

26 April 2024

The Independent Board Committee
Tonking New Energy Group Holdings Limited

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFER BY
ASTRUM CAPITAL MANAGEMENT LIMITED
FOR AND ON BEHALF OF RISE TRIUMPH LIMITED
TO ACQUIRE ALL OF THE ISSUED SHARES OF
TONKING NEW ENERGY GROUP HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY
RISE TRIUMPH LIMITED AND CERTAIN PARTIES
ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee with respect to the Offer, details of which are set out in the Composite Document, of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

Reference is made to the Rule 3.5 Announcement dated 11 April 2024. On 11 April 2024 (after trading hours), the Offeror and the Board jointly announced that Astrum Capital, for and on behalf of the Offeror, will make a voluntary conditional cash offer to acquire all the issued Shares (other than those Shares already owned by the Offeror and the Offeror Concert Parties).

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties were interested in 231,454,000 Shares in aggregate, representing approximately 28.29% of the total issued share capital of the Company.

As at the Latest Practicable Date, the Company had (i) 818,000,000 Shares in issue, of which 586,546,000 Shares will be subject to the Offer. As at the Latest Practicable Date, the Company had no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares or other types of equity interest, and had not entered into any agreement for the issue of such securities, options, derivatives or warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible into Shares.

TC Capital Group
天財資本集團

Suite 3508, 35/F, Tower 6, The Gateway, Harbour City,
9 Canton Road, Kowloon, Hong Kong
香港九龍廣東道9號海港城港威大廈第六座三十五樓3508室
www.tccapital.com.hk

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. Wang Xiaoxiong, Mr. Zhou Yuan and Mr. Shen Fuxin, has been established by the Company pursuant to Rule 2.1 of the Takeovers Code to make a recommendation to the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable and as to acceptance of the Offer.

We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not in the same group as the financial or other professional advisers (including a stockbroker) to the Offeror or the Company.

Save as our appointment as the Independent Financial Adviser by the Company to issue (i) a comfort letter in relation to the disclosure of material change of the financial and trading position of the Group in the Composite Document as required under Rule 10.11 of the Takeovers Code, and (ii) a report in relation to the Profit Estimate as required under Rule 10.4 of the Takeovers Code and apart from normal professional fees paid or payable to us in connection with the current engagement as the Independent Financial Adviser in respect to the Offer, we do not and did not have any relationship that amounted to a significant connection with the Company or the Offeror within the past two years which could create, or be perceived as creating, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

As at the Latest Practicable Date, none of the circumstances set out in Rule 17.96 of the GEM Listing Rules existed that could reasonably be regarded as a hindrance to our independence to act as the Independent Financial Adviser in respect of the Offer.

Accordingly, we consider that we are independent pursuant to Rule 2.6 of the Takeovers Code and Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation in respect of the Offer, we have considered and reviewed, among other things, (i) the Composite Document; (ii) the annual reports of the Company for the years ended 31 March 2022 and 31 March 2023 (the “**2022 Annual Report**” and the “**2023 Annual Report**”, respectively); (iii) the interim report of the Company for the six months ended 30 September 2023 (the “**2023 Interim Report**”); (iv) the relevant market data and information available from public sources; and (v) the other information as set out in the Composite Document.

We have relied on the statements, information and representations contained or referred to in the Composite Document and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in the Composite Document and all the information provided and representations made by the Directors and the management of the Company for which they are solely responsible, are true and accurate in all material respects as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the management of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context. Our opinions are necessarily based on the financial, economic, market, regulatory and other conditions in effect, and the facts, information, representations and opinions made available to us as at the Latest Practicable Date. The Shareholders will be notified of material changes, if any, to the information contained or referred to herein and our opinions as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld; nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement (other than the information relating to the Offeror and the parties acting in concert with it) in the Composite Document, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided; nor have we conducted any independent investigation into the business and affairs of the Group and the Offeror.

We have not considered the tax implications on the Independent Shareholders of the acceptance or non-acceptance of the Offer since these are dependent on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, consult their own professional advisers.

PRINCIPAL FACTORS CONSIDERED

In arriving at our recommendation in respect to the Offer, we have taken into consideration the following principal factors:

1. Business, financial performance and prospects of the Group

(i) Business of the Group

As stated in the Composite Document, the Group is principally engaged in the renewable energy business in the PRC, including (i) the provision of one-stop value-added solutions (engineering, procurement and construction (“EPC”), maintenance and support, and testing) for photovoltaic power stations; and (ii) sale of patented photovoltaic tracking mounting bracket systems.

Set out below is the revenue breakdown of the Group for the year ended 31 March 2023 according to the 2023 Annual Report:

	<i>HKD'000</i>	<i>%</i>
Provision of one-stop value added solution for photovoltaic power stations	397,104	57.6
Sales of the patented photovoltaic tracking mounting bracket systems	283,586	41.2
Sales of electricity	<u>8,275</u>	<u>1.2</u>
	<u>688,965</u>	<u>100.0</u>

Note: The revenue breakdown of the Group for the six months ended 30 September 2023 was not disclosed in the 2023 Interim Report. Nevertheless, it was disclosed in the 2023 Interim Report that the total revenue of the Group was mainly attributable to the provision of one-stop value-added solutions for photovoltaic power stations and sale of patented photovoltaic tracking mounting bracket systems.

According to the 2023 Annual Report and the 2023 Interim Report, the Group's revenue was derived solely from its operations in the PRC for the year ended 31 March 2023 and for the six months ended 30 September 2023.



