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龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00916)

CONNECTED TRANSACTION

TRANSFER OF 30% EQUITY INTEREST IN UNITED POWER

TRANSFER

The Board announced that on 14 November 2025, the Company, CHN Energy Electrical, CHN Energy New Energy and United Power entered into the Transfer Agreement, pursuant to which the Company and CHN Energy Electrical agreed to transfer their respective 30% equity interest in United Power to CHN Energy New Energy (i.e., CHN Energy New Energy shall acquire a total of 60% equity interest in United Power), with the consideration being RMB1 each. Upon completion of the Transfer, the Company shall cease to hold any equity interest in United Power, and United Power shall cease to be an associate of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.72% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. CHN Energy Electrical, CHN Energy New Energy and United Power are all subsidiaries of CHN Energy and constitute connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) of the Transfer is (are) more than 0.1% but less than 5%, the Transfer shall be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from the independent shareholders' approval requirements.

I. TRANSFER AGREEMENT

The Board announced that on 14 November 2025, the Company, CHN Energy Electrical, CHN Energy New Energy and United Power entered into the Transfer Agreement, pursuant to which the Company and CHN Energy Electrical agreed to transfer their respective 30% equity interest in United Power to CHN Energy New Energy (i.e., CHN Energy New Energy shall acquire a total of 60% equity interest in United Power), with the consideration being RMB1 each. Upon completion of the Transfer, the Company shall cease to hold any equity interest in United Power, and United Power shall cease to be an associate of the Company.

The principal terms of the Transfer Agreement are set out as follows:

Date

14 November 2025

Parties

The Company (as transferor)
CHN Energy Electrical (as transferor)
CHN Energy New Energy (as transferee)
United Power (as Subject Company)

Transaction Proposal

The Company and CHN Energy Electrical shall transfer their respective 30% equity interest in United Power, totalling 60% equity interest (the “**Subject Equity Interest**”), to CHN Energy New Energy. CHN Energy New Energy shall pay the transfer consideration to the Company and CHN Energy Electrical in cash. Upon completion of the transaction, CHN Energy New Energy shall enjoy all rights and assume all corresponding obligations pertaining to the Subject Equity Interest.

The transaction does not involve the disposal of any existing debts or liabilities. United Power shall continue to hold and assume its pre-existing debts and liabilities upon completion of the transaction.

Transaction Price and Pricing Basis

Beijing Guo Rong Xing Hua Asset Appraisal Co., Ltd.* (北京國融興華資產評估有限責任公司) (“**Guo Rong Xing Hua**”), the appraisal agency, issued the Assets Valuation Report on Entire Shareholders’ Equity of Guodian United Power Technology Co., Ltd. Involved in Proposed Equity Transfer by China Longyuan Power Group Corporation Limited and CHN Energy (Beijing) Electrical Engineering Technology Co., Ltd.* (《龍源電力集團股份有限公司、國能(北京)電氣技術有限公司擬轉讓股權涉及的聯合動力技術有限公司股東全部權益價值資產評估報告》) (the “**Valuation Report**”), which concluded that, as at the valuation benchmark date of 31 March 2025 (the “**Valuation Benchmark Date**”), the appraised value of the entire shareholders’ equity of United Power was RMB-6,181,408,300, with the respective 30% equity interest transferred by the Company and CHN Energy Electrical to CHN Energy New Energy appraised at RMB-1,854,422,490. The valuation results have been filed with the competent state-owned assets supervision and administration department.

The parties agreed that the transaction price for the 30% equity interest in United Power shall not be less than the appraised value as filed, which shall be RMB1.

The consideration for the transaction was determined after arm’s length negotiation among the Company, CHN Energy Electrical and CHN Energy New Energy, having regard to the appraised value of the equity interest in United Power and taking into account market conditions and the future business prospects of United Power.

During the period from the Valuation Benchmark Date to the date on which CHN Energy New Energy pays off the transaction consideration (the “**Transitional Period**”), should any of the following special events arise, the parties shall agree to adjust the cash payment amount stipulated in the Transfer Agreement for CHN Energy New Energy, subject to the audit results (if any), and the adjusted cash payment amount shall constitute the final transaction consideration payable by CHN Energy New Energy: Should changes in the Subject Company’s shareholders’ equity arise during the Transitional Period due to non-operating activities such as cash dividends or gratuitous transfers, the cash payment amount shall be correspondingly reduced or increased.

Completion

Within 30 days from the effective date of the Transfer Agreement, CHN Energy New Energy shall pay 100% of the transfer consideration for the Subject Equity Interest to both the Company and CHN Energy Electrical (i.e., CHN Energy New Energy shall pay RMB1 to the Company and RMB1 to CHN Energy Electrical). The date on which CHN Energy New Energy pays off the aforementioned consideration to the Company and CHN Energy Electrical shall constitute the completion date for the Subject Equity Interest. CHN Energy New Energy shall enjoy all rights and assume all corresponding obligations and risks pertaining to the Subject Equity Interest from the completion date.

Liability for Default

If either party to the Transfer Agreement violates its representations and warranties or makes any misrepresentation, or fails to perform any of its responsibilities or obligations under the Transfer Agreement, such party shall be deemed to have defaulted. The defaulting party shall, upon the request of the other parties, continue to perform its obligations or take measures to remedy its default or provide it with compensation.

If the transaction fails to take effect or fails to be completed for reasons which are not attributable to either party, neither of the parties shall be liable for liabilities for default.

Where either party is required under the terms of the Transfer Agreement to pay damages and/or compensation to the other parties, the parties agree that, unless otherwise stipulated in the Transfer Agreement, such damages and/or compensation shall be calculated based upon the losses incurred by the other parties. Payment shall be made in a single instalment by the liable party within thirty days of the other parties actually sustaining the loss or incurring the relevant expenses, in cash, assets, or by any other means permitted by law.

II. FURTHER INFORMATION ON THE VALUATION

The asset-based approach has been adopted in the preparation of the valuation of 100% shareholders' equity of United Power. In particular, the income approach has been adopted in the preparation of the valuation of 100% shareholders' equity of United Power's two subsidiaries, namely Inner Mongolia United Power and Zhangjiakou United Power, which constitute the profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**"). Please refer to Appendix I to this announcement for general information, key input parameters and assumptions regarding the valuation of United Power, Inner Mongolia United Power and Zhangjiakou United Power.

Baker Tilly Hong Kong Limited ("**Baker Tilly**"), reporting accountant of the Company, has reviewed and issued a report on the calculations underlying the valuation of Inner Mongolia United Power and Zhangjiakou United Power. The Board has confirmed that the Profit Forecast has been prepared after due careful enquiry. Pursuant to Rule 14.60A of the Listing Rules, the letters from Baker Tilly and the Board are set out in Appendix II and Appendix III to this announcement, respectively.

Experts and Consent

Name	Qualification
Guo Rong Xing Hua	Qualified Chinese appraisal agency
Baker Tilly	Reporting accountant, certified public accountant, registered public interest entity auditor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Guo Rong Xing Hua and Baker Tilly is a third party independent of the Group and its connected persons. As at the date of this announcement, neither Guo Rong Xing Hua nor Baker Tilly has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Guo Rong Xing Hua and Baker Tilly have each given and have not withdrawn their written consents dated 11 November 2025 to the publication of this announcement, agreeing to the inclusion of their names, opinions, recommendations and references to their names (including their qualifications) in the form and meaning set out in this announcement.

III. FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS

On the basis of comprehensive consideration of business and development, the Company has transferred its entire equity interest in United Power through a private placement. Following this equity transfer, the Company will no longer hold any equity interest in United Power. In light of United Power's persistent losses, the Company completed the write-down of its entire investment loss in 2023. Consequently, this equity transfer will not materially impact the Company's profit for the current period. The scope of the Company's consolidated financial statements will remain unchanged upon completion of the Transfer.

As the consideration for the Disposal amounts to RMB1, the Company does not anticipate receiving any net proceeds from the Disposal.

IV. REASONS FOR AND BENEFITS OF THE DISPOSAL

In light of United Power's persistent losses, the Company shall transfer its equity interest in United Power to CHN Energy New Energy to divest the Company of its equity interest in United Power, thereby comprehensively mitigating the potential impact of risks associated with United Power on the Company.

The Directors (including independent non-executive Directors) are of view that the terms of the transaction are entered into in the ordinary course of the Group's business on normal commercial terms, are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

Ms. Wang Xuelian and Mr. Zhang Tong, both being Directors, are holding positions in CHN Energy and therefore have material interests in the transaction, and they have abstained from voting on the Board resolution approving the transaction. Save as aforesaid, none of the other Directors has a material interest in the transaction.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.72% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. CHN Energy Electrical, CHN Energy New Energy and United Power are all subsidiaries of CHN Energy and constitute connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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VI. GENERAL INFORMATION

Information on the Company

The Company is a leading wind power generation company in the PRC, primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, the Company also operates other power projects such as solar power, tidal and geothermal energy. Meanwhile, the Company also provides consultation, repair and maintenance, training and other professional services to wind farms.

Information on CHN Energy New Energy

CHN Energy New Energy is a company incorporated in the PRC with limited liability, principally engaged in power generation, transmission, and power supply (distribution) business. As at the date of this announcement, CHN Energy New Energy is a wholly-owned subsidiary of CHN Energy, whose ultimate beneficial owner is CHN Energy.

Information on CHN Energy Electrical

CHN Energy Electrical is a company incorporated in the PRC with limited liability, principally engaged in the technical development, technology transfer and technical services relating to power generation, power supply systems and technologies, electrical equipment and accessories, instruments and gauges, computerised power supply and consumption technologies and equipment, and communications equipment. As at the date of this announcement, CHN Energy Electrical is wholly owned by CHN Energy Technology & Environment Limited. CHN Energy Technology & Environment Limited is owned as to approximately 60.81% by CHN Energy and approximately 39.19% by GD Power Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600795).

Information on CHN Energy

As a state-owned enterprise established in accordance with the laws of the PRC, CHN Energy is the controlling shareholder of the Company, and operates business segments including coal, thermal power, new energy, hydropower, transportation, chemicals, environmental technologies and finance. As at the date of this announcement, the ultimate beneficial owner of CHN Energy is the State-owned Assets Supervision and Administration Commission of the State Council.

Information on United Power

United Power is a technology-based enterprise principally engaged in the research, development, design, manufacture and sale of large-scale onshore, offshore and intertidal zone wind turbine generators. The following are the principal financial data (audited) prepared by United Power in accordance with the China Accounting Standards for Business Enterprises:

Unit: RMB 0'000

	For the year ended 31 December 2024	For the year ended 31 December 2023
Total profit (profit before taxation)	-307,158.68	-440,739.41
Net profit (profit after taxation)	-307,726.52	-454,908.77
	As at 30 June 2025	As at 30 September 2025
Total assets	850,427.17	859,575.22
Net assets	-695,319.15	-713,718.84

VII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Board”	the board of Directors of the Company
“CHN Energy”	China Energy Investment Corporation Limited* (國家能源投資集團有限責任公司), as at the date of this announcement, CHN Energy directly and indirectly holds 4,908,598,141 Shares (representing approximately 58.72% of the total issued share capital of the Company) in the Company in aggregate, and is the controlling shareholder of the Company
“CHN Energy Electrical”	CHN Energy (Beijing) Electrical Engineering Technology Co., Ltd.* (國能(北京)電氣技術有限公司), a company incorporated in the PRC with limited liability, being a subsidiary of CHN Energy
“CHN Energy New Energy”	CHN Energy New Energy Technology Co., Ltd.* (國家能源集團新能源有限責任公司), a company incorporated in the PRC with limited liability, being a wholly-owned subsidiary of CHN Energy
“Company”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 00916) and A Shares are listed on the Shenzhen Stock Exchange (Stock Code: 001289)
“Company Law”	the Company Law of the People’s Republic of China
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Inner Mongolia United Power”	Inner Mongolia United Power New Energy Co., Ltd.* (內蒙古聯合動力新能源有限公司), a company incorporated in the PRC with limited liability, being a wholly-owned subsidiary of Zhangjiakou United Power
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transfer”	the Transfer Agreement and transactions thereunder
“Transfer Agreement”	the equity transfer agreement between CHN Energy New Energy and Longyuan Power and CHN Energy Electrical concerning 60% equity interest in United Power entered into among the Company, CHN Energy Electrical, CHN Energy New Energy and United Power on 14 November 2025
“United Power”	Guodian United Power Technology Co., Ltd.* (國電聯合動力技術有限公司), a company incorporated in the PRC with limited liability. As at the date of this announcement, United Power is owned as to 30% by the Company and 70% by subsidiaries of CHN Energy
“Zhangjiakou United Power”	Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.* (國能聯合動力智慧能源(張家口)有限公司), a company incorporated in the PRC with limited liability, with 100% equity interest being held by United Power
“%”	per cent

By Order of the Board
China Longyuan Power Group Corporation Limited*
Gong Yufei
Chairman

Beijing, the PRC, 14 November 2025

As at the date of this announcement, the executive directors of the Company are Mr. Gong Yufei and Mr. Wang Liqiang; the non-executive directors are Ms. Wang Xuelian, Mr. Zhang Tong, Mr. Wang Yong and Mr. Liu Jintao, and the independent non-executive directors are Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng.

APPENDIX I: GENERAL INFORMATION, KEY INPUT PARAMETERS AND ASSUMPTIONS REGARDING THE VALUATION

VALUATION OF UNITED POWER

I. VALUATION METHODS

In accordance with the Standards of Practice for Asset Valuation – Enterprise Value, in evaluating enterprise value, the applicability of the three basic approaches, namely income approach, market approach and asset-based approach shall be analysed to select the valuation approach pursuant to the valuation purpose, target of valuation, value type, data collection, etc. Where different valuation approaches appropriate for enterprise valuation, asset valuation professionals shall employ two or more valuation methods. Analysis of the applicability of the three approaches in this project:

1. Analysis of the applicability of the asset-based approach

The appraised entity assessed in this report operates on a going concern basis. The selection of economic and technical parameters involved in the application of the asset-based approach is supported by sufficient data and documentation as a foundation and basis. The financial data has been audited, and there are no off-balance-sheet assets that would significantly impact the value of the target of valuation and are difficult to identify and assess. Therefore, the asset-based approach can be adopted for the valuation.

2. Analysis of the applicability of the income approach

The income approach evaluates assets from the perspective of their expected earning capacity, fully reflecting the overall value of the enterprise. Considering that the appraised entity has incurred continuous losses in recent years and has no plan to reverse the losses in the future, the income approach is not selected for this valuation.

3. Analysis of the applicability of the market approach

After inquiring about domestic listed companies in the same industry as the appraised entity, it was found that there are few comparable listed companies in terms of business structure, business model, enterprise scale, asset allocation, and future growth potential. Moreover, there have been few recent equity transactions in the property rights exchange market similar to the appraised entity, and information such as the transaction background and operational and financial data of comparable cases cannot be obtained from public channels. Thus, the basic conditions for applying the market approach are not met. The market approach is not suitable for this valuation.

In summary, based on the purpose of this valuation, the target of valuation, the value type, the data collection status, and the applicability conditions of the three basic valuation approaches, the asset-based approach was selected for this valuation.

II. VALUATION ASSUMPTIONS

The assumptions adopted in the analysis and estimation of this assets valuation report are as follows:

(I) Basic Assumptions

1. In the open market assumption, it is assumed that for assets to be traded or intended to be traded in the market, the parties to the asset transaction shall have equal status, and also have opportunity and time to gain sufficient market information, so as to make rational judgement on functions, purpose and trading prices of assets;
2. In the transaction assumption, it is assumed that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most basic prerequisites that asset valuation can be carried out;
3. In the going concern assumption, the appraised entity, based on the existing assets and resources, will not stop business for various reasons in the foreseeable future, but will continue to operate legally.

(II) General Assumptions

1. It is assumed that there are no significant changes in the current relevant laws, regulations, policies, and macroeconomic situation of the country, and that there are no significant changes in the political, economic, and social environment of the regions where the parties to the transactions are located;
2. It is assumed that the industry in which the appraised entity operates maintains a stable development trend, with no significant changes in industry policies, management systems, and relevant regulations;
3. It is assumed that there are no significant changes in interest rates, tax benchmarks and rates, policy-related collection fees, etc. related to the appraised entity after the valuation benchmark date;
4. It is assumed that no force majeure or unforeseeable factors have a significant adverse impact on the appraised entity after the valuation benchmark date.

