonds with a maturity of over 10 years.

(3) Risk coefficient β

We choose the β calculator published by iFinD to calculate the β value of the comparable companies. The above β value is the one that incorporates the comparable company's own capital structure (the "Leveraged β Value"). The unleveraged β value can be calculated by removing the effect of the leverage factor of the comparable company. With further reference to the target capital structure ratio of the appraised unit and the Blume Adjustment method, the adjusted β value of the appraised unit is calculated to be approximately 0.8351.

(4) Excess return on firm-specific risk (R_s)

The company's special risk premium is mainly the risk premium or discount for the risks arising from some non-system-specific factors that the company has. Due to the simple business of wind power companies, the electricity price is certain. However, the wind power generation business is greatly affected by the weather and the quality of the wind turbines, and there is a certain risk as to whether the power generation in the technical due diligence can be achieved. After taking all factors into consideration, the excess return on firm-specific risk is estimated at 1%.

(5) Cost of interest-bearing debt capital (R_d)

The cost of interest-bearing debt capital is actually the rate of return on investment expected by debt investors of the appraised unit. Generally, the yield to maturity of corporate bonds that invest in the same industry and risk level as the target company should be selected as the indicator of the return on debt investment. Factors such as the solvency, cash flow of operating projects and capital structure of the appraised unit are also considered comprehensively. The one-year loan market quoted rate (LPR) plus 10% is determined as the annual rate of return on debt used in this valuation, i.e. 4.24%.

(6) Target capital structure

The target capital structure is determined with reference to the average capital structure of comparable listed companies, and the D/E value is 55.85%: 44.15%.

(7) Cost of equity capital (R_e)

We input the above parameters into the Capital Asset Pricing Model (CAPM) to calculate return on equity:

$$R_e = R_f + \beta \times ERP + R_s$$

$= 4.05\% + 0.8351 \times 6.82\% + 1\%$

$= 10.75\%$

(8) Weighted average cost of capital (WACC)

We input the above relevant parameters into the WACC calculation formula as follows:

$$WACC = R_e \frac{E}{D+E} + R_d \frac{D}{D+E}(1-T)$$

$=10.75\%\times44.15\% + 4.24\%\times55.85\%\times(1\text{-}25\%)$

$=6.52\%$

According to the above calculation, under the statutory income tax rate of 25%, the weighted average cost of capital of the appraised unit is 6.52%.

11. Determination of ultimate value (P_n)

Pursuant to the requirements of enterprise value standards, asset valuers shall select appropriate approach for estimating value in post-forecast period by analysing the income trends over the post-forecast period and the treatments after business termination based on the fact that the corporate development is at a stable stage.

In general, the ultimate enterprise value can be determined by perpetual growth model (fixed growth model), price-to-income ratio approach and carrying amount approach.

12. The value of non-operational assets and liabilities (including surplus assets) ΣCi

Non-operational assets and liabilities (including surplus assets) refer to the related assets and liabilities not involved in the forecast on free cashflow of firm. For the non-operational assets and liabilities, this valuation adopts the asset-based approach.

(III) Market approach of valuation approaches

The market approach is a method to determine the value of valuation target by comparing it to comparable listed companies or comparable transaction cases. Two common methods used by the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method determines the value of valuation target by obtaining and analysing the operational and financial information of comparable listed companies, calculating the value ratios and comparing them to the data of the appraised entity. Comparable enterprises involved in the listed company comparison method should be listed companies traded normally in the open market. The valuation conclusion should consider the impact of control right and liquidity on the value of valuation target as far as practicable.

The transaction case comparison method determines the value of valuation target by obtaining and analysing the information of the trading and acquisition and merger cases of comparable enterprises, calculating the value ratios and comparing them to the data of the appraised entity. The control right and the quantity of transactions may affect the prices of comparable transactions involved in the transaction case comparison method. The differences between the valuation target and the comparable transaction cases in terms of control right and liquidity and the impact of such differences on the value of valuation target should be considered as far as practicable.

This valuation adopts the listed company comparison method (transaction case comparison method), and the value ratios are earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT) and net operating income after tax (NOIAT).