(ii) Historical financial performance of the Group

Set out below are the financial performance of the Group extracted from (i) the audited consolidated financial information of the Group for each of the two years ended 31 March 2022 and 2023 (“FY2022” and “FY2023”, respectively) as extracted from the 2022 Annual Report and the 2023 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 September 2022 and 30 September 2023 (“1H2023” and “1H2024”, respectively) as extracted from the 2023 Interim Report:

	For the six months ended 30 September 2023 (HK\$'000) (Unaudited)	For the six months ended 30 September 2022 (HK\$'000) (Unaudited)	For the year ended 31 March 2023 (HK\$'000) (Audited)	For the year ended 31 March 2022 (HK\$'000) (Audited)
Revenue	273,121	212,670	688,965	240,524
Costs of sales	(253,110)	(189,416)	(616,789)	(196,124)
Gross profit	20,011	23,254	72,176	44,400
Other income and gains, net	8,652	8,224	1,892	3,300
Provision for credit loss allowances on trade receivables, net	–	–	(468)	(7,958)
Provision for credit loss allowances on other receivables	–	–	(1,323)	(734)
Provision for credit loss allowances on contract assets, net	–	–	(1,682)	(104)
Administrative and other operating expenses	(14,509)	(12,788)	(29,381)	(30,774)
Finance costs	(2,101)	(1,821)	(3,945)	(3,187)
Profit before income tax	12,053	16,869	37,269	4,943
Income tax (expense)/credit	(1,650)	(4,609)	(8,219)	1,627
Profit for the year/period	10,403	12,260	29,050	6,570
Other information				
Gross profit margin	7.3%	10.9%	10.5%	18.5%

As demonstrated in the above table, although the Group reported revenue increases for FY2023 and 1H2024, the gross profit margin of the Group decreased from approximately 18.5% for FY2022 to approximately 10.5% for FY2023, and further to approximately 7.3% for 1H2024.



On 22 April 2024, the Company published a Positive Profit Alert Announcement stating that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the 11 months ended 29 February 2024, and other information currently available to the management of the Company, the unaudited net profit attributable to owners of the Company for the 11 months ended 29 February 2024 is expected to record an increase of 50% to 80% as compared with the audited net profit attributable to owners of the Company for the year ended 31 March 2023, which was mainly attributed to the increase in gross profit of the renewable energy businesses of the Group and a subsidiary applying to the income tax reduction and exemption of 25% to 15% as a new high-tech enterprise for the 11 months ended 29 February 2024 as compared to that for FY2023.

As advised by the management of the Company, the aforesaid increase in gross profit was principally due to the improvement in gross profit margin. We have further discussed with the management of the Company and understood that the reason for the improvement in gross profit margin of the Group for the 11 months ended 29 February 2024 as compared to that for FY2023 despite of the decrease in gross profit margin of the Group from FY2023 to 1H2024 was principally due to the improvement in gross profit margin of the Group for the five months ended 29 February 2024, which was principally attributable to (i) the improvement in gross profit margin of the sales of the patented photovoltaic tracking mounting bracket systems segment; and (ii) the increased revenue contribution from the sales of the patented photovoltaic tracking mounting bracket systems segment which command a relatively higher gross profit margin than the provision of one-stop value added solution for photovoltaic power stations segment in the same period.

Though there was an improvement in the gross profit margin for the 11 months ended 29 February 2024 as compared to that for FY2023, we were advised by the management of the Company that the gross profit margin of the Group for the 11 months ended 29 February 2024 still demonstrated a deterioration as compared to that for FY2022, which was principally due to the deteriorating gross profit margin of the provision of one-stop value added solution for photovoltaic power stations segment as the result of the increasingly intense competition of the photovoltaic power EPC industry, which is also consistent with our research findings on the photovoltaic power EPC industry (for details, please refer to the subsection headed “Business prospects of the Group” below).



To further assess the financial performance of the Group in particularly to the photovoltaic tracking mounting bracket system segment, we have selected comparable companies based on the following selection criteria: (i) companies that are assigned to the subsector named “Power Equipment – Photovoltaic Equipment” in accordance to the industrial classification standards of SWS Research Co., Ltd., which offers advice with respect to Asian stocks, bonds, derivatives, and other investments; (ii) companies that are assigned to the subsector named “Industrials – Industrial Engineering – New Energy Materials” which is defined as “producers and distributors of environmentally friendly energy materials and devices such as solar cells”, according to the Hang Seng Industry Classification System (the “HSICS”), given the Company is one of the constituents of this subsector; (iii) companies with their gross profit margin of their sales of the photovoltaic bracket systems in the PRC were disclosed in their latest published annual reports; and (iv) companies that are currently listed on the Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange. We have identified an exhaustive list of three companies which met the said criteria (the “**Photovoltaic Bracket Comparable Companies**”). The gross profit margin of the sales of the photovoltaic brackets systems in the PRC of the Photovoltaic Bracket Comparable Companies are set forth below:

Company name (Stock code)	For the year ended 31 December	For the year ended 31 December	Change
	2022	2021	
Trina Solar Co., Ltd.* (天合光能股份有限公司)(688599.SH)	6.9%	4.4%	2.5%
Arctech Solar Holding Co., Ltd.* (江蘇中信博新能源科技股份有限公司)(688408.SH)	11.1%	9.3%	1.9%
Clenergy Technology Co., Ltd. (清源科技股份有限公司)(603628.SH)	8.3%	12.7%	(4.4%)

Source: *cninfo* (www.cninfo.com.cn)

Note: As at the Latest Practicable Date, the gross profit margins of the sales of the photovoltaic brackets systems in the PRC of the Photovoltaic Bracket Comparable Companies for the year ended 31 December 2023 were not available in their relevant annual result announcement for the year ended 31 December 2023.

