THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Power International Development Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ASSET RESTRUCTURING

CITIC SECURITIES

Financial Adviser to the Company

SOMERLEY CAPITAL LIMITED

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

A letter from the Board is set out on pages 12 to 50 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 51 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 52 to 112 of this circular.

A notice dated 20 May 2025 convening a GM to be held on Tuesday, 24 June 2025 at 10:30 a.m. by way of virtual meeting is set out on pages GM-1 to GM-3 of this circular. Whether or not you are able to attend the GM, you are requested to complete the form of proxy accompanying the notice of the GM in accordance with the instructions printed thereon and return it (i) to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (ii) electronically via the Company's email address at eproxy@chinapower.hk not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof (as the case may be). Submission of the form of proxy will not preclude any member of the Company from attending the GM or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.

20 May 2025

CONTENTS

The GM will be held by way of virtual meeting through broadcasting at the website of https://meetings.computershare.com/CHINAPOWER_2025GM2 (the "**Online Platform**"). Shareholders can access it from any location with connection to the internet via smartphone, tablet device or computer. Unless otherwise defined herein, terms used in this guidance for the GM shall have the same meanings in the "Definitions" section on pages 4 to 11.

ATTENDANCE

Both registered and non-registered Shareholders will be able to attend and view a live webcast of the GM and pose questions and Independent Shareholders will be able to cast vote through the Online Platform.

Login details for registered Shareholders

For registered Shareholders, the login details for joining the GM through the Online Platform are provided on the notification letter that has been sent together with this circular.

Login details for non-registered Shareholders

Non-registered Shareholders who wish to attend the GM through the Online Platform should:

(1) contact and instruct your banks, brokers, custodians, nominees or HKSCC Nominees Limited by which your Shares are held (collectively, the "**Intermediary**") to appoint you as the proxies or corporate representatives to attend and vote at the GM; and

(2) provide your email addresses to your Intermediary before the time limit required by your Intermediary.

Login details to access the Online Platform will be sent to the non-registered Shareholders by the Company's share registrar, Computershare Hong Kong Investor Services Limited ("**Computershare**"), to the email address you provided to the Intermediary. Any non-registered Shareholder who has provided an email address through the relevant Intermediary for this purpose but has not received the login details by email by 10:30 a.m. on Monday, 23 June 2025 should reach out to Computershare for assistance.

Without the login details, non-registered Shareholders will not be able to participate in the GM through the Online Platform. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

Login details for duly appointed proxies or corporate representatives

Login details to access the Online Platform will be sent by Computershare to the email address of the proxies provided in the returned forms of proxy.

For corporate Shareholders who wish to appoint representatives to attend and vote at the GM on their behalf through the Online Platform, please call the service hotline of Computershare at (852) 2862 8555 during business hours from 9:00 a.m. to 6:00 p.m. (Hong Kong time) from Monday to Friday, excluding Hong Kong public holidays for arrangement.

Login details for new registered Shareholders

For new registered Shareholders (who have registered after dispatch date of the documents but are still entitled to attend the GM), login details can be obtained at request from Computershare with contact details below:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Website: www.computershare.com/hk/contact

POINTS TO NOTE

Registered and non-registered Shareholders should note that **only one device** is allowed in respect of each set of login details. Please also keep the login details in safe custody for use at the GM and do not disclose them to anyone else. Neither the Company nor its agents assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise.

The Online Platform will be opened for log in 30 minutes before the commencement of the GM. Shareholders should allow ample time to check into the Online Platform to complete the related procedures.

A step-by-step "Online Meeting User Guide" for the login process of the GM has been made available on the Company's website at www.chinapower.hk for assistance.

PROXY APPOINTMENT AND VOTING

Voting by Proxy

A Shareholder who is entitled to attend and vote at the GM is entitled to appoint a proxy to exercise the Shareholder's rights at the GM. A proxy need not be a Shareholder of the Company.

Irrespective of whether Shareholders are able to attend the GM, you are encouraged to appoint the Chairman of the GM as your proxy. If the proxy appointed is not the Chairman of the GM, you are requested to provide a valid email address of your proxy to receive the login details. If no email address is provided, your proxy cannot participate and vote at the GM.

Where there are joint registered holders of any Share(s), any one of such persons (or his/ her proxy) may vote at the GM, through the Online Platform, in respect of such Share(s) as if he/she is solely entitled to, but if more than one of such joint holders (or his/her proxy) be present at the GM through the Online Platform that **only one device** is allowed per login.

Proxy Forms and Voting Record Date

A proxy form is enclosed with this circular or can be downloaded from the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.chinapower.hk.

All proxy forms must be completed and signed in accordance with the instructions printed thereon and be returned (i) to Computershare at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (ii) electronically via the Company's email address at eproxy@chinapower.hk not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof (as the case may be). The deadline to submit completed proxy forms is Friday, 20 June 2025 at 10:30 a.m..

Submission of the form of proxy will not preclude any member of the Company from attending the GM through the Online Platform or any adjournment thereof and voting online if such member so wishes and in such event, the form of proxy will be deemed to be revoked.

QUESTIONS AT OR PRIOR TO THE GM

Shareholders attending the GM online will be able to raise questions relevant to the proposed resolutions through the Online Platform. The usual Q&A time will be restricted to a maximum of 15 minutes.