Basic steps of the listed company comparison method are specified as follows:

Firstly, choose listed companies which operate in the same industry as the appraised entity and are active in stock trading as comparable companies, and calculate the market values of these comparable companies by their share prices;

Choose one or several profitability, asset, income and other particular ratios, such as EBIT and EBITDA, as ''analytical parameters'', and calculate the relation between the market values of comparable companies and the analytical parameters selected, which is referred to as Multiples;

Make necessary adjustments to the aforesaid Multiples, to reflect the differences between the comparable companies and the appraised entity;

Apply the adjusted Multiples to the corresponding analytical parameters of the appraised entity to determine the market value of valuation target.

(IV) Determination of valuation conclusion

Although the market approach adjusts the value ratios of comparable listed companies, the profitability parameters (generating equipment availability hours, feed-in tariffs) differ from one wind power company to another. Accordingly, the adjustments may not accurately quantify the impact of such facts on the enterprise value.

The income approach highlights the expected profitability of the overall assets of an enterprise. In light of the purpose of this acquisition, the investor focuses more on the future profitability of the appraised entity. Therefore, the valuation adopts the conclusion under the income approach as the value reference.

VIII. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES

(I) Preparation

We discussed with the client, clarified basic matters of the valuation business, comprehensively analysed and assessed our own professional competence, independence and business risks, entered into the asset valuation engagement contract; appointed the project leader, established the valuation project group, developed the asset valuation plan; assisted the appraised entity in completing the asset valuation reporting schedule, and prepared the necessary materials for valuation.

(II) Site investigation and collection of valuation information

Considering the specific conditions of this valuation business and following the standards on valuation procedures and other relevant provisions, the valuers conducted necessary verification on the assets and liabilities related to the valuation target through enquiry, interview, check, supervision of inventory taking, external confirmation and investigation, carried out due diligence to the operation and management of the appraised entity, acquired valuation information from every possible channels, checked the valuation scope, understood the current development of the valuation target and paid attention to the legal ownership of it.

(III) Estimate and preparation of preliminary valuation report

The professional valuers of the project group made necessary analysis, induction and reorganisation of the valuation information collected, to form the basis and working paper for evaluation and estimation; based on relevant conditions including the valuation target, value type, collection of valuation information, the valuers selected the proper valuation method, formula and parameter for analysis, calculation and judgement to obtain the preliminary measurement result and valuation statement of each kind of speciality and asset.

After confirming that the preliminary measurement result and valuation statement of each kind of speciality and asset submitted by members of the project group are correct, and that there is no repetition or omission, the summary analysis of asset valuation was made, and the preliminary valuation report was prepared.

(IV) Internal review and submission of asset valuation report

According to laws, administrative rules, asset valuation standards and the internal quality control system of our own, we carried out internal review on the preliminary asset valuation report and developed the valuation conclusion; conducted requisite communication with the client or the relevant parties recognised by the client in relation to the content of the asset valuation report; submitted the formal asset valuation report to the client in compliance with the requirements set out in the asset valuation engagement contract.

IX. VALUATION ASSUMPTIONS

(I) General assumptions

1. Transaction assumption: All assets to be appraised are assumed to be in the transaction process already, the asset valuers conduct the valuation according to the simulated market such as transaction conditions of the assets to be appraised.

2. Open market assumption: Both parties of the asset transaction are assumed to be in equal position for the assets to be traded or proposed to be traded in the market, where opportunities and time are available for both to access adequate market information, in order to make rational judgements on the functions, uses and transaction prices of the assets.

3. Going concern assumption: The appraised entity is assumed to fully comply with all relevant laws and regulations, and will operate sustainably in the useful life of machinery and equipment.

(II) Special assumptions

1. This valuation regards the specific valuation purpose listed in this asset valuation report as its premises of basic assumptions;

2. There is no significant change in the relevant existing laws and regulations of the PRC or in the macroeconomic conditions of the PRC, and there is no unforeseeable significant change in external economic environment such as interest rate, exchange rate, tax basis and tax rate, and policy-related levies;

3. This valuation assumes the full accountability of appraised entity's management team in the future, the existing business management mode are kept, and the business scope and approach remain consistent with the present direction;

4. This valuation assumes the appraised assets are in continuous use according to the present use and its mode, size, frequency and environment of use, without taking into account the respective optimal use of each asset;