As demonstrated in the above table, two Photovoltaic Bracket Comparable Companies reported increases in their gross profit margins of the sales of the photovoltaic brackets systems in the PRC for the year ended 31 December 2022 as compared with the previous year and one Photovoltaic Bracket Comparable Company showed a decrease in its gross profit margins of the sales of the photovoltaic brackets systems in the PRC for the same period. According to the management of the



Company, the gross profit margin of the sales of the patented photovoltaic tracking mounting bracket systems segment of the Group for FY2023 showed a decrease as compared with FY2022. Though the reporting periods of the Group and that of the Photovoltaic Bracket Comparable Companies are different, as there are nine months overlapping months in the reporting periods of the Company and the Photovoltaic Bracket Comparable Companies (i.e. nine months ended 31 December 2021 and 2022), we consider that such comparison are appropriate.

In sum, considering that (i) though the Group recorded an increase in its unaudited net profit for the 11 months ended 29 February 2024 as compared to that for FY2023 due to the increase in the gross profit of the renewable energy businesses of the Group as set out in the Positive Profit Alert Announcement, we were advised by the management of the Company that such increase in the gross profit was principally due to the improvement in the gross profit margin of the Group for the 5 months ended 29 February 2024 and therefore there is an uncertainty on whether such improvement demonstrated in a relatively short five months period could persist; the gross profit margin of the Group for the 11 months ended 29 February 2024 indeed deteriorated when compared to that for FY2022 as advised by the management of the Company; and (ii) the deteriorating gross profit margin of the sales of the patented photovoltaic tracking mounting bracket systems segment of the Group for FY2023 in contrast with the improved gross profit margin of the majority of Photovoltaic Bracket Comparable Companies during the similar period, we are of the view that the historical financial performance of the Group was unsatisfactory.

(iii) Business prospects of the Group

Overall photovoltaic power industry in China

Given that (i) the provision of one-stop value added solution for photovoltaic power stations and the sales of the patented photovoltaic tracking mounting bracket systems in the PRC contributed majority of the Group revenue in the latest fiscal year; (ii) the provision of one-stop value added solution for photovoltaic power stations involves EPC, maintenance and support, and testing of photovoltaic power stations according to the 2023 Annual Report; (iii) the sales of the patented photovoltaic tracking mounting bracket systems is generated partly from the provision of one-stop value added solution for photovoltaic power stations segment and partly from other downstream players in the photovoltaic power industry as confirmed by the Group; and (iv) the provision of one-stop value added solution for photovoltaic power stations and the sales of the patented photovoltaic tracking mounting bracket systems in the PRC are expected to contribute the majority of the Group's revenue going forward as confirmed by the Group, we believe, and further confirmed by the



Group, that the business prospects of the Group will be significantly influenced by the projected increase in the installed capacity of photovoltaic power in the PRC.

Set out below the total installed capacity of photovoltaic power in the PRC from 2019 to 2023 according to the National Energy Administration of the PRC:

	2019	2020	2021	2022	2023
Total installed capacity of photovoltaic power (MW)	204,680	253,430	306,560	392,610	609,490

Based on the above table, the annual newly installed capacity of photovoltaic power for the year ended 2020, 2021, 2022 and 2023 are approximately 48,750MW, approximately 53,130MW, approximately 86,050MW, and approximately 216,880MW respectively, representing the year-on-year increase of approximately 9%, 62% and 152% for the year ended 2021, 2022 and 2023 respectively.

according to an article titled “光伏產業今年將有“激戰”” published on 4 March 2024 (the “**Article**”) by China Energy News which was supervised by the People’s Daily, the official newspaper of the Central Committee of the Chinese Communist Party, Mr. Xing Yiteng, the director of the New Energy Division of the Department of New and Renewable Energy of the National Energy Administration of the PRC, indicated that the significant increase in the annual newly installed capacity of photovoltaic power for the year ended 2023 was due to the unexpected tumbling upstream product prices in the photovoltaic industry, the acceleration of construction of photovoltaic power stations after the epidemic, and the commissioning of large-scale wind and photovoltaic power bases, and such growth is extraordinary and is not the norm.

the Article, Mr. Wang Bohua (“**Mr. Wang**”), the honorary president of the China Photovoltaic Industry Association, mentioned that the annual installation of photovoltaic power of China in 2024 is expected to range from a conservative estimate of approximately 190,000MW to an optimistic estimate of approximately 220,000MW, which means the annual installed capacity of photovoltaic power in China is expected to experience a drop of approximately 12% in 2024 compared to 2023 or a significant slowdown in the relevant growth rate to approximately 5% in 2024 from approximately 152% in 2023.



EPC segment of the photovoltaic power station in China

According to article titled “2024年中國光伏EPC行業競爭格局及市場份額分析市場集中度較高” on 23 January 2024 published by 前瞻產業研究院, an industrial research and related services provider and the institute of industrial planning and strategy of Shenzhen Branch of National Academy of Innovation Strategy of the PRC, the competition in the PRC photovoltaic EPC industry is fierce given that (i) the two state-owned market leaders, namely China Energy Engineering Group Co., Ltd and Power Construction Corporation of China, Ltd., had dominated a relatively large portion of market share; and (ii) there are increasing number of market participants in the PRC photovoltaic EPC industry. Further, according to an article titled “預見2024：《2024年中國光伏EPC行業全景圖譜》” published on 7 January 2024 published by 前瞻產業研究院 which described the PRC photovoltaic EPC industry is characterised as low profitability of the project and intense competition.

