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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)

**FURTHER ANNOUNCEMENT
PROFIT FORECAST OF THE MAJOR ACQUISITION
IN RELATION TO ACQUISITION OF A COMPANY
BY MEANS OF A SCHEME OF ARRANGEMENT**

Reference is made to the announcement of Beijing Energy International Holding Co., Ltd. (the “**Company**”) dated 28 March 2024 (the “**Acquisition Announcement**”) with respect to the entering into of the Scheme Implementation Agreement. Unless otherwise defined in this announcement, capitalized terms used herein shall have the same meanings as those defined in the Acquisition Announcement.

Compliance with the Listing Rules

As disclosed in the Acquisition Announcement, in performing the valuation of TPC, a number of valuation methodologies were considered, including the calculation of discounted future estimated cash flows, which constitutes a profit forecast under Rule 14.61 of the Listing Rules. This announcement is made in compliance with Rule 14.60A of the Listing Rules.

Summary of the Valuation Report

Pursuant to the report dated 1 March 2024 prepared by BDO Corporate Finance Ltd (the “**Valuer**”) on the indicative fair market valuation of TPC as at 31 December 2023 (the “**Valuation Report**”), the Valuer has considered the applicability of two basic asset valuation approaches, namely, market approach and income approach. The Valuation Report was prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 Valuation Services. The fair market valuation of TPC as at 31 December 2023 (the “**Benchmark Date**”) was determined by the Valuer after considering the results of the income approach through the application of the discounted cash flow method and the capitalisation of maintainable earnings method, and the market approach, through the application of the market-based valuation method. Specifically, the Valuer formed a view on an appropriate valuation range for TPC after considering the results of each of the valuation methodologies adopted.

The appraised enterprise value of TPC adopted by the Valuer as at the Benchmark Date ranges from AUD75 million to AUD125 million. As set out in the Valuation Report, in forming their view on an appropriate valuation range, the Valuer placed greater emphasis on the results of the capitalisation of maintainable earnings approach and the market based approach rather than the discounted cash flow approach (due to uncertainties in the long term forecast of the Financial Model (as defined below)).

The Valuer calculated the valuation of TPC as at the Benchmark Date on a go-forward basis. Resultantly, in forming their view on an appropriate valuation range and calculating the equity value of TPC, the Valuer has not considered the impact of payment of any distribution. Nevertheless, the Valuer states that a change to TPC's surplus assets and liabilities and by extension payment of any distribution will result in a change to the equity value of TPC and set out an example of this change assuming 31 December 2023 balance sheet values.

As mentioned above, the Valuer formed a view on an appropriate enterprise value range for TPC having regard to the results of their discounted cash flow method, capitalisation of maintainable earnings method and market-based approach. Whilst the Valuer placed greater emphasis on the capitalisation of maintainable earnings and the market based approach in forming their view, as the discounted cash flow method was still considered, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

The Income Approach

(i) The discounted cash flow method

The Valuer was of the view that it is appropriate to consider the results of a discounted cash flow method under the income approach, when forming their view on an appropriate valuation range for TPC.

The discounted cash flow method relies on projections which predict the future cash flows of TPC based on assumptions about TPC's future performance.

The Valuer has relied on TPC's financial model which sets out forecast financial information and the estimated annual performance of TPC prepared by TPC (the "**Financial Model**") for the financial years 2024 to 2028 (the "**Forecast Period**").

The discount rate was selected based on, amongst others, (a) the required rate of return of comparable companies; (b) the capital structure of comparable companies; (c) the cost of equity derived from applying the capital asset pricing model (“CAPM”), where the Valuer took into account a number of factors including (1) risk free rate; (2) equity market risk premium; and (3) equity and asset betas of broadly comparable companies; (d) company specific risks; and (e) market conditions as at the Benchmark Date.