5. It is assumed that, on top of the existing management mode and management level of the company, there will be no material adverse impacts on the enterprise arising from other force majeure and unforeseeable factors;

6. The relevant basic information and financial information provided by the appraised entity and the client are true, accurate and complete;

7. The financial report and transaction data of the comparable companies which the valuers rely on are true and reliable;

8. The valuation scope is only based on the reporting form for valuation provided by the client and the appraised entity, without taking into account the possible contingent assets and contingent liabilities outside of the list provided by the client and the appraised entity;

9. This valuation assumes the enterprise would obtain a net cashflow in the year evenly;

10. This valuation assumes that the enterprise can be included into the List of Projects with Renewable Energy Power Generation Subsidies in the future and can receive the subsidies in full, and assumes the subsidy recovery period is two years.

(III) Valuation limitations

1. This valuation conclusion estimates the market value of valuation target on the basis of the valuation purpose and under the assumption of open market, without considering the impact on the appraised value caused by the potentially increased or decreased price resulted from the special transaction method, or the impact on the asset value caused by changes of the macroeconomic environment and the natural force and other force majeure.

2. The valuation reference date adopted by the valuation report has been stated hereinabove, and our estimate of the value is based on the purchasing power of the currency of the place where the enterprise is located as at the valuation reference date.

The valuation conclusion of this report is based on the aforesaid assumptions and limitations. When events that are inconsistent with the aforesaid assumptions and limitations occur, this valuation conclusion will generally be invalid.

X. VALUATION CONCLUSION

This valuation adopts the income approach and the asset-based approach to assess the value of entire shareholders' equity of Youyu Wind Energy. As at the valuation reference date, being 30 June 2021, the audited book value of assets of Youyu Wind Energy is RMB802,143,900; liabilities are RMB470,783,300; net asset amounts to RMB331,360,600.

(I) Valuation conclusion under the income approach

Under the assumptions and limitations stated in the report, the value of entire shareholders' equity assessed by the income approach is RMB449,000,000, representing an appreciation rate of 35.5%.

(II) Valuation conclusion under the market approach

Under the assumptions and limitations stated in the report, the value of entire shareholders' equity assessed by the market approach is RMB557,000,000, representing an appreciation rate of 68.09%.

(III) Selection of valuation conclusion

In view of the following factors, this valuation adopts the conclusion under the income approach as the final valuation conclusion, which states that the appraised value of entire shareholders' equity of Youyu Wind Energy is RMB449,000,000.

The income approach is a method whereby the value of the valuation target is determined by capitalising or discounting the expected income of the appraised entity, estimating the enterprise value from the perspective of expected income and reflecting the comprehensive profitability of assets. The market approach assesses the value of valuation target by comparable assets in the market. The valuers have made necessary analysis and adjustments to the valuation target and comparable companies; but differences in asset under management, operation model and other aspects make it difficult to achieve thorough adjustments.

The 99.5MW Wind Energy Project in Weiyuan Town, Youyu County, Shanxi Province operated by Youyu Wind Energy is expected to be profitable in the future and qualified for subsidies granted by the country, indicating stable power generation efficiency and economic benefits in the future.

The income approach reflects the above advantages and highlights the expected profitability of the overall assets of an enterprise. In light of the purpose of this acquisition, the investor focuses more on the future profitability of the appraised entity. Therefore, the valuation adopts the conclusion under the income approach as the final conclusion.

(IV) Validity of the valuation conclusion

The valuation conclusion developed in this asset valuation report is valid for one year from the valuation reference date.

XI. NOTES ON SPECIAL MATTERS

The following are relevant matters identified during the valuation that may impact the valuation conclusion but cannot be assessed and estimated as they are beyond the professional level and ability of the valuers. Users of the report are advised to pay attention to the following matters:

(I) Significant use of expert work and relevant report

The generating equipment availability hours in the forecast under the income approach adopted in this valuation refer to the Report on Technical Due Diligence of Shuozhou City Youyu County 99.5MW Wind Power Project (Reference No. 74830820.5.1) (the "Technical Due Diligence Report") issued by TUV SUD Certification and Testing (China) Co., Ltd.. The Technical Due Diligence Report is dated 5 January 2022.