Referring to point (i) above, according to an article titled “102GW光伏電站EPC項目中標解析” published on 24 February 2023 by 北極星太陽能光伏網, a professional photovoltaic portal providing services to more than 500 companies in photovoltaic power industry, among the top ten tender winners of the photovoltaic EPC projects tendered in the PRC in terms of project capacity in 2022, nine of them were state-owned enterprises of which in total accounted for approximately 51.7% of the total photovoltaic EPC projects tendered in the PRC in 2022 and the top two tender winners, which are state-owned enterprises in total accounted for approximately 42% of the total photovoltaic EPC projects tendered in the PRC in 2022.

Besides, according to an article titled “大唐、國家能源集團等57GW電站EPC項目中標解析” published on 13 November 2023 by 北極星太陽能光伏網, the state-owned enterprises were awarded approximately 69% of the photovoltaic EPC contract tendered in the PRC for the four months ended 31 October 2023.

Referring to point (ii) above, according to an article titled “2023年中國光伏EPC市場主體分析 行業參與主體數量規模較小” published on 28 January 2024 by 前瞻產業研究院, as at the end of 2023, there were 1,676 enterprises in the PRC photovoltaic EPC industry, among which 1,150 enterprises were private enterprises. During 2021, 2022 and 2023, the numbers of photovoltaic EPC enterprises established in the PRC were approximately 400, 200 and 200 respectively, which were higher than the annual number of photovoltaic EPC enterprises established in the PRC of less than 200 in each year from 2000 to 2020.



Considering (i) the expected slowdown in the newly installed capacity of photovoltaic power in the PRC in 2024; (ii) the EPC project segment of the photovoltaic power station in China was dominated by state-owned enterprises; and (iii) the increasing numbers of photovoltaic EPC enterprises established in China each year in 2021, 2022 and 2023 were higher than that from 2000 to 2020, we are of the view that the business prospect of the Group, which are non-state-owned enterprise, remained uncertain going forward.

2. Information of the Offeror and its intentions regarding the Group

(i) Information on the Offeror

As set out in the Composite Document, the Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. The Offeror is 96.0%, 3.0% and 1.0% beneficially owned by Mr. Wu, Mr. Xu Shui Sheng and Ms. Shen Meng Hong, respectively. The sole director of the Offeror is Mr. Wu.

Mr. Wu is an executive Director, the chairman of the Board and the chief executive officer of the Company. He completed the executive master of business administration course (EMBA) from Overseas Education College Shanghai Jiao Tong University (上海交通大學海外教育學院) in February 2006 and a master's degree in business administration (“MBA”) from Hong Kong Finance and Economics College (香港財經學院) in June 2008. He obtained the qualification of engineer from Quzhou City Leading Group for Title Reform* (衢州市職稱改革領導小組) in 1992. From December 1978 to March 1994, Mr. Wu worked as an engineer in Jiang Shan Chemical Industry General Factory* (江山化工總廠). He was the chairman of the board of directors of Zhejiang Jiangshan Sunny Electron Co., Ltd* (浙江江山三友電子有限公司) from April 1994 to May 2011. Since May 2011, Mr. Wu has been the president of Zhejiang Tonking New Energy Group Co., Ltd* (浙江同景新能源集團有限公司).

Mr. Xu Shui Sheng is an executive Director. He obtained an MBA from Hong Kong Finance and Economics College (香港財經學院) in June 2008. Mr. Xu obtained the qualification of engineer (with specialisation in mechanical engineering) from the Human Resources and Security Bureau of Quzhou City* (衢州市人力資源和社會保障局) in August 1996. From August 1981 to September 2001, Mr. Xu had worked as the deputy workshop director (車間副主任) and equipment deputy general manager of Jiang Shan Beer Factory* (江山啤酒廠). He was the deputy general manager of the technology development department of Zhejiang Jiangshan Sunny Electron Co., Ltd* (浙江江山三友電子有限公司) from September 2001 to August 2012. Since April 2014, Mr. Xu has been the deputy president of Zhejiang Tonking New Energy Group Co., Ltd* (浙江同景新能源集團有限公司).



Ms. Shen Meng Hong is an executive Director and an authorised representative of the Company. Ms. Shen obtained an MBA from the Hong Kong Finance and Economics College in 2008, and is a qualified PRC senior accountant. Since 1998, Ms. Shen was engaged in financial management in the field of the compact fluorescent lamp industry and renewable energy industry. In 2015, she was appointed as an executive Director and since then, she was involved in enterprise strategic management and risk management of the Group.

(ii) Intentions of the Offeror regarding the Group

As set out in the Composite Document, the Offeror intends to continue the existing business of the Group. As at the Latest Practicable Date, the Offeror has not entered into, and has no plans to enter into, any agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Group, and has no intention to dispose of or change the scale of any of the Group's existing business. Subject to the Group's business needs and prevailing market conditions, the Offeror may explore other business opportunities and consider whether any asset disposal, asset acquisition, fund raising, restructuring of business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company.

The Offeror has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment as a result of completion of the Offer. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's business and operations to optimise the value of the Group.