Prior to the GM, no matter Shareholders attend the GM or not, they are also welcome to send any question in writing about any resolution or about the Company, or have any matter for communication with the Board, to the Company's registered office or to our email at ir@chinapower.hk no later than 6:00 p.m. on Friday, 20 June 2025.

The Company will endeavor to address relevant questions in relation to the proposed resolutions at the GM. However, the Company may not be able to answer all the questions during the time allocated. Unanswered questions may be responded to after the GM.

If Shareholders have any questions relating to the GM arrangements, please contact the share registrar of the Company as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Online Enquiries: www.computershare.com/hk/en/online_feedback

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

"Announcement"	the announcement of the Company dated 16 April 2025 regarding, among other things, the Proposed Asset Restructuring
"Applicable Period"	each of the financial years during the Compensation Period
"Appraisal Benchmark Date"	the date on which the appraised value of the Target Companies was determined as set out in the Asset Appraisal Reports, which is 31 October 2024
"Asset Appraisal Reports"	the asset appraisal reports prepared by PCAA in relation to the Target Companies dated 19 March 2025
"associates"	has the meaning given to it under the Listing Rules
"Board"	the board of Directors of the Company
"Changzhou Hydropower"	SPIC Guangxi Changzhou Hydropower Development Co., Ltd* (國家電投集團廣西長洲水電開發有限公司), a subsidiary owned 64.93% by Guangxi Company (a wholly-owned subsidiary of the Company)
"Changzhou Hydropower Committed Net Profits"	RMB320,534,300 for FY2025 (if applicable), RMB338,227,200 in FY2026, RMB343,288,500 in FY2027 and RMB346,708,700 in FY2028 (if applicable)
"Changzhou Hydropower Compensation Agreement"	the profit undertaking and compensation agreement dated 16 April 2025 entered into between Guangxi Company and Yuanda Environmental
"CITICS"	CITIC Securities (Hong Kong) Limited (中信證券(香港)有限公司), the Company's financial adviser
"Committed Net Profits"	the Wu Ling Power Profit Undertaking Assets Committed Net Profits and the Changzhou Hydropower Committed Net Profits
"Company"	China Power International Development Limited (中國電力國際發展有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange

"Compensation Agreements"	Wu Ling Power Compensation Agreement and the Changzhou Hydropower Compensation Agreement, each a Compensation Agreement
"Compensation Obligor"	in respect of Changzhou Hydropower Compensation Agreement, Guangxi Company, and in respect of Wu Ling Power Compensation Agreement, the Company and Xiangtou International
"Compensation Period"	three financial years commencing from the year when the Proposed Asset Restructuring is completed, being FY2025, FY2026 and FY2027 if the Proposed Asset Restructuring is completed on or before 31 December 2025 or FY2026, FY2027 and FY2028 if the Proposed Asset Restructuring is completed after 31 December 2025
"Compensation Shares"	the shares in Yuanda Environmental to be compensated to Yuanda Environmental in accordance with Changzhou Hydropower Compensation Agreement or Wu Ling Power Compensation Agreement
"Completion"	with respect to each of the Target Equity Interests, after all the conditions precedent to the relevant Equity Transfer Agreement have been satisfied or waived (if applicable) and the completion of the SAMR filings for the change in business registration in relation to the transfer of the respective Target Equity Interests in the relevant Target Company pursuant to the relevant Equity Transfer Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration I"	the consideration for the sale and purchase of 100% equity interest in Wu Ling Power payable by Yuanda Environmental pursuant to Equity Transfer Agreement I
"Consideration II"	the consideration for the sale and purchase of 64.93% equity interest in Changzhou Hydropower payable by Yuanda Environmental pursuant to Equity Transfer Agreement II
"Consideration Shares"	new shares to be allotted and issued by Yuanda Environmental to the Company, Xiangtou International and Guangxi Company at the Issue Price as partial settlement of Consideration I and Consideration II (as the case may be)

"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CPDL"	China Power Development Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial shareholder of the Company and a subsidiary of CPI Holding, thus an associate of SPIC and a connected person of the Company
"CPI Holding"	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of the Company and a wholly-owned subsidiary of SPIC, thus an associate of SPIC and a connected person of the Company
"CPNE"	China Power (New Energy) Holdings Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder of the Company and an indirect non-wholly-owned subsidiary of SPIC, thus an associate of SPIC and a connected person of the Company
"CSRC"	China Securities Regulatory Commission
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Proposed Asset Restructuring (assuming the Proposed Asset Restructuring has been completed)
"Equity Transfer Agreement I"	the sale and purchase agreement dated 16 April 2025 entered into between the Company, Xiangtou International and Yuanda Environmental
"Equity Transfer Agreement II"	the sale and purchase agreement dated 16 April 2025 entered into between Guangxi Company and Yuanda Environmental
"Equity Transfer Agreements"	Equity Transfer Agreement I and Equity Transfer Agreement II (individually the Equity Transfer Agreement where the context requires)
"Financial Adviser"	CITICS
"Formal Restructuring Agreements"	the Equity Transfer Agreements, the Compensation Agreements and the Non-Compete Undertakings

