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**THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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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**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 AND CONNECTED TRANSACTIONS  
DEEMED DISPOSAL OF NO MORE THAN 29.43% EQUITY INTEREST IN  
THE TARGET COMPANY  
AND  
SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



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This supplemental circular should be read together with the circular of the Company dated 18 May 2021. The AGM of the Company will be held at Room 1811, 18/F., Building 5, No. 9 Courtyard, Guang'an Road, Fengtai District, Beijing, PRC and via video conference set up at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 18 June 2021 at 11:00 a.m.. A supplemental notice convening the AGM is set out on pages 82 to 83 of this supplemental circular.

A letter from the Board is set out from pages 6 to 22 of this supplemental circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 23 of this supplemental circular. A letter of advice from Lego, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 41 of this supplemental circular.

A revised form of proxy for the AGM is enclosed. Whether or not you are able to attend the AGM, 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 at the AGM or any adjournment thereof (as the case may be) should you so wish.

2 June 2021

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## DEFINITIONS

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

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be convened at Room 1811, 18/F., Building 5, No. 9 Courtyard, Guang’an Road, Fengtai District, Beijing, PRC and via video conference set up at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 18 June 2021 at 11:00 a.m. or any adjournment thereof, and the supplemental notice of which is set out in this supplemental circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BEH”	Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), a company established in the PRC with limited liability and a controlling shareholder of the Company holding 7,176,943,498 Shares, representing approximately 32% of the issued share capital of the Company
“Board”	the board of Directors of the Company
“business day”	any day other than Saturday or Sunday or public holiday in the PRC, on which banks are generally open for business in the PRC
“Capital Increase”	the capital increase by ICBC Investment pursuant to the Capital Increase Agreement for approximately 12.21% of the enlarged registered capital of the Target Company
“Capital Increase Agreement”	the capital increase agreement dated 7 May 2021 entered into by the Target Company, ICBC Investment, UP Shenzhen and New Light in relation to the Capital Increase and the Subsequent Capital Increase
“Company”	Beijing Energy International Holding Co., Ltd. (北京能源國際控股有限公司), 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 Capital Increase set out in the Capital Increase Agreement

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Interest Transfer Agreement”	the equity interest transfer agreement dated 7 May 2021 entered into by ICBC Investment, BEH, UP Shenzhen, New Light and the Target Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC Investment”	ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司), a company established in the PRC with limited liability and wholly owned by Industrial and Commercial Bank of China Limited* (中國工商銀行股份有限公司)
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Chen Hongsheng and Ms. Jin Xinbin
“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Shareholders associated with BEH who are required under the Listing Rules to abstain from voting at the AGM for the resolution approving the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“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
“Investors”	Investor 1 and Investor 2
“Investor 1”	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), a company established in the PRC with limited liability
“Investor 2”	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)), a limited partnership established in the PRC
“Latest Practicable Date”	31 May 2021, 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
“New Light”	New Light Technology Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“percentage ratio(s)”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“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
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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)
“Specific Circumstances”	the specific circumstances set out in the Equity Interest Transfer Agreement, upon the occurrence of which ICBC Investment has the right to transfer its whole or partial equity interest in the Target Company to BEH or its nominee(s) with a written notice
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent Capital Increase”	the potential capital increase by ICBC Investment entitled to which is however not obliged to, subsequently inject not more than RMB2 billion to the Target Company within six (6) months after the date of the Capital Increase Agreement
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	United Photovoltaics (Changzhou) Investment Group Co., Ltd.* (聯合光伏(常州)投資集團有限公司), a company established in the PRC with limited liability and whose shares are held 80% by New Light and 20% by UP Shenzhen respectively as at the Latest Practicable Date
“Valuation Report”	the valuation report dated 28 February 2021 prepared by China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) in relation to the value of the entire equity interest of the Target Company, the summary of which is set out in Appendix II to this supplemental circular

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## DEFINITIONS

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“UP Shenzhen” United Photovoltaics (Shenzhen) Limited\* (聯合光伏(深圳)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“%” 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.*

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LETTER FROM THE BOARD

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**北京能源國際控股有限公司**  
**Beijing Energy International Holding Co., Ltd.**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 686)**

*Executive Directors:*

Mr. Zhang Ping (*Chairman*)

Mr. Lu Zhenwei

Mr. Xu Jianjun

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Non-executive Directors:*

Mr. Sui Xiaofeng

Mr. Zhao Bing

Mr. Li Hao

Ms. Xie Yi

*Principal Place of Business*

*in Hong Kong:*

Unit 1012, 10/F.

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

*Independent Non-executive Directors:*

Mr. Kwan Kai Cheong

Mr. Yen Yuen Ho, Tony

Mr. Chen Hongsheng

Ms. Jin Xinbin

2 June 2021

*To the Shareholders*

Dear Sir or Madam,

**SUPPLEMENTAL CIRCULAR OF THE ANNUAL GENERAL MEETING  
IN RELATION TO MAJOR AND CONNECTED TRANSACTIONS  
DEEMED DISPOSAL OF NO MORE THAN 29.43% EQUITY INTEREST IN  
THE TARGET COMPANY  
AND  
SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

This supplemental circular should be read together with the circular of the Company dated 18 May 2021 which contains, among other things, information regarding the resolutions to be proposed at the AGM.



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## LETTER FROM THE BOARD

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References are made to the announcements of the Company dated 25 February 2021, 9 March 2021, 30 April 2021 and 7 May 2021 in relation to, among other things, the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder.

The purpose of this supplemental circular is to provide you with, among other things, (i) details of the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder; (iii) the advice of the Independent Financial Adviser on the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder; (iv) the valuation report and other information as required under the Listing Rules; and (v) the supplemental notice of AGM, to enable you to make an informed decision on whether to vote for or against those resolution(s) at the AGM.

### **2. MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE CAPITAL INCREASE AGREEMENT AND THE EQUITY INTEREST TRANSFER AGREEMENT**

On 25 February 2021 (after trading hours), the Target Company, the Investors, UP Shenzhen and New Light entered into an agreement (“**Previous Agreement**”), pursuant to which, Investor 1 conditionally agreed to inject RMB1 billion into the Target Company by way of cash contribution and in return for RMB793,853,739 in the registered capital of the Target Company, which accounts for approximately 12.21% of the enlarged equity interest in the Target Company. Parties also agreed that the Investors are 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 Previous Agreement in return for RMB1,587,707,478 in the registered capital of the Target Company. Reference is made to the announcement of the Company dated 7 May 2021, pursuant to which, the parties agreed to change the contract party to the Previous Agreement from the Investors to ICBC Investment. For this purpose, on 7 May 2021, (i) the parties to the Previous Agreement entered into an agreement to terminate the Previous Agreement; (ii) ICBC Investment, UP Shenzhen, New Light and the Target Company entered into the Capital Increase Agreement with the same terms and conditions as set out in the Previous Agreement (apart from the parties clause).

After completion of the Capital Increase and the potential Subsequent Capital Increase, ICBC Investment will be interested in an aggregate of not more than 29.43% of the enlarged equity interest in the Target Company and the Target Company will become an indirect non wholly-owned subsidiary of the Company. Therefore, the Group’s interest in the Target Company will be diluted from 100% to not less than 70.57% after completion of the Capital Increase and the potential Subsequent Capital Increase. According to Rule 14.29 of the Listing Rules, the relevant dilution is considered to be deemed disposal of the Company’s interest in a subsidiary.

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## LETTER FROM THE BOARD

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### THE CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are set out below:

**Date:** 7 May 2021 (after trading hours)

**Parties:**

- 1) ICBC Investment;
- 2) UP Shenzhen;
- 3) New Light; and
- 4) Target Company.

### The Capital Increase

Pursuant to the Capital Increase Agreement, ICBC Investment shall inject RMB1 billion for approximately 12.21% of the enlarged registered capital of the Target Company, of which RMB793,853,739 would be accounted for as paid-in capital of the Target Company while the balance of RMB206,146,261 would be accounted in the capital reserve of the Target Company.

New Light and UP Shenzhen agreed to waive their right of first refusal to subscribe for the increased registered capital to the Target Company under the Capital Increase Agreement.

### Subsequent Capital Increase

Parties also agreed that ICBC Investment is 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 Capital Increase Agreement.

### Basis for determination of the capital contribution

The amount of capital contribution under the Capital Increase Agreement was determined based on arm's length negotiations between the parties with reference to, among others, (i) the valuation of the entire equity interest of the Target Company of approximately RMB6,677,730,800 as at 31 August 2020 based on the valuation report using market approach prepared by China United Assets Appraisal Group Co., Ltd.\* (中聯資產評估集團有限公司), an independent valuer; (ii) the net asset value of the Target Company within one month prior to the upon completion of the transactions under the Capital Increase Agreement.

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## LETTER FROM THE BOARD

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The Capital Increase was structured for the purpose of financing where the Company will obtain RMB1 billion funding and the potential additional RMB2 billion through the Subsequent Capital Increase from ICBC Investment. Upon the occurrence of the Specific Circumstances, the equity interest in the Target Company held by ICBC Investment may be transferred to BEH or its designated nominee at the consideration of the actual amount of capital contribution by ICBC Investment under the Capital Increase Agreement plus unrealised gain, which would not be based on the valuation report.

Considering the above and that (i) the valuation is close to the book value of the Target Company's shareholders' equity as at the valuation date; (ii) there has been no material change in the industry and operating and financial condition of the Target Company; and (iii) the change of the net asset value of the Target Company within one month prior to completion from the net asset value of the Target Company has been reflected in the calculation of the capital contribution under the Capital Increase Agreement, the Directors thus are of the view that with reference to the valuation report as at 31 August 2020 in determination of the amount of capital contribution under the Capital Increase Agreement would not be unduly prejudicial to the interest of the Company.

### **Payment of the Capital Contribution**

The Target Company, UP Shenzhen and New Light shall provide a written confirmation in respect of the satisfaction of the Conditions Precedent and a written payment notice to ICBC Investment (the "**Written Payment Notice**") and ICBC Investment shall make capital injection into the Target Company after fulfilment of all the Conditions Precedent (except for those waived by ICBC Investment) and by no later than the date stated in the Written Payment Notice.

### **Use of Proceeds**

The proceeds from the Capital Increase would be fully applied to repayment of bank debts incurred by the Group and some other financial debts where appropriate. The proceeds from the Capital Increase shall not be used for any other purposes without the written consent of ICBC Investment.

### **Conditions Precedent**

The completion of the Capital Increase by ICBC Investment is conditional upon the fulfilment of the following Conditions Precedent, unless otherwise agreed to be waived by ICBC Investment:

- 1) the Capital Increase Agreement has been duly executed and taken effect and no default event has occurred or relevant default event has been solved by the Target Company or waived by ICBC Investment;

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## LETTER FROM THE BOARD

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- 2) the Target Company has appointed a qualified valuation organisation and the valuation of the assets of the Target Company has been completed;
- 3) UP Shenzhen and New Light has reached written agreement with ICBC Investment on the amendment of articles of association of the Target Company relating to the Capital Increase Agreement;
- 4) the capital contributions of the Target Company by UP Shenzhen and New Light are true and legally registered with the relevant authorities and there is no illegal withdrawal of such capital contributions;
- 5) the Target Company has authorised Xuanwu Branch of Industrial and Commercial Bank of China (the “**Xuanwu Branch**”) to supervise the use of proceeds from the Capital Increase according to the account supervisory agreement entered into by ICBC Investment, the Target Company and the Xuanwu Branch and such agreement has been duly executed and taken effect;
- 6) the approvals of board of directors of the Target Company and all necessary shareholders’ approval of the Target Company have been obtained, including but not limited to:
  - a. the increase in the registered capital from RMB5,710,180,000 to RMB6,504,033,739;
  - b. the Capital Increase by ICBC Investment;
  - c. the waiver of the right of first refusal to subscribe for the increased registered share capital to the Target Company under the Capital Increase Agreement by New Light and UP Shenzhen;
  - d. amendment of articles of association of the Target Company; and
  - e. the appointment of a director to the board of directors of the Target Company nominated by ICBC Investment;
- 7) the representations and undertakings of the Target Company, UP Shenzhen and New Light are true, complete and correct in all material aspects and the Target Company, UP Shenzhen and New Light have performed all obligations and responsibilities under the Capital Increase Agreement on or before the date of actual capital contribution by ICBC Investment;
- 8) the approval from the shareholders of the Company in accordance with the Listing Rules;

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## LETTER FROM THE BOARD

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- 9) there is no material adverse impact incurred or to be incurred based on reasonable forecast on financial status, operation and assets of the Target Company, UP Shenzhen and New Light valued more than RMB100 million since 31 August 2020;
- 10) no core management of the Target Company resigned or terminated the service agreement of the Target Company (except those resigned from the Target Company due to reaching the legal retirement age or dismissed by the Target Company due to serious violation of system of the Target Company, misconduct or dereliction, which will not materially affect the operation and financial status of the Target Company);
- 11) there is no potential or ongoing litigation, arbitration, administrative penalty or other disputes on material assets of the Target Company or legal proceedings, including property preservation on major assets of the Target Company save as already disclosed to ICBC Investment prior to 31 August 2020;
- 12) except for the written consent of ICBC Investment, there is no change in shareholding of the Target Company and no sale or transfer of shares of the Target Company from 31 August 2020 to the date of Capital Increase by ICBC Investment. There is no mortgage or pledge on the assets of the Target Company;
- 13) the Equity Interest Transfer Agreement has been duly executed and taken effect;
- 14) the Target Company, UP Shenzhen and New Light have obtained or completed all requisite internal and external approvals, registrations, filings or consents in accordance with laws, regulations and regulatory documents and their respective articles of association;
- 15) the Target Company, UP Shenzhen and New Light confirm that there is no restriction, prohibition, delay or otherwise from the governmental authority to prevent the completion of the Capital Increase, and to their best knowledge in good faith there is no material adverse effect that may render the Capital Increase impossible or illegal; and
- 16) ICBC Investment has been established and the requisite entrusted funds have fully paid.

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## LETTER FROM THE BOARD

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### **Completion**

Completion of the Capital Increase will take place on the date when all of the following events being fulfilled:

1. ICBC Investment made actual capital contribution to the Target Company pursuant to the Written Payment Notice;
2. within five (5) business days from the date of actual capital contribution by ICBC Investment, the Target Company has issued certificate of capital contribution to ICBC Investment (the “**Certificate**”) according to the shareholding of ICBC Investment after its actual capital contribution; and
3. within five (5) business days from the date of issuance of the Certificate, the register of members duly signed by all shareholders of the Target Company has been updated.

Within sixty (60) business days from the date of Completion, the Target Company, UP Shenzhen and New Light shall submit all requisite materials relating to the Capital Increase for the industrial and commercial registration of changes in the registered capital, shareholding, and articles of association of the Target Company and obtain a new business license.