On the basis of the verification of generating equipment availability hours in the Technical Due Diligence Report, the valuers make direct reference to the data of generating equipment availability hours reported. For the calculation and result of generating equipment availability hours, please read the relevant sections in the Technical Due Diligence Report issued by the agency stated above.

(II) Nature and amount of guarantees, leases and contingent liabilities (or contingent assets) and their relationship with the valuation target

Youyu Wind Energy has pledged its equity interest to Huaxia Leasing and registered the pledge. According to item 6 of term 1 under Article 5 of the Equity Pledge Agreement (No. HXZL-ZZ-2017056-004) entered into between Shanghai Sineng Investment Co., Ltd. and Huaxia Leasing, the pledgor undertakes that it shall not sign or agree to sign any assignment, transfer or assignment document in respect of the pledge or dispose of the pledge or any part thereof in any other manner without the consent of the pledgee.

Youyu Wind Energy has pledged the tariff charging rights related to the 99.5MW wind project in Weiyuan Town, Youyu County, Shuozhou City, Shanxi Province and the receivables arising from the tariff charging rights to Huaxia Leasing and entered into the Pledge Contract for Receivables (No. HXZL-ZZ-2017056-005).

The valuation has not considered the impact of the above matters on the valuation conclusion.

(V) Other matters requiring explanation

1. The valuation conclusion of this valuation report reflects the value of the valuation target as at the valuation reference date for the valuation purpose stated hereinabove, under the assumption that there are no changes in the continuing operation and the external macroeconomic environment.

2. The valuation conclusion of this valuation report has not taken into consideration the potential relevant expenses and taxes in the process of registration or change of titles of the appraised assets, or the possible changes of tax obligation arising from the increase or decrease of the appraised value.

3. This valuation report is based on the information in relation to asset valuation provided by the client and related parties of the appraised entity. It is the responsibility of the client and the related parties to provide the necessary information and ensure the truthfulness, legality and completeness of the information provided. The responsibility of asset valuation professionals is to analyse, estimate and express professional view on the value of valuation target as at the valuation reference date for the specific purpose. Asset valuation professionals conduct the necessary verification and disclosure on such information and its sources, which does not represent any guarantee provided as to the truthfulness, legality and completeness of the above-mentioned information. It is beyond the scope of practice for asset valuation professionals to ascertain or express opinions on such information and its sources.

4. During the valuation, the checking of equipment mainly relied on the observation of their appearance by valuers, the recent inspection information provided by the appraised entity and the enquiries made to operators, due to the limitations of testing means and some equipment being in operation.

5. In this valuation, we referred to and adopted the historical financial statements of the appraised entity and its financial statements as at the valuation reference date, and the financial reports and transaction data of comparable companies we obtained from the iFiND financial information terminal of RoyalFlush. Our estimate depends largely on the said data in the financial statements and transaction data, and we assume that the said data in the financial statements and transaction data are true and reliable. The fact that our estimate relies on the data provided in such financial statements does not represent any guarantee we offer in respect of the correctness and completeness of such financial information, and does not mean that we can assure such information does not have other requirements that may conflict with our use of such data.

6. The future profit forecast of the appraised entity in this valuation is based on the profit forecast made by the management of the appraised entity. We have conducted necessary review on the aforesaid profit forecast.

7. The valuation assumptions adopted in this valuation by income approach is a reasonable anticipation on the future operation of the appraised entity based on the current conditions. If various unanticipated and unavoidable factors which may affect the realisation of the assumed prerequisites arise in the future, the extent of the realisation of profit forecast would be affected. We would like to remind the client and other related parties that we do not guarantee the above-mentioned assumptions can be realised, nor do we assume any obligations of realising or assisting in realising the above-mentioned assumptions.

8. The appraised entity has estimated the price of land acquisition in the future in the EPC contract, which is based on the average of estimated values of similar lands near the project land stated in their respective valuation reports. This valuation does not predict the future capital expenditures for land acquisition. For the payment of land grant price in the future land acquisition, users of the report should note that the client may need to pay the additional land grant price when the land market has significant price fluctuations and the estimated land price does not cover the actual land grant price.

9. When determining the value of entire shareholders' equity of Youyu Wind Energy, this valuation has not considered the impact of special transactions (such as premium of controlling interest) on the net asset value.