(III) Special Assumptions

1. It is assumed that the general information relating to the business operation, property rights documentation, policy documents and other relevant materials provided by the client and the appraised entity are true and valid;
2. It is assumed that the purchase, acquisition and construction of the assets involved in the target of valuation are in accordance with the relevant laws and regulations of the PRC;
3. It is assumed that the physical assets involved in the target of valuation have no major technical failures that affect their continuous use, and that their key components and materials have no potential significant quality defects;
4. It is assumed that the assets within the scope of the appraisal are genuine and complete, free from title defects, not involved in any mortgage, lien, or guarantee matters, and not subject to any other transaction restrictions;
5. It is assumed that the management of the appraised entities is responsible, stable, and capable of assuming their positions after the valuation benchmark date;
6. It is assumed that there are no significant differences between the accounting policies used in the historical financial materials provided by the appraised entity and those applied in the profit forecasts;
7. It is assumed that the appraised entities, based on their existing management methods and levels, maintain the same business scope and methods as they currently have after the valuation benchmark date;
8. During the forecast period, the core management and technical personnel of the appraised entity are relatively stable, and no significant changes affecting business development and profit realization will occur;

9. Some subsidiaries of the appraised entity have obtained the “High-Tech Enterprise Certificate”. It is assumed that the relevant regulations and policies for high-tech enterprise certification remain substantially unchanged in the future. Based on an analysis of the entity’s current main business composition, R&D personnel structure, future R&D investment as a percentage of main business income, and other indicators, and based on reasonable projections, it is assumed that the appraised entity will continue to meet the conditions for high-tech enterprise certification and enjoy preferential corporate income tax policies;
10. It is assumed that the cash inflow of the appraised entities after the valuation benchmark date is the average inflow, and the cash outflow is the average outflow;
11. All licenses, permits, consents, or other legal or administrative authorizations required for the asset usage methods underlying the value estimates in this appraisal report are assumed to be valid, compliant, and in normal use as of the valuation benchmark date, and it is assumed that such documents can be renewed or reissued upon expiration;
12. It is assumed that the relevant data of listed companies sourced from Wind/iFinD are authentic and reliable;
13. The stock markets where the comparable listed companies are located are efficient markets, and their stock trading prices are fair and valid;
14. The property rights transactions of comparable reference enterprises in the transaction market are legal and orderly;
15. The financial statement data publicly disclosed by comparable listed companies are authentic, information disclosure is adequate and timely, their stock market trading is normal and orderly, and trading prices are not manipulated by non-market factors.

III. FORECAST IDEAS FOR MAIN VALUATION PARAMETERS

(I) For Asset-based Approach

(1) *Accounts receivables*

Include trade receivables and other receivables. On the basis of verification of the receivables, the appraised value is determined according to the estimated probable recoverable amount of each item, net of appraised risk of loss. If it is probable that a portion of the receivables is unrecoverable and the unrecoverable amount is hard to determine, we have analyzed the amount, period of and reason for overdue, recovery status, the funding, creditworthiness and operation and management of the debtor based on historic information and current investigation to determine the appraised value of the accounts receivables using accounting methods for provision for bad debts after deducting the appraised risk of loss. If there are pieces of conclusive evidence showing that these receivables cannot be recovered, the appraised value is calculated as zero. The item “provision for bad debts” in the statement is calculated as zero.

(2) *Prepayments*

The appraisers review relevant material procurement contracts or supply agreements to understand the services received and goods delivered during the period from the valuation benchmark date to the on-site verification date. If no evidence is found that the supplier is bankrupt, dissolved, or unable to supply goods or services as contracted, the verified book value shall be used as the appraised value. For prepayments where conclusive evidence indicates that the corresponding goods cannot be recovered and no corresponding assets or rights can be established, the appraised value is zero.

(3) *Inventories*

Inventories include: raw materials and finished goods.

1) *Raw materials*

Upon verification, the book value of raw materials consists of purchase price and reasonable expenses. Due to short storage time, rapid turnover, and minimal market price fluctuations of raw materials, the appraised value is determined based on the verified quantity at its original cost.

2) *Finished goods*

The appraised value is determined by subtracting selling expenses, all taxes, and an appropriate amount of after-tax net profit from the selling price as of the valuation benchmark date. The basic formula is as follows:

$$\text{Appraised value of finished goods} = \text{quantity of finished goods} \times \text{selling price (excluding tax)} \times [1 - \text{selling expense rate} - \text{tax and surcharge rate} - \text{selling profit rate} \times \text{income tax rate} - \text{selling profit rate} \times (1 - \text{income tax rate}) \times \text{net profit deduction rate}]$$

Generally, a profit deduction rate of 0 is applied for readily marketable finished goods, and a rate of 0.5 is applied for normally sold finished goods.

(4) *Contract assets*

The valuers first reconcile the declaration statements with the general and subsidiary ledgers and review original vouchers to verify the accuracy of the declared amounts. After confirming the contract assets, they shall discuss with the company's financial and relevant personnel, based on the customer business details, last transaction date, and amounts listed in the detailed schedule of contract assets provided by the appraised entity. The financial and relevant personnel shall provide detailed explanations regarding the actual situation of the debtor units. Subsequently, the valuers analyze the reasons for the formation of the contract assets, the timing of the transactions, and the creditworthiness of the debtors in accordance with the Accounting Standards for Business Enterprises and relevant appraisal regulations to determine the recoverability of the outstanding debts in each account.

For amounts fully expected to be recovered, the appraised value is calculated based on the total contract assets. For amounts likely to be partially unrecoverable, a detailed analysis shall be conducted using historical data and on-site survey findings, considering the duration and reasons for the debt, repayment history, and the debtor's financial status, credit, and operational management, to determine the potentially unrecoverable amount. The appraised value is confirmed by deducting the potentially unrecoverable amount from the book balance. For general clients, full discussions shall be held with relevant personnel of the appraised entity and auditors to estimate the potentially unrecoverable portion. An aging analysis method shall be used to determine the appraisal risk loss, while the bad debt provision for contract assets recorded as of the valuation benchmark date is assessed as zero.

Contract assets refer to the enterprise's right to receive consideration in exchange for goods transferred to customers. The appraised value is determined based on the remaining beneficial rights.

(5) *Long-term equity investment*

For wholly-owned and controlled subsidiaries, an appropriate assessment method is adopted based on the applicability of the assessment methodology to conduct a holistic evaluation. After obtaining the total equity value of the invested entity, it is multiplied by the shareholding percentage to calculate the appraised value of the long-term equity investment.

(6) *Machinery and equipment*

Based on the characteristics of various types of equipment, the type of appraised value, data collection and other relevant conditions, machinery and equipment and office equipment shall be primarily valued using the cost approach, with the market approach adopted for certain items, while vehicles shall be mainly valued by the market approach.

The statements shall be consistent with those listed in the account books after verifying against the spreadsheets of the machinery and equipment provided by the company. At the same time, the ownership shall be recognised after examining and verifying related contracts, legal ownership certificates and accounting documents. On such basis, professional engineering staff shall be assigned to carry out necessary on-site inspection and verification of major equipment.

Appraised value under cost approach = full replacement price $\times$ comprehensive newness rate

1. Determination of full replacement price

(1) Machinery and equipment

Full replacement price = equipment purchase cost + freight and miscellaneous expenses + installation expense + foundation expense + up-front and other expenses + capital cost – deductible VAT input tax

1) Equipment purchase cost

Domestic machinery and equipment acquisition costs are primarily determined based on market inquiries, or by reference to the 2025 China Mechanical and Electrical Products Quotation Manual, or by consulting the contract prices of recently procured similar equipment. For equipment whose purchase prices are unavailable through inquiry, the purchase price shall be calculated based on the price change rates of equipment of the same era and same type.

2) Freight and miscellaneous expenses

According to the terms of quotation of the seller, no more freight and miscellaneous expenses would be charged if they were included in the quotation; the freight and miscellaneous expenses, if not included in the quotation, shall be determined based on the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NBT 31011–2019).

3) Installation expense

Installation expense shall be determined, with reference to the final account information provided by the appraised entity, in accordance with the Estimated Quota of Onshore Wind Farm Projects (NBT 31010–2019), the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NBT 31011–2019), as well as the weight, model and key parameters of equipment and the consumption level of human resources, materials and equipment, while taking into account the information obtained through market enquiries and relevant necessary fees.

For small equipment that does not need to be installed, installation expense is not taken into consideration.

4) Foundation expense

For large-scale equipment, if the equipment foundation is independent or inseparable from the building, the equipment foundation expense is considered within the building asset category; the remainder is reasonably determined by referencing the Handbook of Common Data and Parameters for Asset Valuation and through comprehensive calculation.

For small-scale, general-purpose equipment that does not require a separate foundation, the equipment foundation expense is not considered.

5) Up-front and other expenses

Up-front and other expenses include project construction management fees, survey and design fees, project supervision fees, feasibility study fees, bidding agency fees, environmental impact assessment fees, etc. The calculation of each expense shall be based on the relevant fee standards established by the competent national ministries and commissions.

According to the Announcement No. 39 of 2019 by the Ministry of Finance, State Taxation Administration, and General Administration of Customs, the trial for replacing the business tax with the VAT has been fully implemented nationwide since 1 May 2016. For up-front expenses falling within the scope of the business tax to VAT reform, the corresponding VAT portion shall be deducted from the applicable rates.

6) Capital cost

The capital cost is determined based on the reasonable construction period of this project, using the loan interest rate for the corresponding term as of the valuation benchmark date, with the sum of equipment purchase cost, installation engineering cost, and up-front and other expenses as the base.

7) Deductible VAT input tax from equipment purchase cost

The deductible VAT input tax shall be calculated and deducted accordingly for items that meet the VAT deduction conditions.

8) Determination of the comprehensive newness rate

The comprehensive newness rate is determined by conducting on-site inspections of the equipment (instruments) usage conditions (engineering environment, maintenance, appearance, operating rate, and integrity rate), reviewing necessary records of equipment (instruments) operation, accidents, maintenance, and performance assessments, and making adjustments accordingly.

The remaining useful life is determined primarily based on the economic lifespan of the equipment, used life, the on-site investigation and understanding of the usage status, technical status of equipment, and thereby determined the comprehensive newness rate according to the following formula.

Comprehensive newness rate = remaining useful life / (remaining useful life + used life) × 100%

9) Determination of appraised value

Equipment appraised value = equipment replacement cost × comprehensive newness rate

For some machinery that has been purchased for a long time and cannot be priced through inquiries, the appraised value is determined based on the second-hand market price as of the valuation benchmark date.

(2) Office equipment

1) Determination of replacement cost

For office equipment, the replacement cost is determined based on local market information and recent online transaction prices excluding tax.

For office equipment purchased earlier, for which no relevant models are available on the current market but which are still functional, the replacement cost is determined by referring to the second-hand equipment market prices excluding tax.

2) Determination of the comprehensive newness rate

For office equipment, the comprehensive newness rate is primarily determined using the ageing method based on its economic lifespan.

Comprehensive newness rate = (economic lifespan – used life)/economic lifespan × 100%

3) Determination of the appraised value

Office equipment appraised value = replacement cost × comprehensive newness rate

(3) Vehicles

For vehicles that have been purchased for a long time and cannot be priced through inquiries, the appraised value is determined based on the second-hand market price as of the valuation benchmark date.

Through market surveys and price inquiries, three recent market transaction cases of equipment and vehicles similar to the target of valuation are collected. Based on the principle of substitution, the market prices of the comparison cases are adjusted according to differences in brand, model, commissioning date, and other factors to determine the price of the appraised equipment and vehicles.

Adjusted price = reference equipment/vehicle transfer price × relevant adjustment coefficient

(7) *Other intangible assets*

The other intangible assets within the scope of this valuation primarily include externally purchased software by the enterprise. For externally purchased software that is still sold on the market as of the valuation benchmark date and has no upgraded version, the appraised value is confirmed based on the market price of similar software as of the valuation benchmark date. For externally purchased software that is still sold on the market but has an upgraded version, the appraised value is determined by deducting the software upgrade cost from the current market price.

1) *Intangible assets such as patents and copyrights*

The intangible assets within the scope of this valuation, such as technology and copyrights, include invention patents, utility model patents, design patents, software copyrights, and proprietary technology.

Such intangible assets are generally appraised using three methods: the income approach, market approach, and cost approach. In accordance with the Practice Standards for Asset Valuation – Intangible Assets, valuers may appropriately select one or more asset valuation methods based on the valuation purpose, value type, data collection status, and other relevant conditions.

The cost approach involves resetting the total cost input during the formation of the intangible asset at current price levels, considering reasonable capital costs, profits, and related taxes and fees to determine the replacement cost of the intangible asset. After accounting for reasonable depreciation, the appraised result of the subject asset is determined.

The market approach involves selecting identical or similar intangible assets from the property rights exchange market or capital market as references. By comparing and adjusting price differences between the appraised intangible asset and the reference assets based on various value-influencing factors, and analyzing the adjustment results, the value of the target asset is determined.

The income approach involves estimating the expected income of the appraised asset during its economic lifespan and discounting it to present value using an appropriate discount rate, thereby determining the value of the appraised asset.

Based on unified R&D, unified sales, and a unified income tax rate, the appraised values of patents and proprietary technology for Guodian United Power Technology Co., Ltd. and its subsidiaries (Beijing Guodian Sida Technology Co., Ltd, Guodian United Power Technology (Baoding) Co., Ltd., Guodian United Power Technology (Chifeng) Co., Ltd., Guodian United Power Technology (Lianyungang) Co., Ltd.) are collectively calculated in the Intangible Assets – Patent Appraisal Detailed Schedule of Guodian United Power Technology Co., Ltd.

For intangible assets – patent technology, in accordance with the operational standards for intangible asset appraisal, the appraisal of intangible assets – patent technology may use the cost approach, income approach, or market approach based on the preconditions for use and the specific circumstances of the appraisal.

Due to the exclusivity of intangible assets – patent technology, it is generally difficult to select references from market transactions, so the market approach is not applicable.

For the cost of intangible assets – patent technology, it is relatively easy to calculate, but it does not directly correspond to its value, so the cost approach is not applicable.

For intangible assets – patent technology, the income approach can be used for valuation from the income perspective.

The technical rationale of the income present value method (income approach) is to use the royalty savings method (royalty method/sharing method) to forecast the future annual income of products using the intangible asset – patent technology. By applying a certain royalty rate, i.e., the contribution rate of the intangible asset – patent technology in the future annual income, and discounting it with an appropriate discount rate, the sum is the appraised value. The basic calculation formula is as follows:

$$P = \sum_{t=1}^n \frac{kRt}{(1+i)^t}$$

Where:

P: Appraised value of the subject intangible asset – patent technology

Rt: Annual income of the product using the intangible asset – patent technology in year T

t: Year of calculation

k: Royalty rate of the intangible asset – patent technology in the income

i: Discount rate

n: Economic income period of the product using the intangible asset – patent technology

IV. VALUATION CONCLUSION

In accordance with relevant national regulations governing asset valuation, and adhering to the principles of independence, impartiality and objectivity alongside necessary valuation procedures, an appraisal of the entire shareholders' equity in Guodian United Power Technology Co., Ltd. has been made. The asset-based approach was employed for this valuation. The conclusions are derived from the aforementioned valuation, with the results presented as follows:

(I) Relevant Valuation Results

1. Valuation results under asset-based approach

As at the valuation benchmark date, for Guodian United Power Technology Co., Ltd., the book value of total assets amounted to RMB9,710,218,300, and the appraised value amounted to RMB5,740,323,300, representing a depreciation of RMB3,969,895,000 or 40.88%;

The book value of total liabilities amounted to RMB11,935,216,300, and the appraised value amounted to RMB11,921,731,500, representing a depreciation of RMB13,484,800 or 0.11%;

The book value of entire shareholders' equity amounted to RMB-2,224,998,100, and the appraised value amounted to RMB-6,181,408,300, representing a depreciation of RMB3,956,410,200.

The results of the valuation under asset-based approach are detailed in the following summary table of valuation results:

Summary table of valuation results under asset-based approach

Valuation benchmark date: 31 March 2025

Appraised entity: Guodian United Power Technology Co., Ltd.

