

REC Trading (Shanghai) Co Ltd

Financial Statements

For the year ended 31st December, 2021

AUDITORS' REPORT

Acumen[2022]No.10038

The Board of Directors of REC Trading (Shanghai)Co Ltd.:

Opinion

We have audited the accompanying financial statements of REC Trading (Shanghai) Co Ltd. (“the Company”), which comprise the balance sheet as at 31 December 2021, the income statement, and cash flow statement for the year then ended, and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and the financial performance and the cash flows of the Company for the year then ended in accordance with the requirements of the Accounting Regulations for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Regulations for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Shanghai Acumen Certified Public
Accountants Co., Ltd.

Certified Public Accountants
Registered in the People's Republic of
China

Shanghai China

Date: March 28, 2022

REC Trading (Shanghai) Co Ltd.

Balance sheet as at 31 December 2021

(Amount in Renminbi Yuan)

	Note	2021	2020
Assets			
Current assets			
Cash at bank and on hand	6.1	1,310,334.01	3,430,419.29
Accounts receivable	6.2	7,590,111.34	1,309,158.11
Other receivables	6.3	1,647,160.32	499,897.00
Prepayments	6.4	2,147,668.36	136,634.00
Inventories	6.5	6,674,513.46	1,821,050.00
Other current assets		<u>1,662,188.91</u>	<u>13,299.00</u>
Total current assets		<u>21,031,976.40</u>	<u>7,210,457.40</u>
Fixed assets			
Fixed assets Cost	6.6	70,834.00	70,834.00
Less: Accumulated depreciation	6.6	<u>(70,834.00)</u>	<u>(70,834.00)</u>
Net fixed assets	6.6	<u>-</u>	<u>-</u>
Total Assets		<u>21,031,976.40</u>	<u>7,210,457.40</u>

 JAN ENNO BICKER
 Legal Representative

 SEBASTIEN LUQUE (Company stamp)
 CFO

The notes on pages 10 to 17 form part of these financial statements.

REC Trading (Shanghai) Co Ltd.

Balance sheet as at 31 December 2021 (continued)

(Amount in Renminbi Yuan)

	Note	2021	2020
Liabilities and owner's equity			
Current liabilities			
Accounts payable		406,655.65	-
Advance from customer		13,763,907.89	4,565,484.95
Payroll payable		312,756.00	-
Other payables		3,191.70	3,191.70
Taxes payable	6.7	909,366.84	25,388.23
Other current liabilities		<u>240,056.00</u>	<u>8,500.00</u>
Total current liabilities		<u>15,635,934.08</u>	<u>4,602,564.88</u>
Owner's equity			
Paid-in capital	6.8	1,574,700.00	1,574,700.00
Surplus reserves		382,134.23	103,319.25
Undistributed profit	6.9	<u>3,439,208.09</u>	<u>929,873.27</u>
Total owner's equity		<u>5,396,042.32</u>	<u>2,607,892.52</u>
Total liabilities and owner's equity		<u>21,031,976.40</u>	<u>7,210,457.40</u>

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REC Trading (Shanghai) Co Ltd.

Income statement

for the year ended 31 December 2021

(Amount in Renminbi Yuan)

	Note	2021	2020
Sales from operations	6.10	80,107,110.56	4,379,708.82
Other income		3,605.49	4,611.41
Less: Cost of operations		(71,237,238.05)	(1,337,710.00)
Business Tax and Surcharges		(290,560.47)	(2,299.43)
Administrative expenses		(4,260,434.01)	(2,708,287.58)
Financial expenses	6.11	<u>(604,635.25)</u>	<u>(34,671.66)</u>
Operating profit		3,717,848.27	301,351.56
Profit before income tax		3,717,848.27	301,351.56
Less: Income tax		(929,698.47)	(15,549.36)
Net profit for the year		<u>2,788,149.80</u>	<u>285,802.20</u>

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REC Trading (Shanghai) Co Ltd.

Cash flow statement

for the year ended 31 December 2021

(Amount in Renminbi Yuan)

	2021	2020
Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	90,912,785.00	8,218,716.35
Refunds of taxes	-	-
Cash received relating to other operating activities	<u>(1,595,224.72)</u>	<u>5,152.41</u>
Sub-total of cash inflows	<u>89,317,560.28</u>	<u>8,223,868.76</u>
Cash paid for goods and services	(80,859,620.58)	(3,017,626.00)
Cash paid to employees	(2,149,577.31)	(1,337,710.00)
Cash paid for all types of taxes	(395,259.65)	(63,484.59)
Cash paid to other operating activities	<u>(7,424,688.53)</u>	<u>(2,114,188.54)</u>
Sub-total of cash outflows	<u>(90,829,146.07)</u>	<u>(6,533,009.13)</u>
Net cash inflow/ (outflow) from operating activities	<u>(1,511,585.79)</u>	<u>1,690,859.63</u>
Effect of foreign exchange rate changes on cash	<u>(608,499.49)</u>	<u>(38,760.27)</u>
Net increase/ (decrease) in cash	<u>(2,120,085.28)</u>	<u>1,652,099.36</u>

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REC Trading (Shanghai) Co Ltd.