Taking the above factors into consideration as well as the nature of TPC and the risks associated with achieving the forecast set out in the Financial Model, the Valuer has adopted a nominal after-tax discount rate for TPC in the range of 10.0% to 13.5% with a mid-point of 11.75%. As such, the appraised value of TPC using the income approach (discounted cash flow method) would be in the range of AUD75 million to AUD150 million, or following net debt adjustments of approximately AUD9.8 million, an equity value of AUD7.48 to AUD14.09 on controlling interest basis per share.

In forming their view on a valuation range under the discounted cash flow method, the Valuer applied a number of scenarios and sensitivities under the discount rates set out above. In doing this, the Valuer had regard to the risks and uncertainties associated with the base case forecast assumptions. The Valuer considered scenarios where TPC did not achieve their base case forecast customer/consumption growth and sensitivities including changes to retailer rates, loss factors, wholesale costs, operating expenses and the terminal growth rate.

Having regard to the results of their scenarios and sensitivities (under the 10.0%, 11.75% and 13.5% discount rates), the Valuer determined that under the discounted cash flow method, it would be appropriate to adopt an enterprise value for TPC in the range of AUD75 million to AUD150 million.

(ii) *The capitalisation of maintainable earnings method*

The Valuer was of the view that in forming their view on an enterprise value range for TPC, it was appropriate to adopt the capitalisation of maintainable earnings method under the income approach. In doing so, the Valuer considered that TPC has historically been profitable at the EBITDA (earnings before interest, taxes, depreciation and amortisation), EBIT (earnings before interest and taxes) and net profit level and has generated cash in-flows from operating activities in previous years.

The Valuer adopted EBITDA as opposed to other earnings measures as it is independent of the direct financial impacts of capital structure, taxes and also assists in removing irregularities that may arise from differences in depreciation and amortisation accounting policies between different companies.

In selecting the appropriate multiple to apply to TPC, the Valuer has considered, among others, the following factors: (a) multiples derived from the share market prices of companies which may be considered to be broadly comparable to TPC; (b) prices and multiples derived from sales transactions where the target entity may be considered to be broadly comparable to TPC; (c) the financial performance of TPC; (d) risks of TPC; and (e) future growth prospects of TPC.

Based on the above, the Valuer determined that enterprise value of TPC based on the capitalisation of maintainable earnings approach, would be in the range of AUD96 million to AUD144 million, or following net debt adjustments of approximately AUD9.8 million, an equity value of AUD9.33 to AUD13.56 on controlling interest basis per share.

The Market Approach

The Valuer was of the view that in forming their view on an enterprise value range for TPC, it is appropriate to also consider a market-based valuation approach. In doing so, the Valuer considered that there is a readily observable market for the trading of TPC shares (i.e. the shares of TPC are listed on the ASX and it is possible to observe the market price of trades in TPC shares).

The Valuer assessed the low daily volume weighted average price (“VWAP”), VWAP and high daily VWAP of TPC’s shares over 1 week, 1 month, 3 months, 6 months, 9 months and 12 months up to and including 29 February 2024, being the end of the month in which TPC released its 2024 half year financial report.

Based on the above, the Valuer determined that it was appropriate to adopt a value per TPC share on a minority interest basis in the range of AUD5.70 to AUD8.60. Following the application of a control premium of 20% and 40% to the low and high share price (on a minority interest basis) respectively, the Valuer adopted a value (of a TPC share on a controlling interest basis) in the range of AUD6.84 to AUD12.04.

Conclusion on Valuation

As mentioned above, the Valuer concluded that it is reasonable to adopt an enterprise value for TPC in the range of **AUD75 million to AUD125 million** as at the Benchmark Date. In determining this valuation range, the Valuer considered the results from their discounted cash flow valuation, capitalisation of maintainable earnings valuation and market-based valuation. The Valuer placed more emphasis on the results of their capitalisation of maintainable earnings valuation and market-based valuation methods due to the uncertainties of TPC achieving the long-term customer/consumption growth set out in the Financial Model.