Unit: RMB0'000

Item	Book value A	Appraised value B	Appreciation/ depreciation C=B-A	Rate % D=C/A×100%
1 Current assets	792,010.65	793,178.07	1,167.42	0.15
2 Non-current assets	179,011.18	-219,145.74	-398,156.92	-222.42
3 Including: Debt investment	-	-	-	-
4 Other debt investments	-	-	-	-

Item		Book value	Appraised value	Appreciation/ depreciation	Rate %
		A	B	C=B-A	D=C/A × 100%
5	Long-term receivables	–	–	–	–
6	Long-term equity investment	173,408.41	-245,552.90	-418,961.31	-241.60
7	Other equity instrument investments	–	–	–	–
8	Other non-current financial assets	–	–	–	–
9	Investment property	–	–	–	–
10	Fixed assets	1,548.14	2,775.25	1,227.11	79.26
11	Construction in progress	–	–	–	–
12	Productive biological assets	–	–	–	–
13	Oil and gas assets	–	–	–	–
14	Right-of-use assets	66.79	66.79	–	–
15	Intangible assets	3,511.93	23,089.20	19,577.27	557.45
16	Development expenditure	–	–	–	–
17	Goodwill	–	–	–	–
18	Long-term deferred expenses	51.52	51.52	–	–
19	Deferred income tax assets	31.93	31.93	–	–
20	Other non-current assets	392.47	392.47	–	–
21	Total assets	971,021.83	574,032.33	-396,989.50	-40.88
22	Current liabilities	878,408.77	878,408.77	–	–
23	Non-current liabilities	315,112.86	313,764.38	-1,348.48	-0.43
24	Total liabilities	1,193,521.63	1,192,173.15	-1,348.48	-0.11
25	Net assets (owners' equity)	-222,499.81	-618,140.83	-395,641.02	–

(II) Changes in Valuation Conclusion as Compared to Book Value and Reasons

Following the valuation of the net assets of Guodian United Power Technology Co., Ltd. using the asset-based approach, the valuation results deviated from the book value. The reasons for the valuation appreciation/depreciation are as follows:

1. *Other receivables*

The depreciation of other receivables was primarily due to the fact that the auditor recalculated the ageing and bad debt provisions for other receivables, making adjustments to provisions with significant discrepancies. Provisions with negligible individual variances (below the threshold for material misstatement) were not adjusted. In this valuation, risk losses were calculated based on ageing, resulting in the valuation depreciation.

2. *Inventories*

The valuation appreciation of inventories was primarily due to the fact that the unit selling price of products exceeds their book cost, resulting in the valuation depreciation.

3. *Long-term equity investment*

The valuation depreciation of long-term equity investment was primarily due to the investee company's core business of wind turbine production, which has sustained losses in recent years. Following valuation, the appraised value was determined to be below the book cost, resulting in the valuation depreciation.

4. *Equipment assets*

- (1) The valuation appreciation of the original value of machinery and equipment was due to the sustained rise in key machinery raw material prices in recent years, coupled with upward pressure on market prices for such assets. The appreciation of the net value was due to certain items having an actual service life exceeding the depreciation period adopted by the enterprise.
- (2) The use of market second-hand prices in vehicle valuations resulted in the valuation depreciation of the original value; conversely, where second-hand market prices exceeded the net book value after depreciation, resulting in the valuation appreciation of the net value.

- (3) The valuation depreciation of the original value of office equipment was due to the fact that second-hand prices were applied as the valuation basis for certain obsolete items. The appreciation of the net value was primarily due to the discrepancy between the economic life adopted for valuation purposes and the depreciation period recognised in the enterprise's accounting records.

5. *Intangible assets – others*

The appreciation was primarily due to the fact that the book value of the appraised entity's software assets represented its amortised cost, whereas the market value determined through valuation exceeded this amortised book value.

6. *Intangible assets – intellectual properties*

The appreciation was primarily due to the fact that the enterprise's book value reflected the costs incurred in developing the patented technology, while substantial off-balance-sheet patent technologies existed. The majority of these have been fully amortised on the books. This valuation assesses the patented technology from a profitability perspective and incorporates the off-balance-sheet patent and intellectual property value of subsidiaries, resulting in the valuation appreciation.

7. *Deferred revenue*

The valuation depreciation of deferred revenue was primarily due to certain deferred revenue items not requiring repayment. Although corporate income tax has not been levied on these portions, as of the valuation benchmark date, the appraised entity has incurred substantial losses. It is anticipated that no corporate income tax will be payable upon recognition of income from these deferred revenue. Consequently, this assessment has been valued at zero.

(III) Validity period of valuation conclusion

The validity period of the valuation conclusion shall be one year from the valuation benchmark date, i.e., effective from 31 March 2025 to 30 March 2026.

VALUATION OF INNER MONGOLIA UNITED POWER

I. VALUATION METHODS

In accordance with the Standards of Practice for Asset Valuation – Enterprise Value, in evaluating enterprise value, the applicability of the three basic approaches, namely income approach, asset-based approach and market approach shall be analysed to select the valuation approach pursuant to the valuation purpose, target of valuation, value type, data collection, etc. Where appropriate for enterprise valuation, asset valuation professionals shall employ two or more valuation methods. The methods selected for this valuation are: the asset-based approach and the income approach.

The reasons for selecting these methods are as follows:

The asset-based approach reflects the value of assets from the perspective of asset reacquisition, which means that the approach reflects the value of assets by deducting depreciation from the replacement cost of assets. The preconditions are: (1) the appraised assets are either in a state of continued use or are assumed to be in such a state; (2) historical records should be available for reference. The assets subject to this valuation fulfil the aforementioned conditions.

The preconditions for the application of the income method are: (1) the future earnings of the target of valuation can be reasonably expected and measured in monetary terms; (2) the risk associated with the expected return can be measured; and (3) the duration of the proceeds can be determined or reasonably expected. The appraised entity has the basis and conditions for operating as a going concern, there is a relatively stable correspondence between operation and income, and future income and risks can be predicted and quantified. The critical aspects of applying the discounted cash flow method are predicting expected future cash flows and the objectivity and reliability of data collection and processing. When the forecast of expected future cash flows is relatively objective and fair, and the discount rate selected is more reasonable, the valuation result shall be more objective and readily accepted by the market. Consequently, the income approach may be adopted.

Market approach: The market approach evaluates the current fair market value of the target of valuation based on reference materials in the real market. In view of the considerable differences in business composition between the appraised entity and comparable enterprises, it is difficult to establish a reasonable comparison with comparable listed companies' data and scale, even through indicator adjustments. Furthermore, there is substantial difficulty in identifying similar market references. Therefore, the market approach was not adopted in this valuation.

II. VALUATION ASSUMPTIONS

The assumptions adopted in the analysis and estimation of this assets valuation report are as follows:

(I) Basic Assumptions

1. In the open market assumption, it is assumed that for assets to be traded or intended to be traded in the market, the parties to the asset transaction shall have equal status, and also have opportunity and time to gain sufficient market information, so as to make rational judgement on functions, purpose and trading prices of assets;
2. In the transaction assumption, all assets to be valued are assumed to be already in the process of transaction, and the valuers assess the value based on the trading conditions of the assets to be valued in the market. The transaction assumption is one of the most basic prerequisites that asset valuation can be carried out;
3. In the going concern assumption, the appraised entity, based on the existing assets and resources, will not stop business for various reasons in the foreseeable future, but will continue to operate legally.

(II) General Assumptions

1. It is assumed that there are no significant changes in the current relevant laws, regulations, policies, and macroeconomic situation of the country, and that there are no significant changes in the political, economic, and social environment of the regions where the parties to the transactions are located;
2. It is assumed that there are no significant changes in interest rates, exchange rates, tax benchmarks and rates, policy-related collection fees, etc. related to the appraised entity after the valuation benchmark date;
3. It is assumed that the management of the appraised entity is responsible, stable, and capable of assuming their positions after the valuation benchmark date;
4. Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations;

5. It is assumed that all inputs for the calculation in this valuation are determined based on the current pricing system and takes no account of the effect from inflation or policy changes subsequent to the valuation benchmark date;
6. It is assumed that no force majeure or unforeseeable factors have a significant adverse impact on the appraised entity after the valuation benchmark date.

(III) Special Assumptions

1. It is assumed that the electricity sale price of the appraised entity remains unchanged after the valuation benchmark date;
2. It is assumed that the appraised entity's electricity business licence can be renewed normally upon expiry;
3. It is assumed that the management of the appraised entity will diligently fulfil his/her responsibilities, and the appraised entity will continue to operate in the same operation and management model.
4. In the continuous use of assets assumption, it is assumed that the appraised assets continue to be used legally and effectively according to their current purpose and usage method, scale, frequency and environment, and there are no significant changes during the foreseeable useful life;
5. It is assumed that the general information relating to the business operation, property rights documentation, policy documents and other relevant materials provided by the client and the appraised entity are true and valid;
6. It is assumed that the purchase, acquisition and construction of the assets involved in the target of valuation are in accordance with the relevant laws and regulations of the PRC;
7. It is assumed that the physical assets involved in the target of valuation have no major technical failures that affect their continuous use, and that their key components and materials have no potential significant quality defects;
8. It is assumed that the cash inflow of the appraised entity after the valuation benchmark date is the average inflow, and the cash outflow is the average outflow;

9. During the foreseeable period, the possible non-recurring profit and loss during the operation of the appraised entity are not considered, including but not limited to the following items: significant bad debt losses and asset impairment losses, profit and loss incurred from construction in progress and other long-term assets, as well as other non-operating income and expenditure;
10. It is assumed that there are no material differences between the accounting policies used in the historical financial data provided by the appraised entity and those used for the revenue forecast;
11. The on-site inspection of the target of valuation by the asset valuation professionals was confined to the appearance and conditions of use of the target of valuation, and no tests were conducted on the internal quality of the structure and other parts of the subject to ascertain whether there are any inherent defects in the target of valuation. This valuation report is based on the assumption that the internal quality of the target of valuation complies with the relevant national standards and is sufficient to maintain its normal use.

III. FORECAST IDEAS FOR MAIN VALUATION PARAMETERS

(I) For Asset-based Approach

(1) Accounts receivables

Include trade receivables and other receivables. On the basis of verification of the receivables, the appraised value is determined according to the estimated probable recoverable amount of each item, net of appraised risk of loss. If it is probable that a portion of the receivables is unrecoverable and the unrecoverable amount is hard to determine, we have analyzed the amount, period of and reason for overdue, recovery status, the funding, creditworthiness and operation and management of the debtor based on historic information and current investigation to determine the appraised value of the accounts receivables using accounting methods for provision for bad debts after deducting the appraised risk of loss. If there are pieces of conclusive evidence showing that these receivables cannot be recovered, the appraised value is calculated as zero. The item “provision for bad debts” in the statement is calculated as zero.

(2) Buildings

Based on the characteristics of various types of buildings, the type of appraised value, data collection and other relevant conditions, the cost approach is adopted for the valuation of self-constructed buildings and structures.

(i) Determination of full replacement price

Full replacement price = construction and installation cost + up-front and other expenses + capital cost – deductible VAT

① Calculation of construction and installation cost

Industrial buildings and structures

For buildings and structures, based on the construction contract, project settlement or final accounts documentation, and actual site conditions, the Estimated Quota of Onshore Wind Farm Projects (NBT 31010–2019) (《陸上風電場工程概算定額》(NBT 31010–2019)) issued by the National Energy Administration shall be applied. Subsequently, corresponding quota sub-items shall be applied according to the quantities of work in the estimate. Thereupon, the fee standards stipulated in the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NBT 31011–2019) (《陸上風電場工程設計概算編製規定及費用標準》(NBT 31011–2019)) issued by the National Energy Administration shall be applied to calculate the extra construction fees, indirect charges, statutory charges, profit and taxes. The Information Prices of Construction Projects in Bayan Nur for March 2025 (《巴彥淖爾市2025年3月建築工程信息價》) and the Housing and Urban-Rural Development Bureau of Inner Mongolia Autonomous Region's Notice on Adjusting the Value-added Tax Rate for Valuation of Construction Projects of the Inner Mongolia Autonomous Region (Nei Jian Biao [2019] No. 113) (《關於調整內蒙古自治區建設工程計價依據增值稅稅率的通知》內建標[2019]113號) shall be applied to calculate the extra construction fees, statutory charges, enterprise management fees, profit and taxes, adjusting the standard labour costs, incorporating tax on the adjusted labour costs, and factoring in material and machinery price differentials to obtain the construction costs.

For buildings and structures with insignificant value and simple construction, the construction costs shall be determined using the unit cost adjustment method and comprehensive coefficient method.

- ② Up-front expenses include survey and design fees; other expenses include management fees and project supervision fees incurred by the construction entity.

Up-front and other expenses for the appraised buildings shall be determined in accordance with relevant regulations of the national government and the local government where the buildings are located, as well as the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NBT 31011–2019) issued by the National Energy Administration, taking into account the asset scale of the appraised buildings as at the valuation benchmark date, and the coefficient shall be set at 8.65% (tax inclusive).

- ③ Capital cost

Capital costs are calculated according to the reasonable construction period of the property right holder, by reference to the loan prime rate (LPR) published by the National Interbank Funding Center, authorised by the People's Bank of China, and based on the sum of the construction and installation cost, up-front and other expenses, as well as the average investment of capital. The reasonable construction period of the property right holder shall be two years. Based on the LPR published by the People's Bank of China on the valuation benchmark date, the interest rate for a loan of the same term was calculated using the interpolation method to be 3.23%.

Capital cost = (construction and installation cost (tax inclusive) + up-front and other expenses (tax inclusive)) × construction period × loan interest rate/2

④ Deductible VAT

According to the provisions of the Announcement on Deepening of Reform of Policies in relation to Value-added Tax (No.39 in 2019) (《2019年 第39號 關於 深化 增值稅改革有關政策的公告》) and the Housing and Urban-Rural Development Bureau of Inner Mongolia Autonomous Region's Notice on Adjusting the Value-added Tax Rate for Valuation of Construction Projects of the Inner Mongolia Autonomous Region (Nei Jian Biao [2019] No. 113), the deductible VAT shall be calculated for buildings and structures that meet the VAT deduction conditions.

(ii) Determination of comprehensive newness rate

Comprehensive newness rate = remaining useful life/(used life + remaining useful life) × 100%

Determination of the remaining useful life in the formula above:

The remaining useful life in the formula above shall be determined based on the economic service life and used life of the buildings that fall within the scope of the valuation, with reference to the on-site survey, historical renovations, modification and maintenance of the buildings.

(iii) Calculation of appraised value

Appraised value = full replacement price × comprehensive newness rate

(3) Machinery and equipment

Based on the characteristics of various types of equipment, the type of appraised value, data collection and other relevant conditions, machinery and equipment shall be primarily valued using the cost approach, with the market approach employed for certain items.

The statements shall be consistent with those listed in the account books after verifying against the spreadsheets of the machinery and equipment provided by the company. At the same time, the ownership shall be recognised after examining and verifying related contracts, legal ownership certificates and accounting documents. On such basis, professional engineering staff shall be assigned to carry out necessary on-site inspection and verification of major equipment.

Appraised value under cost approach = full replacement price $\times$ comprehensive newness rate

(i) *Determination of full replacement price*

Full replacement price = equipment purchase cost + freight and miscellaneous expenses + installation expense + foundation expense + up-front and other expenses + capital cost – deductible VAT input tax

① Equipment purchase cost

Purchase cost of domestic machinery and equipment shall be mainly determined by market enquiries, with reference to the 2025 Mechanical and Electrical Product Price Query System (《2025機電產品價格查詢系統》) or the transaction prices of similar equipment recently purchased. For equipment whose purchase prices are unavailable through inquiry, the purchase price shall be calculated based on the price change rates of equipment of the same era and same type.

② Freight and miscellaneous expenses

According to the terms of quotation of the seller, no more freight and miscellaneous expenses would be charged if they were included in the quotation; the freight and miscellaneous expenses, if not included in the quotation, shall be determined based on the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NBT 31011–2019).

③ Installation expense

Installation expense shall be determined, with reference to the final account information provided by the appraised entity, in accordance with the Estimated Quota of Onshore Wind Farm Projects (NBT 31010–2019), the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NBT 31011–2019), as well as the weight, model and key parameters of equipment and the consumption level of human resources, materials and equipment, while taking into account the information obtained through market enquiries and relevant necessary fees.

For small equipment that does not need to be installed, installation expense is not taken into consideration.

④ Foundation expense

Foundation expense of equipment shall be calculated based on the purchase price and different basic rates, with reference to the characteristics of equipment and the Methods of Budget Estimate Making and Budget Estimate Making Index for Mechanical Industry Construction Projects and the Handbook of Common Methods and Parameters for Asset Valuation. If the equipment is not accounted for on a separate basis or it was built together with the plant during construction, the foundation expense of the equipment shall not be considered when calculating the full replacement price of the equipment.

⑤ Up-front and other expenses

Up-front and other expenses include project construction management fees, survey and design fees, project supervision fees, feasibility study fees, bidding agency fees, environmental impact assessment fees, etc. The calculation of each expense shall be based on the relevant fee standards established by the competent national ministries and commissions.