### **Anti-dilution**

Since the date of the capital contribution by ICBC Investment and during the period when ICBC Investment holds any equity interest in the Target Company, all of ICBC Investment, UP Shenzhen and New Light are not allowed to make additional capital contribution into the Target Company (except for the Capital Increase and the Subsequent Capital Increase agreed under the Capital Increase Agreement), unless written consent from ICBC Investment, UP Shenzhen and New Light has been obtained for such capital contribution. For any further equity fund raising from any third parties carried out by the Target Company, written consent shall be obtained from shareholders of the Target Company.

### **Composition of the Board of the Target Company**

Since the date of Completion, the board of the Target Company shall comprise five members, of which one member will be nominated by ICBC Investment and four members and the chairman of the board will be nominated by UP Shenzhen and New Light.

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## LETTER FROM THE BOARD

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### **Transfer Restriction and Tag-along Right**

During the period from the first capital injection of ICBC Investment and the time when ICBC Investment holds any equity interest in the Target Company, unless agreed otherwise by the parties, UP Shenzhen and New Light shall not directly or indirectly sell, transfer, assign, pledge, encumber or otherwise dispose of the equity interest they hold in the Target Company other than a transfer to a member of the Group.

In the event that UP Shenzhen and New Light transfer the equity interest in the Target Company to a third party not controlled by the Company, ICBC Investment shall have the right to participate in such transfer and sell the equity interest they hold in the Target Company to the third party.

### **Dividend Distribution**

ICBC Investment, during the time being a holder of the equity interest in the Target Company, have the priority in dividend payments out of the profits of the Target Company available for distribution at the annualised rate of return of 5.98% multiplied by the total amount of capital contribution made by ICBC Investment to the Target Company as at the date of dividend distribution.

### **Financial Effects of the Capital Increase**

Upon completion of the Capital Increase, the registered capital of the Target Company will be increased to RMB6,504,033,739 and the Target Company will be owned as to approximately 17.56% by UP Shenzhen, approximately 70.23% by New Light and approximately 12.21% by ICBC Investment. Upon completion of the Subsequent Capital Increase, the registered capital of the Target Company will be increased to RMB8,091,741,217; and the Target Company will be owned as to 14.11% by UP Shenzhen, 56.46% by New Light and not more than 29.43% by ICBC Investment. The Target Company will become an indirect non wholly-owned subsidiary of the Company. Therefore, the Group's interest in the Target Company will be diluted from 100% to not less than 70.57% after completion of the Capital Increase and the potential Subsequent Capital Increase.

The Capital Increase and the potential Subsequent Capital Increase is expected to be recorded as an equity transaction in accordance with the Chinese Accounting Standards (CASs) and the accounting policies of the Group. The Directors do not expect to recognise any gain/loss from the transactions contemplated under the Capital Increase Agreement. Shareholders should note that the actual amount of gain/loss from the Capital Increase and the potential Subsequent Capital Increase to be recorded by the Company (if any) will be subject to review by the auditors of the Company.

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## LETTER FROM THE BOARD

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### THE EQUITY INTEREST TRANSFER AGREEMENT

Reference is made to the announcement of the Company dated 7 May 2021, pursuant to which, the parties agreed to change the contract party to the Previous Agreement from the Investors to ICBC Investment. For this purpose, ICBC Investment, BEH, UP Shenzhen, New Light and the Target Company entered into the Equity Interest Transfer Agreement.

Principal terms of the Equity Interest Transfer Agreement are summarised as below:

- Date:** 7 May 2021 (after trading hours)
- Parties:**
- (1) ICBC Investment;
  - (2) BEH;
  - (3) UP Shenzhen;
  - (4) New Light; and
  - (5) Target Company.
- Subject Matter:** whole or partial equity interest in the Target Company held by ICBC Investment under the Capital Increase Agreement

### Specific Circumstances

Upon the written request from ICBC Investment, BEH may agree to or designate its nominee to purchase the whole or partial equity interests in the Target Company held by ICBC Investment when any of the Specific Circumstances set out below occurs:

1. after thirty-six(36) months since ICBC Investment's first actual capital contribution, ICBC Investment still holds certain equity interests in the Target Company and the parties have not yet reached an agreement on the extension of the term of investment under the Capital Increase Agreement;
2. the annual net profit attributable to the shareholders of the Target Company is lower than RMB270,000,000 unless otherwise agreed by the parties during the grace period that may be provided by ICBC Investment;
3. the annualised rate of return for the actual distributed profit of the Target Company is less than 5.98% in any year during the period ICBC Investment holding of the equity interest in the Target Company and the Target Company fails to solve this issue within the period required by ICBC Investment;



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## LETTER FROM THE BOARD

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4. the proceeds from the Capital Increase have not been used for the agreed purposes, which the Target Company fails to resolve within twenty (20) business days or within the period required by ICBC Investment;
5. any of the Target Company, BEH together with its subsidiaries, UP Shenzhen and New Light fails to comply with the transaction documents relating to the Capital Increase, including the Capital Increase Agreement and the Equity Interest Transfer Agreement, which is not resolved within the period required by ICBC Investment;
6. any of the Target Company, UP Shenzhen, New Light or the Company is put into liquidation (including but not limited to proceedings of liquidation and revocation);
7. the change of ultimate controller of the Target Company (i.e. BEH), including but not limited to the circumstance where the Target Company will no longer be consolidated into the financial statements of BEH;
8. during the period when ICBC Investment holds equity interest in the Target Company, the annual debt asset ratio under the consolidated balance sheet of the Target Company at the end of any year is higher than 66% (66% is not included); and
9. the occurrence of force majeure which make the performance of the Equity Interest Transfer Agreement and related documents become unrealistic.

### **Extension of the Investment under the Capital Increase Agreement**

While ICBC Investment still holds certain equity interest in the Target Company, from the thirty-third (33) months since ICBC Investment's first actual capital contribution, UP Shenzhen and New Light may apply for extension of the term of investment under the Capital Increase Agreement to ICBC Investment in writing. Within ten (10) business days from the receipt of the application, ICBC Investment shall respond in writing whether they agree with such extension. Supplemental agreement will be entered into upon the agreement of ICBC Investment.

### **Calculation and Payment of the Consideration**

The consideration of the transfer of equity interest under the Equity Interest Transfer Agreement shall be the actual amount of capital contribution by ICBC Investment under the Capital Increase Agreement plus unrealised gain (the "**Transfer Amount**").

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## LETTER FROM THE BOARD

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### **Equity Interest Transfer**

Upon the occurrence of any of the Specific Circumstances, ICBC Investment may issue written notice to transfer its whole or partial equity interest in the Target Company to BEH. If BEH agrees to the transfer, BEH shall respond in writing within twenty (20) business days from the date of receipt of the written notice and pay the Transfer Amount to ICBC Investment within thirty (30) days from the receipt of the written notice from ICBC Investment. Otherwise, it will be deemed that BEH does not accept the transfer of such equity interest in the Target Company.

In the event that BEH does not accept such transfer or BEH or its nominee(s) fails to complete the transfer, ICBC Investment is entitled to (i) an increase in the annualised rate of return as dividend payments under the Capital Increase Agreement by 2% in each subsequent year since the occurrence of the Specific Circumstances, with the annualised rate of return capped at 11.98% (i.e. upon the occurrence of any Specific Circumstance, in the subsequent year the dividend payment shall be increased to the amount calculated with the annualised return rate of 7.98% multiplied by the total amount of capital contribution made by ICBC Investment to the Target Company); and (ii) dispose the equity interest ICBC Investment holds in the Target Company to any third party and request UP Shenzhen and New Light to sell the same amount of their equity interest in the Target Company as those to be disposed by ICBC Investment, which is conditional on and subject to the compliance with applicable Listing Rules.

### **Conditions Precedent**

The transfer of equity interest in the Target Company pursuant to the Equity Interest Transfer Agreement is conditional upon ICBC Investment having made capital contribution into the Target Company and holding equity interests in the Target Company.

### **Original cost of the 29.43% equity interest in the Target Company**

As at the Latest Practicable Date, UP Shenzhen holds 20% equity interest and New Light holds 80% equity interest in the Target Company, which was by capital injection in cash in the consideration of RMB995,582,815.60 and RMB4,324,291,467.59 respectively amounting to RMB5,319,874,283.19 in total.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT AND THE EQUITY INTEREST TRANSFER AGREEMENT

The Capital Increase would enable the Target Company to raise funds to repay its debts and would reduce the reliance of the Target Company on the financial support from the Group. The Capital Increase allows the Target Company to optimise its financial structure with lower cost to support its subsequent business development. By introducing ICBC Investment who is a reputable institution in the market, the Company believes that it would enhance investors' confidence in the Group, bringing more financing options for the Group's financial well-being.

As one of Conditions Precedent to the Capital Increase, the Equity Interest Transfer Agreement ensures ICBC Investment of the right to transfer its equity interest in the Target Company when any of the Specific Circumstances occurs. With BEH being a party to the Equity Interest Transfer Agreement, the Group is able to raise market recognition of the Group and attract investment in the Group with lower financing cost.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement and the Equity Interest Transfer Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date, which is principally engaged in the investment holding and management with a focus on photovoltaic power plants and other renewable new energy power plants in the PRC. By the end of December 2020, the Target Company held a total of 1,611.54MW installed capacity of grid-connected photovoltaic power plants through its subsidiaries in the PRC.

Below is a summary of the audited consolidated financial information of the Target Company prepared in accordance with Chinese Accounting Standards:

	<b>For the year ended 31 December 2019 (audited) RMB'000</b>	<b>For the year ended 31 December 2020 (audited) RMB'000</b>
(Loss)/Profit before taxation	(125,842)	455,495
(Loss)/Profit after taxation	(177,202)	404,315

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## LETTER FROM THE BOARD

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The audited net assets of the Target Company as at 31 December 2020 was approximately RMB6,576,962,000. Accordingly, the net book value of the 29.43% shareholding of the Target Company as at 31 December 2020 was approximately RMB1,935,600,000, which represents a deficit of approximately RMB445,961,000 over the amount to be made under the Capital Increase and the Subsequent Capital Increase.

### INFORMATION OF ICBC INVESTMENT, UP SHENZHEN, NEW LIGHT AND BEH

ICBC Investment is a company established in the PRC with limited liability and is principally engaged in the marketisation and legalisation of debt-to-equity and relevant supporting services as well as fundraising from qualified social investors to support the marketisation of debt-to-equity, issuance of financial bonds and financial advisory and consulting services related to debt-to-equity business, etc. ICBC Investment is wholly owned by Industrial and Commercial Bank of China Limited\* (中國工商銀行股份有限公司), a joint stock limited company incorporated in the PRC, the H shares and offshore preference shares of which are listed on the Stock Exchange (H Shares Stock Code: 1398, EUR Preference Shares Stock Code: 4604 and USD Preference Shares Stock Code: 4620), and the A shares and domestic preference shares of which are listed on the Shanghai Stock Exchange (A Shares Stock Code: 601398 and Domestic Preference Shares Stock Codes: 360011, 360036), respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of ICBC Investment and its ultimate beneficial owner is an independent third party of the Company and its connected persons.

UP Shenzhen is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. UP Shenzhen is principally engaged in the development and operation of clean energy such as solar energy.

New Light is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. New Light is principally engaged in investment and development of renewable energy projects.

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

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

The dilution of the Company's equity interest in the Target Company from 100% to not less than 70.57% will constitute a deemed disposal of the Target Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in relation to the Capital Increase Agreement exceeds 25% but less than 75%, the transactions contemplated under the Capital Increase Agreement constitute major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, BEH is a controlling shareholder of the Company, indirectly holding approximately 32% of the issued share capital of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Taking into consideration that (i) the Capital Increase Agreement is conditional upon the execution of the Equity Interest Transfer Agreement; (ii) if BEH selects to purchase the whole or partial equity interests in the Target Company held by ICBC Investment upon the occurrence of any of the Specific Circumstances and all or part of the equity interest in the Target Company will be effectively acquired by BEH, the transactions under the Equity Interest Transfer Agreement effectively constitute connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of the transactions under the Equity Interest Transfer Agreement is higher than 5%, the transactions contemplated under the Equity Interest Transfer Agreement are subject to requirements including notification, announcement, circular (including independent financial advice) and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

### 3. ANNUAL GENERAL MEETING AND REVISED FORM OF PROXY

A notice convening the AGM is set out on pages 82 to 83 of this circular, at which an ordinary resolution will be proposed for the Shareholders to consider and, if thought fit, to approve the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder.

All Shareholders who have a material interest (which is different from all other Shareholders) in any of the transactions contemplated by the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder, together with their close associates, will be required to abstain from voting the related resolution at the AGM. As at the Latest Practicable Date, as BEH is a controlling shareholder of the Company, indirectly holding approximately 32% of the issued share capital of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules, BEH and its associates are required to abstain from voting on the relevant resolution to be proposed at the AGM.

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## LETTER FROM THE BOARD

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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 the 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 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 new 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 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 18 May 2021.

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## **LETTER FROM THE BOARD**

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### **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 resolution(s) 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. 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 Company. 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.

### **6. RECOMMENDATION**

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Chen Hongsheng and Ms. Jin Xinbin, has been formed to consider the potential connected transactions contemplated under the Capital Increase Agreement and the Equity Interest Transfer Agreement, and Lego has been appointed as the Company's independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Capital Increase Agreement and the Equity Interest Transfer Agreement in relation to the potential connected transactions are fair and reasonable and are on normal commercial terms or better and in the ordinary and usual course of business of the Group, whether the potential connected transactions contemplated under the Capital Increase Agreement and the Equity Interest Transfer Agreement are in the interests of the Company and the Shareholders as a whole and whether the Independent Shareholder should vote in favour of the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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The Directors (excluding the members of the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee on page 23 of this supplemental circular) consider that the terms of the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Zhang Ping (the Chairman of the Board and executive Director), Mr. Sui Xiaofeng (the non-executive Director) and Mr. Zhao Bing (the non-executive Director) are also the senior management of BEH, they have abstained from voting on the Board resolution approving the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder to avoid any conflict of interests.

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



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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**北京能源國際控股有限公司**  
**Beijing Energy International Holding Co., Ltd.**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 686)**

2 June 2021

*To the Independent Shareholders*

Dear Sirs,

**Re: Major and Connected Transactions – Deemed Disposal of No More Than 29.43% Equity Interest in the Target Company**

We refer to the supplemental circular of the Company dated 2 June 2021 to the Shareholders (the “**Supplemental Circular**”), of which this letter forms part. Terms defined in the Supplemental Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise you as to the fairness and reasonableness of the terms of the Capital Increase Agreement and the Equity Interest Transfer Agreement and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Lego has been appointed as the independent financial adviser to advise you and us in this regard. Details of the recommendations from Lego are set out in its letter of advice on pages 24 to 41 of the Supplemental Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 6 to 22 of the Supplemental Circular and the additional information set out in the appendices to the Supplemental Circular.

Having considered the terms of the Capital Increase Agreement and the Equity Interest Transfer Agreement, and taken into account the advice from Lego and in particular the principal factors and reasons considered by Lego as set out in its letter of advice, we are of the view that (i) the terms of the Capital Increase Agreement and the Equity Interest Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the Capital Increase Agreement and the Equity Interest Transfer Agreement are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to approve the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder at the AGM.