"Formal Restructuring Ancillary Undertakings"	the China Power Lock-up Undertaking, the SPIC Letter of Undertaking, the Related Transactions Undertakings, the Yuanda Environmental Independence Undertakings and the Undertakings on Remedial Measures on Returns
"FY2025"	the financial year ending 31 December 2025
"FY2026"	the financial year ending 31 December 2026
"FY2027"	the financial year ending 31 December 2027
"FY2028"	the financial year ending 31 December 2028
"General Meeting" or "GM"	the general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Proposed Asset Restructuring and the Formal Restructuring Agreements
"Group"	the Company and its subsidiaries from time to time
"Guangxi Company"	SPIC Guangxi Electric Power Co., Ltd.* (國家電投集團廣西電力有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Guangxi Overseas"	Guangxi SPIC Overseas Energy Investment Limited* (廣西國電投海外能源投資有限公司), a company incorporated in the PRC with limited liability and ultimately controlled by SPIC
"HKFRSs"	Hong Kong Financial Reporting Standards
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the committee of all the independent non-executive Directors, consisting of Mr. LI Fang, Mr. YAU Ka Chi and Mr. HUI Hon Chung, Stanley, which has been formed to advise the Independent Shareholders in respect of the Proposed Asset Restructuring
"Independent Financial Adviser" or "Somerley Capital"	Somerley Capital Limited (新百利融資有限公司), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Asset Restructuring
"Independent Shareholder(s)"	Shareholder(s) of the Company other than SPIC and its associates

"Issue Price"	has the meaning as defined in the section headed "*II. Proposed Asset Restructuring — A. Equity Transfer Agreements — Basis of Consideration*" in this circular, which shall initially be RMB6.55 per share in Yuanda Environmental
"Latest Practicable Date"	14 May 2025
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MW"	megawatt, that is one million watts. The installed capacity of a power plant is generally expressed in MW
"Non-Compete Undertakings"	the China Power Non-Compete Undertaking and the SPIC Non-Compete Undertaking as defined in the section headed "*II. Proposed Asset Restructuring — I. Non-Compete Undertakings*" in this circular
"Online Platform"	the website at https://meetings.computershare.com/CHINAPOWER_2025GM2
"PCAA"	Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司), an independent and qualified PRC appraiser
"PRC" or "China"	the People's Republic of China
"Pricing Benchmark Date"	the date of the announcement of the passing of relevant resolutions in relation to the Restructuring Framework Agreements by the board of directors of Yuanda Environmental, i.e. 19 October 2024
"Profit Undertaking Assets"	Changzhou Hydropower and Wu Ling Power Profit Undertaking Assets, each a Profit Undertaking Asset
"Proposed Asset Pre-Restructuring"	the pre-restructuring of assets of the Group prior to the Proposed Asset Restructuring, as defined in the announcement of the Company dated 17 January 2025
"Proposed Asset Restructuring"	the transactions to be implemented in accordance with the Formal Restructuring Agreements
"Proposed Placing"	the proposed placing of additional new shares to be conducted by Yuanda Environmental, of which 50% of the proceeds are intended to be used for the payment of cash consideration for the Proposed Asset Restructuring, intermediary fees and related taxes

"Restructuring Framework Agreement I"	the restructuring framework agreement entered into between the Company, Xiangtou International and Yuanda Environmental on 18 October 2024
"Restructuring Framework Agreement II"	the restructuring framework agreement entered into between Guangxi Company and Yuanda Environmental on 18 October 2024
"Restructuring Framework Agreements"	Restructuring Framework Agreement I and Restructuring Framework Agreement II (individually the Restructuring Framework Agreement where the context requires)
"RMB"	Renminbi, the lawful currency of the PRC
"SAMR"	subordinate units of State Administration for Market Regulation (國家市場監督管理總局) of the PRC
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC* (中華人民共和國國務院國有資產監督管理委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of the Company
"Shareholder(s)"	person(s) whose name(s) appear on the register of members as registered holder(s) of the Share(s)
"SPIC"	State Power Investment Corporation Limited* (國家電力投資集團有限公司), the ultimate controlling shareholder of the Company, a wholly State-owned enterprise established by the approval of the State Council of the PRC* (中華人民共和國國務院)
"SPIC (Beijing) New Energy"	SPIC (Beijing) New Energy Investment Co., Ltd.* (國家電投集團(北京)新能源投資有限公司), a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary of the Company
"SPIC Finance HK"	SPIC International Finance (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SPIC, thus an associate of SPIC

"SPIC Innovation"	SPIC Innovation Investment Co., Ltd., a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC, thus an associate of SPIC
"SSE"	Shanghai Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Companies"	Changzhou Hydropower and Wu Ling Power, each a Target Company
"Target Equity Interest I"	100% equity interest in Wu Ling Power
"Target Equity Interest II"	64.93% equity interest in Changzhou Hydropower
"Target Equity Interests"	Target Equity Interest I and Target Equity Interest II, each a Target Equity Interest
"Transitional Period"	the period commencing on the Appraisal Benchmark Date (not inclusive of the Appraisal Benchmark Date) and ending on the date of Completion (inclusive of the date of Completion)
"Use of Proceeds Projects"	Wind power projects in the Hunan province and the construction project for pumped storage power station in Hunan Taoyuan Muwangxi proposed or being implemented, being (1) Hejiadong wind power project (the expected installed capacity of which is 70MW), (2) Lefutang wind power project (the expected installed capacity of which is 60MW), (3) Lingguan wind power project (the expected installed capacity of which is 100 MW), (4) Songmutang wind power project (the expected installed capacity of which is 50MW), (5) Weishan Tianlongshan wind power project (the expected installed capacity of which is 40MW) and (6) Hunan Taoyuan Muwangxi pumped storage power station project (the expected installed capacity of which is 1,200MW), of which projects (3), (4) and (5) above are proposed or being implemented by relevant project companies under Wu Ling Power Profit Undertaking Assets