According to the circular (Cai Shui [2016] No.36), the trial for replacing the business tax with the VAT has been fully implemented nationwide since 1 May 2016. The VAT shall be deducted for up-front expenses within the scope of replacing the business tax with the VAT.

⑥ Capital cost

Capital costs are calculated according to the reasonable construction period of the property right holder, by reference to the loan prime rate (LPR) published by the National Interbank Funding Center, authorised by the People's Bank of China, and based on the sum of the construction and installation cost for equipment, up-front and other expenses, as well as the average investment of capital.

⑦ Deductible VAT input tax from equipment purchase cost

The deductible VAT input tax shall be calculated and deducted accordingly for items that meet the VAT deduction conditions.

(ii) Determination of appraised value

Appraised value of the equipment = full replacement price of the equipment × comprehensive newness rate

(4) Intangible assets – land use rights

(i) Market comparison approach

The market comparison approach is based on the principle of substitution, comparing the land to be appraised with similar land transaction instances that have occurred in the relatively recent past. By referencing the known prices of these comparable lands, the differences in terms of transaction conditions, dates, regions, and individual factors are adjusted to derive the land price of the land to be appraised.

Formula: $V = VB \times A \times B \times C \times D$

Where,

V – Price of the land to be appraised;

VB – Price of comparable lands;

A – Land to be appraised transaction indicator/Comparable land transaction indicator;

B – Land to be appraised price indicator as at the valuation benchmark date/Comparable land price indicator as at transaction date;

C – Land to be appraised region factor condition indicator/ Comparable land region factor condition indicator;

D – Land to be appraised individual factor condition indicator/ Comparable land individual factor condition indicator.

(ii) Benchmark land price coefficient correction method

Land parcel price under the benchmark land price coefficient correction method (land parcel price under the development degree set for the benchmark land price) = benchmark land price $\times (1 + \sum K) \times K1 \times K2 \times K3 + K4$

Where, K1 – Correction coefficient on date

K2 – Correction coefficient on land useful life

K3 – Coefficient on floor area ratio

K4 – Development degree correction

$\sum K$ – Sum of the correction coefficients on regional factors and individual factors affecting land price

(5) Valuation results under asset-based approach

As at the valuation benchmark date, for Inner Mongolia United Power New Energy Co., Ltd.* (內蒙古聯合動力新能源有限公司), the book value of total assets amounted to RMB582,795,800, and the appraised value amounted to RMB597,021,700, representing an appreciation of RMB14,225,900 or 2.44%;

The book value of total liabilities amounted to RMB395,191,500, and the appraised value amounted to RMB395,191,500, representing no changes in appreciation/depreciation;

The book value of entire shareholders' equity amounted to RMB187,604,300, and the appraised value amounted to RMB201,830,200, representing an appreciation of RMB14,225,900 or 7.58%.

The results of the valuation under asset-based approach are detailed in the following summary table of valuation results:

Summary table of valuation results under asset-based approach

Valuation benchmark date: 31 March 2025

Appraised entity: Inner Mongolia United Power New Energy Co., Ltd.*

Unit: RMB0'000

		Book value	Appraised value	Appreciation/ depreciation	Rate % D=C/ A × 100%
Item		A	B	C=B-A	
1	Current assets	10,126.86	10,126.86	–	–
2	Non-current assets	48,152.72	49,575.30	1,422.58	2.95
3	Including: Debt investment	–	–	–	–
4	Other debt investments	–	–	–	–
5	Long-term receivables	–	–	–	–
6	Long-term equity investment	–	–	–	–
7	Other equity instrument investments	–	–	–	–
8	Other non-current financial assets	–	–	–	–
9	Investment property	–	–	–	–
10	Fixed assets	47,925.71	49,330.78	1,405.07	2.93
11	Construction in progress	–	–	–	–
12	Productive biological assets	–	–	–	–
13	Oil and gas assets	–	–	–	–
14	Right-of-use assets	–	–	–	–
15	Intangible assets	227.01	244.52	17.51	7.71
16	Development expenditure	–	–	–	–
17	Goodwill	–	–	–	–
18	Long-term deferred expenses	–	–	–	–
19	Deferred income tax assets	–	–	–	–
20	Other non-current assets	–	–	–	–
21	Total assets	58,279.58	59,702.17	1,422.59	2.44

Item	Book value	Appraised value	Appreciation/ depreciation	Rate % D=C/ A × 100%
	A	B	C=B-A	
22 Current liabilities	7,937.84	7,937.84	–	–
23 Non-current liabilities	31,581.30	31,581.30	–	–
24 Total liabilities	<u>39,519.15</u>	<u>39,519.15</u>	<u>–</u>	<u>–</u>
25 Net assets (owners' equity)	<u>18,760.43</u>	<u>20,183.02</u>	<u>1,422.59</u>	<u>7.58</u>

(6) Changes in valuation conclusion as compared to book value and reasons

Following the valuation of the net assets of Inner Mongolia United Power New Energy Co., Ltd.* using the asset-based approach, the valuation results deviated from the book value. The reasons for the valuation appreciation/depreciation are as follows:

1) Buildings

The valuation appreciation of the original value of buildings was primarily due to the fluctuations in recent material costs, machinery expenses and labour charges. The valuation depreciation of the net value of buildings assets was primarily due to the fact that the depreciation period applied by the enterprise for accounting purposes was shorter than the serviceable life adopted for valuation purposes.

The valuation depreciation of the original value of structures was primarily due to the fact that the book value of structures included the apportionment of other costs, such as project land acquisition expenses, leading to a valuation depreciation.

2) *Equipment assets*

The valuation appreciation of the original value of machinery and equipment was primarily due to the fact that the book value excluded the apportionment of up-front and other expenses (which were accounted for within structures). This valuation incorporated up-front and other expenses incurred during the wind farm's construction period, along with capital cost. The appreciation of the net value was primarily due to the fact that the valuation employed an economic lifespan exceeding the depreciation period recognised under the enterprise's accounting practices.

3) *Intangible assets – land use rights*

The valuation appreciation of intangible assets –land use rights was primarily due to the fact that the land was acquired at a relatively early date at a lower cost, and regional economic development has driven up land prices within the area.

4) *Intangible assets – software*

The appreciation was primarily due to the fact that the book value of the appraised entity's software assets represented its amortised cost, whereas the market value determined through valuation exceeded this amortised book value.

Special Note: As the enterprise has not completed the audit of the final settlement of project costs nor the audit of the final financial accounts for the project, all fixed assets within the valuation scope are classified as assets transferred from pre-fixed status. Should the audited final settlement amount for project costs or the audited final investment amount for the project completion financial accounts differ from the book value recorded on the valuation date, adjustments shall be made accordingly based on actual figures.

(II) For Income Approach

(I) Selection of specific methods and models under the income approach

In this valuation report, the free cash flow discount model in the discounted cash flow method is selected. The description of the enterprise's free cash flow discount model is as follows:

Value of entire shareholders' equity = value of operating assets + value of non-operating assets and liabilities in a broad sense

1. Value of operating assets

Operating assets refer to the assets and liabilities, related to the production and operation of the appraised unit and involved in the free cash flow forecast after the appraisal base date. The formula for calculating the value of operating assets is detailed as follows:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n}{(1+r)^n}$$

Where, P: the value of enterprise's operating assets on the valuation benchmark date;

F_i : expected free cash flow on the i th year after the valuation benchmark date;

F_n : the enterprise's recovered residual value and net realisable at the end of the forecast period;

r: discount rate;

i: the ith year in the forecast period (discount of the enterprise's free cash flow in each period in the middle of the year);

n: at the end of the forecast period (the period of recovery of residual value corresponds to the calendar period).

2. *Correlation between the main body of income and the criteria*

In this valuation, the free cash flow is used as the income index of the operating assets of the target of valuation, and its basic formula is:

Enterprise's free cash flow = profit before interest and tax $\times$ (1 – income tax rate) + depreciation and amortisation – capital expenditure – increase in working capital

The formula for calculating the discount rate (weighted average capital cost (WACC)) is detailed as follows:

$$WACC = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

Where, K_e : cost of equity capital;

K_d : capital cost of interest-bearing liabilities;

E : market value of equity;

D : market value of interest-bearing liabilities;

t : income tax rate.

Where the cost of equity capital shall be calculated by using the capital asset pricing model (CAPM). The calculation formula is detailed as follows:

$$K_e = r_f + MRP \times \beta_L + r_c$$

Where, r_f : risk-free rate;

MRP : market risk premium;

β_L : systematic risk coefficient of equity;

r_c : enterprise's specific risk adjustment coefficient.

3. *Value of non-operating assets and liabilities in a broad sense*

Non-operating assets and liabilities in a broad sense refer to assets and liabilities that are irrelevant to the production and operation of the appraised entity and are not involved in the enterprise's free cash flow forecast after the valuation benchmark date. The valuation result for the non-operating assets and liabilities is consistent with the book value.

(1) Determination of value of surplus assets

Surplus assets refer to the excess cash required for enterprise operation as at the valuation benchmark date, which is the difference between the monetary funds and the cash holdings necessary for daily operation as at the valuation benchmark.

(2) Determination of value of unconsolidated subsidiaries

None.

- (3) Determination of value of non-operating assets and liabilities in a narrow sense

Non-operating assets and liabilities in a narrow sense refer to assets and liabilities that are irrelevant to the production and operation of the appraised entity and are placed in operating asset class (such as working capital and effective long-term assets).

- (4) Determination of value of other assets and liabilities not listed

Other assets and liabilities not listed primarily comprise those that do not fall within the aforementioned three categories.

(II) Determination of the revenue period

The forecast period and revenue period of the appraised entity, as a power generation enterprise, shall be primarily determined by the service life of its generator units. The appraised entity's 100-MW wind power project is situated in Ganchi Maodu Town, Urad Middle Banner, Bayan Nur, Inner Mongolia Autonomous Region. The wind power installed capacity is 100 MW, with grid connection scheduled for February 2023. The units have a designed life of 20 years; consequently, the revenue period for the wind power project extends to February 2043.

(III) Revenue forecast for the forecast period

1. Forecast of revenue from principal activities

Revenue from principal activities primarily derives from electricity sales.

Factors influencing the revenue from electricity sales include installed capacity, actual utilisation hours of generation equipment, wind power curtailment rate and unit price of electricity sales.

Annual target power generation = total capacity of power generation equipment × power generation hours

Power generation = annual target power generation * (1 – wind power curtailment rate)

On-grid power generation = power generation – power transformer loss and other consumption

Revenue from electricity sales = electricity sales × electricity price

2. *Forecast of operating costs*

Operating costs of principal activities mainly include depreciation and other expenses.

(1) Depreciation and amortisation

Existing capital expenditures: determined reasonably during the forecast period based on the original book value at the valuation benchmark date, date of commissioning and economic life.

The company has no plans to renew its assets in the coming financial years.

Amortisation of intangible assets (primarily land amortisation) is calculated based on the standard amortisation period.

(2) Other expenses

Other expenses include purchased power cost, property insurance premiums, miscellaneous expenses and safety production costs.

Estimated based on benchmarks for comparable power plants, incorporating management's overall assessment of the project and relevant policies.

3. *Other business expenses*

Upon verification, the other business expenses of the appraised entity constitute project management costs, specifically comprising the agency fees for Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.* (國能聯合動力智慧能源(張家口)有限公司), as determined by the agreement signed between both parties.

4. Forecast of taxes and surcharges

Taxes and surcharges include urban maintenance and construction tax, education surtax, stamp duty, property tax, land use tax and water resources tax.

Urban maintenance and construction tax and education surtax (including local education surtax) shall each be calculated at 5% of the VAT payable; stamp duty shall be calculated at 0.03% of the value of the signed contract.

Property tax and land use tax shall be calculated in accordance with the provisions of the relevant tax laws.

Output VAT represents the output tax on the revenue from electricity sales calculated at a 13% rate, whilst VAT input tax comprises deductible input tax from both the operating costs of principal activities and capital expenditure.

5. Forecast of administrative expenses

Administrative expenses comprise amortisation of intangible assets, intermediary fees and routine overheads.

Amortisation of intangible assets (primarily software amortisation) is calculated based on the standard amortisation period.

Intermediary fees: The management forecasts an expenditure of RMB50,000 in 2025, with an annual increase of 2% from 2026 onwards.

Routine overheads: Estimated comprehensively following verification with the management and reference to projected revenue growth.

6. Forecast of finance costs

Finance costs primarily comprise cash discounts, bank charges and interest income on deposits.

Following discussions with the management, the company has no borrowing plans for the coming financial years. Given the frequent fluctuations in the company's monetary funds or bank deposits during its production and operational activities, no forecast is provided for finance costs arising from bank charges or interest income on deposits at this time.

7. *Other revenue*

Pursuant to the Notice on Issues related to Value-added Tax Policy of Integrated Resources Utilisation and Other Products (Cai Shui [2008] No. 156) issued by the Ministry of Finance and the State Administration of Taxation, this project is subject to a 50% immediate refund policy for VAT. The output VAT rate is 13%. Other revenue in this valuation is forecasted in accordance with the aforementioned policy.

8. *Forecast of depreciation and amortisation*

Depreciation encompasses depreciation of existing fixed assets and depreciation of newly acquired fixed assets.

Depreciation of existing assets is calculated based on the original book value of fixed assets as at the valuation benchmark date, applying reasonable depreciation policies.

The company has no plans to renew its assets in the coming financial years.

Amortisation encompasses amortisation of existing assets and amortisation of renewals or additions.

Amortisation of existing assets primarily relates to software amortisation within intangible assets and amortisation of long-term deferred expenses. Future amortisation amounts are calculated for each period based on the company's current amortisation policy.

The company has no plans to renew its intangible assets in the coming financial years.

9. *Forecast of non-operating revenue and expenditure*

Non-operating revenue and expenditure are of an incidental nature, with their future occurrence and amounts uncertain. No forecast is provided for the coming financial years at this time.

10. Forecast of income tax

Income tax for the coming financial years is calculated on the basis of total profits, adjusted for significant tax adjustments in accordance with the Enterprise Income Tax Law and its supplemental regulations, making up for the operating losses of the previous five years starting from the year of profitability, and then multiplied by the flat corporate income tax rate.

The principal activities of Inner Mongolia United Power New Energy Co., Ltd.* (內蒙古聯合動力新能源有限公司) align with the Catalogue of Industries Encouraged to Develop in the Western Region (《西部地區鼓勵類產業目錄》). Pursuant to Article 1 of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission's Notice of the Continuation of the Enterprise Income Tax Policy for the Large-scale Development of China's Western Region (Announcement [2020] No. 23) (《財政部稅務總局國家發展改革委關於延續西部大開發企業所得稅政策的公告》(2020年23號公告)), from 1 January 2021 to 31 December 2030, enterprise income tax would be levied at a reduced rate of 15% on enterprises engaged in encouraged industries in Western China.

According to the Circular on the Implementation of the Catalogue of the Key Public Infrastructure Projects Supported by the State and Entitled for Preferential Tax Treatment (Guo Shui Fa [2009] No. 80) (《國家稅務總局關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》(國稅發[2009]80號)), new wind power generation projects qualify for preferential tax treatment as public infrastructure projects, the income derived from the investment in, and the operation of, which is eligible for a tax exemption from enterprise income tax for the first year to the third year, and a 50% reduction in enterprise income tax for the fourth year to the sixth year, starting from the year in which such projects first generate operating income.

The appraised entity achieved full-capacity grid connection for its wind power generation in February 2023, with a corporate income tax rate of 0% for 2023 to 2025, 7.5% for 2026 to 2028, 15% for 2029 to 2030, and 25% for 2031 and subsequent years.

11. Forecast of capital expenditure

The company has no capital expenditure plans for the coming financial years.

12. Forecast of working capital

Working capital equals current assets other than cash less interest-free current liabilities. Current assets other than cash include trade receivables, prepayments and others used or required for the company's operations. Interest-free current liabilities include trade payables, etc.

Working capital = current assets other than cash – interest-free current liabilities

Additional working capital = working capital for the current period – working capital for previous period

Working capital as at the valuation benchmark date = current assets (excluding surplus monetary funds and non-operating assets) – current liabilities (excluding interest-bearing current liabilities and non-operating liabilities)

Items that may cast a significant impact towards working capital, such as trade receivables, trade payables and prepayments, are mainly calculated based on an analysis of the reasonableness of turnover rates for such items in previous years and the determination of the estimated future turnover rates. Assets and liabilities unrelated to the revenue from and costs of the company's principal activities are determined based on estimated reasonable amount required.