Yours faithfully,

**Independent Board Committee**

**Mr. Kwan Kai Cheong    Mr. Yen Yuen Ho, Tony**  
**Mr. Chen Hongsheng    Ms. Jin Xinbin**

*Independent Non-executive Directors*

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## LETTER OF ADVICE FROM LEGO

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*The following is the full text of a letter of advice from Lego, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this supplemental circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the deemed disposal of 29.43% equity interest in the Target Company.*



2 June 2021

*To: The Independent Board Committee and the Independent Shareholders  
of Beijing Energy International Holding Co., Limited*

Dear Sirs or Madams,

### **MAJOR AND CONNECTED TRANSACTIONS DEEMED DISPOSAL OF NO MORE THAN 29.43% EQUITY INTEREST IN THE TARGET COMPANY**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser, as approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Interest Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the supplemental circular of the Company dated 2 June 2021 (the “**Supplemental Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Supplemental Circular unless the context otherwise requires.

On 25 February 2021 (after trading hours), the Target Company, the Investors, UP Shenzhen and New Light entered into an agreement (“**Previous Agreement**”), pursuant to which, Investor 1 conditionally agreed to inject RMB1 billion into the Target Company by way of cash contribution in return for RMB793,853,739 in the registered capital of the Target Company, which accounts for approximately 12.21% of the enlarged equity interest in the Target Company. Parties also agreed that the Investors are 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 Previous Agreement in return for RMB1,587,707,478 in the registered capital of the Target Company. Reference is made to the announcement of the Company dated 7 May 2021, pursuant

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## LETTER OF ADVICE FROM LEGO

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to which parties agreed to change the contract party to the Previous Agreement from the Investors to ICBC Investment. For this purpose, on 7 May 2021, (i) the parties to the Previous Agreement entered into an agreement to terminate the Previous Agreement; (ii) ICBC Investment, UP Shenzhen, New Light and the Target Company entered into the Capital Increase Agreement with the same terms and conditions as set out in the Previous Agreement (apart from the parties clause).

As a Condition Precedent to the completion of the Capital Increase, ICBC Investment, BEH, the Target Company, UP Shenzhen and New Light had entered into the Equity Interest Transfer Agreement on 7 May 2021, pursuant to which, upon the written request from ICBC Investment, BEH may agree to or designate its nominee to purchase the whole or partial equity interests in the Target Company held by ICBC Investment when any of the Specific Circumstances occurs.

The dilution of the Company's equity interest in the Target Company from 100% to not less than 70.57% will constitute a deemed disposal of the Company's interest in the Target Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in relation to the Capital Increase Agreement exceeds 25% but less than 75%, the transactions contemplated under the Capital Increase Agreement constitute major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, BEH is a controlling shareholder of the Company, indirectly holding approximately 32% of the issued share capital of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Taking into consideration that (i) the Capital Increase Agreement is conditional upon the execution of the Equity Interest Transfer Agreement; (ii) if BEH selects to purchase the whole or partial equity interests in the Target Company held by ICBC Investment upon the occurrence of any of the Specific Circumstances, all or part of the equity interest in the Target Company will be effectively acquired by BEH, the transactions under the Equity Interest Transfer Agreement effectively constitute connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions under the Equity Interest Transfer Agreement is higher than 5%, the transactions contemplated under the Equity Interest Transfer Agreement are subject to requirements including the notification, announcement, circular (including independent financial advice) and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

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## LETTER OF ADVICE FROM LEGO

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The Independent Board Committee comprising all the independent non-executive Directors who have no direct or indirect interest or involvement in the transactions contemplated under the Equity Interest Transfer Agreement, namely Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Ms. Jin Xinbin and Mr. Chen Hongsheng, has been established to advise and give a recommendation to the Independent Shareholders on whether the terms of the Equity Interest Transfer Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and Independent Shareholders are concerned and are in the interests of the Company the Shareholders as a whole.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests in the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to (i) the Subscription and application for Whitewash Waiver (details of which were set out in the circular of the Company dated 11 December 2019; and (ii) the connected transactions involving subscription of new shares under specific mandate (details of which were set out in the circular of the Company dated 1 March 2019). Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Target Company, the ICBC Investment, UP Shenzhen and New Light, any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the terms of the Equity Interest Transfer Agreement.

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## LETTER OF ADVICE FROM LEGO

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### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Supplemental Circular; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Supplemental Circular were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information provided and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have also assumed that all representations contained or referred to in the Supplemental Circular were true at the time they were made and at the Latest Practicable Date and will continue to be true up to the time of the AGM, and that the Independent Shareholders will be informed as soon as reasonably practicable if we become aware of any material change to such information provided and representations made.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Supplemental Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Company or ICBC Investment or BEH or any of their respective subsidiaries or associates.

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## LETTER OF ADVICE FROM LEGO

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the terms of the Equity Interest Transfer Agreement to the Independent Committee, we have taken into account the following principal factors and reasons:

#### 1. Information of the Group

##### 1.1 Background of the Group

The Group is principally engaged in development, investment, operation and management of solar power plants and other renewable energy projects. The renewable energy projects include photovoltaic, wind power, hydropower and other clean energy investment operations. The Company's new energy projects are located in a few provinces and regions in China, including Inner Mongolia, Qinghai, Ningxia, Shanxi, Hubei, Xinjiang, Gansu, Yunnan, Shandong, Jiangsu, Hebei, Guangdong and other places.

##### 1.2 Historical financial information of the Company

Set out below is a summary of the audited consolidated financial results of the Group for the years ended 2018, 2019 and 2020 (the "FY2018", "FY2019" and "FY2020", respectively) as extracted from the annual report of the Company for the year ended 31 December 2019 (the "2019 Annual Report") and the annual report of the Company for the year ended 31 December 2020 (the "2020 Annual Report"):

	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)	(audited)
Revenue	2,023	2,168	2,149
EBITDA	1,700	1,920	1,967
(Loss)/profit for the year	(454)	(3,495)	262
(Loss)/profit for the year – attributable to equity holders of the Company	(451)	(3,275)	241

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## LETTER OF ADVICE FROM LEGO

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	<b>As at 31 December 2018</b>	<b>As at 31 December 2019</b>	<b>As at 31 December 2020</b>
	<i>RMB million</i> (audited)	<i>RMB million</i> (audited)	<i>RMB million</i> (audited)
Total assets	30,775	25,456	26,088
Total liabilities	24,905	21,815	20,433
Net assets	5,870	3,641	5,655

### *FY2019 versus FY2018*

The revenue and EBITDA from the continuing operations of the Group amounted to approximately RMB2,168 million and RMB1,920 million for FY2019, respectively (31 December 2018: approximately RMB2,023 million and RMB1,700 million respectively). The average tariff per kWh (net of VAT) for the FY2019 was approximately RMB0.81.

For FY2019, the Company recorded a net loss of approximately RMB3,495 million as compared to a loss of approximately RMB454 million for FY2018. Such increase in net loss position in FY2019 was mainly attributable to: (i) the impairment charge on intangible assets of approximately RMB1,362 million, (ii) the write-off on other receivables of approximately RMB39 million, (iii) the loss allowance on financial assets of approximately RMB1,094 million, (iv) the impairment charge on property, plant and equipment of approximately RMB958 million, (v) the loss on disposal of subsidiaries of approximately RMB302 million and (vi) fair value loss of re-measurement of financial instruments of approximately RMB168 million. Loss attributable to equity holders of the Company was approximately RMB3,275 million, representing an increase of approximately RMB2,824 million as compared to the profit attributable to equity holders of the Company in the corresponding period of 2018.

According to the 2019 Annual Report, total assets of the Company amounted to approximately RMB25,456 million, representing a decrease of approximately RMB5,319 million as compared to that of the Company as at 31 December 2018. Total non-current assets decreased significantly from approximately RMB24,157 million as at 31 December 2018 to approximately RMB17,551 million, mainly attributable to: (i) a decrease in intangible assets, (ii) a decrease in Investments accounted for using equity method and (iii) a decrease in other receivables, deposits and prepayments. Total current assets increased from approximately RMB6,618 million as at 31 December 2018 to approximately RMB7,905 million which was due to an increase in other receivables, deposits and prepayments and pledged deposits.

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## LETTER OF ADVICE FROM LEGO

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Total liabilities decreased from approximately RMB24,905 million as at 31 December 2018 to approximately RMB21,815 million as at 31 December 2019. Such decrease was mainly due to the decrease in total non-current liabilities from approximately RMB17,359 million as at 31 December 2018 to approximately RMB11,053 million primarily attributable to the decrease of bank and other borrowings and the decrease of the deferred tax liabilities. Total current liabilities increased from approximately RMB7,546 million as at 31 December 2018 to approximately RMB10,762 million as at 31 December 2019, mainly due to an increase of bank and other borrowings and an increase of other payables and accruals during 2018.

### *FY2020 versus FY2019*

The revenue and EBITDA from the continuing operations of the Group amounted to approximately RMB2,149 million and RMB1,967 million for FY2020, respectively (31 December 2019: approximately RMB2,168 million and RMB1,920 million respectively). The average tariff per kWh (net of VAT) for the FY2020 was approximately RMB0.77.

For FY2020, the Company recorded a net profit of approximately RMB262 million as compared to a loss of approximately RMB3,275 million for FY2019.

According to the 2020 Annual Report, total assets of the Company amounted to approximately RMB26,088 million, representing an increase of approximately RMB632 million as compared to that of the Company as at 31 December 2019.

Total liabilities decreased from approximately RMB21,815 million as at 31 December 2019 to approximately RMB20,433 million as at 31 December 2020.

## **2. Information of the Target Company**

### ***2.1 Background of the Target Company***

The Target Company is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date, which is principally engaged in investment holding and management with a focus on photovoltaic power plants and other renewable new energy power plants in the PRC. By the end of December 2020, the Target Company held a total of 1,611.54MW installed capacity of grid-connected photovoltaic power plants through its subsidiaries in the PRC.



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## LETTER OF ADVICE FROM LEGO

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### **2.2 Historical financial information of the Target Company**

Below is a summary of the audited consolidated financial information of the Target Company prepared in accordance with Chinese Accounting Standards:

	<b>For the year ended 31 December 2019 (audited) RMB'000</b>	<b>For the year ended 31 December 2020 (audited) RMB'000</b>
(Loss)/Profit before taxation	(125,842)	455,495
(Loss)/Profit after taxation	(177,202)	404,315

The audited net assets of the Target Company as at 31 December 2020 was approximately RMB6,576,962,000. Accordingly, the net book value of the 29.43% shareholding of the Target Company as at 31 December 2020 was approximately RMB1,935,600,000, which represents a deficit of approximately RMB445,961,000 over the amount to be made under the Capital Increase and the Subsequent Capital Increase.

### **3. Reasons for and benefits of entering into the Capital Increase Agreement and the Equity Interest Transfer Agreement**

As stated in the Letter from the Board, the Capital Increase would enable the Target Company to raise funds to repay its debts and would reduce the reliance of the Target Company on the financial support from the Group. The Capital Increase allows the Target Company to optimise its financial structure with lower cost to support its subsequent business development. By introducing the ICBC Investment who is a reputable institution in the market, the Company believes that it would enhance investors' confidence in the Group and bringing more financing options for the Group's financial well-being.

As one of the Conditions Precedent to the Capital Increase, the Equity Interest Transfer Agreement ensures ICBC Investment of the right to transfer its equity interest in the Target Company when any of the Specific Circumstances occurs. With BEH being a party to the Equity Interest Transfer Agreement, the Group is able to raise market recognition for the Group and attract investment in the Group with lower financing cost.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Increase Agreement and the Equity Interest Transfer Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER OF ADVICE FROM LEGO

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#### 4. Use of proceeds

As set out in the Letter from the Board, the proceeds from the Capital Increase would be fully applied as follow: (i) repayment of bank debts incurred by the Group; and (ii) some other financial debts where appropriate. The proceeds from the Capital Increase shall not be used for any other purposes without the written consent of ICBC Investment.

We noted from the 2020 Annual Report that the bank and other borrowings of the Group amounted to approximately RMB17,589 million as at 31 December 2020, of which approximately RMB12,284 million will fall due within one year, while the cash and cash equivalents was only amounted to approximately RMB1,577 million as at 31 December 2020. In view of the latest financial position of the Group as at 31 December 2020, we are of the view that having part of the proceeds from Capital Increase allocated to meet the Group's financial needs for the repayment of the Group's bank and other borrowings will enhance the Group's overall liquidity and will give the Group greater flexibility in utilising its financial resources to meet its operation needs.

In light of the historical financial performance and results of operations of the Target Company as discussed above and having taken into account that the proceeds from the Capital Increase will improve the Group's overall liquidity and capital resources and improve its gearing position, and would enable the Group to better utilise its resources for the further development of the Group's business and to enhance the interests of the Company and Shareholders as a whole, and the Equity Interest Transfer Agreement is one of the Conditions Precedent of the Capital Increase, we concur with the Directors that, the reasons for the transaction contemplated under the Equity Interest Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### 5. Information of ICBC Investment, UP Shenzhen, New Light and BEH

ICBC Investment is a company established in the PRC with limited liability and is principally engaged in the marketisation and legalisation of debt-to-equity and relevant supporting services as well as fundraising from qualified social investors to support the marketisation of debt-to-equity, issuance of financial bonds and financial advisory and consulting services related to debt-to-equity business, etc. ICBC Investment is wholly owned by Industrial and Commercial Bank of China Limited\* (中國工商銀行股份有限公司), a joint stock limited company incorporated in the PRC, the H shares and offshore preference shares of which are listed on the Stock Exchange (H Shares Stock Code: 1398, EUR Preference Shares Stock Code: 4604 and USD Preference Shares Stock Code: 4620), and the A shares and domestic preference shares of which are listed on the Shanghai Stock Exchange (A Shares Stock Code: 601398 and Domestic Preference Shares Stock Codes: 360011, 360036), respectively. As stated in the Letter from the Board, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of ICBC Investment and its ultimate beneficial owner is an independent third party of the Company and its connected persons.

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UP Shenzhen is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. UP Shenzhen is principally engaged in the development and operation of clean energy such as solar energy.

New Light is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. New Light is principally engaged in investment and development of renewable energy projects.

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

### **6. Principal terms of the Equity Interest Transfer Agreement**

Reference is made to the announcement of the Company dated 7 May 2021, pursuant to which, the parties agreed to change the contract party to the Previous Agreement from the Investors to ICBC Investment. For this purpose, ICBC Investment, BEH, UP Shenzhen, New Light and the Target Company entered into the Equity Interest Transfer Agreement.

Principal terms of the Equity Interest Transfer Agreement are summarised as below.

Date: 7 May 2021 (after trading hours)

Parties: (1) ICBC Investment;  
(2) BEH;  
(3) UP Shenzhen;  
(4) New Light; and  
(5) Target Company.