"Valuation"	the valuation of the Target Companies as at the relevant Appraisal Benchmark Date as set out in the relevant Asset Appraisal Reports
"Wu Ling Divestments"	the disposal of assets by Wu Ling Power and its subsidiaries to Wu Ling-Equivalent JV, as defined in the announcement of the Company dated 17 January 2025
"Wu Ling-Equivalent JV"	Hunan Wu Ling Power New Energy Limited* (湖南五凌電力新能源有限公司), a company incorporated in the PRC with limited liability which is owned 63% by Wu Ling Power and 37% by Xiangtou International
"Wu Ling External Acquisitions Agreements"	the sale and purchase agreements dated 17 January 2025 entered into between Wu Ling Power and the relevant sellers, as defined in the announcement of the Company dated 17 January 2025
"Wu Ling Power"	Wu Ling Power Corporation* (五凌電力有限公司), a company incorporated in the PRC with limited liability and a subsidiary owned 63% by the Company
"Wu Ling Power Compensation Agreement"	the profit undertaking and compensation agreement dated 16 April 2025 entered into between the Company, Xiangtou International and Yuanda Environmental
"Wu Ling Power Profit Undertaking Assets"	assets of Wu Ling Power which have been valuated adopting the income approach, details of which are set out in Appendix II in this circular
"Wu Ling Power Profit Undertaking Assets Committed Net Profits"	RMB305,892,200 for FY2025 (if applicable), RMB333,346,300 for FY2026, RMB353,380,300 for FY2027 and RMB363,480,500 for FY2028 (if applicable)
"Xiangtou International"	Hunan Xiangtou International Investment Limited* (湖南湘投國際投資有限公司), a company incorporated in the PRC with limited liability which owns 37% of Wu Ling Power and therefore a connected person of the Company
"Yuanda Environmental"	SPIC Yuanda Environmental-Protection Co., Ltd. (國家電投集團遠達環保股份有限公司), a company incorporated in the PRC with limited liability whose shares are listed on the SSE (A-shares stock code: 600292.SH) and an associate of SPIC

* *English translation is for identification only*

CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
中 國 電 力 國 際 發 展 有 限 公 司

(incorporated in Hong Kong with limited liability)
(Stock Code: 2380)

Executive Directors:
HE Xi *(Chairman of the Board)*
GAO Ping *(President)*

Non-executive Directors:
HU Jiandong
ZHOU Jie
HUANG Qinghua
CHEN Pengjun

Independent non-executive Directors:
LI Fang
YAU Ka Chi
HUI Hon Chung, Stanley

Registered Office:
Suite 6301, 63/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