Cash flow statement

for the year ended 31 December 2021(continued)

(Amount in Renminbi Yuan)

<u>Notes to the cash flow statement</u>	2021	2020
Reconciliation of net loss to cash flows from operating activities		
Net profit	2,788,149.80	285,802.20
Add: Increase in accrued expenses	-	-
Depreciation of fixed assets	-	700.00
Financial expenses	604,635.25	38,760.27
Increase in inventory	(4,853,463.46)	(1,821,050.00)
Increase in gross operating receivables	(10,402,733.56)	(1,370,546.79)
Increase in operating payables	10,351,826.18	4,557,193.95
Net cash inflow/ (outflow) from operating activities	<u>(1,511,585.79)</u>	<u>1,690,859.63</u>
Net increase/ (decrease) in cash		
Cash at the end of the year	1,310,334.01	3,430,419.29
Less: Cash at the beginning of the year	<u>3,430,419.29</u>	<u>1,778,319.93</u>
Net increase/ (decrease) in cash	<u><u>(2,120,085.28)</u></u>	<u><u>1,652,099.36</u></u>

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REC Trading (Shanghai) Co Ltd.
 Change statement of owner's equity
 for the year ended 31 December 2021
 (Amount in Renminbi Yuan)

Current Year	Paid-in Capital	Surplus reserves	Undistributed profit	Total owner's equity
Beginning balance	1,574,700.00	103,319.25	929,873.27	2,607,892.52
Increase in current	-	-	2,788,149.80	2,788,149.80
Among: net profit	-	278,814.98	(278,814.98)	-
Ending balance	1,574,700.00	382,134.23	3,439,208.09	5,396,042.32
Previous Year	Paid-in Capital	Surplus reserves	Undistributed profit	Total owner's equity
Beginning balance	1,574,700.00	74,739.03	672,651.29	2,322,090.32
Increase in current	-	-	285,802.20	285,802.20
Among: net profit	-	28,580.22	(28,580.22)	-
Ending balance	1,574,700.00	103,319.25	929,873.27	2,607,892.52

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REC Trading (Shanghai)Co Ltd.

Notes to the financial statements

(Amount in Renminbi Yuan)

1 COMPANY STATUS

REC Trading (Shanghai)Co., Ltd. (the “Company”) is a wholly foreign-owned enterprise established in Shanghai, the People's Republic of China (PRC) by REC Solar Pte. Ltd. The Company obtained an approval certificate Shang wai zi Hu Pu Du zi No. [2011] 3046 on 20 September 2011 from the People's Government of Shanghai, and an updated business licence (9131000058213098XG Pudong) on 18 June 2020 issued by Shanghai Administration of Industry and Commerce of the PRC Pudong branch. The registered capital was USD250,000. The incorporation date of the Company is 12 October 2011.

The company's business term is 30 years, and its business scope: general projects: wholesale, commission agency (except auction), import and export of electronic industrial compounds and photosensitive semiconductor devices, sales and import and export of solar cells, solar materials, solar module, polysilicon wafers, silicon kerf and silicon materials, providing related supporting services and maintenance, and marketing planning (not involving state-owned trade management commodities, involving quota and license management commodities, shall be handled in accordance with relevant state regulations.

2 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are in conformity with Accounting Standards for Business Enterprises-Basic Standard issued in 2006, specific accounting standards issued before 2006 and the Accounting Regulations for Business Enterprises, all issued by the Ministry of Finance of the PRC (MOF).The accounting policies comply with the legal and reporting requirements of the relevant government authorities

3 REPRESENTATION OF COMPLIANCE WITH THE ACCOUNTINGSTANDARDS FOR BUSINESS ENTERPRISES

The financial statements are in accordance with the requirements of the Accounting System for Business Enterprises, which have truly and completely presented the financial position of the company as of 31 December 2021 and the operating results and cash flows and other relevant information for the year ended 31 December 2021.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting year

The accounting year of the Company is from 1 January to 31 December.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Functional currency

The Company's functional currency is the Renminbi.

4.3 Basis of preparation and measurement basis

The Company follows the accrual basis of accounting. Assets are initially recorded at actual costs.