Subject Matter: whole or partial equity interest in the Target Company held by ICBC Investment under the Capital Increase Agreement

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### *Specific Circumstances*

Upon the written request from ICBC Investment, BEH may agree to or designate its nominee to purchase the whole or partial equity interests in the Target Company held by the ICBC Investment when any of the Specific Circumstances set out below occurs:

1. after thirty-six (36) months since the ICBC Investment's first actual capital contribution, ICBC Investment still holds certain equity interests in the Target Company and the parties have not yet reached an agreement on the extension of the term of investment under the Capital Increase Agreement;
2. the annual net profit attributable to the shareholders of the Target Company is lower than RMB270,000,000 unless otherwise agreed by the parties during the grace period that may be provided by ICBC Investment;
3. the annualised rate of return for of the actual distributed profit of the Target Company is less than 5.98% in any year during the period ICBC Investment holding of the equity interest in the Target Company and the Target Company fails to solve this issue within the period required by ICBC Investment;
4. the proceeds from the Capital Increase have not been used for the agreed purposes, which the Target Company fails to resolve within twenty (20) business days or within the period required by ICBC Investment;
5. any of the Target Company, BEH together with its subsidiaries, UP Shenzhen and New Light fails to comply with the transaction documents relating to the Capital Increase, including Capital Increase Agreement and the Equity Interest Transfer Agreement, which is not resolved within the period required by ICBC Investment;
6. any of the Target Company, UP Shenzhen, New Light or the Company is put into the liquidation (including but not limited to proceedings of liquidation and revocation);
7. the change of ultimate controller of the Target Company (i.e. BEH), including but not limited to the circumstance where the Target Company will no longer be consolidated into the financial statements of BEH;
8. during the period when ICBC Investment holds equity interest in the Target Company, the annual debt asset ratio under the consolidated balance sheet of the Target Company at the end of any year is higher than 66% (66% is not included); and

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9. the occurrence of force majeure which make the performance of the Equity Interest Transfer Agreement and related documents become unrealistic.

### ***Calculation and Payment of the Transfer Amount***

The consideration of the transfer of equity interest under the Equity Interest Transfer Agreement shall be the actual amount of capital contribution by ICBC Investment under the Capital Increase Agreement plus unrealised gain (the “**Transfer Amount**”).

According to the Capital Increase Agreement, the amount of Capital Increase under the Capital Increase Agreement was determined based on arm’s length negotiations between the parties with reference to, among others, the valuation of the Target Company of approximately RMB6,677,730,800 based on the valuation report prepared by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司, an independent valuer appointed by the Company (the “**Independent Valuer**”) by using the market approach as at 31 August 2020 (the “**Valuation Report**”) and the net asset value of the Target Company within one month prior to the completion of the transaction under the transactions under the Capital Increase Agreement.

### **7. Valuation of the Target Group**

We have conducted an interview with the Independent Valuer regarding its experience in business valuation in the PRC, and its independence. Based on our interview with the Independent Valuer, we understand that the Independent Valuer is an established independent valuer with a large number of completed assignments acting for listed companies. We also understand that the valuer-in-charge of the Independent Valuer’s valuation team has over 10 years’ post-qualification experience in business valuation in the PRC and the relevant valuation team member has valuation experience of over 5 years.

We have also reviewed the terms of engagement letter of the Independent Valuer and noted that the purpose of which is to prepare a business valuation report and provide the Company with the opinion of the value of the equity interest of the Target Company. The engagement letter also contains standard valuation scopes that are typical of a business valuation carried out by Independent Valuer. There is no limitation of the scope of work which might have an adverse impact on the degree of assurance given by the Independent Valuer in the Valuation Report. We also understand from the Independent Valuer that it has carried out on-site inspections and made relevant enquiries and obtained further information for the purpose of the valuation for the value of the equity interests of the Target Company (the “**Valuation**”) and no irregularities were noted during the course of the Valuation.

Based on the above, we are satisfied that the responsible person of the Independent Valuer for the Valuation Report has relevant qualification as well as sufficient experience in performing the Valuation, and that the engagement is under normal commercial terms and the scope of the Independent Valuer’s work is appropriate in conducting the Valuation.

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### *Valuation methodologies*

As advised by the Independent Valuer, in the process of assessing the value of the Target Company, we are advised by the Independent Valuer that they have considered three generally accepted valuation approaches, namely the market approach, the income approach and the asset-based approach. In determining the value of the Target Company, the Independent Valuer considered that the market approach is the most appropriate one. In particular, the asset-based approach was not adopted since the Independent Valuer is of the view that this valuation approach only represents the sole value of the asset, but not the consolidated and reasonable profitability of the assets portfolio. Furthermore, the income approach is also not considered appropriate, given this method involves more assumptions and estimates while not all of the assumptions and estimates can be easily quantified or reliably measured and there is no sufficient information to allow detailed planning for reliable cashflow projection. As a result, the market approach is adopted.

In arriving at its opinion of values, the Independent Valuer has adopted the market approach, which the Independent Valuer adopted guideline public company method that is to utilise information on publicly-traded comparable companies that are in the same or similar business to the subject company to arrive at an indication of value. As advised by the Independent Valuer, the enterprise value to EBIT multiple (the “**EV/EBIT Ratio**”) is adopted since it is the most preferable valuation multiple for valuing equity interests of the Target Company due to (i) excludes the effects from income tax and capital structure on valuation; and (ii) an analysis of regression shows that EBIT has the best performance in terms of the connection, goodness of fit, goodness of fit for sample, and standard error between four independent variables and two dependent variables(i.e. total capitalization and EV after monetary capital)

In view of (i) EV/EBIT is a widely used ratio under the market approach; (ii) it removes any tax effect on earnings as well as non-cash items in earnings; and (iii) our discussion with the Independent Valuer, we concur with the Independent Valuer that market approach is more appropriate to assess the value of the equity interests of the Target Company.

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We have discussed with the Independent Valuer regarding their search criteria, and understood that the Independent Valuer has considered publicly-traded comparable companies listed in the PRC which are (i) principally operating new energy power plants on the Shanghai Stock Exchange and the Shenzhen Stock Exchange; (ii) excluding companies that have types of major products significant different from new energy wind power and solar power business, units with B shares, units with abnormal operation (\*ST) and companies with unusual share price fluctuations before the Base Date; and (iii) exclude outlier which EV/EBIT significantly deviated from the average. As set out in the Appendix II to the Supplemental Circular, EV/EBIT Ratio of five comparable companies (the “Comparable Companies”) were obtained from WIND, and the average EV/EBIT Ratio of the Comparable Companies of approximately 22.24 times was adopted for the purpose of valuation of the equity interest of the Target Company. The Independent Valuer considered that the five Comparable Companies represent an exhaustive list of companies which fulfil the selection criteria as described above, and are relevant for the purpose of the Valuation based on its best knowledge and information available, and that WIND is a database widely used in the industry for collection of financial information. We have reviewed the scope of business; and the net book value of the Comparable Companies and noted that they are consistent with the selection criteria as described above.

After considering the reasons for the Independent Valuer’s decision of adopting the market approach and its selection criteria of the Comparable Companies for valuing the equity interests of the Target Company, we are of the view that the valuation methodologies used are reasonable and acceptable in establishing the value of the equity interests of the Target Company.

### ***Valuation bases and assumptions***

We noted that the Independent Valuer has made various assumptions for the Valuation, including (a) the management and business operation of the Target Company continue to operate orderly for the foreseeable future; and (b) there will be no material changes in the existing government policies or political, legal, fiscal, market or economic conditions in PRC which may adversely affect the Target Company’s business or operation. Details of the assumptions made by the Independent Valuer for the Valuation are set out in the Appendix II to the Supplemental Circular. We have discussed with the Company and the Independent Valuer and reviewed on the key assumptions made and nothing has come to our attention that would lead us to doubt the fairness and reasonableness of the principal bases and assumptions adopted in the Valuation Report.

After taken into account the above, we consider that the bases and assumptions adopted by the Independent Valuer for the valuation bases and assumptions as discussed above are reasonable and in line with market practice.

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We understood that the actual amount of capital contribution by ICBC Investment under the Capital Increase Agreement, which was determined based on arm's length negotiations between the parties, plus any unrealised gain (i.e. the Transfer Amount) would be the amount that BEH or its designated nominee shall pay upon any of the Specific Circumstances occurs. On this basis, the Transfer Amount was similar to a back-to-back basis amount of the Consideration under the Capital Increase Agreement.

For the purpose of our analysis, we have, to our best knowledge and so far as we are aware, identified an exhaustive list of four comparable companies (the “**Comparable Companies**”) based on the selection criteria that (i) they are companies listed on the Stock Exchange; and (ii) they are principally engaged in operation of solar power plant business in the PRC. In view of the industry nature, which rely on heavy investment in solar power plant and as a result heavy in nature, we considered P/B ratio is a more appropriate peer analysis than P/E ratio. Shareholders should note that the business model, operations and prospects of the Target Group may not be the same as, or even substantially vary from, those of the Comparable Companies, and we have not conducted any detailed investigation into the respective business model and operations of the Comparable Companies.

The table below sets out the P/B Ratios of each of the Comparable Companies:

Stock code	Company name	Principal business	Market	Net asset value	P/B Ratio
			capitalisation (Note 1) HK\$ (million)	(Note 2) HK\$ (million)	(Note 3) times
451	GCL New Energy Holdings Ltd		7,248	11,964	0.61
1250	Beijing Enterprises Clean Energy Group Ltd		7,115	11,006	0.65
686	The Company		6,168	4,369	1.41
295	Kong Sun Holdings Ltd		1,736	6,592	0.26
				<b>Maximum</b>	<b>1.41</b>
				<b>Minimum</b>	<b>0.26</b>
				<b>Average</b>	<b>0.73</b>
				<b>The transaction contemplate under Equity Interest Transfer Agreement</b>	<b>1.06</b> (Note 5)

Source: website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk))

Notes:

- (1) The market capitalisation of the Comparable Companies is calculated based on their respective closing price times their respective issued shares as at the date of the Equity Interest Transfer Agreement.



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- (2) The net assets value attributable to shareholders of the Comparable Companies are extracted from the respective latest annual reports of the Comparable Companies as at the date of the Equity Interest Transfer Agreement.
- (3) The P/B Ratios of the Comparable Companies are calculated by dividing their respective market capitalisation as at the Equity Interest Transfer Agreement by their respective net assets value attributable to shareholders.
- (4) For the purpose of this table, conversion of RMB into HK\$ in relation to the respective financial figures of the Comparable Companies and the Target Group denominated in RMB (if applicable and if any) is calculated at the approximate exchange rate of HK\$1 to RMB1.2. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.
- (5) Calculated based on the Transfer Amount of RMB3 billion, assuming no unrealized gain divided by 29.43% of the unaudited net asset value of the Target Company as at 31 December 2020 of approximately RMB6,577 million plus the Transfer Amount of RMB3 billion.

With reference to the table set out above, the P/B ratios of the Comparable Companies ranged from a minimum of approximately 0.26 times to a maximum of approximately 1.41 times with an average P/B ratio of 0.73 times. The implied P/B Ratio in respect of the transaction contemplated under the Equity Interest Transfer Agreement (the “**Implied P/B Ratio**”) of approximately 1.06 times (or 1.55 times if only considered unaudited net asset value of the Target Company as at 31 December 2020) is, therefore, within the range and higher than the average of the P/B Ratios of the Comparable Companies.

We also noted that (i) the valuation report was dated 31 August 2020, as such, apart from making reference to the valuation report, we placed more weight on the market comparable analysis as at the date of the Equity Interest Transfer Agreement which form a significant part of the basis of our opinion; (ii) the Implied P/B Ratio of approximately 1.06 times (or 1.55 times if only considered unaudited net asset value of the Target Company as at 31 December 2020) is, therefore, within the range or higher than the average of the P/B Ratios of the Comparable Companies, which suggested that as at the date of the Equity Interest Transfer Agreement, the Transfer Amount implied a higher valuation or at least comparable valuation as compared to other peers in the industry; and (iii) as advised by the Company, there has been no material change in the industry and the operating and financial condition of the Target Company and together with other discussion as stated in this letter, we concurred with the Directors view that the view that the major terms of the Equity Interest Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

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Based on the above, we are of the view that should BEH or its designated nominee select to execute the transaction contemplated under the Equity Interest Transfer Agreement upon any of the Specific Circumstances occurs, the transaction contemplated under the Equity Interest Transfer Agreement is valued at a higher valuation than the average of the Comparable Companies as at the day of announcement, and therefore, in the interest of the Company and Shareholders as a whole.

We have also reviewed other terms of the Equity Interest Transfer Agreement and noted that the clauses of the Equity Interest Transfer Agreement are on normal commercial terms. In light of the above, particularly (i) the Transfer Amount was similar to a back-to-back basis amount of the Consideration under the Capital Increase Agreement; and (ii) the Implied P/B Ratio is within the range and higher than the average of the P/B Ratio of the Comparable Companies, we are of the view that the major terms of the Equity Interest Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

### **8. Possible financial effects**

#### ***Net asset value and earnings***

As the Transfer Amount will be transferred from BEH or its designated nominee to ICBC Investment, there will be no change in the Group's net asset value and earnings.

#### ***Liquidity and working capital***

As the Transfer Amount will be transferred from BEH or its designated nominee to ICBC Investment, there will be no change in the Group's liquidity and working capital.

The Directors, after taking into account of the Group's internal resources and present available banking facilities, have confirmed that the Group will have sufficient working capital for its present requirements for at least the next 12 months from the Latest Practicable Date in the absence of any unforeseen circumstances.

### **OPINION AND RECOMMENDATION**

Having taken into consideration the principal factors and reasons as described above, in particular:

- (i) the Transfer Amount was similar to a back-to-back basis amount of the Consideration under the Capital Increase Agreement;
- (ii) the Deemed Disposal is valued at a higher valuation than the Comparable Companies as at the date of the Equity Interest Transfer Agreement;

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- (iii) the Equity Interest Transfer Agreement is one of the Conditions Precedent to the Capital Increase, which would enable the Target Company to raise funds to repay its debts and would reduce the reliance of the Target Company on the financial support from the Group; and
- (iv) there is no impact on the Group's financial upon the execution of the transaction contemplated under the Equity Interest Transfer Agreement,

we are of the opinion that, although the Equity Interest Transfer Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Equity Interest Transfer Agreement are on normal commercial terms or better, fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the AGM to approve the Equity Interest Transfer Agreement and the transaction contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Gary Mui**  
*Chief Executive Officer*

*Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the investment banking and securities industry.*

## 1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for each of the three years ended 31 December 2018, 2019 and 2020 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>).

- (i) Annual report of the Company for the year ended 31 December 2018 (pages 82-174), which can be accessed via the link at:  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltm201904291010.pdf>
- (ii) 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>
- (iii) 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>

## 2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

### Indebtedness

As at the close of business on 30 April 2021, 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 Company had the following indebtedness:

	<b>The Group</b>	<b>The Target</b>	<b>Total</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Bank borrowings			
Secured and with guarantee	8,295	–	8,295
Secured and without guarantee	638	–	638
Unsecured and with guarantee	4,346	–	4,346
Unsecured and without guarantee	2,000	–	2,000

	<b>The Group</b>	<b>The Target</b>	<b>Total</b>
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Loans from financial institutions			
Secured and with guarantee	6,146	–	6,146
Secured and without guarantee	280	–	280
Unsecured and with guarantee	252	–	252
Senior notes			
Unsecured and with guarantee	<u>562</u>	<u>–</u>	<u>562</u>
	<u>22,519</u>	<u>–</u>	<u>22,519</u>

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding, and authorised 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 2021, 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 Group since 30 April 2021 up to and including the Latest Practicable Date.