20 May 2025

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ASSET RESTRUCTURING

I. INTRODUCTION

Proposed Asset Restructuring

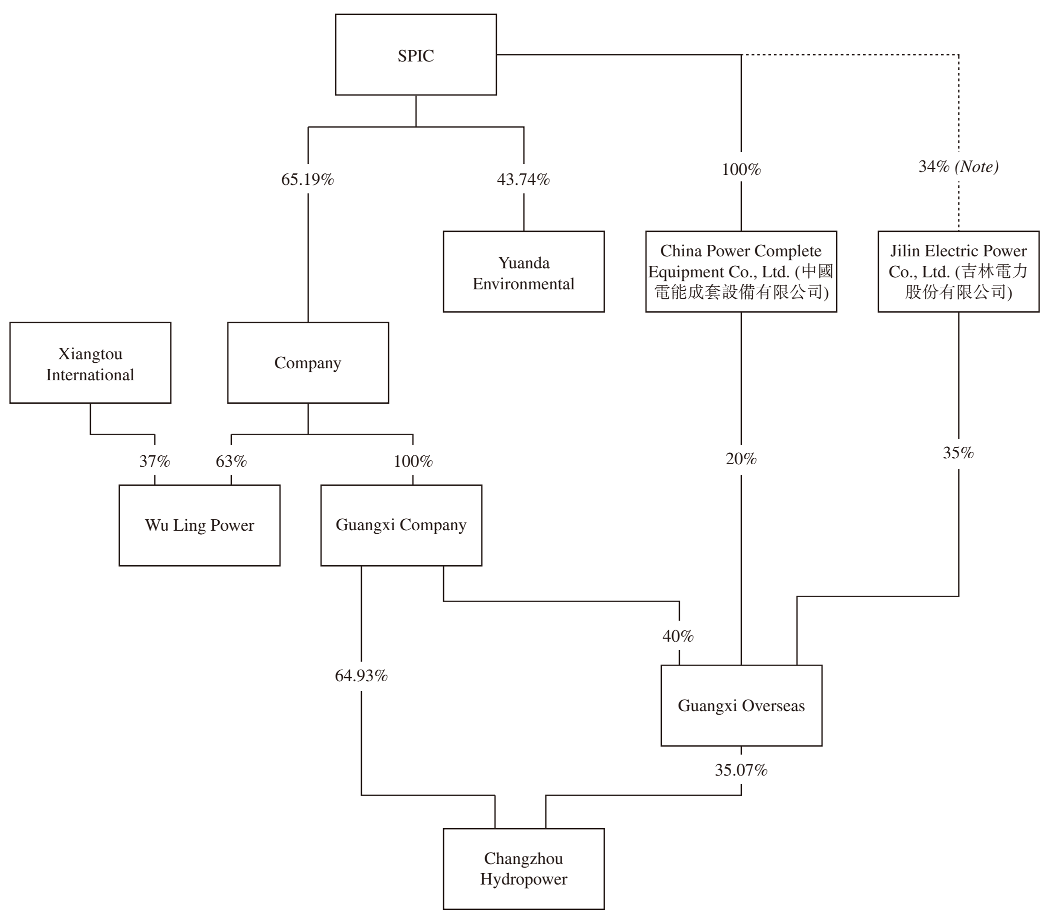
Reference is made to the announcements issued by the Company dated 30 September 2024, 18 October 2024, 17 January 2025 and 16 April 2025 in relation to the Proposed Asset Restructuring and the Proposed Asset Pre-Restructuring (the "**Previous Announcements**"). As disclosed in the Previous Announcements, on 18 October 2024, the Company and Guangxi Company entered into Restructuring Framework Agreement I and Restructuring Framework Agreement II with Yuanda Environmental respectively in relation to the Proposed Asset Restructuring.

On 16 April 2025, the Company, Xiangtou International and Yuanda Environmental entered into Equity Transfer Agreement I pursuant to which the Company and Xiangtou International conditionally agreed to transfer 63% and 37% equity interest in Wu Ling Power respectively to Yuanda Environmental at the total consideration of RMB24,667,342,000.00, which shall be settled by Yuanda Environmental by way of Consideration Shares and cash.

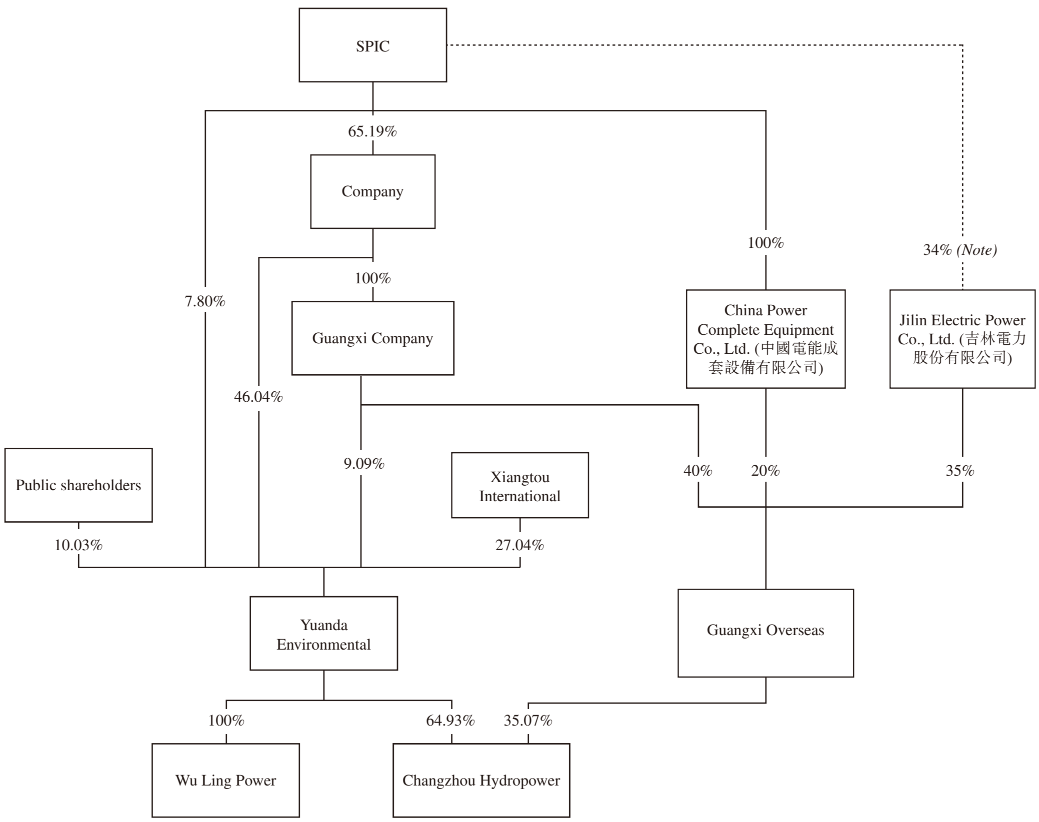
On 16 April 2025, Guangxi Company, a wholly-owned subsidiary of the Company, and Yuanda Environmental entered into Equity Transfer Agreement II, pursuant to which Guangxi Company conditionally agreed to transfer 64.93% equity interest in Changzhou Hydropower to Yuanda Environmental at the consideration of RMB3,068,189,818.37, which shall be settled by Yuanda Environmental by way of Consideration Shares and cash.