13. Recovery of residual value at the end of the period

The maturity value of non-current assets is determined based on residual value due at maturity; the maturity value of working capital is determined based on the amount due at maturity. The maturity recovery value is determined according to the liquidity ratio applicable to different assets.

14. Cash flow for the forecast period

Enterprise's free cash flow = net operating profit after taxation + depreciation and amortization – capital expenditure – net change in working capital

(IV) Determination of discount rate

1. Discount rate model

According to the principle of consistency between the income amount and the discount rate, if the income amount of this valuation is the enterprise's free cash flow, the WACC shall be selected as the discount rate. The WACC model can be expressed by the following mathematical formula:

$$WACC = R_d \times (1 - T) \times \frac{D}{D + E} + R_e \times \frac{E}{D + E}$$

Where, R_e : expected rate of return on equity;

R_d : expected rate of return on debts;

E : value of entire shareholders' equity;

D : value of debts;

T : income tax rate.

2. Determination of cost of equity capital

The cost of equity capital shall be calculated by using the CAPM. The CAPM is a widely applied method for estimating investor returns and the cost of equity capital. The CAPM can be expressed by the following mathematical formula:

$$R_e = R_f + ERP \times \beta + \varepsilon$$

Where, R_f – risk-free interest rate;

ERP – market risk excess return rate;

β – systematic risk coefficient of equity;

ε – enterprise's specific risk adjustment coefficient.

3. *Valuation process of specific parameters*

Selection of comparable companies

The comparable companies were selected with reference to the following criteria:

- (1) The comparable listed companies only issued RMB-denominated A shares.
- (2) The stocks of comparable listed companies have been listed for not less than 24 months and are actively traded.
- (3) The comparable listed companies are in the same industry as the appraised entity or affected by the same economic policies.
- (4) The comparable listed companies' principal activities are identical to those of the appraised entity, with the revenue from the identical principal activities constituting no less than 50% of the total revenue.
- (5) The comparable listed companies exhibit similarity to the appraised entity in terms of asset scale, profitability, growth potential and stage of development.

Based on the above selection criteria, we used ifind Information to make inquiries and, through comparison analysis, finally selected certain listed companies as comparable listed companies.

4. *Determination of risk-free return rate (R_f)*

The yield of treasury bonds is usually considered risk-free because the risk of holding such bonds that cannot be repaid at maturity is so insignificant that it can be ignored. We determined the risk-free return rate by calculating the average yield to maturity of government bonds traded near the valuation benchmark date with over ten years remaining to maturity, as obtained through ifind Information queries, arriving at R_f of 2.08%.

5. *Determination of equity risk premium (ERP)*

Equity risk premium is the expected excess earning that an investor would request on an equity investment with risk that is the same as the overall market average risk, i.e., the compensation for risk over the risk-free interest rate. Investment return in the equity market is a typical representation of return in the capital market. Risk-return in the equity market is the excess of risk-free return rate that an investor expects from investing in the equity market and can also be considered a typical representation of equity risk premium.

With reference to the idea of ERP estimation by domestic and international institutions, we estimate the investment return (R_m) and equity risk premium (ERP) of the equity market in China.

According to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), when calculating the equity risk premium by using China stock market index, a representative index, such as the CSI 300 Index, the SSE Composite Index and so on, is usually selected to calculate the excess return of the index over a historical period of time, with a time horizon of 10 years or more, a frequency of weekly or monthly data, and by arithmetic average or geometric average calculation method.

(1) Selection of index for measuring investment yield

The CSI 300 Index is an index covering both the Shanghai and Shenzhen stock markets, reflecting the comprehensive changes in the stock prices of representative stocks with strong liquidity and large scale. The constituent stocks of the index can more truly reflect the returns of mainstream investment in the market. Therefore, we selected the CSI 300 Index to estimate the investment yield of the PRC stock market.

(2) The 10-year period is selected as the time span for the calculation of investment yield. For each constituent stock of CSI 300, the investment yield for the past ten years is calculated to minimize the impact of non-systematic stock volatility. The term used to calculate the investment yield for 2025 is from 2015 to 2024, and the investment yield for subsequent years is calculated similarly.

(3) Calculation of annual investment yield (R_m)

Two calculation methods are adopted: arithmetic mean and geometric mean.

Based on our comparative analysis, we believe the geometric mean can better reflect the growth of the yield rate, and therefore the geometric mean is used as the calculation of final annual investment yield (R_m).

(4) Determination of equity risk premium (ERP) ($R_m - R_f$)

We selected the yield to maturity of treasury bonds with a remaining maturity of more than 10 years at the end of each year as the risk-free interest rate R_f . After the above steps, we estimated the ERP for 2024 to be 6.35%.

6. *Determination of the risk coefficient β of comparable companies relative to the stock market*

Conduct correlation t test on coefficient of the above comparable companies.

7. *Calculation of β coefficient without financial leverage of comparable companies*

For the β coefficient with financial leverage (β_L) available for these comparable listed companies, we have reverted it to the coefficient without financial leverage (β_U) according to the capital structure of the corresponding listed companies.

8. *Calculation of β coefficient with target capital structure of the appraised entity*

It is calculated based on the average value of the β coefficients of comparable companies without financial leverage and the target capital structure, the calculation formula is as follows:

$$\beta_L = (1 + (1 - T) \times D/E) \times \beta_U$$

Where, β_L is β coefficient with the target capital structure of the appraised entity

β_U is the average value of β coefficient of comparable companies without financial leverage

D/E is the target capital structure, which in this instance is taken as the average capital structure of comparable companies.

9. *Blume adjustment of β coefficient*

The β coefficient of comparable listed companies is estimated based on historical data and represents the historical β coefficient. The discount rate is used in discounting the future expected income, so the discount rate to be estimated is also the expected discount rate in the future. As a result, it is required to estimate the expected β coefficient in the future. We adopted the Blume Adjustment method to adjust the β coefficient estimated based on historical data in the valuation.

In practice, the adjustment concept and method propose by Blume are as follows:

$$a=0.35+0.65 \beta L$$

Where: a is the adjusted β , while βL is the estimated historical β .

10. *Determination of specific risk return (ε)*

The specific risk return (ε) is the return on non-systemic risks arising from the specific factors of the appraised entity. A reasonable specific risk return (ε) is determined by adopting the comprehensive analysis method in the valuation, namely, after comprehensively considering the relevant factors, such as the asset scale, operation stage, market competition, reliance on key customers and suppliers, corporate governance and capital structure of the appraised entity.

11. *Calculation of cost of equity capital*

Substituting the relevant data into the R_e formula yields the cost of equity capital as:

$$R_e = R_f + \beta \times (R_m - R_f) + \varepsilon$$

12. *Determination of cost of debt capital*

The actual weighted loan interest rate of the appraised entity is adopted as the cost of debt capital, i.e., 1.95%.

13. Determination of WACC

Substituting the aforementioned data into the WACC formula yields a discount rate of:

$$WACC = R_d \times (1 - T) \times \frac{D}{D + E} + R_e \times \frac{E}{D + E}$$

(V) Value of operating assets

Based on the above projections, the value of operating assets is determined to be RMB571,667,900, as shown in the table below (only listing April 2025 to 2030):

Unit: RMB0'000

Item	April – December 2025	2026	2027	2028	2029	2030
I. Operating revenue	4,254.85	5,916.23	5,916.23	5,916.23	5,916.23	5,916.23
Including: Revenue from principal activities	4,254.85	5,916.23	5,916.23	5,916.23	5,916.23	5,916.23
Other operating revenue	–	–	–	–	–	–
Less: Operating costs	2,478.95	3,227.95	3,227.95	3,227.95	3,227.95	3,227.95
Including: Operating costs of principal activities	2,188.25	2,937.25	2,937.25	2,937.25	2,937.25	2,937.25
Other operating costs	290.70	290.70	290.70	290.70	290.70	290.70
Taxes and surcharges	95.19	95.16	95.16	95.16	95.16	109.17
Sales expenses	–	–	–	–	–	–
Administrative expenses	7.55	8.42	8.52	8.62	8.73	8.84
Finance costs	–	–	–	–	–	–
Add: Other gains	–	–	–	–	–	70.03
Investment income (loss represented in “-”)						
Gain from net exposure hedges (loss represented in “-”)						
Gain on fair value changes (loss represented in “-”)						
Credit impairment loss (loss represented in “-”)						
Asset impairment loss (loss represented in “-”)						
Gain on disposal of assets (loss represented in “-”)						

Item	April – December					
	2025	2026	2027	2028	2029	2030
II. Operating profit	1,673.16	2,584.70	2,584.60	2,584.50	2,584.39	2,640.30
Add: Non-operating income	–	–	–	–	–	–
Less: Non-operating expenses	–	–	–	–	–	–
III. Total profit	1,673.16	2,584.70	2,584.60	2,584.50	2,584.39	2,640.30
Income tax rate	0.00%	7.50%	7.50%	7.50%	15.00%	15.00%
Less: Income tax expenses	–	193.85	193.84	193.84	387.66	396.05
IV. Net profit	1,673.16	2,390.85	2,390.75	2,390.66	2,196.73	2,244.26
Add: Interest expense (after taxation)	–	–	–	–	–	–
V. Operating profit before interest and tax	1,673.16	2,390.85	2,390.75	2,390.66	2,196.73	2,244.26
Add: Depreciation and amortisation	1,900.27	2,533.69	2,533.69	2,533.69	2,533.69	2,533.69
Less: Capital expenditure	–	–	–	–	–	–
Less: Working capital changes (negative figures indicate recoveries)	-512.96	-755.43	-745.43	-745.43	-745.43	-605.37
Add: Recovery of assets at period end						
VI. Enterprise's free cash flow	4,086.39	5,679.97	5,669.88	5,669.78	5,475.85	5,383.32
Discount rate	6.29%	6.16%	6.16%	6.16%	6.02%	6.02%
Discount period (years)	0.38	1.25	2.25	3.25	4.25	5.25
Discount coefficient	0.9774	0.9272	0.87	0.82	0.78	0.73
VII. Discounted free cash flow	3,993.98	5,266.19	4,951.80	4,664.39	4,246.25	3,937.46
VIII. Cumulative discounted free cash flow	<u>57,166.79</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(VI) Valuation of other assets and liabilities

1. Determination of value of surplus assets

Surplus assets refer to the excess cash required for enterprise operation as at the valuation benchmark date, which is the difference between the monetary funds and the cash holdings necessary for daily operation as at the valuation benchmark. Cash holdings take into account various cash-out factors, namely operating costs, sales expenses, administrative expenses, finance costs and taxes required within a specific period, while deducting non-cash costs such as depreciation and amortisation. Upon calculation, the enterprise's surplus assets under normal business operations amount to RMB29,805,000.

2. Determination of value of unconsolidated subsidiaries

The appraised entity has no unconsolidated subsidiaries.

3. Determination of value of non-operating assets and liabilities

Non-operating assets and liabilities refer to assets and liabilities that are irrelevant to the production and operation of the appraised entity and are not involved in the enterprise's free cash flow forecast after the valuation benchmark date. Non-operating assets and liabilities amount to RMB-33,472,900.

The non-operating assets and non-operating liabilities of the appraised entity as at the valuation benchmark date shall be valued using the asset-based approach.

(VII) Determination of enterprise value

1. Determination of value of enterprise's overall assets

Value of enterprise's overall assets = value of operating assets + value of surplus assets + value of unconsolidated subsidiaries + value of non-operating assets and liabilities

= RMB568,000,000

2. Determination of value of interest-bearing liabilities

The enterprise's interest-bearing liabilities as at the valuation benchmark date amounted to RMB329,008,900.

3. Determination of value of entire shareholders' equity

Value of entire shareholders' equity = value of enterprise's overall assets – value of interest-bearing liabilities

= RMB238,990,000

(III) Valuation conclusion and analysis

Beijing Guo Rong Xing Hua Asset Appraisal Co., Ltd.* (北京國融興華資產評估有限責任公司), upon the acceptance of the entrustment of China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) and CHN Energy (Beijing) Electrical Engineering Technology Co., Ltd.* (國能(北京)電氣技術有限公司), followed the principles of independence, objectivity and fairness according to relevant laws, regulations and asset appraisal standards, adopted the asset-based approach and income approach in accordance with certain valuation procedures, and made the appraisal of the market value of the entire shareholders' equity in Inner Mongolia United Power New Energy Co., Ltd.* as at 31 March 2025. Based on the aforementioned valuation, the valuation conclusion was as follows:

1. Valuation results under asset-based approach

As at the valuation benchmark date, for Inner Mongolia United Power New Energy Co., Ltd.*, the book value of total assets amounted to RMB582,795,800, and the appraised value amounted to RMB597,021,700, representing an appreciation of RMB14,225,900 or 2.44%;

The book value of total liabilities amounted to RMB395,191,500, and the appraised value amounted to RMB395,191,500, representing no changes in appreciation/depreciation;

The book value of entire shareholders' equity amounted to RMB187,604,300, and the appraised value amounted to RMB201,830,200, representing an appreciation of RMB14,225,900 or 7.58%.

The results of the valuation are detailed in the following summary table of valuation results:

Summary table of valuation results under asset-based approach

Valuation benchmark date: 31 March 2025

Appraised entity: Inner Mongolia United Power New Energy Co., Ltd.*

Unit: RMB0'000

Item	Book value	Appraised value	Appreciation/ depreciation	Rate % D=C/ A × 100%
	A	B	C=B-A	
1 Current assets	10,126.86	10,126.86	–	–
2 Non-current assets	48,152.72	49,575.30	1,422.58	2.95
3 Including: Debt investment	–	–	–	–
4 Other debt investments	–	–	–	–
5 Long-term receivables	–	–	–	–
6 Long-term equity investment	–	–	–	–
7 Other equity instrument investments	–	–	–	–
8 Other non-current financial assets	–	–	–	–
9 Investment property	–	–	–	–
10 Fixed assets	47,925.71	49,330.78	1,405.07	2.93
11 Construction in progress	–	–	–	–
12 Productive biological assets	–	–	–	–
13 Oil and gas assets	–	–	–	–
14 Right-of-use assets	–	–	–	–
15 Intangible assets	227.01	244.52	17.51	7.71
16 Development expenditure	–	–	–	–
17 Goodwill	–	–	–	–
18 Long-term deferred expenses	–	–	–	–
19 Deferred income tax assets	–	–	–	–
20 Other non-current assets	–	–	–	–
21 Total assets	<u>58,279.58</u>	<u>59,702.17</u>	<u>1,422.59</u>	<u>2.44</u>

		Book value	Appraised value	Appreciation/ depreciation	Rate % D=C/ A × 100%
Item		A	B	C=B-A	
22	Current liabilities	7,937.84	7,937.84	–	–
23	Non-current liabilities	31,581.30	31,581.30	–	–
24	Total liabilities	<u>39,519.15</u>	<u>39,519.15</u>	<u>–</u>	<u>–</u>
25	Net assets (owners' equity)	<u>18,760.43</u>	<u>20,183.02</u>	<u>1,422.59</u>	<u>7.58</u>

2. Valuation results under income approach

As at the valuation benchmark date of 31 March 2025, on a going concern basis and assessed using the income approach, the value of entire shareholders' equity in Inner Mongolia United Power New Energy Co., Ltd.* amounted to RMB238,990,000, representing an appreciation of RMB51,385,700 or 27.39%.

3. Determination of valuation conclusion

Upon comparison of the valuation results of the asset-based approach and the income approach, the difference in valuation between the income approach and the asset-based approach amounted to RMB37,159,800, representing a difference rate of 15.55% based on the conclusion of the income approach.

1. Main reasons for the difference in results under the two valuation approaches

The two valuation approaches consider different perspectives. The asset-based approach considers the re-acquisition of assets and reflects the replacement value of the existing assets of the enterprise whereas the income approach considers the enterprise's future profitability and reflects the comprehensive profitability of the assets of the enterprise.

2. *Reasons for selecting the valuation results under the income approach*

The cost approach (asset-based approach) is based on the current cost according to the market values instead of historical costs of each asset and liability items within the scope of assessment, and through the addition of all identifiable assets estimated separately. The cost approach struggles to quantify the contribution of individual assets within the valuation scope to the overall asset's profitability, nor can it readily identify the synergistic effects arising from the organic combination of assets – namely, intangible assets that cannot be precisely quantified. Conversely, the income approach focuses primarily on the overall earning capacity of the assets being valued, encompassing both the income generated by individual assets and the income derived from intangible assets that cannot be precisely quantified.