As further stated in the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. The sole director of the Offeror and the new directors to be appointed to the Board (if any) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

3. Principal terms of the Offer

As stated in the Composite Document, the Offer Price of HK\$0.10 per Offer Share represents:

- (a) a discount of approximately 40.8% over the closing price of HK\$0.169 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 48.5% over the closing price of HK\$0.194 per Share as quoted on the Stock Exchange on the Last Trading Day;



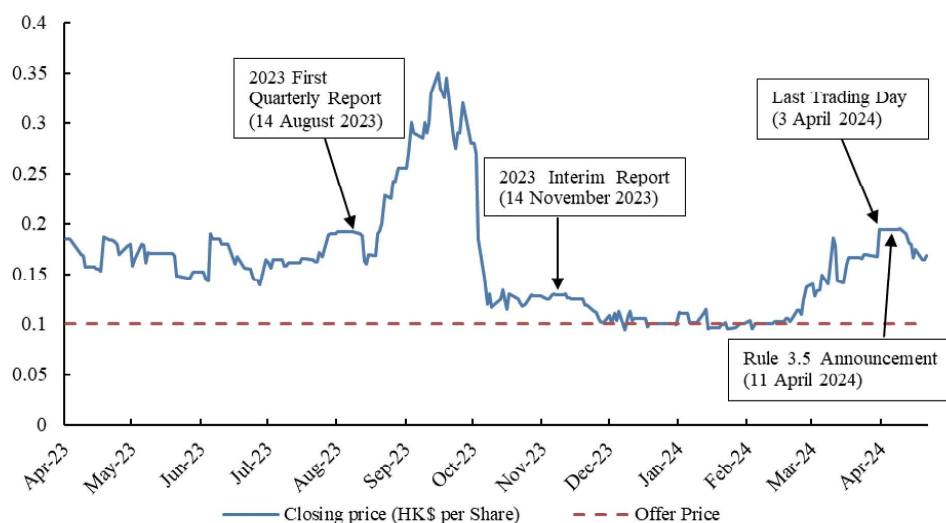
TC CAPITAL
天財資本

- (c) a discount of approximately 42.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.174 per Share;
- (d) a discount of approximately 30.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.145 per Share;
- (e) a discount of approximately 18.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 60 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.123 per Share;
- (f) a discount of approximately 14.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.117 per Share;
- (g) a discount of approximately 65.4% to the audited consolidated net assets of the Group attributable to owners of the Company per Share of approximately HK\$0.289 as at 31 March 2023; and
- (h) a discount of approximately 64.8% to the unaudited consolidated net assets of the Group attributable to owners of the Company per Share of approximately HK\$0.284 as at 30 September 2023.

Further terms and Conditions of the Offer, including the procedures for acceptance, are set out in the “Letter from Astrum Capital” and Appendix I to the Composite Document.

(i) *Historical Share price movement analysis*

The chart below illustrates the movement of the daily closing prices of the Shares as quoted on the Stock Exchange during the last twelve months preceding the date of the Last Trading Day on 3 April 2024 (the “**Pre-Announcement Period**”), with both days inclusive, and from 11 April 2024 (being the date of the Rule 3.5 Announcement) to the Latest Practicable Date (being 24 April 2024) (the “**Post-Announcement Period**”, together with the Pre-Announcement Period, the “**Review Period**”), of which we considered it an appropriate and adequate period to reflect the Company’s position under the recent market sentiment and illustrate the general trend and movement of the daily closing prices of the Shares.



Source: The website of the Stock Exchange (www.hkex.com.hk)

As shown in the chart above, during the Review Period, the lowest closing price of the Shares was HK\$0.094 per Share on 11 December 2023, while the highest closing price of the Shares was HK\$0.35 per Share on 18 September 2023. The average closing price of the Shares during the Review Period was HK\$0.159 per Share (the “**Average Closing Price**”). The Offer Price of HK\$0.10 per Share is below the Average Closing Price of the Shares during the Review Period.

The movements of the Share price were relatively volatile from August to October 2023 by increasing from HK\$0.169 per Share on 21 August 2023 to a peak of HK\$0.35 per Share on 18 September 2023, and plummeted to HK\$0.117 per Share on 12 October 2023. We have discussed with the management of the Company regarding the fluctuation of Share price, and are given to understand that the increase in Share price might be attributed to the publication of the first quarterly report of the Company for the three months ended 30 June 2023 (the “**2023 First Quarterly Report**”) on 14 August 2023, which stated that the net profit attributable to owners of



the Company for the three months ended 30 June 2023 significantly increased by approximately 81.1% as compared to the corresponding period in 2022. As for the subsequent decline in Share price, we have enquired into the management of the Company for the probable reasons behind, and were advised that they were not aware of any specific events or occurrences which might have affected the Share price. The Share price further dropped to HK\$0.1 per Share on 5 December 2023. As advised by the management of the Company, such decrease was probably due to the publication of the 2023 Interim Report on 14 November 2023, which disclosed that the net profit attributable to owners of the Company for the six months ended 30 September 2023 decreased by approximately 16.2% as compared to the corresponding period in 2022. Afterwards, the Share price fluctuated between HK\$0.094 per Share and HK\$0.115 per Share from December 2023 to February 2024 and rose above the Offer Price on 29 February 2024. The Share price remained consistently above the Offer Price throughout March 2024 and up to the Last Trading Day. The Offer Price represents a discount of approximately 36.8% to the average closing price of the Shares during the Pre-Announcement Period of approximately HK\$0.158 per Share.

Following the publication of the Rule 3.5 Announcement on 11 April 2024 and the resumption of trading in the Shares on 12 April 2024, the Share price slightly increased to HK\$0.195 per Share from HK\$0.194 per Share on the Last Trading Day. Thereafter, the Share price fluctuated within a range of HK\$0.165 per Share to HK\$0.195 per Share during the Post-Announcement Period.