Having regard to the surplus assets and liabilities of TPC as at 31 December 2023, the Valuer calculated the equity value of the Company as at the Benchmark Date. The Valuer concluded that as at the Benchmark Date, the equity value of the Company is in the range of **AUD84.8 million to AUD134.8 million**. This calculation is set out in the table below:

	Low <i>AUD'000s</i>	High <i>AUD'000s</i>
Adopted TPC enterprise value	75,000	125,000
Adjustment for surplus assets and liabilities:		
Cash and cash equivalents	12,142	12,142
Less: Current tax liabilities	(33)	(33)
Dividend payable	(2,269)	(2,269)
Equity value of TPC attributable to shareholders	84,840	134,840
Number of TPC shares on issue as at the Benchmark Date	11,342,857	11,342,857
Equity value of TPC on a controlling interest basis		
per share (AUD/share)	7.48	11.89

As mentioned above, in forming their view on an appropriate valuation range, the Valuer did not consider payment of the Permitted Distribution. Nevertheless, to make their equity valuation range more comparable on a like for like basis to the consideration structure of the proposed transaction, the Valuer set out an example which considers the potential adjustment to the equity value of TPC following payment of a Permitted Distribution.

The Valuer estimated the maximum Permitted Distribution that could be paid, having regard to TPC's balance sheet as at 31 December 2023 and assuming no adjustments were required for AEMO (as defined below) prepayments, the cessation of the telecommunications business or unpaid transaction fees etc. The Valuer's estimation of the maximum balance that could be distributed to TPC shareholders is set out below:

	<i>AUD'000s</i>
Cash and cash equivalents	12,142
Bank deposits	11,011
Security deposits	3,267
Less: Current tax liabilities	(33)
Total (estimate of the maximum balance of the Permitted Distribution)	26,387

Having regard to the Valuer's estimation of the maximum Permitted Distribution that could be paid, the Valuer set out how this would impact the equity value of TPC. This is summarised in the table below:

	Low <i>AUD'000s</i>	High <i>AUD'000s</i>
Equity value of TPC attributable to shareholders	84,840	134,840
Less: Permitted Distribution	(26,387)	(26,387)
Equity value of TPC attributable to shareholders (following the Permitted Distribution)	58,453	108,453
Number of TPC shares on issue as at the Valuation Date	11,342,857	11,342,857
Equity value of TPC on a controlling interest basis per share (AUD/share)	5.15	9.56

As set out above, the Valuer notes that payment of the Permitted Distribution reduces the equity value of TPC. In the example (which utilises the balance sheet values as at 31 December 2023), this decrease is in line with the Permitted Distribution (i.e. a decrease of approximately AUD26.4 million at an equity level and AUD2.33 at a per share value level).

Notwithstanding the above, the Valuer also notes that they understand there are benefits (i.e. synergies) to the Company and its subsidiaries in the event that they acquire TPC. The Valuer notes that they were advised by the Company that due to the Company and its subsidiaries' credit rating and the AEMO requirements applicable to them (among other factors), they are not required to keep cash in bank deposits (i.e. as security against bank facilities). As a result, the working capital requirements of TPC will reduce post-acquisition, such that TPC will no longer be required to keep cash in bank deposits. By extension, the Valuer notes that it could be argued that the component of the Permitted Distribution that comprises the bank deposits (AUD11 million as at 31 December 2023) does not reduce value to the Company and its subsidiaries. The Valuer also sets out the equity value of TPC (to the Company) following payment of the Permitted Distribution and adjustments to working capital requirements. This has been set out in the table below:

	Low <i>AUD'000s</i>	High <i>AUD'000s</i>
Equity value of TPC attributable to shareholders	84,840	134,840
Less: Permitted Distribution	(26,387)	(26,387)
Add: Reduction in working capital requirements of TPC following its acquisition by the Company (bank deposit requirements)	11,011	11,011
Equity value of TPC attributable to shareholders (following the Permitted Distribution)	69,464	119,464
Number of TPC shares on issue as at the Valuation Date	11,342,857	11,342,857
Equity value of TPC on a controlling interest basis per share (AUD/share)	6.12	10.53

As mentioned in the Acquisition Announcement, the maximum consideration of the Acquisition is AUD150 million which comprises Initial Consideration of approximately AUD100 million and Earn Out Consideration of up to AUD50 million.