10. In the term of validity after the valuation reference date, if the quantity and pricing standard of assets change, treatment should be carried out in accordance with the following principles:

    (1) When the quantity of assets changes, corresponding adjustments should be made to the amount of assets in accordance with the original valuation method;

    (2) When the pricing standard of assets changes, which greatly affects the results of asset valuation, the client should engage qualified assets valuation agencies to re-determine the appraised value on a timely basis;

    (3) When determining the actual price of the assets, the client should give due consideration to the changes of the quantity and pricing standard of assets after the valuation reference date and make corresponding adjustments.

    Users of the asset valuation report should note the impact of the above special matters on the valuation conclusion.

XII. EXPLANATION OF THE LIMITATION ON THE USE OF ASSET VALUATION REPORT

The asset valuation report is subject to the following limitations on the use:

(I) Scope of use: The asset valuation report shall be used for the valuation purpose and the use stated hereinabove;

(II) We and our valuers take no responsibility if the client or other users of the asset valuation report fail to use this asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use stated hereinabove;

(III) Except for the client, the other users of the asset valuation report as agreed in the asset valuation engagement contract and the users of asset valuation report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of the report;

(IV) Users of the asset valuation report should correctly interpret and use the valuation conclusion, which is not equivalent to the realisable value of the valuation target and should not be considered as a guarantee for the realisable value of the valuation target;

(V) For the excerpt, reference and disclosure of all or part of the contents of this asset valuation report, relevant contents shall be reviewed by us unless it is otherwise provided by laws and administrative regulations and agreed by relevant parties;

(VI) This asset valuation report can be used officially after being signed by the asset valuers and stamped with our seal.

XIII. DATE OF THE ASSET VALUATION REPORT

The date of an asset valuation report is usually the date of developing the valuation conclusion, and the date of this asset valuation report is 8 January 2022.

The above content is an abstract from the full text of the asset valuation report. Please read the full text of the asset valuation report for the details of the valuation business and proper understanding of the valuation conclusions.

REPORT FROM GRANT THORNTON

1 March 2022

REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTERESTS IN XIYANG COUNTY SINENG WIND ENERGY CO., LTD., XIYANG COUNTY SINENG NEW ENERGY CO., LTD., YOUYU COUNTY SINENG WIND ENERGY CO., LTD. AND SHUOZHOU CITY PINGLU DISTRICT HONGGOU WIND ENERGY CO., LTD.

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 8 January 2022 prepared by China Alliance Appraisal Co., Ltd. in respect of the equity interests in Xiyang County Sineng Wind Energy Co., Ltd., Xiyang County Sineng New Energy Co., Ltd., Youyu County Sineng Wind Energy Co., Ltd. and Shuozhou City Pinglu District Honggou Wind Energy Co., Ltd. (collectively the "**Target Companies**") as at 30 June 2021 is based (the "**Valuations**"). The Valuations 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 Valuations will be included in an announcement dated 1 March 2022 issued by the Company in connection with acquisitions of the Target Companies (the "**Announcement**").

Directors' responsibilities

The directors of the Company are responsible for the reasonableness and validity of the assumptions (the "**Assumptions**"), based on which the discounted future estimated cash flows and the Valuations 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 Valuations 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. The discounted future estimated cash flows does not involve the adoption of accounting policies. 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 the equity interests in the Target Companies. 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 Valuations 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

LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST

1 March 2022

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

Dear Sirs or Madams,

MAJOR TRANSACTION – ACQUISITIONS OF EQUITY INTERESTS IN EACH OF THE TARGET COMPANIES

We refer to the announcement of the Company dated 1 March 2022 (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 dated 8 January 2022 prepared by China Alliance Appraisal Co., Ltd.*（北京中同華資產評估有限公司), an independent professional valuer (the "**Valuer**") in relation to the Valuations as at the valuation date. The Valuations are 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 Valuations has been prepared, and reviewed the Valuations 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 reports 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 Valuations 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

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

This supplemental 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this supplemental 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 supplemental circular misleading.