The charts below illustrate the summarised changes in shareholding structure of the Target Companies before and after the Proposed Asset Restructuring.

(i) After the Proposed Asset Pre-Restructuring and before Completion of the Proposed Asset Restructuring



(ii) After Completion of the Proposed Asset Restructuring (without taking into account the effect of the Compensation Agreements and the potential impact of the Proposed Placing (if conducted), and assuming that there will be no change in the total number of issued Shares between the Latest Practicable Date and the date of Completion)



Note: Jilin Electric Power Co., Ltd. is a company listed on the Shenzhen Stock Exchange. Based on the latest available public information, SPIC directly and indirectly holds 34% shares in Jilin Electric Power Co., Ltd.

After the Proposed Asset Restructuring, 10.03% of the shares in Yuanda Environmental are expected to be held by public shareholders (as defined under the relevant A-share listing rules), such that Yuanda Environmental will satisfy with the public float requirement under the relevant A-share listing rules.

The purpose of this circular is to provide you with, among other things, (i) further details of the Proposed Asset Restructuring and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from Somerley Capital to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the General Meeting.

II. PROPOSED ASSET RESTRUCTURING

A. Equity Transfer Agreements

Equity Transfer Agreement I

Date

16 April 2025

Parties

(i) the Company;

(ii) Xiangtou International; and

(iii) Yuanda Environmental.

Subject matter

100% equity interest in Wu Ling Power, of which 63% is held by the Company and 37% is held by Xiangtou International

Consideration

	Total amount of consideration *(RMB)*	Number of Consideration Shares	Amount of cash consideration *(RMB)*
The Company	15,540,425,460.00	2,016,793,893	2,330,425,460.00
Xiangtou International	9,126,916,540.00	1,184,427,480	1,368,916,540.00
Total	24,667,342,000.00	3,201,221,373	3,699,342,000.00

Consideration I shall be RMB24,667,342,000.00, which shall be settled by Yuanda Environmental in the following manner: (a) RMB20,968,000,000.00, representing approximately 85% of Consideration I, shall be satisfied by way of the allotment and issue of 2,016,793,893 and 1,184,427,480 Consideration Shares, credited as fully paid up at the Issue Price per Consideration Share, to the Company and Xiangtou International respectively; and (b) RMB3,699,342,000.00, representing approximately 15% of Consideration I, shall be settled in cash by Yuanda Environmental to the Company and Xiangtou International in the amounts of RMB2,330,425,460.00 and RMB1,368,916,540.00 respectively.

Equity Transfer Agreement II

Date

16 April 2025

Parties

(i) Guangxi Company; and

(ii) Yuanda Environmental.

Subject matter

64.93% equity interest in Changzhou Hydropower

Consideration

	Total amount of consideration *(RMB)*	Number of Consideration Shares	Amount of cash consideration *(RMB)*
Guangxi Company	3,068,189,818.37	398,167,938	460,189,818.37

Consideration II shall be RMB3,068,189,818.37, which shall be settled by Yuanda Environmental in the following manner: (a) RMB2,608,000,000.00, representing approximately 85% of Consideration II, shall be satisfied by way of the allotment and issue of 398,167,938 Consideration Shares credited as fully paid up at the Issue Price per Consideration Share to Guangxi Company; and (b) RMB460,189,818.37, representing approximately 15% of Consideration II, shall be settled in cash by Yuanda Environmental to Guangxi Company.

Other principal terms of the Equity Transfer Agreement I and Equity Transfer Agreement II, which are substantially the same as each other, are summarised below.

Basis of Consideration

Consideration I and Consideration II were determined based on the Valuation as at the Appraisal Benchmark Date as set out in the Asset Appraisal Reports.

The Consideration Shares shall be common shares in Yuanda Environmental denominated in RMB and listed on the SSE, with a par value of RMB1.00 each. Subject to the adjustment mechanism below, the issue price of the Consideration Shares shall be RMB6.55 per share in Yuanda Environmental ("**Issue Price**"). The Issue Price is determined by the parties to the Equity Transfer Agreements, which is the lowest possible price pursuant to the requirements of relevant regulatory authorities (including SASAC and CSRC). According to the requirements of relevant regulatory authorities, such Issue Price shall not be lower than 80% of the average trading price of the shares of Yuanda Environmental for the 20 trading days, 60 trading days and 120 trading days prior to the Pricing Benchmark Date, and not lower than Yuanda Environmental's most recent audited net assets per share attributable to shareholders of the parent company after adjusting for ex-dividend payments as of 31 December 2023.