4.4 Translation of foreign currencies

Foreign currency transactions are translated into Renminbi at the exchange rates quoted by the People's Bank of China ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates quoted by the People's Bank of China ruling at the balance sheet date.

Exchange gains and losses on foreign currency translation are dealt with in the income statement.

4.5 Provision for bad and doubtful debts

The provision for bad and doubtful debts is estimated by management based on individual accounts receivable which show signs of uncollectability and an ageing analysis. Provision for other receivables is determined based on their specific nature and management's estimate of their collectability.

4.6 Fixed assets

Fixed assets refer to assets held by the company for the production of goods, provision of services, and operation and management, with a useful life of more than one year and high unit value.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The respective estimated useful lives and the estimated rate of residual values on cost for the Company's fixed assets are as follows:

	Estimated useful life	Estimated rate of residual value	Rate of depreciation
Office and other equipment	5 years	0%	20%

4.7 Provision for impairment

The carrying value of assets (including fixed assets) are assessed regularly to determine whether their recoverable amount have declined below their carrying amounts. Assets are tested for impairment whenever events or changes in conditions indicate that their carrying amounts may not be recoverable. When such as decline has occurred, the carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Provision for impairment (continued)

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life. Provision for impairment is calculated on an item basis and recognized as an expense in the income statement.

4.8 Revenue recognition

When it is probable that the economic benefits will flow to the Company and the revenue and costs can be measured reliably, revenue is recognized in the income statement according to the following methods:

(1) Rendering of services

Since 13 October 2011, the Company's revenue is calculated based on the Company's operation expenses plus a markup of 10%, in accordance with the service agreement signed by the Company and its related company REC Solar Pte. Ltd.

(2) Sales of goods

Sales of goods is recognized when the significant risks and rewards of the ownership of goods have been transferred to the buyers. No revenue is recognized if there are significant uncertainties regarding the receipt of the consideration and the return of goods, or when the revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

(3) Interest income

Interest income is recognized on a time proportion basis with reference to the principal outstanding and the applicable rate.

4.9 Employee social security and benefits

All Chinese employees of the Company participate in employee social security plans, including pension, medical and other welfare benefits, organized and administered by the governmental authorities.

According to the relevant regulations, the premiums and welfare benefit contributions that should be borne by the Company are calculated based on percentages of the total salary of employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities. Contributions to the plans are accounted for as production costs or expensed as incurred.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Accounting for income taxes

The Company accounts for enterprise and local income taxes using the tax payable method. Tax expense is recognized based on current period taxable income and tax rates.

4.11 Related Parties

If the Company has the power, directly or indirectly to control, jointly control or exercise significant influence over another party, or vice versa, or where the Company and one or more parties are subject to common control from another party, they are considered as related parties. Related parties may be individuals or enterprises.

5 TAXATION

5.1 Enterprise and local income taxes

The company pays enterprise income tax at 25% of the taxable income. The amount of taxable income is the balance of the total income minus the costs, expenses and losses that can be deducted before tax.

5.2 Value Added Tax

VAT is applicable to the company's business, and the VAT payable amount is the balance of 13% or 6% of the taxable income after deducting the input tax allowable in the current period.

6 NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS

6.1 Cash At Bank And On Hand

	<u>31 December 2021</u>	<u>31 December 2020</u>
Cash at bank	<u>1,310,334.01</u>	<u>3,430,419.29</u>
Total	<u><u>1,310,334.01</u></u>	<u><u>3,430,419.29</u></u>

6 NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS(CONTINUED)

6.2 Accounts Receivable

The ageing analysis of the Company's accounts receivable is as follows:

	31 December 2021			31 December 2020		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
With 1 year	<u>7,590,111.34</u>	100%	-	<u>1,309,158.11</u>	100%	-
Total	<u>7,590,111.34</u>	100%	-	<u>1,309,158.11</u>	100%	-

6.3 Other Receivables

The aging analysis of the Company's other receivables is as follows:

	31 December 2021			31 December 2020		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
With 1 year	1,607,263.32	97.58%	-	460,000.00	92.02%	-
1-2 years	-	-	-	-	-	-
2-3 years	-	-	-	2,457.00	0.49%	-
Over 3 years	<u>39,897.00</u>	2.42%	-	<u>37,440.00</u>	7.49%	-
Total	<u>1,647,160.32</u>	100%	-	<u>499,897.00</u>	100%	-

6.4 Prepayments

The aging analysis of the Company's prepayments is as follows:

	31 December 2021			31 December 2020		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
With 1 year	2,027,668.36	94.41%	-	136,634.00	100%	-
Over 1 year	<u>120,000.00</u>	5.59%	-	-	-	-
Total	<u>2,147,668.36</u>	100%	-	<u>136,634.00</u>	100%	-