2. DISCLOSURE OF INTERESTS

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:

(a) Long position in the Shares

Name of Directors and the chief executives of the Company	Capacity	Number of Shares held	Approximate percentage of the issued Shares *(Note)*
Mr. Zhang Ping	Beneficial owner	2,784,000	0.01%
Mr. Zhu Jun	Beneficial owner	1,200,000	0.01%

Note: These percentages are calculated based on 22,427,948,432 listed Shares in issue as at the Latest Practicable Date.

(b) Long positions in share options

Grantees	Date of grant	Exercise price *(HK$/share)*	Number of outstanding share options	Capacity	Exercise period *(Note)*
Mr. Lu Zhenwei	16 June 2017	1.076	5,000,000	Beneficial owner	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 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. 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. Wang Heng, an executive Director, is a director and deputy general manager of Qingdao Chengtou Industrial Investment (Group) Co., Ltd.*(青島城投實業投資(集團)有限公司), which is a subsidiary of the Company's substantial shareholder, Qingdao City Construction Investment (Group) Co., Ltd *(青島城市建設投資(集團)有限責任公司). Mr. Zhao Bing, a non-executive Director, is a director and general manager of Beijing Energy Investment (Hong Kong) Co., Limited(北京能源投資集團(香港)有限公司), which is a direct controlling Shareholder of the Company, the head of finance department of BEH, the Company's indirect 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). Mr. Su Yongjian, a non-executive Director, is the head of energy investment department of BEH, the Company's indirect controlling shareholder.

3. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Enlarged 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 of threatened by or against any member of the Enlarged Group.

5. 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).

6. DIRECTOR'S INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged 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 Enlarged Group since 31 December 2021 (being the date of which the latest published audited financial statements of the Group were made up).

7. DIRECTORS' 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.

8. EXPERTS AND CONSENT

The following are the qualifications of the experts who have provided their opinion or advice, which are contained in this supplemental circular:

Name	Qualification
China Alliance Appraisal Co., Ltd.* （北京中同華資產評估有限公司）	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 supplemental circular with the inclusion of its letter(s) or report(s) in the form and context in which they are included.

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 (whether legally enforceable or not) 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 2021, being the date to which the latest published audited financial statements of the Company were made up.

The accountants' reports from Grant Thornton in relation to the Target Companies are set out in Appendices IIA to IID of this supplemental circular and is given as at the Latest Practicable Date for incorporation herein. The letter from Grant Thornton on calculations of discounted future estimated cash flows in connection with the Valuation Reports are set out in Appendix VI of this supplemental circular and is given as at the Latest Practicable Date for incorporation herein. The Valuation Reports from the Valuer are set out in Appendices VA to VD of this supplemental circular and are given as at the Latest Practicable Date for incorporation herein.

9. MATERIAL CONTRACTS

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

(a) the second supplemental agreement dated 9 March 2022 to the finance lease business framework agreement entered into between 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 adjustment of the annual cap of the transactions contemplated under the finance lease business framework agreement for the year ending 31 December 2022;

(b) the Equity Transfer Agreements;

(c) the conditional equity transfer agreements dated 30 December 2021 entered into between Beijing United Rongbang New Energy Technology Co., Ltd.*(北京聯合榮邦新能源科技有限公司) as purchaser, Hebei Hangtian Yuanfeng New Energy Technology Co., Ltd.*(河北航天遠豐新能源科技有限公司) and Guangzong County Guoshun Energy Co., Ltd.*(廣宗縣國順能源有限公司) as vendors and Guangzong County Guorui Energy Co., Ltd.*(廣宗縣國瑞能源有限公司), Longyao County Guochang New Energy Technology Co., Ltd.*(隆堯縣國昌新能源科技有限公司) and Nangong City Guoshun New Energy Technology Co., Ltd.*(南宮市國順新能源科技有限公司) as target companies, respectively, in relation to the acquisition of the entire equity interest in each of the target companies;

(d) the conditional equity transfer agreement dated 28 December 2021 entered into between Beijing United Rongbang New Energy Technology Co., Ltd.*(北京聯合榮邦新能源科技有限公司) as purchaser, Zanhuang County Shunli Energy Co., Ltd.*(贊皇縣順利能源有限公司) as vendor and Nangong City Guorui New Energy Technology Co., Ltd.*(南宮市國瑞新能源科技有限公司) as target company, in relation to the acquisition of the entire equity interest in the target company;