### 3. SUFFICIENCY OF WORKING CAPITAL

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

**4. MATERIAL CHANGES**

As at the Latest Practicable Date, there had not been any material change in the financial or operation position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

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

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

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

As at 31 December 2020, the Group had 61 grid-connected power plants with an aggregate installed capacity of approximately 2,070 MW in the PRC. According to the Company's annual report, the 61 power plants generated electricity in an aggregate volume of approximately 2,795,834 megawatt hours ("MWh") during the year 2020.

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 an English translation of the summary of the valuation report as at 31 August 2020 in respect of the Target Company, which is prepared by China United Assets Appraisal Group Co., Ltd.\* (中聯資產評估集團有限公司) for the purpose of inclusion in this supplemental circular. Such report is prepared in Chinese and this English translation is provided for your reference only. In the event of any inconsistency between the Chinese and English versions, the Chinese version shall prevail.*

*China United Assets Appraisal Group Co., Ltd.\* (中聯資產評估集團有限公司) holds the domestic assets appraisal qualification jointly granted by the China Securities Regulatory Commission and the Ministry of Finance of the PRC.*

**The Valuation Project in relation to the Entire Shareholders' Equity Interest  
Involved in the Proposed Introduction of New Investors by  
United Photovoltaics (Changzhou) Investment Group Co., Ltd.\*  
(聯合光伏(常州)投資集團有限公司)**

**Summary of the Valuation Report  
Zhong Lian Ping Bao Zi [2021] No. 1139**

**I. EXECUTIVE SUMMARY**

China United Assets Appraisal Group Co., Ltd.\* (中聯資產評估集團有限公司) has been engaged by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) to conduct a valuation on the market value as at the Valuation Base Date of the entire shareholders' equity interest in United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) involved in the economic activities of the proposed introduction of new investors by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司).

The target of the Valuation is the entire shareholders' equity interest in United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司).

The scope of the Valuation covers the total assets and related liabilities of United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司).

The Valuation Base Date is 31 August 2020.

The type of value for the Valuation is determined as the market value.

The Valuation was conducted on the premise of continued use and open market. Taking into account the actual conditions of the valuation target and comprehensively considering various factors, we conducted a valuation by adopting the income approach and the market approach, with the valuation conclusions derived from the market approach as the final valuation conclusion.

Based on the judgement of the equity interest holders and the management of the enterprise on the future development trend and the business plans, and upon conducting the valuation procedures, such as examination and verification, site inspection, market survey and confirmation, and determination of valuation, the valuation conclusion for the entire shareholders' equity interest in United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) as at the Valuation Base Date, i.e. 31 August 2020, was arrived at as follows:

The value of the entire shareholders' equity interest in United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) was RMB6,677.7308 million, representing an increase of RMB1,892.7141 million or 39.56% over the carrying value of the entire shareholders' equity interest (net assets) of RMB4,785.0167 million as at the Valuation Base Date, and an increase of RMB313.1996 million or 4.92% over the carrying value of the consolidated equity interest attributable to owners of the parent company of RMB6,364.5311 million as at the Valuation Base Date.

For the application of the valuation conclusions, the users of this report are specially reminded to pay attention to the special issues and subsequent events of material importance as specified in this report.

According to the laws and regulations related to asset valuation, asset valuation reports involving valuation of business for legal compliance shall only be used upon the client has performed the supervisory and administrative procedures regarding asset valuation as required by law and regulations. The valuation conclusions are effective from 31 August 2020 to 30 August 2021 for a term of one year.

## **II. VALUATION PURPOSE**

United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) proposed to introduce new investors.

The valuation purpose is to reflect the market value of entire shareholders' equity interest in United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) as at the Valuation Base Date in order to provide a value reference for the above economic behaviour.



### III. VALUATION SUBJECT AND VALUATION SCOPE

#### (I) Valuation Subject and Valuation Scope

The valuation subject is the entire shareholders' equity of United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) and the valuation scope covers total assets and related liabilities of United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) as at the Valuation Base Date. The consolidated total assets of the valued unit was RMB20,541.9355 million and its total liabilities was RMB14,046.8003 million; the interest attributable to the owners of the parent company was RMB6,364.5311 million; the operating revenue was RMB1,143.7711 million and the net profit attributable to the owners of the parent company was RMB281.6323 million. The total assets of the parent company was RMB12,747.0781 million and its total liabilities was RMB7,962.0614 million; the total net assets was RMB4,785.0167 million; the operating revenue was RMB0.8491 million and the net profit was RMB-109.4239 million.

The above figures of assets and liabilities are extracted from the balance sheet audited by Grant Thornton (Special General Partnership) and the Valuation is conducted in accordance with the audited results of the enterprise.

The subject and scope of the Valuation are in line with those involved in the economic behaviour.

The major assets covered under the Valuation include cash and cash equivalents, debt receivables and fixed assets.

#### (II) Overview of Physical Assets Covered under the Valuation

The carrying value of physical assets comprised of inventories, construction in progress and fixed assets covered under the Valuation was RMB10,515.8441 million, representing 51.19% of the consolidated total assets.

Fixed assets are comprised of buildings and construction, machinery and equipment, transportation equipment, office equipment and other equipment. Buildings and construction are in good condition with low vacancy rate and equipment assets are basically in good condition and operate normally.

#### (III) Intangible Assets Recorded in or off the Book of the Enterprise

As of 31 August 2020, the Valuation Base Date, the intangible assets reported by the enterprise for valuation mainly are land use right, which are categorised as transfer and have been obtained state-owned land-use right certificate with licensed holder being the valued unit and its subsidiaries.

**(IV) Type and Quantity of Off-Balance Sheet Assets Reported by the Enterprise**

As of 31 August 2020, the Valuation Base Date, there are no off-balance sheet assets reported by the enterprise within the valuation scope.

**(V) Type, Quantity and Carrying Amount (or Assessed Value) Involved in the Reference to the Conclusion of Reports Issued by Other Institutions**

The carrying value of assets and liabilities as at the Valuation Base Date in the Valuation Report is the audited results of the Audit Report of United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) issued by Grant Thornton (Special General Partnership). Other than that, there is no reference from other institutions' reports.

**IV. TYPE OF VALUE**

Based on the purpose of the Valuation, the type of value of the Valuation is determined to be market value.

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

**V. VALUATION BASE DATE**

The Base Date for the asset valuation of this project is 31 August 2020.

This Base Date is determined by the client taking into consideration the amount of assets, workload, estimated time required, compliance and other factors of the valued unit.

**VI. BASIS OF VALUATION**

The basis of valuation followed in this asset valuation mainly includes the basis of economic behavior, laws and regulations, valuation standards and asset ownership, the basis for pricing adopted during valuation and calculation and other references, with details as follows:

**(I) Basis of Laws and Regulations**

1. Company Law of the People's Republic of China (Fourth amendment by the Standing Committee of the National People's Congress on 16 October 2018);

2. Asset Appraisal Law of the People's Republic of China (adopted at the 21st Session of the Standing Committee of 12th National People's Congress of the PRC on 2 July 2016 and became effective from 1 December 2016);
3. Property Law of the People's Republic of China (Order No. 62 of the President of the PRC, which became effective from 1 October 2007);
4. The Enterprise Income Tax Law of the People's Republic of China (adopted at the 5th Session of the 10th National People's Congress of the PRC on 16 March 2007);
5. Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China (adopted at the 197th Executive Meeting of the State Council on 28 November 2007);
6. The Interim Regulation on the Value Added Tax of the People's Republic of China (Order No. 538 of the State Council of the PRC);
7. Measures for the Administration of State-owned Asset Valuation (Order No. 91 of the State Council, 1991);
8. Measures for Financial Supervision and Administration of the Asset Valuation Sector (Order No. 86 of the Ministry of Finance of the PRC);
9. Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (Order No. 32 of the SASAC and the Ministry of Finance);
10. Interim Measures for the Administration of Assessment on State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council, 25 August 2005);
11. Notice on Issues Relating to Strengthening the Management of the Valuation on State-owned Assets of Enterprises (SASAC Chan Quan [2006] No. 274);
12. Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, 2003);
13. Notice on Matters regarding Review of Asset Valuation Reports for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941 of the SASAC);
14. Other laws, regulations and rules relating to the evaluation.

**(II) Basis of Valuation Standards**

1. Basic Standards on Asset Valuation Standards (Cai Qi (2017) No. 43);
2. Code of Professional Ethics for Asset Valuation (CAS [2017] No. 30);
3. Code of Practice on Asset Valuation – Asset Valuation Methods (CAS [2019] No. 35);
4. Code of Practice on Asset Valuation – Machinery and Equipment (CAS [2017] No. 39);
5. Guide to the Valuation Report on State-owned Assets of Enterprises (CAS [2017] No. 42);
6. Quality Control Guidance on the Business of Asset Valuation Agency (CAS [2017] No. 46);
7. Guidance on Types of Asset Valuation (CAS [2017] No. 47);
8. Guidance on the Legal Ownership of Asset Valuation Subjects (CAS [2017] No. 48);
9. Code of Practice on Asset Valuation – Asset Valuation Engagement Contracts (CAS [2017] No. 33);
10. Code of Practice on Asset Valuation – Asset Valuation Reports (CAS [2018] No. 35);
11. Code of Practice on Asset Valuation – Asset Valuation Procedures (CAS [2018] No. 36);
12. Code of Practice on Asset Valuation – Asset Valuation Files (CAS [2018] No. 37).

**(III) Basis of Asset Ownership**

1. Purchase contracts or vouchers for major assets;
2. Other references.

**(IV) Basis for Pricing**

1. 2020 Price Inquiry System for Mechanical and Electrical Products (Machinery Industry Information Research Institute);
2. Notice on Several Issues concerning the Value-added Tax Reform (No. 170 [2008] of the Ministry of Finance);
3. Notice of the Ministry of Finance and the State Administration of Taxation 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);
4. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (No. 32 [2018] of the Ministry of Finance);
5. Announcement on Relevant Policies for Deepening Value-added Tax Reform (Announcement No. 39 by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs in 2019);
6. The loan prime rate published by the National Interbank Funding Center authorized by the People's Bank of China on 20 August 2020;
7. Data from Price Information Database of China United Assets Appraisal Group Co., Ltd.;
8. Other references.

**(V) Other References**

1. Common Methods and Parameters for Assets Valuation (China Machine Press, 2011 edition);
2. Wind Financial Terminal;
3. The audit report of United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司)(Zhi Tong Zhuan Shen Zi (2020)).
4. Accounting Standards for Enterprises – Basic Standards (Order No. 33 of the Ministry of Finance);
5. Accounting Standards for Enterprises – Application Guidelines (Cai Kuai No. 18 [2006]).
6. Other references.

**VII. VALUATION APPROACH****(I) Selection of Valuation Approach**

In accordance with the provisions of asset appraisal standard, enterprise value appraisal may be conducted using three approaches, namely the income approach, market approach and assets-based approach. The income approach is to quantify and discount the expected profitability of overall assets of an enterprise, emphasizing the overall expected profitability of an enterprise. The market approach assesses the current fair market value of the valued subject with reference to similar ones in the market. The characteristic of this approach is that the valuation data is derived directly from the market and thus the valuation results are convincing. The asset-based approach refers to the practice of determining the value of the valued unit based on the reasonable valuation of each of the assets and liabilities of the enterprise.

The purpose of the Valuation is to reflect the market value of the ownership interests held by United Photovoltaics (Changzhou) Investment Group Co., Ltd. as at the Valuation Base Date, so as to provide value reference for the economic behavior of capital increase by new investors proposed by the client. Considering that the asset-based approach assesses the market value of enterprise in perspective of assets replacement, which could only represent the sole value of the asset, but not the consolidated and reasonable profitability of the assets portfolio thereof, thus the asset-based approach was not adopted in the Valuation. The income approach and the market approach were adopted in the value appraisal of United Photovoltaics (Changzhou) Investment Group Co., Ltd. under the assumptions made therefor and according to the purpose of the Valuation. The appraiser will choose one of the results as the reference for the total equity value of United Photovoltaics (Changzhou) Investment Group Co., Ltd. in view of the features of this project.

**(II) Income Approach****1. Introduction**

In accordance with the relevant provisions of competent state authorities and the Code of Practice on Asset Valuation – Enterprise Value as well as the international and domestic appraisal practices for similar transactions, the appraisal value of the valued unit's equity capital is determined by referring to the income sources and adopting discounted cash flow method (DCF) in the Valuation.

The income approach refers to the valuation approach that determines the value of a valued unit by capitalizing or discounting its expected earnings. It generally determines the appraisal value by estimating the future expected net cash flow to be generated by enterprise and then discounting it to present value using appropriate discount rate. The income approach can be adopted conditionally on the basis that the enterprise can operate on an ongoing basis, and there is relatively stable correspondence between the business and revenue, and the future revenue and risks can be predicted and quantified. The hardest part in DCF is to predict the future expected cash flow and to achieve objectivity and reliability in collecting and analyzing the data. The valuation result would be arrived at with satisfied objectivity if the future expected cash flow is predicted objectively and fairly and the discounting rate is chosen appropriately.

## **2. Principles of valuation**

In accordance with this due diligence as well as the assets structure and main business features of the valued unit, the Valuation is to estimate the value of equity capital of the valued unit on a consolidation basis. The basic principles of the Valuation were as follows:

- (1) In respect of the assets and main businesses included in the scope of the consolidated financial statements, the expected income (net cash flow) was estimated based on the trend of operating conditions around the Base Date and the types of businesses, and discounted to obtain the value of the operating assets;
- (2) In respect of certain assets and liabilities (other than listed companies) which were included in the scope of the consolidated financial statements but not taken into account in the calculation of expected income (net cash flow), such as monetary capital, dividends receivable and payable and other current assets (liabilities), ageing or idle equipment and property as well as construction in process (excluding income) and other non-current assets (liabilities) existed as at the Base Date, were defined as surplus or non-operating assets (liabilities) existed as at the Base Date, and their values were valued separately;
- (3) In respect of the unconsolidated subsidiaries and proposed disposal subjects included in the scope of the consolidated financial statements, their values of long term equity investment were valued separately;
- (4) The enterprise value of the valued unit was arrived at by adding the value of each of the assets and liabilities as mentioned above, and the value of the entire shareholders' equity of the valued unit was arrived at by deducting the value of interest-bearing debts;

- (5) The appraised value of the minority equity was determined by multiplying the value of the entire shareholders' equity of the valued unit by the percentage of the minority equity;
- (6) The value of the entire shareholders' equity attributable to the parent company was calculated by deducting the value of the minority equity from the value of the entire shareholders' equity.