6.5 Inventories

	31 December 2021	31 December 2020
Finished goods	<u>6,674,513.46</u>	<u>1,821,050.00</u>
Total	<u>6,674,513.46</u>	<u>1,821,050.00</u>

6 NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS(CONTINUED)

6.6 Fixed Assets

	Office and other equipment	Total
<u>Cost</u>		
As at 1 January 2021	70,834.00	70,834.00
Additions	-	-
As at 31 December 2021	70,834.00	70,834.00
<u>Accumulated depreciation</u>		
As at 1 January 2021	(70,834.00)	(70,834.00)
Additions	-	-
As at 31 December 2021	(70,834.00)	(70,834.00)
<u>Carrying amount</u>		
31 December 2021	-	-
31 December 2020	-	-

6.7 Taxes Payable

<u>Types of tax</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
VAT payable	-	9,434.23
Other tax and surcharges	-	-
urban construction tax	-	236.04
corporate income tax	909,366.84	15,549.36
additional charge	-	168.60
Total	<u>909,366.84</u>	<u>25,388.23</u>

6.8 PAID-IN CAPITAL

	<u>31 December 2020</u>		Increase (decrease) <u>during the year</u>		<u>31 December 2021</u>	
	(USD)	Amount in Rmb equivalent	(USD)	Amount in Rmb equivalent	(USD)	Amount in Rmb equivalent
REC						
Solar Pte. Ltd.	<u>250,000.00</u>	<u>1,574,700.00</u>	-	-	<u>250,000.00</u>	<u>1,574,700.00</u>
Total	<u>250,000.00</u>	<u>1,574,700.00</u>	-	-	<u>250,000.00</u>	<u>1,574,700.00</u>

Capital contributions in foreign currency have been translated into Renminbi at the exchange rates prevailing at the dates of each contribution received as quoted by the People's Bank of China.

6 NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS(CONTINUED)

6.9 Retained Earnings

	<u>31 December 2021</u>	<u>31 December 2020</u>
Opening balance	929,873.27	672,651.29
Add: Net profit	<u>2,788,149.80</u>	<u>285,802.20</u>
Less: Withdrawal of reserve fund	(278,814.98)	(28,580.22)
Closing balance	<u><u>3,439,208.09</u></u>	<u><u>929,873.27</u></u>

Surplus Reserve

In accordance with Articles of Association, the Company made appropriations to the statutory surplus reserve on the basis of 10% of the current period net profit.

6.10 REVENUE

	<u>2021</u>	<u>2020</u>
Rendering of services	3,922,019.69	2,983,313.09
Sales of goods	76,185,090.87	1,396,395.73
Other revenue	<u>3,605.49</u>	<u>4,611.41</u>
Total	<u><u>80,110,716.05</u></u>	<u><u>4,384,320.23</u></u>

6.11 FINANCIAL EXPENSES

	<u>2021</u>	<u>2020</u>
Interest expense	-	-
Less: Interest income	<u>9,821.08</u>	<u>5,152.41</u>
Net interest expense	(9,821.08)	(5,152.41)
Net exchange losses(gains)	608,499.49	38,760.27
Bank charges	<u>5,956.84</u>	<u>1,063.80</u>
Total	<u><u>604,635.25</u></u>	<u><u>34,671.66</u></u>

6.12 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Related party with controlling relationship

	Relationship with Company
REC Solar Pte. Ltd.	Parent company
REC Solar Norway As	Same group

6 NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS (continued)

6.12 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(2) The material related-party transactions of the Company are summarised as follows:

	Note	2021	2020
REC Solar Pte. Ltd.	Rendering of services	3,922,019.69	2,983,313.09
	Sales of goods	12,658,343.95	
REC Solar Norway As	Sales of goods	63,072,905.35	1,396,395.73

(3) The balances of related party receivables, payables and borrowings at the yearend are summarised as follows:

	Note	2021	2020
REC Solar Pte. Ltd	Accounts receivable	7,590,111.34	516,285.95
	Advance from customers	8,250,931.44	
REC Solar Norway As	Accounts receivable	-	792,872.16
	Accounts payable	373,900.85	-
	Advance from customers	5,512,866.57	4,565,484.95

7 CONTINGENCIES

As at 31 December 2021, there is no material contingency like pending litigation, guarantee provided for other entities of the Company.

8 COMMITMENTS

As at 31 December 2021, there is no material commitment to be disclosed in the Company.

9 POST BALANCE SHEET EVENTS

As of 28 March 2022, the Company has no events after the balance sheet date that need to be disclosed.

10 OTHER IMPORTANT MATTERS

As of 31 December 2021, the Company has no other important matters that need to be disclosed.