Through investigation of the financial condition of the enterprise subject to valuation, analysis of its historical operating performance and future plans, and consideration of the target of valuation, valuation purpose and applicable value type, comparative analysis indicates that the income approach yields a more comprehensive and reasonable reflection of the value of entire shareholders' equity of the appraised entity. Consequently, the valuation results under income approach are selected as the final valuation conclusion for this valuation.

The valuation of the value of entire shareholders' equity in Inner Mongolia United Power New Energy Co., Ltd.* is RMB238,990,000.

VALUATION OF ZHANGJIAKOU UNITED POWER

I. VALUATION METHODS

In accordance with the Standards of Practice for Asset Valuation – Enterprise Value, in evaluating enterprise value, the applicability of the three basic approaches, namely income approach, asset-based approach and market approach shall be analysed to select the valuation approach pursuant to the valuation purpose, target of valuation, value type, data collection, etc. Where appropriate for enterprise valuation, asset valuation professionals shall employ two or more valuation methods. The methods selected for this valuation are: the asset-based approach and the income approach.

The reasons for selecting these methods are as follows:

Asset-based approach: The appraised entity in this report is under the premise of a going concern. The selection of economic and technical parameters involved in the application of the asset-based approach is based on sufficient data and information. Financial data has been audited, and there are no off-book assets that have a significant impact on the value of the target of valuation and are difficult to identify or evaluate. As such, the asset-based approach can be adopted for this valuation.

The income present value method evaluates assets from the perspective of their expected profitability, which can fully reflect the overall value of the enterprise. That is, for investors, the value of the enterprise lies in the expected future earnings that the enterprise can generate. Although the income present value method does not directly use reference objects in the real market to illustrate the current fair market value of the evaluation object, it evaluates assets from the perspective of the expected profitability of assets, which is the basic basis for determining the current fair market value of assets. It can fully reflect the overall value of the enterprise, and its evaluation conclusion has good reliability and persuasiveness. After interviewing the company's management and conducting research and analysis, the appraiser believes that the conditions for income present value method evaluation are met.

Market approach: The market approach evaluates the current fair market value of the target of valuation based on reference materials in the real market. In view of the considerable differences in business composition between the appraised entity and comparable enterprises, it is difficult to establish a reasonable comparison with comparable listed companies' data and scale, even through indicator adjustments. Furthermore, there is substantial difficulty in identifying similar market references. Therefore, the market approach was not adopted in this valuation.

II. VALUATION ASSUMPTIONS

The assumptions adopted in the analysis and estimation of this assets valuation report are as follows:

(I) Basic Assumptions

1. In the open market assumption, it is assumed that for assets to be traded or intended to be traded in the market, the parties to the asset transaction shall have equal status, and also have opportunity and time to gain sufficient market information, so as to make rational judgement on functions, purpose and trading prices of assets;
2. In the transaction assumption, all assets to be valued are assumed to be already in the process of transaction, and the valuers assess the value based on the trading conditions of the assets to be valued in the market. The transaction assumption is one of the most basic prerequisites that asset valuation can be carried out;
3. In the going concern assumption, the appraised entity, based on the existing assets and resources, will not stop business for various reasons in the foreseeable future, but will continue to operate legally.

(II) General Assumptions

1. It is assumed that there are no significant changes in the current relevant laws, regulations, policies, and macroeconomic situation of the country, and that there are no significant changes in the political, economic, and social environment of the regions where the parties to the transactions are located;
2. It is assumed that there are no significant changes in interest rates, exchange rates, tax benchmarks and rates, policy-related collection fees, etc. related to the appraised entity after the valuation benchmark date;
3. It is assumed that the management of the appraised entity is responsible, stable, and capable of assuming their positions after the valuation benchmark date;
4. Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations;

5. It is assumed that all inputs for the calculation in this valuation are determined based on the current pricing system and takes no account of the effect from inflation or policy changes subsequent to the valuation benchmark date;
6. It is assumed that no force majeure or unforeseeable factors have a significant adverse impact on the appraised entity after the valuation benchmark date.

(III) Special Assumptions

1. It is assumed that the electricity sale price of the appraised entity remains unchanged after the valuation benchmark date;
2. It is assumed that the appraised entity's electricity business licence can be renewed normally upon expiry;
3. It is assumed that the management of the appraised entity will diligently fulfil his/her responsibilities, and the appraised entity will continue to operate in the same operation and management model.
4. In the continuous use of assets assumption, it is assumed that the appraised assets continue to be used legally and effectively according to their current purpose and usage method, scale, frequency and environment, and there are no significant changes during the foreseeable useful life;
5. It is assumed that the general information relating to the business operation, property rights documentation, policy documents and other relevant materials provided by the client and the appraised entity are true and valid;
6. It is assumed that the purchase, acquisition and construction of the assets involved in the target of valuation are in accordance with the relevant laws and regulations of the PRC;
7. It is assumed that the physical assets involved in the target of valuation have no major technical failures that affect their continuous use, and that their key components and materials have no potential significant quality defects;
8. It is assumed that the cash inflow of the appraised entity after the valuation benchmark date is the average inflow, and the cash outflow is the average outflow;

9. During the foreseeable period, the possible non-recurring profit and loss during the operation of the appraised entity are not considered, including but not limited to the following items: significant bad debt losses and asset impairment losses, profit and loss incurred from construction in progress and other long-term assets, as well as other non-operating income and expenditure;
10. It is assumed that there are no material differences between the accounting policies used in the historical financial data provided by the appraised entity and those used for the revenue forecast;
11. The on-site inspection of the target of valuation by the asset valuation professionals was confined to the appearance and conditions of use of the target of valuation, and no tests were conducted on the internal quality of the structure and other parts of the subject to ascertain whether there are any inherent defects in the target of valuation. This valuation report is based on the assumption that the internal quality of the target of valuation complies with the relevant national standards and is sufficient to maintain its normal use.

III. FORECAST IDEAS FOR MAIN VALUATION PARAMETERS

(I) For Asset-based Approach

(1) Accounts receivables

Include trade receivables and other receivables. On the basis of verification of the receivables, the appraised value is determined according to the estimated probable recoverable amount of each item, net of appraised risk of loss. If it is probable that a portion of the receivables is unrecoverable and the unrecoverable amount is hard to determine, we have analyzed the amount, period of and reason for overdue, recovery status, the funding, creditworthiness and operation and management of the debtor based on historic information and current investigation to determine the appraised value of the accounts receivables using accounting methods for provision for bad debts after deducting the appraised risk of loss. If there are pieces of conclusive evidence showing that these receivables cannot be recovered, the appraised value is calculated as zero. The item “provision for bad debts” in the statement is calculated as zero.

(2) Long-term equity investment

The long-term equity investment included in the scope of this valuation has control rights, and the invested unit operates normally. Therefore, the same valuation benchmark date is adopted for the overall appraisal of the invested entity. The appraised value of the long-term equity investment is determined by multiplying the net assets of the invested entity after the overall appraisal by the shareholding ratio.

(3) Buildings

Based on the characteristics of various types of buildings, the type of appraised value, data collection and other relevant conditions, the cost approach is adopted for the valuation of self-constructed buildings and structures.

1. Determination of full replacement price

Full replacement price = construction and installation cost + up-front and other expenses + capital cost – deductible VAT

(1) Calculation of construction and installation cost

Industrial buildings and structures

For buildings and structures, based on the building settlement report, construction contract, engineering data, and actual site conditions, the Estimated Quota of Onshore Wind Farm Construction Projects (2019) (《陸上風電場建築工程概算定額》(2019)) issued by the National Energy Administration shall be applied. Subsequently, corresponding quota sub-items shall be applied according to the building drawings and parameters. Thereupon, the fee standards stipulated in the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NB/T31011–2019) (《陸上風電場工程設計概算編製規定及費用標準》(NB/T31011–2019)) issued by the National Energy Administration shall be applied to calculate the extra construction fees, indirect charges, statutory charges, profit and taxes. The Information Prices of Construction Projects in Zhangjiakou for March 2025 (《張家口市2025年3月建築工程信息價》) shall be applied to adjust the standard labour costs, incorporate tax on the adjusted labour costs, and factor in material and machinery price differentials to obtain the construction costs.

For buildings and structures with insignificant value and simple construction, the construction costs shall be determined using the unit cost adjustment method and comprehensive coefficient method.

- (2) Up-front expenses include project construction management fees, production preparation expenses, research and experimental costs, survey and design fees, and compensation for soil and water conservation facilities.

Up-front and other expenses for the appraised buildings shall be determined in accordance with relevant regulations of the national government and the local government where the buildings are located, as well as the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NB/T31011–2019) issued by the National Energy Administration, taking into account the asset scale of the appraised buildings as at the valuation benchmark date.

- (3) Determination of capital cost

Capital costs are calculated according to the reasonable construction period of the property right holder, by reference to the loan prime rate (LPR) published by the National Interbank Funding Center, authorised by the People's Bank of China, and based on the sum of the construction and installation cost, up-front and other expenses, as well as the average investment of capital. The reasonable construction period of the property right holder shall be two years. Based on the LPR published by the People's Bank of China on the valuation benchmark date, the interest rate for a loan of the same term was calculated using the interpolation method to be 3.23%.

Capital cost = (construction and installation cost (tax inclusive) + up-front and other expenses (tax inclusive)) × construction period × loan interest rate/2

(4) Deductible VAT

According to the provisions of the Announcement on Deepening of Reform of Policies in relation to Value-added Tax (No.39 in 2019) (《2019年 第39號 關於 深化 增值稅 改革 有關 政策 的 公告》) and the Notice of the Hebei Department of Housing and Urban-Rural Development's on Readjusting the Measures on Adjustment of Construction Pricing Basis for Hebei Construction Industry in respect of Replacing Business Tax with Value-Added Tax (Ji Jian Jian Shi [2019] No. 3) (河北省住房和城鄉建設廳關於重新調整《建築業營改增河北省建築工程計價依據調整辦法》的通知冀建建市[2019]3號文件), the deductible VAT shall be calculated for buildings and structures that meet the VAT deduction conditions.

2. *Newness rate*

The newness rate for buildings and structures in this valuation is determined by employing a comprehensive newness rate:

Comprehensive newness rate = remaining useful life/(used life + remaining useful life) × 100%

The comprehensive newness rate shall be determined based on the remaining useful life of the buildings and structures that fall within the scope of the valuation, with reference to other factors such as their economic service life and maturity.

3. *Determination of appraised value*

Appraised value = full replacement price × comprehensive newness rate

(4) *Machinery and equipment*

Based on the characteristics of various types of equipment, the type of appraised value, data collection and other relevant conditions, machinery and equipment, transport equipment and office equipment shall be primarily valued using the cost approach, with the market approach employed for certain items.

Cost approach:

Appraised value under cost approach = full replacement price × comprehensive newness rate

I. Machinery and equipment

(1) Determination of full replacement price

Full replacement price = equipment purchase cost + freight and miscellaneous expenses + installation expense + foundation expense + up-front and other expenses + capital cost – deductible VAT input tax

① Equipment purchase cost

Purchase cost of domestic machinery and equipment shall be mainly determined by market enquiries, with reference to the 2025 Mechanical and Electrical Product Price Query System (《2025機電產品價格查詢系統》) or the transaction prices of similar equipment recently purchased. For equipment whose purchase prices are unavailable through inquiry, the purchase price shall be calculated based on the price change rates of equipment of the same era and same type.

② Freight and miscellaneous expenses

According to the terms of quotation of the seller, no more freight and miscellaneous expenses would be charged if they were included in the quotation; the freight and miscellaneous expenses, if not included in the quotation, shall be determined based on the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NBT 31011–2019).

③ Installation expense

Installation expense shall be determined, with reference to the final account information provided by the appraised entity, in accordance with the Estimated Quota of Onshore Wind Farm Projects (NBT 31010–2019) (《陸上風電場工程概算定額》(NBT31010–2019)), the Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (NBT 31011–2019), as well as the weight, model and key parameters of equipment and the consumption level of human resources, materials and equipment, while taking into account the information obtained through market enquiries and relevant necessary fees.

For small equipment that does not need to be installed, installation expense is not taken into consideration.

④ Foundation expense

Foundation expense of equipment shall be calculated based on the purchase price and different basic rates, with reference to the characteristics of equipment and the Methods of Budget Estimate Making and Budget Estimate Making Index for Mechanical Industry Construction Projects and the Handbook of Common Methods and Parameters for Asset Valuation. If the equipment is not accounted for on a separate basis or it was built together with the plant during construction, the foundation expense of the equipment shall not be considered when calculating the full replacement price of the equipment.

⑤ Up-front and other expenses

Up-front and other expenses include project construction management fees, survey and design fees, project supervision fees, feasibility study fees, bidding agency fees, environmental impact assessment fees, etc. The calculation of each expense shall be based on the relevant fee standards established by the competent national ministries and commissions.

According to the circular (Cai Shui [2016] No.36), the trial for replacing the business tax with the VAT has been fully implemented nationwide since 1 May 2016. The VAT shall be deducted for up-front expenses within the scope of replacing the business tax with the VAT.

⑥ Capital cost

Capital costs are calculated according to the reasonable construction period of the property right holder, by reference to the loan prime rate (LPR) published by the National Interbank Funding Center, authorised by the People's Bank of China, and based on the sum of the construction and installation cost for equipment, up-front and other expenses, as well as the average investment of capital.

⑦ Deductible VAT input tax from equipment purchase cost

The deductible VAT input tax shall be calculated and deducted accordingly for items that meet the VAT deduction conditions.

(2) Determination of comprehensive newness rate

The comprehensive newness rate is determined by conducting on-site inspections of the equipment (instruments) usage conditions (engineering environment, maintenance, appearance, operating rate, and integrity rate), reviewing necessary records of equipment (instruments) operation, accidents, maintenance, and performance assessments, and making adjustments accordingly.

The remaining useful life is determined primarily based on the economic lifespan of the equipment, used life, the on-site investigation and understanding of the usage status, technical status of equipment, and thereby determined the comprehensive newness rate according to the following formula.

Comprehensive newness rate = remaining useful life / (remaining useful life + used life) × 100%

(3) Determination of appraised value

Appraised value of the equipment = full replacement price × comprehensive newness rate

II. Office equipment

(1) Determination of replacement cost

For office equipment, the replacement cost is determined based on local market information and recent online transaction prices excluding tax.

(2) Determination of comprehensive newness rate

For office equipment, the comprehensive newness rate is primarily determined using the ageing method based on its economic lifespan.

Comprehensive newness rate = (economic lifespan – used life) / economic lifespan × 100%

(3) Determination of appraised value

Appraised value of office equipment = replacement cost × comprehensive newness rate

Market approach:

1) Office equipment

For office equipment purchased earlier, for which no relevant models are available on the current market but which are still functional, the replacement cost is determined by referring to the second-hand equipment market prices excluding tax.

(5) *Intangible assets – land use rights*

This valuation concerns the market value of land use rights for public facilities. In selecting the valuation methods, the valuers adhered to valuation principles and considered the valuation purpose. Following a thorough analysis of available data and conducting on-site investigations, they determined the suitability of various valuation methods based on the characteristics and actual conditions of the land to be appraised. In accordance with the Urban Land Valuation Regulations (城鎮土地估價規程), and taking into account the applicability and conditions of each method alongside the valuation purpose, the market comparison approach was ultimately adopted.

1. Market comparison approach

In this valuation, the valuers identified comparable land in the vicinity of the land to be appraised through an assessment of publicly available comparable lands transactions from the local land administration department and by consulting relevant publicly accessible online data.

However, considering the land use in question is designated for public facilities, specifically for a wind farm, the price of comparable lands can be derived after applying adjustments to the selected three comparable lands in respect of transaction dates, land use, lease terms, transaction methods, regional factors, individual factors, interests, etc.