We further noted that the daily closing prices of the Shares were above the Offer Price for approximately 89.3% of the Review Period (i.e. 226 trading days out of 253 trading days) and the Offer Price represents a discount of approximately 40.8% to the closing price of HK\$0.169 per Share as quoted on the Stock Exchange as at the Latest Practicable Date. Having considered the foregoing, we are of the view that, in comparison to the Average Closing Price of the Shares during the Review Period, the Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that there is no guarantee that the trading price of the Shares will sustain at a level higher than the Offer Price during and after the Offer Period, considering the risks and uncertainties of the Group's profitability and prospects in the long run as mentioned in the section headed "Business, financial performance and prospects of the Group". Nevertheless, in light of the fact that the Offer Price was lower than the closing price of the Shares as at the Latest Practicable Date, Independent Shareholders who wish to dispose of their Shares may consider selling their Shares in the open market rather than accepting the Offer if the net proceeds from a sale of their Shares in the open market would, after deducting all transaction costs, yield a higher consideration than the net amount to be received under the Offer.



(ii) Historical trading volume and liquidity analysis

The following table sets out (i) the average daily trading volume of the Shares for each month or period during the Review Period, which covers both the Pre-Announcement Period and the Post-Announcement Period, can sufficiently illustrate the general trend of the trading activities of the Shares in the market and reflect the market's perception of the Company's business performance and prospects, mitigating any possible impact from the Rule 3.5 Announcement regarding the Offer; (ii) the respective percentages of the average daily trading volume of the Shares as compared to the total number of Shares in issue; and (iii) the respective percentages of the average daily trading volume of the Shares as compared to the total number of Shares in issue held by the public.

			Approximate % of the average daily trading volume to the total number of Shares held by the public	
	Number of trading days (Note 1)	Approximate average daily trading volume (Number of Shares)	Approximate % of the average daily trading volume to the total number of Shares in issue (Note 2)	Approximate % of the average daily trading volume to the total number of Shares held by the public (Note 3)
2023				
April (from 4 April)	16	135,188	0.017%	0.023%
May	21	57,905	0.007%	0.010%
June	21	34,667	0.004%	0.006%
July	20	162,800	0.020%	0.028%
August	23	629,519	0.077%	0.107%
September	19	2,688,526	0.329%	0.458%
October	20	2,257,150	0.276%	0.385%
November	22	293,000	0.036%	0.050%
December	19	317,474	0.039%	0.054%
2024				
January	22	381,182	0.047%	0.065%
February	19	548,316	0.067%	0.093%
March	20	438,250	0.054%	0.075%
April (up to the Latest Practicable Date)	11	847,909	0.104%	0.145%
Maximum		2,688,526	0.329%	0.458%
Minimum		34,667	0.004%	0.006%
Average		678,073	0.083%	0.116%

Source: The website of the Stock Exchange (www.hkex.com.hk)



Note:

1. Number of trading days of the Shares represents the number of trading days during the month or period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on the total number of Shares in issue at the end of each month or period as disclosed in the monthly returns of the Company.
3. Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by the Offeror and the Offeror Concert Parties from the total number of Shares in issue at the end of each month or period.

As illustrated in the table above, the percentage of the average daily trading volume to the total number of Shares in issue ranged from approximately 0.004% to 0.329%, and approximately 0.006% to 0.458% of the total number of Shares held by the public Shareholders during the Review Period. The average daily trading volume of the Shares during the Review Period was approximately 678,073 Shares, representing approximately 0.083% of the total number of Shares in issue and approximately 0.116% of the total number of Shares held by the public Shareholders.

Following the publication of the 2023 First Quarterly Report on 14 August 2023, we noted that both the average daily trading volume of the Shares as a percentage of the total number of Shares in Issue and that held by the public Shareholders had increased from approximately 0.077% to 0.329% and from approximately 0.107% to 0.458% respectively during August 2023 to October 2023. The increase in the average daily trading volume of the Shares was in line with the increase in the Share price during the same period probably due to the significant increase in the net profit attributable to owners of the Company for the three months ended 30 June 2023 as disclosed in the 2023 First Quarterly Report. Save for September and October 2023, the liquidity of the Shares was relatively thin during the Review Period, with an average trading volume of the Shares to the total number of Shares in issue and to the shareholding held by the public Shareholders of below 0.5%.

Given the thin trading liquidity of the Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity without exerting a downward pressure on the price of the Shares in the short term. The Independent Shareholders may have difficulties in selling a significant number of Shares in the open market within a short timeframe if the same trading pattern of the Shares persists during and after the Offer Period. In such circumstance, the Offer may represent an alternative exit for the Independent Shareholders with significant shareholding in the Company to realise their investments in the Company at the Offer Price if they foresee that they are not able to sell the Shares in the market at a price higher than the Offer Price.



(iii) Comparable companies analysis

To further assess the fairness and reasonableness of the Offer Price, we have considered comparisons on price-to-earnings ratio (“**P/E Ratio**”), price-to-book ratio (“**P/B Ratio**”) and price-to-sales ratio (“**P/S Ratio**”), which are the benchmarks commonly adopted in the evaluation of a company. We have not considered adopting the dividend approach as the Company has not declared and distributed any cash dividends to its Shareholders since the listing of the Shares on GEM on 21 November 2013.

Based on the Offer Price of HK\$0.10 per Offer Share and the total number of issued Shares of 818,000,000 as at the Latest Practicable Date, the Company is valued at approximately HK\$81.8 million. The implied P/E Ratio, P/B Ratio and P/S Ratio of the Company based on the Offer Price of the Shares are approximately 2.96 times, 0.35 times and 0.12 times (the “**Company’s P/S Ratio**”) respectively, which are derived from the profit attributable to owners of the Company of approximately HK\$27.6 million for FY2023, the net assets attributable to owners of the Company of approximately HK\$232.3 million as at 30 September 2023, and the revenue of the Company of approximately HK\$689.0 million for FY2023 respectively.

We have conducted extensive research on the website of the Stock Exchange to identify a list of comparable companies to the Group, we however could not identify any company listed on the Stock Exchange which is engaged in the same business of the Group (i.e. all of the revenue was generated from the provision of one-stop value added solution for photovoltaic power stations, sales of the patented photovoltaic tracking mounting bracket systems and sales of electricity in China according to their latest published annual reports).