From the Pricing Benchmark Date to the date of the issue of the Consideration Shares, in the event of any ex-rights and ex-dividend events such as dividend distribution, bonus shares, capitalization or allotment of shares by Yuanda Environmental, the Issue Price will be adjusted accordingly in accordance with the formulae prescribed in the Equity Transfer Agreements complying with the relevant PRC laws and regulations, as set out below:

(1) Distribution of share dividends or transfer to share capital from reserve: $P_1 = P_0 /(1+n)$

(2) Rights issue: $P_1 = (P_0 + A \times k)/(1 + k)$

Events (1) and (2) above occurring concurrently: $P_1 = (P_0 + A \times k)/(1 + n + k)$

(3) Distribution of cash dividends: $P_1 = P_0 - D$

Events (1), (2) and (3) above occurring concurrently: $P_1 = (P_0 - D + A \times k)/(1 + n + k)$

"P_0" denotes the effective Issue Price before adjustment, "n" denotes the rate of distribution of share dividends or conversion or transfer to share capital from reserve as at the relevant rights issue, "k" denotes the rate of rights issue as at the relevant rights issue, "A" denotes the price of rights issue as at the relevant rights issue, "D" denotes the cash dividend per share as at the relevant rights issue and "P_1" denotes the adjusted effective Issue Price.

In the event that the relevant laws and regulations regarding the determination of the Issue Price are changed, the Issue Price shall be adjusted accordingly in the manner as determined by the board of directors and/or the shareholders' meeting of Yuanda Environmental.

The total number of Consideration Shares to be issued by Yuanda Environmental under each of the Equity Transfer Agreements was determined based on the following formula (to be rounded down to the nearest one share, and any fractional share shall be regarded as a donation from the relevant counterparty(ies) to Yuanda Environmental and shall be directly included in the capital reserve of Yuanda Environmental):

$$\text{Number of Consideration Shares to be issued by Yuanda Environmental} = \frac{\text{Consideration to be paid by Yuanda Environmental by way of issuance of shares}}{\text{Issue Price (adjusted in accordance with the above adjustment mechanism (if applicable))}}$$

The final number of Consideration Shares to be issued shall be approved by the shareholders' meeting of Yuanda Environmental, reviewed and approved by the SSE and approved for registration by the CSRC. The shareholders' meeting of Yuanda Environmental will be held on 20 June 2025.

Settlement of consideration

The cash components of Consideration I and Consideration II shall be paid by Yuanda Environmental to the Company and Xiangtou International, and Guangxi Company, respectively within six months of Completion. Yuanda Environmental proposes to conduct the Proposed Placing to pay part or all of the cash consideration (please refer to "*M. Proposed Placing by Yuanda Environmental*" below). If Yuanda Environmental is unable to raise funds from the Proposed Placing or insufficient funds are raised, Yuanda Environmental shall settle the cash consideration with its own funds or self-raised funds. Yuanda Environmental shall register the Consideration Shares in the names of the Company, Xiangtou International and Guangxi Company as soon as possible after Completion.

Lock-up period

(1) The Company and Guangxi Company undertake not to transfer the Consideration Shares in any manner within 36 months from the date of completion of the issuance of Consideration Shares by Yuanda Environmental, including but not limited to any public transfer through the securities market or transfer by way of agreements. If the closing price of the shares of Yuanda Environmental is lower than the Issue Price for 20 consecutive trading days within 6 months after the completion of the issuance of Consideration Shares, or if the closing price at the end of the 6 months after the completion of the issuance of Consideration Shares is lower than the Issue Price, the lock-up period for the Consideration Shares of Yuanda Environmental will be automatically extended by 6 months. The shares of Yuanda Environmental directly and indirectly held by the Company prior to the transactions under the Proposed Asset Restructuring (which the Company has confirmed there was none up to the Latest Practicable Date) shall not be transferred in any manner within 18 months from the completion of the issuance of Consideration Shares.

(2) Xiangtou International undertakes not to transfer the Consideration Shares in any manner within 12 months from the date of completion of the issuance of Consideration Shares by Yuanda Environmental, including but not limited to any public transfer through the securities market or transfer by way of agreements.

(3) If the number of shares in Yuanda Environmental held by the recipients of the Consideration Shares are increased as a result of bonus shares, capitalization issue or allotment of shares by Yuanda Environmental, such increased portion of the shares will also be subject to the aforementioned lock-up period. Transfers of shares permitted under applicable laws, regulations and regulatory guidance material are not subject to the above restrictions.

(4) In the event that the above lock-up undertakings become inconsistent with the latest regulatory requirements of the securities regulatory authorities, the recipients of the Consideration Shares shall make corresponding adjustments to the lock-up undertakings in order to comply with the latest regulatory requirements of the securities regulatory authorities. After the expiration of the lock-up period, transfer of the Consideration Shares shall continue to be subject to the relevant requirements of the CSRC and the SSE.

Aside from the abovementioned lock-up undertakings in Equity Transfer Agreement I, the Company has also provided an undertaking to Yuanda Environmental that, if the issue of Consideration Shares by Yuanda Environmental to the Company does not satisfy the relevant conditions under the PRC regulations regarding foreign investors' strategic investment in listed companies, and are considered by the relevant PRC authorities as implementing a strategic investment in Yuanda Environmental through non-compliant means (such as misrepresentation, before satisfying the aforementioned conditions and within 12 months after satisfying such conditions, the Company shall not transfer, gift or pledge the Consideration Shares or participate in dividend distribution, exercise voting rights or influence the voting of the Consideration Shares (the "**China Power Lock-up Undertaking**").