The market approach is the estimation of the objective and the reasonable price of the land to be appraised after comparing it with similar real estate traded in the market near the valuation benchmark date according to the substitution principle, and properly adjusting the transaction price of such similar real estate. The basic calculation formula is as follows:

$$V = VB \times A \times B \times D \times E \times F$$

Where,

V: Price of the land to be appraised

VB: Price of comparable lands

A: Land to be appraised situation indicator/Comparable land situation indicator = normal situation indicator/Comparable land situation indicator

B: Land to be appraised price indicator as at the valuation benchmark date/Comparable land price indicator as at transaction date

D: Land to be appraised region factor condition indicator/Comparable land region factor condition indicator

E: Land to be appraised interests condition indicator/Comparable land individual factor condition indicator

F: Land to be appraised individual factor condition indicator/Comparable land interests condition indicator

(6) Valuation results and appreciation/depreciation analysis under asset-based approach

As at the valuation benchmark date, for Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.* (國能聯合動力智慧能源(張家口)有限公司), the book value of total assets amounted to RMB741,750,700, and the appraised value amounted to RMB875,078,400, representing an appreciation of RMB133,327,700 or 17.97%;

The book value of total liabilities amounted to RMB507,466,600, and the appraised value amounted to RMB507,466,600, representing no changes in appreciation/depreciation;

The book value of entire shareholders' equity amounted to RMB234,284,200, and the appraised value amounted to RMB367,611,900, representing an appreciation of RMB133,327,700 or 56.91%. The results of the valuation under asset-based approach are detailed in the following summary table of valuation results:

Summary table of valuation results under asset-based approach

Valuation benchmark date: 31 March 2025

Appraised entity: Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.*

Unit: RMB0'000

Item	Book value A	Appraised value B	Appreciation/ depreciation C=B-A	Rate % D=C/A × 100%
1 Current assets	15,986.90	15,986.90	-	-
2 Non-current assets	58,188.18	71,520.95	13,332.77	22.91
3 Long-term equity investment	12,274.00	23,899.00	11,625.00	94.71
4 Fixed assets	43,852.19	43,878.96	26.77	0.06
5 Intangible assets	1,958.24	3,639.24	1,681.00	85.84
6 Long-term deferred expenses	103.75	103.75	-	-
7 Total assets	74,175.07	87,507.84	13,332.77	17.97
8 Current liabilities	17,856.40	17,856.40	-	-
9 Non-current liabilities	32,890.25	32,890.25	-	-
10 Total liabilities	50,746.66	50,746.66	-	-
11 Net assets (owners' equity)	23,428.42	36,761.19	13,332.77	56.91

(7) *Changes in valuation conclusion as compared to book value and reasons*

Following the valuation of entire shareholders' equity in Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.* using the asset-based approach, the valuation results deviated from the book value. The reasons for the valuation appreciation/depreciation are as follows:

1. *Analysis of valuation depreciation of long-term equity investment*

The valuation appreciation of long-term equity investment was primarily due to the parent company's application of the cost approach for accounting for each long-term equity investment unit. Subsequent profits generated by subsidiaries were not reflected in the book value. Following the adoption of the income approach for the valuation of each long-term equity investment unit, an appreciation has been recognised.

2. *Analysis of valuation appreciation of buildings*

As the book value of buildings and structures assets declared by the enterprise has been included within the fixed assets – Kangbao Zhongyi Phase I fixed assets and Kangbao Dengyoufang Project fixed assets under the schedule of machinery and equipment assets, and the enterprise is unable to allocate the corresponding book value of buildings and structures assets, no valuation appreciation/depreciation was recognised.

3. *Analysis of valuation appreciation of equipment assets*

- 1) The valuation depreciation of the original value and net value of machinery and equipment was primarily due to the fact that: firstly, the main equipment assets in this valuation – wind turbines and towers – have seen a significant decline in market prices per kilowatt of installed capacity as a result of the rapid advancement of wind turbine technology in recent years; secondly, as fixed assets are classified as pre-capitalised assets, the book value of machinery and equipment included buildings and structures and has not been separated.

- 2) The valuation depreciation of office equipment was primarily due to the fact that office electronics have undergone rapid technological obsolescence, market prices have declined in recent years, and certain electronic devices were acquired some time ago, leading to valuation based on second-hand market prices.

4. *Analysis of valuation appreciation of intangible assets – land*

The valuation depreciation of land use rights was primarily due to the fact that the book value represented the amortised net value. This valuation has considered land value from a replacement perspective. Furthermore, according to the Kangbao County People's Government's "Minutes of the Fourteenth Executive Meeting of the Seventeenth Session of Kangbao County People's Government" (Executive Meeting Minutes [2022] No. 5) (《康保縣第十七屆人民政府第十四次常務會議紀要》(常務會議紀要[2022]5號)): The land grant unit price for new energy photovoltaic and wind power projects shall be adjusted from RMB420,000 per mu to no less than RMB800,000 per mu, effective from 1 April 2022. Consequently, the appraised land value (for three case transactions occurring after this document's issuance) was significantly higher than the original book value.

5. *Analysis of valuation appreciation of intangible assets – others*

The appreciation was due to the fact that the book value of software represented its amortised cost. For purchased software that was in normal use and commercially available as at the valuation benchmark date, the appraised value was determined based on its tax-exclusive market price as at that date, resulting in the valuation appreciation.

6. *Analysis of valuation appreciation of intangible assets – patents and other intellectual properties*

The valuation appreciation of intangible assets – intellectual properties was due to the fact that patents carried no book value. In this valuation, the appraised value has been determined based on the patent application fees and agency fees.

(II) For Income Approach

(I) Selection of specific methods and models under the income approach

In this valuation report, the free cash flow discount model in the discounted cash flow method is selected. The description of the enterprise's free cash flow discount model is as follows:

Value of entire shareholders' equity = value of operating assets + value of non-operating assets and liabilities in a broad sense

1. Value of operating assets

Operating assets refer to the assets and liabilities, related to the production and operation of the appraised unit and involved in the free cash flow forecast after the appraisal base date. The formula for calculating the value of operating assets is detailed as follows:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n}{(1+r)^n}$$

Where, P: the value of enterprise's operating assets on the valuation benchmark date;

F_i : expected free cash flow on the i th year after the valuation benchmark date;

F_n : the enterprise's recovered residual value and net realisable at the end of the forecast period;

r : discount rate;

i : the i th year in the forecast period (discount of the enterprise's free cash flow in each period in the middle of the year);

n : at the end of the forecast period (the period of recovery of residual value corresponds to the calendar period).

2. *Correlation between the main body of income and the criteria*

In this valuation, the free cash flow is used as the income index of the operating assets of the target of valuation, and its basic formula is:

Enterprise's free cash flow = profit before interest and tax $\times$ (1 – income tax rate) + depreciation and amortisation – capital expenditure – increase in working capital

The formula for calculating the discount rate (weighted average capital cost (WACC)) is detailed as follows:

$$WACC = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

Where, K_e : cost of equity capital;

K_d : capital cost of interest-bearing liabilities;

E : market value of equity;

D : market value of interest-bearing liabilities;

t : income tax rate.

Where the cost of equity capital shall be calculated by using the capital asset pricing model (CAPM). The calculation formula is detailed as follows:

$$K_e = r_f + MRP \times \beta_L + r_c$$

Where, r_f : risk-free rate;

MRP : market risk premium;

β_L : systematic risk coefficient of equity;

r_c : enterprise's specific risk adjustment coefficient.

3. *Value of non-operating assets and liabilities in a broad sense*

Non-operating assets and liabilities in a broad sense refer to assets and liabilities that are irrelevant to the production and operation of the appraised entity and are not involved in the enterprise's free cash flow forecast after the valuation benchmark date. The valuation result for the non-operating assets and liabilities is consistent with the book value.

(1) Determination of value of surplus assets

Surplus assets refer to the excess cash required for enterprise operation as at the valuation benchmark date, which is the difference between the monetary funds and the cash holdings necessary for daily operation as at the valuation benchmark.

(2) Determination of value of unconsolidated subsidiaries

None.

(3) Determination of value of non-operating assets and liabilities in a narrow sense

Non-operating assets and liabilities in a narrow sense refer to assets and liabilities that are irrelevant to the production and operation of the appraised entity and are placed in operating asset class (such as working capital and effective long-term assets).

(4) Determination of value of other assets and liabilities not listed

Other assets and liabilities not listed primarily comprise those that do not fall within the aforementioned three categories.

(II) Determination of the revenue period

The forecast period and revenue period of the appraised entity, as a power generation enterprise, shall be primarily determined by the service life of its generator units.

The appraised entity's 50-MW wind power project (phase I) is situated in Zhongyi Township, Kangbao County, Zhangjiakou City. The wind power installed capacity is 500 MW, with grid connection scheduled for December 2020. The units have a designed life of 20 years; consequently, the revenue period for the wind power project (phase I) extends to December 2040.

The appraised entity's 50-MW wind power project (phase II) is situated in Zhongyi Township, Kangbao County, Zhangjiakou City. The wind power installed capacity is 500 MW, with grid connection scheduled for December 2021. The units have a designed life of 20 years; consequently, the revenue period for the wind power project (phase II) extends to December 2041.

(III) Revenue forecast for the forecast period

1. Forecast of revenue from principal activities

Revenue from principal activities primarily derives from electricity sales.

Factors influencing the revenue from electricity sales include installed capacity, actual utilisation hours of generation equipment, wind power curtailment rate and unit price of electricity sales.

Annual target power generation = total capacity of power generation equipment $\times$ power generation hours

Power generation = annual target power generation $\times$ (1 – wind power curtailment rate)

On-grid power generation = power generation – power transformer loss and other consumption

Revenue from electricity sales = electricity sales $\times$ electricity price

2. *Forecast of operating costs of principal activities*

Operating costs of principal activities mainly include labour costs, depreciation and other expenses.

(1) Depreciation

Existing capital expenditures: determined reasonably during the forecast period based on the original book value at the valuation benchmark date, date of commissioning and economic life.

Depreciation of renewed assets is where only the depletion (depreciation) of existing assets is renewed in future years, provided that the current scale of operations is maintained. That is, an asset is assumed to be fully depreciated when the accumulated depreciation of the asset is close to its original value or when the net value of the asset is close to its estimated residual value, and the asset needs to be renewed in accordance with its original value. At the same time as the asset renewal expenditure is incurred, the original asset is written off at its residual value and depreciation is provided on the original value of the renewed asset until the end of the operating period.

Depreciation of renewed and newly acquired assets is measured by asset class by allocating the capital expenditure over the forecast period in accordance with the existing depreciation policy.

(2) Labour costs

Salary costs include wages for production personnel, welfare expenses, social insurance charges, etc.

Determination of the number of employees receiving salaries: This forecast incorporates the number of employees as at the valuation benchmark date and the projected future scale of the enterprise's revenue, based on projections provided by the enterprise's management.

Determination of salary increases: This forecast incorporates the wage levels as at the valuation benchmark date, the projected future scale of the enterprise's revenue, and the anticipated pace of future salary increases in the region where the enterprise operates, based on projections provided by the enterprise's management.

(3) Other expenses

Other expenses include material costs, repair costs, miscellaneous expenses and safety production costs.

Estimated based on benchmarks for comparable power plants, incorporating management's overall assessment of the project and relevant policies.

3. *Forecast of taxes and surcharges*

Taxes and surcharges include urban maintenance and construction tax, education surtax, stamp duty, property tax, land use tax and water resources tax.

Urban maintenance and construction tax and education surtax (including local education surtax) shall be calculated at 7% and 5%, respectively, of the VAT payable; stamp duty shall be calculated at 0.03% of the value of the signed contract.

Property tax and land use tax shall be calculated in accordance with the provisions of the relevant tax laws.

Output VAT represents the output tax on the revenue from electricity sales calculated at a 13% rate, whilst VAT input tax comprises deductible input tax from both the operating costs of principal activities and capital expenditure.

4. *Forecast of administrative expenses*

Administrative expenses constitute routine overheads.

Estimated comprehensively following verification with the management and reference to projected revenue growth.

5. *Forecast of finance costs*

Financial interest and principal repayments shall be determined based on the company's existing borrowings and anticipated future loan additions, in accordance with projected cash flows for each future period, repayment schedules, and the actual borrowing rates applied.

6. *Other revenue*

Pursuant to the Notice on Issues related to Value-added Tax Policy of Integrated Resources Utilisation and Other Products (Cai Shui [2008] No. 156) issued by the Ministry of Finance and the State Administration of Taxation, this project is subject to a 50% immediate refund policy for VAT. The output VAT rate is 13%. Other revenue in this valuation is forecasted in accordance with the aforementioned policy.

7. *Forecast of non-operating revenue and expenditure*

Non-operating revenue and expenditure are of an incidental nature, with their future occurrence and amounts uncertain. No forecast is provided for the coming financial years at this time.

8. *Forecast of depreciation and amortisation*

(1) Forecast of depreciation

Depreciation encompasses depreciation of existing fixed assets and depreciation of renewed or newly acquired fixed assets.

Existing capital expenditures: determined reasonably during the forecast period based on the original book value at the valuation benchmark date, date of commissioning and economic life.

Depreciation of renewed assets is where only the depletion (depreciation) of existing assets is renewed in future years, provided that the current scale of operations is maintained. That is, an asset is assumed to be fully depreciated when the accumulated depreciation of the asset is close to its original value or when the net value of the asset is close to its estimated residual value, and the asset needs to be renewed in accordance with its original value. At the same time as the asset renewal expenditure is incurred, the original asset is written off at its residual value and depreciation is provided on the original value of the renewed asset until the end of the operating period.

Depreciation of renewed and newly acquired assets is measured by asset class by allocating the capital expenditure over the forecast period in accordance with the existing depreciation policy.

(2) Forecast of amortisation

Amortisation encompasses amortisation of existing assets and amortisation of renewals or additions.

Amortisation of existing assets primarily relates to software amortisation within intangible assets and amortisation of deferred expenses. Future amortisation amounts are calculated for each period based on the company's current amortisation policy.

Amortisation of renewed or newly acquired assets is where only the depletion (depreciation) of existing assets is renewed in future years, provided that the current scale of operations is maintained. That is, an asset is assumed to be fully depreciated when the accumulated depreciation of the asset is close to its original value or when the net value of the asset is close to its estimated residual value, and the asset needs to be renewed in accordance with its original value. At the same time as the asset renewal expenditure is incurred, the original asset is written off at its residual value and depreciation is provided on the original value of the renewed asset until the end of the operating period.

9. *Forecast of income tax*

Income tax for the coming financial years is calculated on the basis of total profits, adjusted for significant tax adjustments in accordance with the Enterprise Income Tax Law and its supplemental regulations, making up for the operating losses of the previous five years starting from the year of profitability, and then multiplied by the flat corporate income tax rate.

According to the Circular on the Implementation of the Catalogue of the Key Public Infrastructure Projects Supported by the State and Entitled for Preferential Tax Treatment (Guo Shui Fa [2009] No. 80) (《國家稅務總局關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》(國稅發[2009]80號)), new wind power generation projects qualify for preferential tax treatment as public infrastructure projects, the income derived from the investment in, and the operation of, which is eligible for a tax exemption from enterprise income tax for the first year to the third year, and a 50% reduction in enterprise income tax (12.5%) for the fourth year to the sixth year, starting from the year in which such projects first generate operating income. Thereafter, enterprise income tax shall be levied at the standard rate of 25%.

The appraised entity achieved grid connection for its wind power project (phase I) in December 2020 and for its wind power project (phase II) in December 2021.

Phase I: 2020 – 2022, with a corporate income tax rate of 0% ;

2023 – 2025, with a corporate income tax rate of 12.5% ;

2026 onwards, with a corporate income tax rate of 25%.

Phase II: 2021 – 2023, with a corporate income tax rate of 0% ;

2024 – 2026, with a corporate income tax rate of 12.5% ;

2027 onwards, with a corporate income tax rate of 25%.

Enterprise income tax and discount rate are calculated on a weighted basis.

10. Forecast of capital expenditure

Based on the enterprise's capital expenditure plan, the forecast period primarily considers necessary renewal expenditures within the revenue period.

11. Forecast of working capital

Working capital equals current assets other than cash less interest-free current liabilities. Current assets other than cash include trade receivables, other receivables, prepayments and others used or required for the company's operations. Interest-free current liabilities include trade payables, accounts receivable in advance, other payables, salaries payable to employees, taxes payable, etc.

Working capital = current assets other than cash – interest-free current liabilities

Additional working capital = working capital for the current period – working capital for previous period

Working capital as at the valuation benchmark date = current assets (excluding surplus monetary funds and non-operating assets) – current liabilities (excluding interest-bearing current liabilities and non-operating liabilities)

Items that may cast a significant impact towards working capital, such as trade receivables, accounts receivable in advance, trade payables, prepayments and , inventories, are mainly calculated based on an analysis of the reasonableness of turnover rates for such items in previous years and the determination of the estimated future turnover rates. Assets and liabilities unrelated to the revenue from and costs of the company's principal activities, such as other receivables and other payables, are determined based on estimated reasonable amount required.

12. Recovery of residual value at the end of the period

The maturity value of non-current assets is determined based on residual value due at maturity; the maturity value of working capital is determined based on the amount due at maturity. The maturity recovery value is determined according to the liquidity ratio applicable to different assets.