(e) the conditional equity transfer agreement dated 22 December 2021 entered into between Beijing United Rongbang New Energy Technology Co., Ltd.*(北京聯合榮邦新能源科技有限公司) as purchaser, Nangong City Yuchuan New Energy Technology Co., Ltd.*(南宮市禹川新能源科技有限公司) as vendor and Nangong City Guolong New Energy Technology Co., Ltd.*(南宮市國隆新能源科技有限公司) as target company, in relation to the acquisition of the entire equity interest in the target company;

(f) the equity transfer agreement(s) and the supplemental agreement(s) dated 10 December 2021 entered into between Beijing United Rongbang New Energy Technology Co., Ltd.*(北京聯合榮邦新能源科技有限公司), as purchaser and Shanghai Sineng Investment Co., Ltd.*(上海斯能投資有限公司), as vendor, respectively, in relation to the acquisitions of the entire equity interest in each of Yangqu County Weilan New Energy Co., Ltd.*(陽曲縣蔚藍新能源有限公司), Hunyuan Sineng New Energy Co., Ltd.*(渾源斯能新能源有限公司), Pianguan County Sineng Wind Energy Co., Ltd.*(偏關縣斯能風電有限公司) and Heshun County Sineng Wind Energy Co., Ltd.*(和順縣斯能風電有限公司);

(g) the subscription agreement dated 22 June 2021 entered into between the Company, as the issuer and KGI Asia Limited, as the sole lead manager, in relation to the issue of US$50,000,000 3.8% convertible bonds due 2024 by the Company;

(h) the equity transfer agreement dated 9 June 2021 entered into between Beijing United Rongbang New Energy Technology Co., Ltd.*(北京聯合榮邦新能源科技有限公司)("**Beijing United Rongbang**") as the purchaser, Shanxi Xinyou Investment Group Co., Ltd.*(山西信友投資集團有限公司)("**Shanxi Xinyou**") as the vendor and Xinjiang Xinyou New Energy Power Co., Ltd.*(新疆信友新能源發電有限公司)("**Xinjiang Xinyou**") as the target company, in relation to the acquisition of the entire equity interests in Xinjiang Xinyou at nil consideration and assumption of debts in the amount of RMB430,000,000. On the same date, Beijing United Rongbang, Shanxi Xinyou, Xinjiang Xinyou and Powerchina Jiangxi Electric Power Construction Co., Ltd.*(中國電建集團江西省電力建設有限公司) entered into the cooperation agreement in relation to the development of 50MW wind power project in Xinjiang;

(i) (i) the termination agreement dated 7 May 2021 entered into between United Photovoltaics (Changzhou) Investment Group Co., Ltd.*(聯合光伏(常州)投資集團有限公司) ("**UP Changzhou**"), 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)("**Investor 1**"), 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))("**Investor 2**"), United Photovoltaics (Shenzhen) Limited*(聯合光伏(深圳)有限公司)("**UP Shenzhen**"), and New Light Technology Limited ("**New Light**") to terminate the Previous Capital Injection Agreement (as defined hereunder); (ii) the updated capital increase agreement dated 7 May 2021 entered into between ICBC Financial Asset Investment Co., Ltd.*(工銀金融資產投資有限公司)("**ICBC Investment**"), UP Shenzhen, New Light and UP Changzhou to change the contract party to the Previous Capital Increase Agreement from Investor 1 and Investor 2 to ICBC Investment, whereas the other terms and conditions (apart from the aforesaid parties clause) remain the same as Previous Capital Increase Agreement; (iii) the equity interest transfer agreement dated 7 May 2021 entered into between ICBC Investment, BEH, UP Shenzhen, New Light and UP Changzhou in relation to the potential equity interest transfer upon the occurrence of any of the specific circumstances specified in the agreement;

(j) the capital increase agreement dated 25 February 2021 entered into between UP Changzhou, Investor 1, Investor 2, UP Shenzhen and New Light, pursuant to which (i) Investor 1 conditionally agreed to inject RMB1 billion into UP Changzhou by way of cash contribution and in return for RMB793,853,739 in the registered capital of UP Changzhou; and (ii) Investor 1 and Investor 2 were entitled to, but not obliged to, subsequently inject in aggregate of not more than RMB2 billion within six (6) months after the effective date of the agreement in return for RMB1,587,707,478 in the registered capital of the UP Changzhou (the "**Previous Capital Injection Agreement**");