The Valuer notes that the Earn Out Consideration is paid subject to TPC meeting various capstones.

Assumptions

Details of the key assumptions used in determining the value of TPC upon which the Valuation Report was issued are set out below:

(i) General Assumptions

1. Matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed.
2. All information which is material to producing the Valuation Report has been provided and is complete, accurate and fairly presented in all material respects.
3. Announcements published on the ASX and other publicly available information relied on by the Valuer are accurate, complete and not misleading.

(ii) Assumptions under the Income Approach (Discounted Cash Flow Method)

As the valuation of TPC has been conducted having regard to a number of valuation methodologies, of which one of the methodologies considered involves the calculation of discounted future estimated cash flows, it constitutes a profit forecast under Rule 14.61 of the Listing Rules. In accordance with Rule 14.60A of the Listing Rules, the assumptions under the discounted cash flow method are set out below:

1. Revenue: revenue is based on forecast retailer usage per state (calculated by adjusting forecast wholesale usage for a loss factor between 4.9% and 10.0% for electricity and 2.9% to 5.0% for gas) and forecast retailer rates.
2. Revenue growth: revenue growth (for both electricity and gas) is primarily driven by expected wholesale usage which increases each month in line with the expected growth in consumption. The Financial Model forecasts TPC's total customers to increase significantly over the forecast period. The growth assumption is based on the results of recent customer acquisitions where TPC were able to onboard a number of customers which was primarily due to competitive pricing.
3. Gross profit margins: the forecast gross profit margin is expected to be in line with historical periods.

4. Cost of goods sold and operating expenses: forecast cost of goods sold is based on expected retailer usage per state (post loss factor) and the cost of electricity and gas (which includes the wholesale cost of electricity and gas (post loss factor), network distribution costs and green costs). Operating expenses include bad debt, call centre expenses, customer acquisition costs, finance charges, insurance, miscellaneous expenses, office administration, operation and network cost, premises, professional services, promotion and marketing, travel and human resources expenses.
5. Working capital: in respect of the accounts receivable at the end of each month, it is assumed that the cash received in each month includes 25% of the current month's revenue, 50% of the previous months revenue and 25% of the revenue from two months prior. As for accounts payable at the end of each month, it is assumed that all expenses are paid one month after being incurred (that is, all expenses incurred in November would be paid in December).
6. Income tax: income tax rate adopted is consistent with the Australian income tax rate for corporations of 30%.
7. Australian Energy Market Operator ("AEMO"): TPC as a participant in the energy market has a prudential obligation to the AEMO. The monthly prudential obligation is calculated as the difference between the prudential guarantee (calculated by estimating the prudential exposure for both electricity and gas) and the prudential requirement balance. Where the guarantee exceeds the requirement balance, a payment is required and assumed to be paid.
8. ASX Mark to Market: the Financial Model calculates (on a monthly basis) the rolling two-year face value of TPC's derivative exposure based on the hedging volume requirements and the forecast spot prices for electricity and gas.

Confirmations

Grant Thornton Hong Kong Limited (“**Grant Thornton**”), being the auditor of the Company, has reviewed and reported to the Directors in respect of the compilation of the discounted future cash flows in connection with the valuation of TPC prepared by the Valuer used in their Valuation Report, which does not involve the adoption of accounting policies.

The Directors confirm that the fair value of the entire issued share capital of TPC in the Valuation Report as at the Benchmark Date, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry. A report from Grant Thornton in compliance with Rule 14.60A(2) of the Listing Rules is included in Appendix I to this announcement and a letter from the Board in compliance with Rule 14.60A(3) of the Listing Rules is included in Appendix II to this announcement.