13. Cash flow for the forecast period

Enterprise's free cash flow = net profit+ depreciation and amortization – capital expenditure – net change in working capital

(IV) Determination of discount rate

1. Discount rate model

According to the principle of consistency between the income amount and the discount rate, if the income amount of this valuation is the enterprise's free cash flow, the WACC shall be selected as the discount rate. The WACC model can be expressed by the following mathematical formula:

$$WACC = R_d \times (1 - T) \times \frac{D}{D + E} + R_e \times \frac{E}{D + E}$$

Where, R_e : expected rate of return on equity;

R_d : expected rate of return on debts;

E : value of entire shareholders' equity;

D : value of debts;

T : income tax rate.

2. Determination of cost of equity capital

The cost of equity capital shall be calculated by using the CAPM. The CAPM is a widely applied method for estimating investor returns and the cost of equity capital. The CAPM can be expressed by the following mathematical formula:

$$R_e = R_f + ERP \times \beta + \varepsilon$$

Where, R_f – risk-free interest rate;

ERP –market risk excess return rate;

β – systematic risk coefficient of equity;

ε – enterprise's specific risk adjustment coefficient.

3. Valuation process of specific parameters

Selection of comparable companies

The comparable companies were selected with reference to the following criteria:

- (1) The comparable listed companies only issued RMB-denominated A shares.
- (2) The stocks of comparable listed companies have been listed for not less than 24 months and are actively traded.
- (3) The comparable listed companies are in the same industry as the appraised entity or affected by the same economic policies.
- (4) The comparable listed companies' principal activities are identical to those of the appraised entity, with the revenue from the identical principal activities constituting no less than 50% of the total revenue.
- (5) The comparable listed companies exhibit similarity to the appraised entity in terms of asset scale, profitability, growth potential and stage of development.

4. *Determination of risk-free return rate (R_f)*

The yield of treasury bonds is usually considered risk-free because the risk of holding such bonds that cannot be repaid at maturity is so insignificant that it can be ignored. We determined the risk-free return rate by calculating the average yield to maturity of government bonds traded near the valuation benchmark date with over ten years remaining to maturity, as obtained through ifind Information queries, arriving at R_f of 2.08%.

5. *Determination of equity risk premium (ERP)*

Equity risk premium is the expected excess earning that an investor would request on an equity investment with risk that is the same as the overall market average risk, i.e., the compensation for risk over the risk-free interest rate. Investment return in the equity market is a typical representation of return in the capital market. Risk-return in the equity market is the excess of risk-free return rate that an investor expects from investing in the equity market and can also be considered a typical representation of equity risk premium.

With reference to the idea of ERP estimation by domestic and international institutions, we estimate the investment return (R_m) and equity risk premium (ERP) of the equity market in China.

According to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), when calculating the equity risk premium by using China stock market index, a representative index, such as the CSI 300 Index, the SSE Composite Index and so on, is usually selected to calculate the excess return of the index over a historical period of time, with a time horizon of 10 years or more, a frequency of weekly or monthly data, and by arithmetic average or geometric average calculation method.

(1) Selection of index for measuring investment yield

The CSI 300 Index is an index covering both the Shanghai and Shenzhen stock markets, reflecting the comprehensive changes in the stock prices of representative stocks with strong liquidity and large scale. The constituent stocks of the index can more truly reflect the returns of mainstream investment in the market. Therefore, we selected the CSI 300 Index to estimate the investment yield of the PRC stock market.

(2) The 10-year period is selected as the time span for the calculation of investment yield. For each constituent stock of CSI 300, the investment yield for the past ten years is calculated to minimize the impact of non-systematic stock volatility. The term used to calculate the investment yield for 2025 is from 2015 to 2024, and the investment yield for subsequent years is calculated similarly.

(3) Calculation of annual investment yield (R_m)

Two calculation methods are adopted: arithmetic mean and geometric mean.

Based on our comparative analysis, we believe the geometric mean can better reflect the growth of the yield rate, and therefore the geometric mean is used as the calculation of final annual investment yield (R_m).

(4) Determination of equity risk premium (ERP) ($R_m - R_f$)

We selected the yield to maturity of treasury bonds with a remaining maturity of more than 10 years at the end of each year as the risk-free interest rate R_f . After the above steps, we estimated the ERP for 2024 to be 6.35%.

6. *Determination of the risk coefficient β of comparable companies relative to the stock market*

Conduct correlation t test on coefficient of the above comparable companies.

7. *Calculation of β coefficient without financial leverage of comparable companies*

For the β coefficient with financial leverage (βL) available for these comparable listed companies, we have reverted it to the coefficient without financial leverage (βU) according to the capital structure of the corresponding listed companies.

8. *Calculation of β coefficient with target capital structure of the appraised entity*

It is calculated based on the average value of the β coefficients of comparable companies without financial leverage and the target capital structure, the calculation formula is as follows:

$$\beta L = (1 + (1 - T) \times D/E) \times \beta U$$

Where, βL is β coefficient with the target capital structure of the appraised entity

βU is the average value of β coefficient of comparable companies without financial leverage

D/E is the target capital structure, which in this instance is taken as the average capital structure of comparable companies.

9. *Blume adjustment of β coefficient*

The β coefficient of comparable listed companies is estimated based on historical data and represents the historical β coefficient. The discount rate is used in discounting the future expected income, so the discount rate to be estimated is also the expected discount rate in the future. As a result, it is required to estimate the expected β coefficient in the future. We adopted the Blume Adjustment method to adjust the β coefficient estimated based on historical data in the valuation.

In practice, the adjustment concept and method propose by Blume are as follows:

$$a = 0.35 + 0.65 \beta L$$

Where a is the adjusted β , while βL is the estimated historical β .

The adjusted risk coefficient β for the appraised entity is 0.8564.

10. Determination of specific risk return (ε)

The specific risk return (ε) is the return on non-systemic risks arising from the specific factors of the appraised entity. A reasonable specific risk return (ε) is determined by adopting the comprehensive analysis method in the valuation, namely, after comprehensively considering the relevant factors, such as the asset scale, operation stage, market competition, reliance on key customers and suppliers, corporate governance and capital structure of the appraised entity.

Following the above analysis, a specific risk adjustment coefficient of 2% shall be adopted.

11. Calculation of cost of equity capital

Substituting the relevant data into the R_e formula yields the cost of equity capital as:

$$R_e = R_f + \beta \times (R_m - R_f) + \varepsilon$$

$$= 9.52\%$$

12. Determination of cost of debt capital

The actual weighted loan interest rate of the appraised entity is adopted as the cost of debt capital, i.e., 2.85%.

13. Determination of WACC

Substituting the aforementioned data into the WACC formula yields a discount rate of:

$$WACC = R_d \times (1 - T) \times \frac{D}{D + E} + R_e \times \frac{E}{D + E}$$

(V) Calculation process and results

Based on the projected enterprise's free cash flow and discount rate outlined above, the enterprise value for the forecast period is determined as follows (presenting figures for April 2025 to 2029 only):

Table of valuation results of operating assets

Unit: RMB0'000

Item	April – December 2025	Future financial years			
		2026	2027	2028	2029
III. Free cash flow	3,632.04	6,915.14	7,174.97	6,401.53	8,980.35
Discount rate	6.43%	6.29%	6.16%	6.16%	6.16%
Discount period (years)	0.38	1.25	2.25	3.25	4.25
Discount coefficient	0.9769	0.9257	0.8715	0.8209	0.7733
Discounted value for each year	3,548.15	6,401.34	6,252.98	5,255.02	6,944.51
Value of operating assets	73,120.84				

(VI) Valuation of other assets and liabilities

1. Determination of value of surplus assets

Surplus assets refer to the excess cash required for enterprise operation as at the valuation benchmark date, which is the difference between the monetary funds and the cash holdings necessary for daily operation as at the valuation benchmark. Cash holdings take into account various cash-out factors, namely operating costs, sales expenses, administrative expenses, finance costs and taxes required within a specific period, while deducting non-cash costs such as depreciation and amortisation. Upon calculation, the enterprise's surplus assets under normal business operations amount to RMB30,109,600.

2. Determination of value of non-operating assets and liabilities

Non-operating assets and liabilities refer to assets and liabilities that are irrelevant to the production and operation of the appraised entity and are not involved in the enterprise's free cash flow forecast after the valuation benchmark date. Non-operating assets and liabilities amount to RMB116,465,300 (including the value of long-term equity investment).

The non-operating assets and non-operating liabilities of the appraised entity as at the valuation benchmark date shall be valued using the asset-based approach.

(VII) Valuation results under income approach

1. Determination of value of enterprise's overall assets

Value of enterprise's overall assets = value of operating assets + value of surplus assets + value of unconsolidated subsidiaries + value of non-operating assets = RMB877,783,300

2. Determination of value of interest-bearing liabilities

The enterprise's interest-bearing liabilities as at the valuation benchmark date amounted to RMB362,017,500.

3. Determination of value of entire shareholders' equity

Based on the aforementioned valuation, the value of entire shareholders' equity of the appraised entity was as follows: Value of entire shareholders' equity = value of enterprise's overall assets – value of interest-bearing liabilities = RMB516,000,000

(III) Valuation conclusion and analysis

Beijing Guo Rong Xing Hua Asset Appraisal Co., Ltd.* (北京國融興華資產評估有限責任公司), upon the acceptance of the entrustment of China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) and CHN Energy (Beijing) Electrical Engineering Technology Co., Ltd.* (國能(北京)電氣技術有限公司), followed the principles of independence, objectivity and fairness according to relevant laws, regulations and asset appraisal standards, adopted the asset-based approach and income approach in accordance with certain valuation procedures, and made the appraisal of the market value of the entire shareholders' equity in Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.* as at 31 March 2025. Based on the aforementioned valuation, the valuation conclusion was as follows:

1. Valuation results under asset-based approach

As at the valuation benchmark date, for Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.*, the book value of total assets amounted to RMB741,750,700, and the appraised value amounted to RMB875,078,400, representing an appreciation of RMB133,327,700 or 17.97%;

The book value of total liabilities amounted to RMB507,466,600, and the appraised value amounted to RMB507,466,600, representing no changes in appreciation/depreciation;

The book value of entire shareholders' equity amounted to RMB234,284,200, and the appraised value amounted to RMB367,611,900, representing an appreciation of RMB133,327,700 or 56.91%. The results of the valuation under asset-based approach are detailed in the following summary table of valuation results:

Summary table of valuation results under asset-based approach

Valuation benchmark date: 31 March 2025

Appraised entity: Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.*

Unit: RMB0'000

Item	Book value A	Appraised value B	Appreciation/ depreciation C=B-A	Rate % D=C/A × 100%
1 Current assets	15,986.90	15,986.90	-	-
2 Non-current assets	58,188.18	71,520.95	13,332.77	22.91
3 Long-term equity investment	12,274.00	23,899.00	11,625.00	94.71
4 Fixed assets	43,852.19	43,878.96	26.77	0.06
5 Intangible assets	1,958.24	3,639.24	1,681.00	85.84
6 Long-term deferred expenses	103.75	103.75	-	-
7 Total assets	74,175.07	87,507.84	13,332.77	17.97
8 Current liabilities	17,856.40	17,856.40	-	-
9 Non-current liabilities	32,890.25	32,890.25	-	-
10 Total liabilities	50,746.66	50,746.66	-	-
11 Net assets (owners' equity)	23,428.42	36,761.19	13,332.77	56.91

2. Valuation results under income approach

As at the valuation benchmark date of 31 March 2025, on a going concern basis and assessed using the income approach, the value of entire shareholders' equity in Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.* amounted to RMB516,000,000, representing an appreciation of RMB281,715,800 or 120.25%.

3. *Determination of valuation conclusion*

Upon comparison of the valuation results of the asset-based approach and the income approach, the difference in valuation between the income approach and the asset-based approach amounted to RMB148,388,100, representing a difference of 28.76% based on the conclusion of the income-based approach.

1. Main reasons for the difference in results under the two valuation approaches

The two valuation approaches consider different perspectives. The asset-based approach considers the re-acquisition of assets and reflects the replacement value of the existing assets of the enterprise whereas the income approach considers the enterprise's future profitability and reflects the comprehensive profitability of the assets of the enterprise.

2. Reasons for selecting the valuation results under the income approach

The cost approach (asset-based approach) is based on the current cost according to the market values instead of historical costs of each asset and liability items within the scope of assessment, and through the addition of all identifiable assets estimated separately. The cost approach struggles to quantify the contribution of individual assets within the valuation scope to the overall asset's profitability, nor can it readily identify the synergistic effects arising from the organic combination of assets – namely, intangible assets that cannot be precisely quantified. Conversely, the income approach focuses primarily on the overall earning capacity of the assets being valued, encompassing both the income generated by individual assets and the income derived from intangible assets that cannot be precisely quantified.

Through investigation of the financial condition of the enterprise subject to valuation, analysis of its historical operating performance and future plans, and consideration of the target of valuation, valuation purpose and applicable value type, comparative analysis indicates that the income approach yields a more comprehensive and reasonable reflection of the value of entire shareholders' equity of the appraised entity. Consequently, the valuation results under income approach are selected as the final valuation conclusion for this valuation.

The valuation of the value of entire shareholders' equity in Guoneng United Power Smart Energy (Zhangjiakou) Co., Ltd.* is RMB516,000,000.

APPENDIX II: LETTER FROM THE REPORTING ACCOUNTANT

The Board of Directors
China Longyuan Power Group Corporation Limited
Room 2006, 20th Floor
Block c, 6 Fuchengmen North Street
Xicheng District
Beijing PRC

Independent assurance report on the calculations of discounted cash flow forecast in connection with the valuation of 100% equity interest in Guodian United Power Technology Co., Ltd. (國電聯合動力技術有限公司) (the “Target Company”) and its subsidiaries (together referred to as the “Target Group”)

To the Board of Directors of China Longyuan Power Group Corporation Limited (the “Company”)

We have examined the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation prepared by Beijing Guo Rong Xing Hua Asset Appraisal Co., Ltd.* (北京國融興華資產評估有限責任公司) dated 22 August 2025 in respect of the appraisal of the fair value of the Target Group as at 31 March 2025 (the “**Valuation**”) is based. The Valuation, prepared based on the Forecast, 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**”).

Directors’ Responsibilities

The directors of the Company (the “**Directors**”) are responsible for the preparation of the Forecast in accordance with the bases and assumptions (the “**Assumptions**”) determined by the Directors as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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.

Our Responsibility

Our responsibility is to form an assurance conclusion on the arithmetical accuracy of the calculations of the Forecast on which the Valuation is based and to report solely to you, as a body, as required by Rules 14.60A(2) and 14A.68(7) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

We conducted our engagement in accordance with 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 plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations of the Forecast are concerned, the Directors have properly compiled the Forecast based upon the Assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the arithmetical accuracy of the calculations of the Forecast are concerned, the Forecast has been properly compiled, in all material aspects, based upon the Assumptions.

Other Matter

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 those used in the Valuation and the variation may be material. Our opinion is not qualified in respect of this matter.

For the purpose of this engagement, we do not review the accounting policies for the Valuation as the Valuation relates to discounted future cash flows and no accounting policies have been adopted in the preparation of the Valuation. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Target Group or an expression of an audit or review opinion on the Valuation.

Yours faithfully,

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 14 November 2025

Chan Sai Ho

Practising certificate number P07705

APPENDIX III: LETTER FROM THE BOARD ON PROFIT FORECAST

Dear Sirs/Madams,

Reference is made to the announcement of the Company dated 14 November 2025 (the “**Announcement**”) in relation to, among other things, (i) the fact that the Company and CHN Energy Electrical agreed to transfer their respective 30% equity interest in United Power to CHN Energy New Energy (i.e., CHN Energy New Energy shall acquire a total of 60% equity interest in United Power) (the “**Transfer**”); and (ii) the reports on the valuation of assets of United Power’s two subsidiaries, namely Inner Mongolia United Power and Zhangjiakou United Power, in respect of the Transfer (together, the “**Assets Valuation Reports**”), the valuation of which constitutes the Profit Forecast under Rule 14.61 of the Listing Rules. Unless otherwise defined herein, the terms used in this letter shall have the same meanings as defined in the Announcement.

We have reviewed the bases and assumptions on which Guo Rong Xing Hua has based its valuation, as well as the valuation for which Guo Rong Xing Hua is responsible. We have also considered the letter dated 14 November 2025 issued by Baker Tilly, the reporting accountant of the Company, regarding the accuracy of the calculations relating to the forecasts in the valuation and whether the forecasts follow the bases and assumptions set out in the Assets Valuation Reports. We note that the calculations of the forecasts in the valuation are accurate and in line with the bases and assumptions set out in the Assets Valuation Reports. Based on the above, we are of the view that the Profit Forecast has been prepared after due and careful enquiry.

**the Board of Directors of
China Longyuan Power Group Corporation Limited***

14 November 2025