### 3. Valuation model

#### (1) Basic model

The basic model for the Valuation is set out as below:

$$E = B - D - M \quad (1)$$

Where:

E: The equity value of the valued unit attributable to owners of the parent company;

B: Enterprise value of the valued unit;

$$B = P + C + I \quad (2)$$

P: Value of the operating assets of the valued unit;

$$P = \sum_{i=1}^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n} \quad (3)$$

Where:

R<sub>i</sub>: Expected income of the valued unit in year i in the future (free cash flow);

r: Discount rate;

n: Future operating term of the valued unit;

C: Value of surplus or non-operational assets (liabilities) of the valued unit as at the Base Date;

$$C = C_1 + C_2 \quad (4)$$



C<sub>1</sub>: Value of current surplus or non-operating assets (liabilities) of valued unit existing on the Base Date;

C<sub>2</sub>: Value of non-current surplus or non-operating assets (liabilities) of valued unit existing on the Base Date;

D: Value of the interest-bearing debts of the valued unit;

I: Value of long-term equity investment of the valued unit;

M: Value of the equity of the minority shareholder of the valued unit;

(2) *Income indicators*

In the Valuation, we used the free cash flow of an enterprise as the income indicator of the investment assets of the valued unit, which is defined as:

$$R = \text{Earnings before interest after tax} + \text{depreciation and amortization} \\ - \text{additional capital} + \text{asset recovery} \quad (5)$$

Where:

$$\text{Additional capita} = \text{Investment in assets renewal} + \\ \text{incremental working capital} + \text{capital expenditures} \quad (6)$$

The expected future free cash flow of an enterprise is calculated according to its operating history and future market development, assuming that it would continue to operate as a going concern in the forecast period. The value of the operating assets of the enterprise was calculated by discounting and adding the free cash flow which would be generated in the future operating period.

(3) *Discount rate*

In the Valuation, weighted average cost of capital asset (WACC) model was used to determine the discount rate  $r$

$$r = r_d \times w_d + r_e \times w_e \quad (7)$$

Where:

$W_d$ : Long-term debt ratio for the industry target;

$$W_d = \frac{D}{(E + D)} \quad (8)$$

$W_e$ : Equity capital ratio for the industry target;

$$W_d = \frac{E}{(E + D)} \quad (9)$$

$r_d$ : Interest rate of interest-bearing debts after income tax;

$r_e$ : Cost of equity capital. In the Valuation, the cost of equity capital  $r_e$  was determined as per capital asset pricing model (CAPM);

$$r_e = r_f + \beta_u \times (r_m - r_f) + \varepsilon \quad (10)$$

Where:

$r_f$ : Risk-free return rate;

$r_m$ : Expected market yield;

$\varepsilon$ : Characteristic risk adjustment factor of the valuation subject;

$\beta_e$ : Expected market risk factor of the equity capital of the valuation subject;

$$\beta_e = \beta_u \times (1 + (1 - t) \times \frac{D}{E}) \quad (11)$$

$\beta_u$ : Expected unleveraged market risk factor for comparable companies;

$$\beta_u = \frac{\beta_i}{1 + (1 - t) \frac{D_i}{E_i}} \quad (12)$$

$\beta_i$ : Expected average market risk factor for the stocks (assets) of comparable companies;

$$\beta_i = 34\%K + 66\%\beta_x \quad (13)$$

Where:

$K$ : Average stock market risk factor in a certain period; generally, it is assumed that  $K = 1$ ;

$\beta_x$ : Historical average market risk factor for the stocks (assets) of comparable companies;

$D_i, E_i$ : Interest-bearing debt and equity capital of comparable companies, respectively.

**(III) Market Approach**

According to the definition of market approach in the Practice Guidelines for Asset Valuation – Enterprise Value, market approach refers to a specific method to value the valuation subject on the basis of comparative analysis against the valued unit by obtaining and analyzing the operational and financial data of comparable listed companies to calculate the value ratios. The two commonly used methods under the market approach are listed company comparison method and transaction case comparison method. The following two basic prerequisites shall be met to use the market approach to value an enterprise:

There must be an active and open market in which the transaction prices essentially reflect the market conditions of both buyers and sellers, so that the fortuity of individual transactions can be excluded. After years of development, the stock market in the PRC has gradually become standardized, and the quality of listed companies has gradually improved. Although the stock market is still not fully developed, the market has become a barometer of the national economic development as the total market value of stocks exceeds the GDP, with the status of the stock market in economic life becoming more and more important and stock trading becoming more active.

There must be comparable companies and their trading activities in this open market, and trading activities should better reflect the trend of the value of the company. The comparability of companies and their trading means that the selected comparable companies and their trading activities have occurred in the recent open market and are similar to the target company to be valued and its upcoming business activities.

Transaction case comparison method refers to a specific method to value the valued unit on the basis of comparative analysis against the valued unit by obtaining and analyzing the transactions, acquisitions and merger cases of comparable companies to calculate appropriate value ratios.

Listed company comparison method refers to a specific method to value the valued unit on the basis of comparative analysis against the valued unit by obtaining and analyzing the operational and financial data of comparable listed companies to calculate appropriate value ratios. Listed company comparison method under the market approach was adopted in the Valuation.

### 1. Selection of Comparable Companies

Wind and solar power business-related enterprises in the new energy power industry are selected as the comparable companies for the Valuation.

Enterprises principally engaged in new energy power plants on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are selected as the comparable companies for the Valuation. After enquiries, there are in total 21 companies falling within the SW Industry Classification – The New Energy Power Industry. The details are as below:

No.	Stock code	Stock short name	IPO date	Type of major products
1	000040.SZ	Tunghsu Azure	1994-08-08	Semiconductor-based solar photovoltaic, road transportation, sanitation services, other logistics, commercial properties, waste heat power generation, residential properties
2	000591.SZ	Solar Energy	1996-02-08	Semiconductor-based solar photovoltaic, distribution of M&E products
3	000690.SZ	Baoxin Energy	1997-01-28	Industrial building, thermal power
4	600163.SH	Zhongmin Energy	1998-06-02	Newsprint, paper board, paper pulp
5	000862.SZ	Yin Xing Energy	1998-09-15	Semiconductor-based solar photovoltaic, electrical instrumentation, generators and ancillary equipment, wind pump machinery, wind power
6	900957.SH	Lingyun B Shares	2000-07-28	Glass, resort, land development, sale and lease, residential properties
7	000155.SZ	Chuanneng Energy	2000-09-26	Trade business, electricity sales
8	000875.SZ	Jilin Electric Power	2002-09-26	Wind power, thermal power, heat
9	002256.SZ	*ST Zhaoxin	2008-06-25	Other chemicals, cleaning products, coatings and paints
10	300125.SZ	Lingda Group	2010-10-13	Generators and ancillary equipment
11	002499.SZ	*ST Kelin	2010-11-09	Semiconductor-based solar photovoltaic
12	002610.SZ	AKCOME	2011-08-15	Aluminum alloy and products, special equipment and parts
13	002616.SZ	Chant Group	2011-09-20	Kitchen appliances, cleaning appliances, heating appliances, waste heat power generation
14	601016.SH	CECEP Wind Power	2014-09-29	Wind power
15	601985.SH	CNNP	2015-06-10	Nuclear power
16	601619.SH	Jiaze Renewables	2017-07-20	Semiconductor-based solar photovoltaic, wind power
17	603693.SH	Jiangsu New Energy	2018-07-03	Generators and ancillary equipment
18	603105.SH	Sunoren	2018-07-09	Semiconductor-based solar photovoltaic
19	003816.SZ	CGN	2019-08-26	Thermal power
20	601778.SH	Jinko Technology	2020-05-19	Semiconductor-based solar photovoltaic
21	003035.SZ	Southern Power Grid Energy	2021-01-19	Professional consultancy services

The companies that have types of major products significant different from new energy wind power and solar power business, units with B shares, units with abnormal operation (\*ST) and companies with unusual share price fluctuations before the Base Date among the above companies are excluded from the Valuation. After the exclusion, the comparable companies and their EV/EBIT as at the Base Date are as below:

Sotck code	Stock short name	EBIT	Enterprise value	EV/EBIT	Type of major products
		(Backward Pass) Reporting Period 2019 Annual Report Unit RMB0'000	(excluding monetary capital) Trading Date 2020-08-31 Unit RMB0'000		
000591.SZ	Solar Energy	191,054.37	3,315,601.98	17.4	Semiconductor-based solar photovoltaic, distribution of M&E products
000862.SZ	Yin Xing Energy	33,471.58	862,838.95	25.8	Semiconductor-based solar photovoltaic, electrical instrumentation, generators and ancillary equipment, wind pump machinery, wind power
000875.SZ	Jilin Electric Power	179,069.57	3,874,074.60	21.6	Wind power, thermal power, heat
601016.SH	CECEP Wind Power	121,670.51	2,743,795.14	22.6	Wind power
603693.SH	Jiangsu New Energy	44,495.62	1,061,542.08	23.9	Generators and ancillary equipment
000040.SZ	Tunghsu Azure	(30,475.78)	941,076.33	(30.9)	Semiconductor-based solar photovoltaic, road transportation, sanitation services, other logistics, commercial properties, waste heat power generation, residential properties
300125.SZ	Lingda Group	3,673.87	467,202.21	127.2	Generators and ancillary equipment
603105.SH	Sunoren	8,885.97	649,807.39	73.1	Semiconductor-based solar photovoltaic

Among the above companies, three unities that have EV/EBIT significantly deviated from the average are excluded, and 5 listed companies are ultimately selected as the comparable companies as set forth in the table below.

No.	Stock Code	Company short name	Type of major products
1	000591.SZ	Solar Energy	Semiconductor-based solar photovoltaic, distribution of M&E products
2	000862.SZ	Yin Xing Energy	Semiconductor-based solar photovoltaic, electrical instrumentation, generators and ancillary equipment, wind pump machinery, wind power
3	000875.SZ	Jilin Electric Power	Wind power, thermal power, heat
4	601016.SH	CECEP Wind Power	Wind power
5	603693.SH	Jiangsu New Energy	Generators and ancillary equipment

***(II) Comparison between and Analysis on the Valued Unit and the Comparable Companies***

The Valuation mainly quantify the differences between the valued unit and the comparable companies from an enterprise's profitability, operating ability, solvency, growth ability, etc. The detailed thinking behind the quantification and comparison is as below:

1. By reference to the Performance Evaluation System of Listed Companies (上市公司業績評價體系) developed by China United Assets Appraisal Group Co., Ltd., 8 financial indicators, namely, return on net assets, return on total assets, turnover of total assets, turnover of current assets, debt to asset ratio, interest coverage ratio, growth rate of operating revenue, and growth rate of operating profit, are selected as the factors for valuing the comparable companies and the valued unit. After calculation, the data of each financial indicator of the comparable companies and the valued unit is as below:

Stock Code	Company short name	Return on net assets after non-recurring gains and losses (%)		Turnover of total assets (time)	Turnover of total assets (time)	Debt to asset ratio (%)	Interest coverage ratio	Growth rate of operating revenue (%)	Rate of capital expansion (%)
		Return on total assets (%)	Return on total assets (%)	of total assets (time)	of total assets (time)	ratio (%)	ratio	rate of operating revenue (%)	Rate of capital expansion (%)
000591.SZ	Solar Energy	1.87	3.52	0.14	0.69	71.62	1.06	13.53	0.69
000862.SZ	Yin Xing Energy	7.83	6.51	0.14	0.70	53.30	4.18	10.81	7.76
000875.SZ	Jilin Electric Power	7.92	5.48	0.11	0.58	65.61	2.53	4.68	5.05
601016.SH	CECEP Wind Power	9.73	6.20	0.12	0.65	63.59	2.27	4.34	25.54
603693.SH	Jiangsu New Energy	5.80	5.61	0.18	0.57	39.32	3.75	0.79	2.91
	Average	6.63	5.46	0.14	0.64	58.69	2.76	6.83	8.39
	The valued enterprises	5.64	9.56	0.10	0.25	69.37	1.62	(0.64)	2.20

2. The financial indicators of the comparable companies and the valued unit are compared with the standard values for evaluating the performance of listed companies and their scores are calculated accordingly. During the calculation, the weight of each indicator is allocated as below:

No.	Indicator classification	Indicator name	Weight allocation
1	Indicator of profitability	Return on net assets after non-recurring gains and losses (%)	20
		Return on total assets (%)	15
2	Indicator of operating ability	Turnover of total assets (time)	10
		Turnover of current assets (time)	10
3	Indicator of solvency	Debt to asset ratio (%)	10
		Interest coverage ratio	10
4	Indicator of growth ability	Growth rate of operating revenue (%)	15
		Rate of capital expansion (%)	10

3. The scores of each financial indicator of the comparable companies and the valued unit and their total scores can be obtained after the aggregation of the scores of each indicator.

*(III) Selection of Value Ratio*

Value ratio is a “ratio multiplier” of asset value to its operating profitability indicator, asset value or other specific non-financial indicators. Common value ratios include price to sales (P/S), enterprise value to sales (EV/S), price to earnings (P/E), enterprise value to EBIT (EV/EBIT), price to book (P/B), etc.

Price to sales (P/S): It is a ratio of price per share to sales per share. The use of P/E can avoid the effect from accounting policies like depreciation and inventory. However, this indicator is inefficient in reflecting the relationship between enterprise profitability and equity value.

Enterprise value to sales (EV/S): This indicator reflects the ratio of enterprise value ( $EV = \text{Capitalization} + \text{Total assets} - \text{Total cash}$ ) to sales. It can exclude the effect from capital structure on valuation as compared to P/S.

Price to sales (P/E): It is a ratio of price per share to earnings per share, and includes static P/E and dynamic P/E. The indicator is generally calculated by recent actual earnings or earnings estimation, which is usually accurate and can be used for a wide range of reference and comparison. However, the use of P/E indicator is susceptible to capital structure and needs the exclusion of the effects from accounting policies and non-trading losses. Furthermore, P/E is unable to take into account long-term earnings, causing the evaluation on cyclical and loss-marking enterprises to become relatively difficult.

Enterprise value to EBIT (EV/EBIT): It is also known as EV/EBITDA. The indicator excludes the effects from income tax and capital structure on valuation as compared to P/E.

Price to book (P/B): It is a ratio of market price per share to net assets per share. The indicator reflects the connection between an enterprise’s historical investment size and capital accumulation between evaluation to some extent, and is more suitable for enterprise with relatively large capital size.