Experts and consents

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

Name	Qualification
Grant Thornton	Certified Public Accountants Registered Public Interest Entity Auditor
BDO Corporate Finance Ltd	Independent professional valuer

Each of the Valuer and Grant Thornton has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its independent report/letter in this announcement and the references to its name (including its qualifications) in the form and context of this announcement in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Valuer and Grant Thornton is a third party independent of the Company and is not a connected person of the Company. As at the date of this announcement, neither the Valuer nor Grant Thornton has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

General

This announcement shall be read in conjunction with the Acquisition Announcement.

Shareholders and potential investors of the Company should note that Implementation is subject to the fulfilment and/or, where applicable, waiver, of Conditions Precedent under the Scheme Implementation Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 3 April 2024

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Ping (Chairman) and Mr. Lu Zhenwei; the non-executive directors of the Company are Mr. Liu Guoxi, Mr. Su Yongjian, Mr. Li Hao and Mr. Lu Xiaoyu; and the independent non-executive directors of the Company are Ms. Jin Xinbin, Ms. Li Hongwei and Mr. Zhu Jianbiao.

APPENDIX I – REPORT FROM GRANT THORNTON HONG KONG LIMITED

The following is the text of a report received from the Company’s auditor and reporting accountants, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for inclusion in this announcement.

The Board of Directors
Beijing Energy International Holding Co., Ltd.
Unit 1012, 10th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

3 April 2024

Dear Sirs

REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTERESTS IN TPC CONSOLIDATED LIMITED

To the board of directors of Beijing Energy International Holding Co., Ltd. (the “Company”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation dated 1 March 2024 prepared by BDO Corporate Finance Ltd in respect of the entire equity interest in TPC Consolidated Limited (the “**Target Company**”) as at 31 December 2023 is based (the “**Valuations**”). The Valuations based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and reference to the Valuations will be included in an announcement dated 3 April 2024 issued by the Company in connection with acquisition of the Target Company (the “**Announcement**”).

Directors’ Responsibilities

The directors of the Company are responsible for the reasonableness and validity of the assumptions as set out in the Announcement (the “**Assumptions**”), based on which the discounted future estimated cash flows and the Valuations are prepared.

Professional Ethics and Quality Management

We have complied with the ethical requirements in “Code of Ethics for Professional Accountants” issued by HKICPA. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuations is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. The discounted future estimated cash flows does not involve the adoption of accounting policies. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the Assumptions.

Our work does not constitute any valuation of the entire equity interests in the Target Company. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuations and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects in accordance with the Assumptions.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Hong Kong

APPENDIX II – LETTER FROM THE BOARD

3 April 2024

Listing Division

The Stock Exchange of Hong Kong Limited

12th Floor, Two Exchange Square

8 Connaught Place, Central, Hong Kong

Dear Sirs or Madams,

MAJOR ACQUISITION – ACQUISITION OF A COMPANY BY MEANS OF A SCHEME OF ARRANGEMENT

We refer to the announcement of Beijing Energy International Holding Co., Ltd. (the “**Company**”) dated 3 April 2024 in relation to the captioned transaction (the “**Announcement**”). Unless the context otherwise requires, terms defined in the announcement shall have the same meanings in this letter when used herein.

We refer to the valuation report dated 1 March 2024 prepared by the Valuer, BDO Corporate Finance Ltd, in relation to the valuations of the entire issued share capital of TPC Consolidated Limited. Such valuations constitute profit forecasts under Rule 14.61 of the Listing Rules.

The Board has reviewed and prepared the information and documents relating to the basis and assumptions on which the discounted cash flows in the valuations are based and the calculation method used, and reviewed the valuations (for which the Valuer is responsible) prepared by the Valuer. The Board has also considered the report from Grant Thornton Hong Kong Limited, the auditor of the Company, as set out in Appendix I to the announcement regarding the calculations of the discounted cash flows in the valuations.

On the basis of the foregoing, in accordance with the requirements under Rule 14.60A(3) of the Listing Rules, the Board confirms that the valuations prepared by the Valuer has been made after due and careful enquiry.

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