(k) 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), 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;

(l) 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), 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;

(m) the framework agreement dated 31 December 2020 entered into by United Photovoltaics (Shenzhen) Limited*(聯合光伏(深圳)有限公司), 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;

(n) the equity transfer agreement dated 4 December 2020 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), as purchaser Jiangshan Fengrong Investment Company Limited*(江山豐融投資有限公司), as vendor and Yulin City Jiangshan Yongchen New Energy Limited*(榆林市江山永宸新能源有限公司), as target companies in relation to the proposed acquisition of the entire equity interest in Yulin City Jiangshan Yongchen New Energy Limited*(榆林市江山永宸新能源有限公司);

(o) 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), 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;

(p) 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), 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;

(q) 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), 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;

(r) 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; and

(s) the finance lease business framework agreement dated 15 May 2020 (as supplemented by the supplemental agreements dated 5 August 2020 and 9 March 2022) 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 Group for the three years ending 31 December 2022.

10. 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 Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Ms. Zhang Xiao, an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

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

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the HKEXnews (http://www.hkexnews.hk) and the Company (http://www.bjei.com) for a period of 14 days from the date of this supplemental circular (both days inclusive):

(a) the Equity Transfer Agreements;

(b) the accountant's report on the financial information of the Target Companies, the text of which is set out in Appendices IIA to IID of this supplemental circular;

(c) 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 supplemental circular;

(d) the Valuation Reports from the Valuer, the summarised text of which is set out in Appendices VA to VD of this supplemental circular;

(e) the letter from Grant Thornton in relation to the Valuation Reports, the text of which is set out in Appendix VI of this supplemental circular;

(f) the letter from the Board in relation to the profit forecast, the text of which is set out in Appendix VI of this supplemental circular; and

(g) the consent letters from the Valuer and Grant Thornton referred to in the section headed "8. Experts and Consent" in this appendix.

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)

SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

Reference is made to the notice of annual general meeting (the "**Notice of AGM**") of Beijing Energy International Holding Co., Ltd. (the "**Company**") dated 27 May 2022, which set out the time and venue of the annual general meeting of the Company (the "**AGM**") and contained the resolutions to be considered by the shareholders of the Company at the AGM.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN THAT the AGM will be held as originally scheduled at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong and via online platform on Tuesday, 28 June 2022 at 11:00 a.m.. In addition to the resolutions contained in the Notice of AGM, the following resolution will also be considered:

ORDINARY RESOLUTION

6. To consider and pass the following resolution as ordinary resolution of the Company:

"**THAT:**

(a) the Equity Transfer Agreements (as defined in the supplemental circular of the Company dated 13 June 2022 (the "**Supplemental Circular**")), copies of which are marked "A" and initialled by the Chairman of the AGM for the purpose of identification, the terms and the transactions contemplated thereunder as set out in the Supplemental Circular be and are hereby approved, confirmed and ratified;

(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 Equity Transfer Agreements and the transactions contemplated thereunder."

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

Hong Kong, 13 June 2022

Notes:

1. Details of the ordinary resolution numbered 6 stated above are set out in the Supplemental Circular. A revised form of proxy containing the above ordinary resolution is enclosed with the Supplemental Circular. Please refer to the section headed "Annual General Meeting and Revised Form of Proxy" on pages 16 to 17 of the Supplemental Circular for arrangements on the completion and submission of the revised form of proxy.

2. Apart from the newly added ordinary resolution and other information as set out in the Supplemental Circular, all the other matters of the AGM remain unchanged. For details of the other resolutions to be considered and approved at the AGM, eligibility for attending the AGM, closure of register of members and other relevant matters, please refer to the circular of the Company dated 27 May 2022.

3. As at the date hereof, the Board comprises:

Executive Directors:
Mr. Zhang Ping *(Chairman)*
Mr. Lu Zhenwei
Mr. Wang Heng

Non-executive Directors:
Mr. Zhao Bing
Mr. Su Yongjian
Mr. Li Hao

Independent Non-executive Directors:
Ms. Jin Xinbin
Ms. Li Hongwei
Mr. Zhu Jianbiao