In order to further judge the suitability of different value ratios to power plant enterprise, the Valuation conducted an analysis of regression on comparable listed companies on the connection between two dependent variables – total capitalization and EV after monetary capital, and four independent variables – net profit, EBIT, operating income, and ownership interest, in pairs respectively. The analysis is as below:

Dependent variable	Total capitalization				Enterprise value			
	Net profit attributable to the parent company	Equity attributable to the parent company	EBIT	Operating revenue	Net profit attributable to the parent company	Equity attributable to the parent company	EBIT	Operating revenue
Multiple R	0.8773	0.8704	0.7697	0.3751	0.4759	0.7561	0.9744	0.8854
R Square	0.7696	0.7576	0.5924	0.1407	0.2265	0.5717	0.9495	0.7839
Adjusted R Square	0.6928	0.6768	0.4566	(0.1457)	(0.0313)	0.4289	0.9327	0.7118
Standard error	2,214	2,271	2,944	4,275	13,700	10,195	3,500	7,242
Observed value	5	5	5	5	5	5	5	5

From the above, it is determined that EBIT shall be adopted as a independent variable for the analysis of regression on EV, as it shows the best performance in terms of the connection, goodness of fit, goodness of fit for sample, and standard error between independent variables and dependent variables. After taking into consideration of the results of qualitative and quantitative analysis, EV/EBIT is ultimately selected as the value ratio for the Valuation.

*(IV) Calculation of Comparative and Corrective EV/EBIT*

Assuming that stocks' market values and their scores of performance valuation is positively correlated and comparison and quantification is conducted on this basis, the comparative and corrective EV/EBIT can be obtained from the comparison between the scores of the valued unites and the scores of the comparable companies as the table below shows:

Stock Code	Company short name	EV/EBIT of the comparable companies	Comparative and corrective EV/EBIT of the valued unit
000591.SZ	Solar Energy	17.35	16.10
000862.SZ	Yin Xing Energy	25.78	27.62
000875.SZ	Jilin Electric Power	21.63	20.80
601016.SH	CECEP Wind Power	22.55	19.62
603693.SH	Jiangsu New Energy	23.86	19.83
	<b>Average Valued Unit</b>	<b>22.24</b>	<b>20.79</b>

*(V) Determination of Liquidity Discount*

During the market approach-based valuation, the selected comparable companies are all listed companies and the valued unit is a non-listed company. Therefore, liquidity discount shall be netted of on top of the above observed P/E. By reference to the listed companies' IPO prices and their average prices for 30 days, 60 days, 90 days, and 120 days after listing, as well as the difference between their IPO prices and average trading prices for 120 days, the liquidity discount for the market approach-based valuation is determined as 35.57% as the table below shows:

Stock code	Stock short name	IPO price	IPO date	Average price for 30 days	Average price for 60 days	Average price for 90 days	Average price for 120 days	Discount during 30 days	Discount during 60 days	Discount during 90 days	Discount during 120 days
000040.SZ	Tungshu Azure	6	1994/8/8	9.7925	9.739	9.6811	9.5118	38.73%	38.39%	38.02%	36.92%
600163.SH	Zhongmin Energy	4.73	1998/6/2	8.8389	8.6488	8.4054	8.2661	46.49%	45.31%	43.73%	42.78%
000862.SZ	Yin Xing Energy	4.87	1998/9/15	10.3413	10.6786	10.6874	10.7823	52.91%	54.39%	54.43%	54.83%
000155.SZ	Chuanneng Energy	6.18	2000/9/26	9.1428	9.4289	9.5456	9.5744	32.41%	34.46%	35.26%	35.45%
000875.SZ	Jilin Electric Power	4.44	2002/9/26	5.8465	5.2994	5.1513	5.1145	24.06%	16.22%	13.81%	13.19%
002256.SZ	*ST Zhaoxin	12.56	2008/6/25	14.2569	13.4283	12.3116	11.1519	11.90%	6.47%	(2.02%)	(12.63%)
300125.SZ	Lingda Group	55	2010/10/13	75.8679	78.1469	77.2453	76.2215	27.51%	29.62%	28.80%	27.84%
002499.SZ	*ST Kelin	25	2010/11/9	49.6453	48.2489	46.4282	45.3798	49.64%	48.19%	46.15%	44.91%
002610.SZ	AKCOME	16	2011/8/15	25.7422	24.2875	23.0781	21.9751	37.85%	34.12%	30.67%	27.19%
	<b>Average Liquidity discount</b>							<b>35.72%</b>	<b>34.13%</b>	<b>32.09%</b>	<b>30.05%</b>

***(VI) Determination of Valuation Results***

Based on the valuation parameters obtained from the above processes, and by reference to the net EBIT, monetary capital in account, interest-bearing liabilities in account of the valued unit on the Base Date of RMB992.8160 million, RMB1,627.8062 million, and RMB12,529.6524 million, respectively, and its equity attributable to minority shareholders = equity attributable to minority shareholders ÷ ownership interest in total = 2.01%, its total equity attributable to enterprise shareholders is concluded as:

Valuation value = (Comparative and corrective EV/EBIT × EBIT of the valued unit + Monetary capital – Interest-bearing liabilities) × (1 - Liquidity discount) × (1 - Equity attributable to minority shareholders)

= RMB6,677.7308 million

***(VII) Calculation of Equity Attributable to Enterprise Shareholders***

All equity attributable to shareholders of the valued unit is calculated by multiplying the EV of the valued unit calculated by reference to the EV of the comparable companies in the same industry by the EBIT of the valued unit, and then considering other adjusting factors.

**VIII. IMPLEMENTATION PROCESS OF VALUATION PROCEDURES**

The whole valuation was carried out in four stages:

**(I) Preparation**

1. In early September 2020, the client convened the project kick-off meeting and coordination meeting with various intermediaries of the project, to reach an agreement with related parties on issues such as valuation objectives, Valuation Base Date and valuation scope, and to formulate a work plan for the this asset valuation.
2. Engagement staff collaborated with the enterprise in asset stocktaking and completion of statements for asset valuation and declaration. Engagement staff acquired details about various assets and liabilities within the valuation scope of each valued unit, made arrangement for asset valuation, assisted the enterprise with declaration of the valued assets and collected documents and information necessary for asset valuation.

**(II) On-site Valuation**

1. Listen to the general introduction made by relevant staff from the client and the valued unit to get to know the technical status of the relevant assets.
2. Verify and identify the assets declaration list provided by the enterprise, verify data in relevant financial records of the enterprise and work with the enterprise to make adjustments for discovered problems.
3. Conduct declaration and verification of assets to be valued in accordance with the assets declaration list.
4. Inspect and collect the contracts, relevant vouchers and invoices in relation to assets to be valued.
5. Determine specific valuation methods for assets to be valued with reference to their actual status and characteristics.
6. Consult the technical literatures for assets to be valued and collect their price information through market research and inquiry.
7. Examine the ownership information of assets to be valued provided by the enterprise.
8. Make preliminary valuation estimation for assets within the valuation scope after checking and verifying relevant information.

**(III) Compilation of Valuation**

In late October 2020, the preliminary results of assets to be valued were analysed and summarized for the necessary adjustment, modification and perfection of the valuation results.

**(IV) Submission of Report**

Based on the aforementioned work, the preliminary assets valuation report was drafted and opinions on the valuation results were exchanged with the client after the preliminary review. Upon an individual analysis of relevant opinions, changes and adjustments were made in accordance with the internal assets valuation report review system and procedures of the valuation firm, and eventually the formal asset valuation report was issued.

**IX. VALUATION ASSUMPTIONS**

The work of the valuation team is based on to the following assumptions in this valuation:

**(I) General Assumptions****1. Transaction assumption**

Transaction assumption assumes that all the assets to be valued are already in the process of transaction and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued. Transaction assumption is the most fundamental assumption for the valuation of assets.

**2. Open market assumption**

Open market assumption assumes that both parties of the assets transaction or the proposed assets transaction in the market are in equal position and have opportunities and time to obtain sufficient market information, so as to make rational judgments on the functions, purposes and transaction prices of the assets. The open market assumption is based on the fact that the assets can be traded openly in the market.

**3. Assets going-concern assumption**

Assets going-concern assumption means that the valuation method, parameters and basis shall be determined in accordance with the condition that assets to be valued will be continuously used in consistence with their current functions and methods, scale, frequency and environment of application, or used on the basis of certain changes thereof.

**(II) Special Assumptions**

1. No material changes in the current national macroeconomic, finance and industry policies.
2. No material changes in social economic environment and policies of tax and tax rate of the valued unit in the future operating periods.
3. The operation and management team of the valued unit will be due diligence in the future operation periods and continue to maintain the existing operation and management model.
4. The acquisition and utilization methods of the production and business premises of the valued unit are consistent with that on the Valuation Base Date without change.
5. The structure of main business, revenue and cost and the operation strategies of the valued unit in the future operation periods will stay the same as previous years without material changes. Future profits and losses that may be caused by changes in the main business conditions resulting from changes in management, operation strategies and business environment will not be taken into consideration.
6. No significant changes on the type and structure of expenses of the valued unit based on the existing basis in the future operating periods, and they will continue to maintain the changing trend of previous years. Interest income of deposits and uncertain profit or loss such as exchange gains and losses will not be taken into account in the calculation of finance cost in light of frequent changes or significant changes of currency funds or bank deposits during the course of operation.

The valuation result generally will become invalid upon any change to the aforementioned conditions.

**X. VALUATION CONCLUSIONS**

In accordance with the national laws, regulations, rules and standards on valuation of assets, we have implemented the statutory and necessary valuation procedures based on the principles of independence, impartiality, science and objectivity to carry out on-site investigation, market research, inquiries, evaluation and calculations on the assets of United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) included in the assessment scope by using the income approach and market approach, and reached the following conclusions:

**(I) Valuation Conclusion under the Income Approach**

After implementation of valuation procedures including checking and verification, on-site inspection, market research and inquiry, assessment and estimation, the income approach is used to appraise the value of all equity interests held by the enterprise shareholders. The value of the entire shareholders' equity interest (net assets) in United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) was assessed to be RMB6,740.3856 million, representing an increase of RMB1,955.3689 million or 40.86% over the carrying value of the entire shareholders' equity interest (net assets) of RMB4,785.0167 million as at the Valuation Base Date, and an increase of RMB375.854 million or 5.91% over the carrying value of the consolidated equity interest attributable to owners of the parent company of RMB6,364.5311 million.

**(II) Valuation Conclusion under the Market Approach**

After implementation of valuation procedures including checking and verification, on-site inspection, market research and inquiry, assessment and estimation, the market approach is used to appraise the value of all equity interests held by the enterprise shareholders. The value of the entire shareholders' equity interest (net assets) in United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) was assessed to be RMB6,677.7308 million, representing an increase of RMB1,892.7141 million or 39.56% over the carrying value of the entire shareholders' equity interest (net assets) of RMB4,785.0167 million as at the Valuation Base Date, and an increase of RMB313.1996 million or 4.92% over the carrying value of the consolidated equity interest attributable to owners of the parent company of RMB6,364.5311 million as at the Valuation Base Date.

**(III) Difference Analysis of Valuation Results and Selection of Definitive Results****1. Difference analysis of valuation results**

The main reasons for the difference between the two valuation approaches used in the Valuation are as follows:

The income approach valuation uses the expected return of assets as the valuation standards, which reflects the output capacity (profitability) of assets. This profitability is usually subject to macroeconomics, government control and the effective use of assets and other conditions. The market approach is to assess the value of all equity interests held by the enterprise shareholders based on the comparison of the valued enterprise's own financial and operating conditions with that of listed companies in the same industry, and to obtain the value of the valued unit by comparing and adjusting its value. The market approach valuation is affected by conditions such as market environment, trading conditions, development stages and financial status. The Valuation Base Date will vary under such two different value criteria. The above factors lead to difference in the valuation results of the two approaches.

## 2. Selection of valuation conclusions

As a solar power station operating enterprise, the valued enterprise's future power generation income is greatly affected by the fluctuation of lighting resources and the issuing time of photovoltaic subsidies, etc., so there is some uncertainty in its future income. According to the investment background of the Valuation and the purpose of the client's economic behavior, the valuation results under the market approach are of greater reference value.

Therefore, the Valuation adopts the valuation results under the market approach as the definitive valuation conclusion.

Based on the valuation results under the market approach, the value of all equity capital interests held by shareholders of United Photovoltaics (Changzhou) Investment Group Co., Ltd\* (聯合光伏(常州)投資集團有限公司) was RMB6,677.7308 million on the Valuation Base Date.

## XI. NOTES ON PARTICULAR ISSUES

1. On 20 October 2020, the Ministry of Finance, the National Development and Reform Commission, and the National Energy Administration issued the "Supplementary Notice Regarding Several Opinions on Promoting the Sound Development of Non-Hydro Renewable Energy Power Generation" (Caijian[2020] No. 426) (<關於《關於促進非水可再生能源發電健康發展的若干意見》有關事項的補充通知>財建[2020] 426號), which determined that the reasonable utilization hours of the whole life cycle of photovoltaic power generation projects in the first, second and third category of resource areas are 32,000 hours, 26,000 hours and 22,000 hours, respectively. In accordance with the "Measures for the Administration of Additional Subsidies for Renewable Energy Tariffs" (Caijian[2020] No. 5)(《可再生能源電價附加補助資金管理辦法》財建[2020] 5號), projects included in the list of subsidies for renewable energy generation shall be subsidized in accordance with on-grid tariffs for the amount of electricity generated within the whole life cycle, with subsidy standard = (renewable energy benchmark on-grid tariff (including on-grid tariff determined through competitive methods such as bidding) – local coal-fired power generation on-grid benchmark price)/(1 + applicable value-added tax rate). When the reasonable utilization hours of the whole life cycle of the project are not exceeded, subsidies will be given according to the actual power generation of the renewable energy power generation project in the year. Projects included in the list of subsidies for renewable energy generation in accordance with the provisions of circular No. 5 will no longer be entitled to the central fiscal subsidies for the portion of power generation exceeding the whole life cycle subsidized electricity; instead, green certificates will be issued to allow participation in green certificate transactions.

The Valuation of profit forecast takes into account the impact of the above items on the future subsidy income of respective photovoltaic power station within the valuation scope.



2. On 20 October 2020, Beijing Energy International Holding Co., Ltd., a controlling shareholder indirectly held by the valued unit, passed the “Minutes of the Meeting of the President Office of Beijing Energy International Holding Co., Ltd. (Session 27 of 2020)” (《北京能源國際控股有限公司總裁辦公會紀要(2020年第27期)》) in relation to the decision to make capital increase in Beijing United Rongbang New Energy Technology Co., Ltd.\* (北京聯合榮邦新能源科技有限公司). After the capital increase, the registered capital of Rongbang New Energy Technology Co., Ltd. increased from RMB5.00 million to RMB880 million, and in its shareholder structure, the 100% indirect shareholding of the valued unit United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司) was changed to 0.57% shareholding owned by the valued unit. The client shall be aware that the effect of the above items have not been taken into consideration in the Valuation.

Except as mentioned above, there is no significant subsequent event occurred during the Valuation.

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

- (I) The Valuation report shall be used for the valuation purpose and use set out in this report. Meanwhile, the valuation conclusion in this report is purported to reflect the prevailing fair market value as determined by open market principles and for the purpose of the valuation under this report., without taking into consideration the impact that any possible pledge or security and additional price that a special party to the transaction may have to pay may have on the valuation price. Furthermore, this report does not take into consideration either changes in state macroeconomic policies and effects of natural forces and other forms of force majeure may have on asset prices. When the above mentioned conditions and the principle of continuous operation are changed, the valuation conclusion will generally lose its validity. The Valuation agency may not be held legally responsible for such invalidity of valuation conclusion due to any change in the abovementioned conditions.