Alternatively, in order to assess prevailing market valuation on renewable energy related sector in China, we have selected comparable companies to the Group based on the following selection criteria: (i) companies that are assigned to the subsector named “Industrials – Industrial Engineering – New Energy Materials” which is defined as “producers and distributors of environmentally friendly energy materials and devices such as solar cells”, according to the HSICS, given the Company is one of the constituents of this subsector; (ii) companies that are assigned to the subsector named “Properties & Construction – Construction – Heavy Construction & Engineering” which is defined as “companies engaged in civil engineering projects such as construction of railways, roads, highways, reclamation dredging and slope works” according to the HSICS, given the Group is principally engaged in EPC of photovoltaic power stations, which is a specific type of civil engineering project; (iii) companies that are assigned to the subsector named “Utilities – Utilities – Alternative/Renewable Energy” which is defined as “companies that develop, manage and operate clean energy projects such as hydropower and wind farms; include



companies that provide district heating” according to the HSICS, considering that the Group is engaged in solar power related businesses; (iv) companies with at least 90% of their revenue derived from the PRC, according to their latest published annual reports; (v) companies with at least 80% of their revenue derived from (a) the provision of solutions for new energy and/or renewable energy power stations, including EPC, maintenance and support, and testing of power stations; and/or (b) the sales of new energy and/or renewable energy products utilised in power stations; and/or (c) the construction of new energy/renewable energy power stations; and/or (d) solar power businesses, according to their latest published annual reports; and (vi) companies that are currently listed on the Stock Exchange. Based on the above selection criteria, we have identified an exhaustive list of seven comparable companies (the “**Comparable Companies**”). Shareholders should note that the businesses, business models, operations and prospects of the Group are not exactly the same as the Comparable Companies. Nevertheless, we believe that the Comparable Companies are able to serve as fair and representative samples for comparison purposes. The details of the Comparable Companies are set forth below:

Company name (Stock code)	Principal businesses	Market capitalisation as at the Latest Practicable Date (Note 1) (HK\$ million)	Profit/(Loss) attributable to owners of the company (Note 2) (HK\$ million)	Net assets attributable to owners of the company (Note 3) (HK\$ million)	Revenue (Note 4) (HK\$ million)	P/E Ratio (Note 5)	P/B Ratio (Note 6)	P/S Ratio (Note 7)
Concord New Energy Group Ltd. (182.HK)	Operation of wind and solar power plants, provision of operation and maintenance, asset management and overhaul commissioning service for wind and solar power plant (discontinued in November 2023), provision of design, technical and consultancy services, undertaking electrical engineering and construction of power plant projects, and provision of finance lease services and energy internet services	4,872.3	1,041.8	9,118.7	2,798.3	4.68	0.53	1.74
Kong Sun Holdings Ltd. (295.HK)	Investment in and the operation of solar power plants, provision of solar power plant operation and maintenance services, provision of financial services and asset management, and construction of Digital and Intelligent Traditional Chinese Medicine (“DI-TCM”) health management and service system and provision of DI-TCM diagnosis and treatment equipment	284.3	(363.0)	3,071.9	513.3	N/A	0.09	0.55
Irco Group New Energy Company Limited (438.HK)	Research and development, manufacturing and sale of solar photovoltaic glass	279.1	(249.7)	1,945.0	3,400.2	N/A	0.14	0.08
GCL New Energy Holdings Ltd. (451.HK)	Sale of electricity, development, construction, operation and management of solar power plants, and sale of liquefied natural gas	373.6	(1,260.1)	2,221.9	898.9	N/A	0.17	0.42
China Smarter Energy Group Holdings Limited (1004.HK)	Clean-energy power generation business, trading in securities, investments, and trading of bulk commodities	140.6	(94.7)	(319.2)	195.9	N/A	N/A	0.72
Shunfeng International Clean Energy Ltd. (1165.HK)	Provision of clean energy and low-carbon energy-saving integrated solutions	96.6	(485.9)	(1,661.1)	257.8	N/A	N/A	0.37
Xinyi Energy Holdings Ltd. (3868.HK)	Operation and management of solar farms in the PRC	8,669.4	993.0	13,296.8	2,517.4	8.73	0.65	3.44
					Maximum	8.73	0.65	3.44
					Minimum	4.68	0.09	0.08
					Average	6.70	0.32	1.05
					Median	6.70	0.17	0.55
The Company		81.8	27.6	232.3		2.96	0.35	0.12

Source: The website of the Stock Exchange (www.hkex.com.hk)



Note:

1. The market capitalisation of the Comparable Companies is calculated based on the respective closing prices of their shares and the total number of issued shares as at the Latest Practicable Date.
2. The respective profit attributable to owners of the company as disclosed in the latest published annual reports and/or annual results announcements on or before the Latest Practicable Date.
3. The respective net assets attributable to owners of the company as disclosed in the latest published financial statements on or before the Latest Practicable Date.
4. The operating revenue as disclosed in the latest published annual reports and/or annual results announcements on or before the Latest Practicable Date.
5. The P/E Ratios of the Comparable Companies are calculated based on their respective market capitalisation and profit attributable to owners of the company as disclosed in the latest published annual reports and/or annual results announcements on or before the Latest Practicable Date.
6. The P/B Ratios of the Comparable Companies are calculated based on their respective market capitalisation and net assets attributable to owners of the company as disclosed in the latest published financial statements on or before the Latest Practicable Date.
7. The P/S Ratios of the Comparable Companies are calculated based on their respective market capitalisation and operating revenue as disclosed in the latest published annual reports and/or annual results announcements on or before the Latest Practicable Date.
8. For the purpose of calculation, the translation into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.0810 as of the Latest Practicable Date according to Bloomberg, and is provided solely for illustrative purposes.