The prerequisite for the validity of the Valuation report is that the economic activity hereunder complies with any and all applicable state laws and regulations, and is approved by relevant authorities.

- (II) The asset valuation agency and its asset appraisers take no responsibility if the client or other users of the Asset Valuation Report fail to use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in the Asset Valuation Report;
- (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 the Asset Valuation Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of the Asset Valuation Report;

- (IV) The Valuation report can only be used by the users as specified herein. The use right of the valuation report shall belong to the client, and the valuation agency will not disclose this report to any other party without the consent of the client.
- (V) Without permission from the valuation agency and verifying the relevant contents, all or part of the valuation report may not be copied, quoted or disclosed in public media, unless otherwise provided for by laws, regulations and otherwise agreed on by the related entrusting parties.
- (VI) Users of the Asset Valuation Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation subject and should not be considered as a guarantee for the realizable value of the valuation subject.
- (VII) Effective period of the valuation conclusions: In accordance with relevant laws and regulations on asset valuation, the Asset Valuation Report involving statutory valuation business shall not be used until the clients have performed the supervision and management procedures of asset valuation as required by relevant laws and regulations. The valuation conclusion is valid for one year, i.e. from 31 August 2020 to 30 August 2021.

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

**The Valuation Report date is 28 February 2021.**

**The above content is abstract from 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.**

## 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 Company. 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

### Interests in the Company and its associated corporation

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

#### *Long positions in share options*

Grantees	Date of grant	Exercise price (HK\$/share)	Number of outstanding share options	Capacity	Exercise period <sup>(Note)</sup>
Mr. Lu Zhenwei	16 June 2017	1.076	5,000,000	Beneficial owner	16 June 2018 to 15 June 2022
Mr. Kwan Kai Cheong	16 June 2017	1.076	3,000,000	Beneficial owner	16 June 2018 to 15 June 2022
Mr. Yen Yuen Ho, Tony	16 June 2017	1.076	3,000,000	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 three years in proportions of 30%, 30% and 40%, i.e. 30% of the share options granted shall vest on the 1st anniversary of the grant, another 30% shall vest on the 2nd anniversary of the grant, and the remaining 40% shall vest on the 3rd anniversary of the grant. In this table, “exercise period” begins with the 1st anniversary of the grant date.

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

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

### **3. MATERIAL LITIGATION**

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

### **4. 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).

**5. DIRECTOR'S INTERESTS IN ASSETS AND CONTRACTS OR ARRANGEMENTS**

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

As at the Latest Practicable Date, save as disclosed herein, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group and no Director was interested in any assets which have been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2020 (being the date of which the latest published audited financial statements of the Group were made up).

**6. DIRECTORS' COMPETING INTERESTS**

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

## 7. EXPERTS AND CONSENT

The following is the qualification of the experts who have provided their opinion or advice, which are contained in this supplemental circular:

Name	Qualification
Lego Corporate Finance Limited	a licensed corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO
China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) (the “Valuer”)	PRC qualified independent valuer

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

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Experts did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up.

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) and reference(s) to its name, in the form and context in which it appears.

The letter and recommendation from Lego is set out on pages 24 to 41 of this supplemental circular and is given as at the Latest Practicable Date for incorporation herein.

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

## 8. 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 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 9. MATERIAL CONTRACTS

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

- (a) the Capital Increase Agreement, the Equity Interest Transfer Agreement and the termination agreement dated 7 May 2021 to terminate the Previous Agreement;
- (b) the guarantee agreement dated 30 April 2021 entered into by the Company, as guarantor and China Development Bank Financial Leasing Co., Ltd.\* (國銀金融租賃股份有限公司)(the “**Lender**”), as lender in relation to the guarantee to pay to the Lender when Yulin City Jiangshan Yongchen New Energy Limited\* (榆林市江山永宸新能源有限公司)(an indirect wholly-owned subsidiary of the Company) (“**Jiangshan Yongchen**”) fails to meet the payment obligation under the finance lease agreement dated 25 December 2018 entered into between Jiangshan Yongchen and the Lender;
- (c) the finance lease agreement dated 15 April 2021 entered into by Changji Yijing Photovoltaics Technology Co., Ltd.\* (昌吉億晶光伏科技有限公司)(a wholly-owned subsidiary of the Company), as the lessee and ABC Financial Leasing Co., Ltd.\* (農銀金融租賃有限公司), as the lessor in relation to leasing various photovoltaic power generation equipments of the 200,000 kilowatts Photovoltaic Project in Qitai County owned by Powerchina Jiangxi Electric Power Construction Co., Ltd.\* (中國電建集團江西省電力建設有限公司) involving total lease amount payable of approximately RMB1,026 million and related security documents;
- (d) the sales and leaseback agreement dated 26 March 2021 entered into by Yantai Jishun Photovoltaic Power Technology Co., Ltd.\* (煙台吉順光電科技有限公司)(an indirect non wholly-owned subsidiary of the Company) (“**Yantai Jishun**”), as the lessee and Shenzhen Jingneng Financial Leasing Co., Ltd.\* (深圳京能融資租賃有限公司), as the lessor in relation to the sale and leaseback of the photovoltaic power station system equipment owned by Yantai Jishun involving total lease amount payable of approximately RMB180 million and related security documents;
- (e) the Previous Agreement;

- (f) the sale and purchase agreement dated 8 February 2021 entered into by Beijing United Rongbang New Energy Technology Co., Ltd.\* (北京聯合榮邦新能源科技有限公司) and Inner Mongolia Xingbang United New Energy Co., Ltd.\* (內蒙古興邦聯合光伏新能源有限公司)(both are indirect wholly-owned subsidiaries of the Company) as purchasers and Zhongming Capital Holdings Group Co., Ltd.\* (中明資本控股集團有限公司) and Inner Mongolia Weiheng Industry and Trade Co., Ltd.\* (內蒙古偉恒工貿有限公司) as vendors in relation to the acquisition of entire equity interest in Inner Mongolia Minghua New Energy Co., Ltd.\* (內蒙古明華新能源股份有限公司) which holds in total 6 solar power plants with total installed capacity of 115MW in Inner Mongolia, the PRC at the consideration of RMB300,580,000;
- (g) the equity interest transfer agreement dated 29 January 2021 entered into by Beijing United Rongbang New Energy Technology Co., Ltd.\* (北京聯合榮邦新能源科技有限公司)(an indirect wholly-owned subsidiary of the Company) as purchaser and Inner Mongolia Yuanhai New Energy Co., Ltd.\* (內蒙古源海新能源有限責任公司) as vendor in relation to the acquisition of entire equity interest in Wulate Houqi Banner Yuanhai New Energy Co., Ltd.\* (烏拉特後旗源海新能源有限責任公司) which owns an operational solar power plant with the grid-connected capacity of 50MW located in Inner Mongolia, the PRC at the consideration of RMB52,550,000;
- (h) the framework agreement dated 31 December 2020 entered into by United Photovoltaics (Shenzhen) Limited\* (聯合光伏(深圳)有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser and Tibet Huaxing New Energy Technology Co., Ltd.\* (西藏華星新能源科技有限公司), as vendor in relation to the proposed acquisition of the entire equity interest in a project company which owns a photovoltaic power generation project with total installed capacity of 20MW in Tibet, the PRC, pursuant to which the purchaser is required to pay a refundable amount of RMB50 million as earnest money;
- (i) the 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), an indirect wholly-owned subsidiary of the Company, 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 company in relation to the proposed acquisition of the entire equity interest in the target company at the consideration of approximately RMB1,177,829,000;



- (j) the agreement dated 18 September 2020 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser and State-owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP)\* (深圳國調招商併購股權投資基金合夥企業(有限合夥)) as vendor in relation to the buy-back of 17% equity interest in Fengxian Huize Photovoltaic Energy Limited\* (豐縣暉澤光伏能源有限公司) at the consideration of RMB50,326,107.31;
- (k) the agreement dated 15 September 2020 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser and Zhangjiagang City China Merchants Port Equity Investment Partnership Enterprise (LP)\* (張家港市招港股權投資合夥企業(有限合夥)) as vendor in relation to the buy-back of 17% equity interest in Fengxian Huize Photovoltaic Energy Limited\* (豐縣暉澤光伏能源有限公司) at the consideration of RMB48,163,851;
- (l) the agreements dated 17 August 2020 entered into by Yongsheng Huiguang Photovoltaic Power Generation Co. Ltd.\* (永勝惠光光伏發電有限公司), a subsidiary of the Company, as lessee and Shenzhen Jingneng Financial Leasing Co., Ltd.\* (深圳京能融資租賃有限公司) as lessor in relation to the sale and leaseback of Yongren Huiguang 35MW Photovoltaic Power Station and Yongsheng Huiguang 19.8MW Photovoltaic Power Station system equipment involving total lease amount payable of approximately RMB370 million and related security documents;
- (m) the agreements dated 14 August 2020 entered into by CITIC Financial Leasing Co., Ltd.\* (中信金融租賃有限公司) as lessor and each of Datong Panda Photovoltaic Power Co., Ltd.\* (大同熊貓光伏發電有限公司), Hainan Zhouyahui New Energy Co., Ltd.\* (海南州亞暉新能源電力有限公司) and Zhongli Talesun Gonghe Photovoltaic Power Co., Ltd.\* (中利騰暉共和光伏發電有限公司), each a subsidiary of the Company, as lessee in relation to sale and leaseback of power station equipment for certain grid-connected photovoltaic power generation projects owned by such subsidiaries involving total lease amount payable of approximately RMB512 million and related security documents;
- (n) 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;

- (o) the agreement dated 15 May 2020 (as amended by the supplemental agreement dated 5 August 2020) entered into by the Company and Shenzhen Jingneng Financial Leasing Co., Ltd.\* (深圳京能融資租賃有限公司) in relation to the provision of financial leasing services to the Company for the three years ending 31 December 2022;
- (p) the agreement dated 17 January 2020 entered into by the Company, China Merchants Union (BVI) Limited and Wealthy Marvel Enterprises Limited as subscribers and CMB International Capital Limited as placing agent in relation to the subscription and placing of the Company's US\$260,000,000 8% guaranteed senior notes due 2022;
- (q) the agreement dated 16 December 2019 entered into by the Company and CMB International Capital Limited as dealer manager and certain subsidiaries of the Company as subsidiary guarantors in relation to provision of dealer manager services in connection with the exchange offer for the Company's then outstanding US\$350,000,000 8.25% senior notes due 2020;
- (r) the agreement dated 19 November 2019 entered into by the Company and Beijing Energy Investment Holding (Hong Kong) Co., Limited as subscriber in relation to the subscription of 7,176,943,498 Shares at the subscription price of HK\$0.25 per Share;
- (s) the agreement dated 5 September 2019 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor and Changzhou Zhaolian Lvchang New Energy Limited\* (常州市招聯綠昌新能源有限公司) as purchaser in relation to the disposal of the entire equity interest in Changzhou Zhaolian Lvzhao New Energy Limited\* (常州市招聯綠昭新能源有限公司) at the consideration of RMB1 million;
- (t) the agreement dated on 5 September 2019 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor and Shanxi Silu Electricity Engineering Co. Ltd.\* (山西絲路電力工程有限公司) as purchaser in relation to the disposal of the entire equity interest in Changzhou Zhaolian Lvyi New Energy Limited\* (常州市招聯綠奕新能源有限公司) at the consideration of RMB197,500,000; and
- (u) the agreement dated 5 July 2019 entered into by United Photovoltaics (Changzhou) Investment Group Co., Ltd.\* (聯合光伏(常州)投資集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor and Zhangjiagang City China Merchants Port Equity Investment Partnership Enterprise (LP)\* (張家港招港股權投資合夥企業(有限合夥)) as purchaser in relation to the disposal of 17% equity interest in Fengxian Huize Photovoltaic Energy Limited\* (豐縣輝澤光伏能源有限公司) at the consideration of RMB43,350,000.

**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 Institute of Chartered Secretaries 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 AVAILABLE FOR INSPECTION**

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2019 and 2020;
- (c) the Capital Increase Agreement;
- (d) the Equity Interest Transfer Agreement;
- (e) the letter from the Independent Board Committee, as set out on page 23 of this supplemental circular;
- (f) the letter from Lego, the Independent Financial Adviser, as set out on pages 24 to 41 of this supplemental circular;
- (g) summary of the Valuation Report from the Valuer, the summarised text of which are set out in Appendix II to this supplemental circular;
- (h) the written consent of the Valuer and Lego referred to in the section headed "7. Experts and Consent" in this appendix;
- (i) the material contracts of the Company set out in the section headed "9. Material Contracts" in this appendix; and
- (j) this supplemental circular.

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## SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

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# 北京能源國際控股有限公司

## Beijing Energy International Holding Co., Ltd.

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 686)**

### 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 18 May 2021, which set out the time and venue of the annual general meeting of the Company (the “**Meeting**”) and contain the resolutions to be considered by the shareholders of the Company at the Meeting.

**SUPPLEMENTAL NOTICE IS HEREBY GIVEN THAT** the Meeting will be held as originally scheduled at Room 1811, 18/F., Building 5, No. 9 Courtyard, Guang’an Road, Fengtai District, Beijing, PRC and via video conference set up at the principal place of business of the Company in Hong Kong at Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Friday, 18 June 2021 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

**“THAT:**

6. (a) the Capital Increase Agreement (as defined in the supplemental circular of the Company dated 2 June 2021 (the “**Supplemental Circular**”), a copy of which is marked “A” and initialled by the Chairman of the Meeting for the purpose of identification, the terms and the transactions contemplated thereunder as set out in the Supplemental Circular be and are hereby approved, confirmed and ratified;
- (b) the Equity Interest Transfer Agreement (as defined in the Supplemental Circular), a copy of which is marked “B” and initialled by the Chairman of the Meeting for the purpose of identification, the terms and the transactions contemplated thereunder as set out in the Supplemental Circular be and are hereby approved, confirmed and ratified; and

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## SUPPLEMENTAL NOTICE OF ANNUAL GENERAL MEETING

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- (c) 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/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Capital Increase Agreement, the Equity Interest Transfer Agreement and the transactions contemplated thereunder.”

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

Hong Kong 2 June 2021

*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 19 to 20 of the Supplemental Circular for arrangements on the completion and submission of the Revised Form of Proxy.
- (2) Apart from the new 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 18 May 2021.
- (3) As at the date hereof, the Board comprises:

*Executive Directors:*

Mr. Zhang Ping (*Chairman*)  
Mr. Lu Zhenwei  
Mr. Xu Jianjun

*Non-Executive Directors:*

Mr. Sui Xiaofeng  
Mr. Zhao Bing  
Mr. Li Hao  
Ms. Xie Yi

*Independent Non-Executive Directors:*

Mr. Kwan Kai Cheong  
Mr. Yen Yuen Ho, Tony  
Mr. Chen Hongsheng  
Ms. Jin Xinbin