As shown in the table above, only two of the Comparable Companies have a P/E Ratio, hence we consider that the price-to-earnings approach is not representative and indicative in evaluating the fairness and reasonableness of the Offer Price considering the sample size of two is inadequate for comparison purpose. Moreover, we noted that five out of seven Comparable Companies recorded net loss attributable to owners of the company during the latest financial year, which might indicate the presence of unfavourable and uncertain market conditions within the industry in which the Group operates. We also consider that the price-to-book approach is not appropriate for assessing the fairness and reasonableness of the Offer Price given it is commonly adopted in the valuation of asset-intensive entities such as real estate companies, whereas the Group's asset composition as at 31 March 2023 and 30 September 2023 primarily consisted of trade and bills receivables and contract assets, with a significantly lower proportion of non-current assets. The price-to-sales approach is appropriate for evaluating companies which have volatile earnings or losses with relatively stable revenue, thus the P/S Ratios will be applied in the comparable analysis.

As illustrated in the table above, the P/S Ratios of the Comparable Companies range from approximately 0.08 times to 3.44 times, with an average of approximately 1.05 times and a median of approximately 0.55 times. We noted that although the Company's P/S Ratio of approximately 0.12 times falls within the range of the P/S Ratios of the Comparable Companies, it is lower than the average and the median of the P/S Ratios of the Comparable Companies and is in close proximity to the minimum P/S Ratio of the Comparable Companies.

Having considered (i) the Company's P/S Ratio (based on the Offer Price) is lower than the average and the median of the P/S Ratios of the Comparable Companies; (ii) the daily closing prices of the Shares were above the Offer Price for approximately 89.3% of the trading days during the Review Period; (iii) the Offer Price represents a discount of approximately 37.0% to the Average Closing Price of the Shares during the Review Period; (iv) the Offer Price represents a discount of approximately 40.8% to the closing price of the Shares as at the Latest Practicable Date; and (v) the Offer Price represents a discount of approximately 64.8% to the unaudited consolidated net assets attributable to owners of the Company as at 30 September 2023, we are of the view that the Offer Price is not fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the principal factors and reasons stated above, despite (i) the unsatisfactory historical financial performance of the Group in particularly the deterioration of the gross profit margin of the Group for the 11 months ended 29 February 2024 when compared to that for FY2022 as detailed in the subsection headed “Business, financial performance and prospects of the Group – Historical financial performance of the Group”; (ii) the uncertain business prospect of the Group as detailed in the subsection headed “Business, financial performance and prospects of the Group – Business prospects of the Group”; (iii) the low trading liquidity of the Shares during the Review Period; and (iv) the Company has not paid or declared any dividend since the listing of the Shares on GEM on 21 November 2013, having considered (i) the daily closing prices of the Shares were above the Offer Price for approximately 89.3% of the trading days during the Review Period; (ii) the Offer Price represents a discount of approximately 37.0% to the Average Closing Price of the Shares during the Review Period and a discount of approximately 40.8% to the closing price of the Shares as at the Latest Practicable Date respectively; (iii) the Offer Price represents a discount of approximately 64.8% to the unaudited consolidated net assets attributable to owners of the Company as at 30 September 2023; and (iv) the Company’s P/S Ratio is lower than the average and the median of the P/S Ratios of the Comparable Companies, we are of the opinion that, on balance, the terms of the Offer are not fair and reasonable so far as the Independent Shareholders are concerned nor in the interests of the Independent Shareholders as a whole. As such, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Offer.

Nevertheless, given the thin trading liquidity of the Shares in the Review Period, a sufficiently active market may not exist to enable the Independent Shareholders to sell the Shares in bulk quantity without exerting a downward pressure on the price of the Shares in the short term. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. In such circumstance, the Offer may represent an alternative exit for the Independent Shareholders with significant shareholding in the Company to realise their investments in the Company at the Offer Price. Hence, we consider that the Independent Shareholders with significant shareholding in the Company who wish to dispose of a bulk quantity of Shares should consider accepting the Offer to realise their investments in the Company at the Offer Price if they foresee that they are not able to sell the Shares in the market at a price higher than the Offer Price.

The Independent Shareholders are reminded to monitor carefully and closely the market price and the liquidity of the Shares before the end of the Offer Period and consider selling their Shares in the open market rather than accepting the Offer if the net proceeds from the market sale of their Shares after deducting all transaction costs are more than the net amount to be received under the Offer.

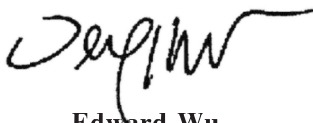
Those Independent Shareholders who wish to retain some or all of their investments in the Shares and/or are confident in the future prospects of the Group or otherwise are reminded to closely monitor the development of the Group and the publication of the Company (including the Composite Document) in this regard.

The Independent Shareholders are strongly advised that the decision to accept the Offer or to hold their investments in the Shares is subject to individual circumstances and investment objectives. As different Independent Shareholders would have different investment criteria, objectives, risk preferences and tolerance levels and/or circumstances, we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser before making the decision to, whether or not, accept the Offer. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant Acceptance Form(s), if they wish to accept the Offer.

Yours faithfully

For and on behalf of

TC Capital International Limited



Edward Wu
Chairman



Keiven Chan
Managing Director

Note:

Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

Mr. Keiven Chan has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the SFO since 2018. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

** For identification purposes only*