Profit or loss during the Transitional Period

During the Transitional Period:

(1) the profits attributable to Wu Ling Power Profit Undertaking Assets shall belong to Yuanda Environmental (and therefore Yuanda Environmental shall not be required to pay such profits attributable to Wu Ling Power Profit Undertaking Assets to the Company or Xiangtou International), but any losses attributable to Wu Ling Power Profit Undertaking Assets shall be borne by the Company and Xiangtou International in proportion to their shareholding in Wu Ling Power as at the date when Equity Transfer Agreement I becomes effective and shall be paid by the Company and Xiangtou International, respectively, in cash to Yuanda Environmental (for the avoidance of doubt, the relevant

profit or loss (as the case may be) shall be calculated based on the consolidated profit or loss of the Wu Ling Power Profit Undertaking Assets);

(2) the profits or losses (as the case may be) of Target Equity Interest I (excluding the Wu Ling Power Profit Undertaking Assets) shall belong to or be borne by Yuanda Environmental; and

(3) the profits attributable to Target Equity Interest II shall belong to Yuanda Environmental (and therefore no additional payment is required by any party), but any losses attributable to Target Equity Interest II shall be borne by Guangxi Company and shall be paid by Guangxi Company in cash to Yuanda Environmental.

Since the valuation of the Wu Ling Power Profit Undertaking Assets and Changzhou Hydropower was performed adopting the income approach, the valuation has already taken into account the growth in profit of such assets. If there is a loss attributable to such assets during the Transitional Period, the Company, Xiangtou International and Guangxi Company shall be liable to compensate Yuanda Environmental in respect of such loss. If the Compensation Period overlaps with the Transitional Period, any amount paid by the Compensation Obligors in relation to the loss during the Transitional Period shall be deducted from the compensation amount payable by the relevant Compensation Obligor under the Compensation Agreements (please refer to the section "*B. Compensation Agreements — Profit undertaking and compensation*" below.) Therefore, the Directors (save for the members of the Independent Board Committee who will express their views after having received Somerley Capital's advice in writing on the Proposed Asset Restructuring) consider the arrangement to be fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Within 60 days after Completion, the parties shall jointly appoint an accounting firm to audit the profit or loss of the Target Companies during the Transitional Period and issue a specific audit report.

If the date of Completion is on or before the 15th day of the relevant month, the benchmark date for the audit of the profit or loss during the Transitional Period shall be the last day of the previous month. If the date of Completion is after the 15th day of the relevant month, the benchmark date for the audit of the profit or loss during the Transitional Period shall be the last day of that month. The Company, Xiangtou International and Guangxi Company shall fulfil their respective cash compensation obligations (if any) within 20 working days after the issuance of the specific audit report and the date of receipt of the written notice from Yuanda Environmental requesting compensation.

Conditions precedent

Each of the Equity Transfer Agreements will take effect upon fulfilment of all of the following conditions, unless all parties to the relevant Equity Transfer Agreement waive one or more of the following conditions in writing within the scope permitted by laws and regulations:

(1) authorised bodies, such as the board of directors and/or shareholders' meeting, of the parties to the transactions under the Equity Transfer Agreements and the Target Companies having approved the relevant agreements (including the requirement of shareholders' approval by the Company in accordance with the Listing Rules) and passed the relevant resolutions after the completion of the audit and appraisal work in relation to the Proposed Asset Restructuring;

(2) the Proposed Asset Restructuring having been formally approved by SASAC;

(3) filing of the relevant asset appraisal report in relation to the Proposed Asset Restructuring to the competent state-owned assets supervision and management authorities, or organizations authorized by them;

(4) Yuanda Environmental obtaining the approval in relation to the Proposed Asset Restructuring from the SSE and the registration consent from the CSRC;

(5) the Company obtaining the approval for its shareholders' circular in relation to the Proposed Asset Restructuring from the Hong Kong Stock Exchange; and

(6) other regulatory authorities having approved the Proposed Asset Restructuring (if required).

If the applicable laws and regulations are amended prior to Completion, imposing other mandatory approval requirements or exempting certain administrative licensing requirements, the conditions precedent of the Equity Transfer Agreements shall be adjusted according to the laws and regulations in effect at that time.

As at the date of the Latest Practicable Date, conditions precedent (3) and (5) above have been fulfilled.

Completion

Within 30 working days of obtaining all the approvals and consents in relation to the Proposed Asset Restructuring, the Company, Xiangtou International and Guangxi Company shall cooperate with Yuanda Environmental to complete the procedures of Completion, including but not limited to transferring the shareholding in the relevant Target Company to Yuanda Environmental, updating the register of shareholders and articles of association of the relevant Target Company and signing the relevant resolution documents.

For the avoidance of doubt, the Proposed Asset Restructuring may proceed to Completion in accordance with the Equity Transfer Agreements, even if not all of the transactions contemplated under the Proposed Asset Pre-Restructuring have been completed.

As at the Latest Practicable Date, except for a small number of transactions under the Proposed Asset Pre-Restructuring that have not proceeded to completion ("**Outstanding Pre-Restructuring Transactions**"), the transactions under the Proposed Asset Pre-Restructuring have substantially been completed.

(1) In respect of the majority of the Outstanding Pre-Restructuring Transactions, all material conditions precedent to completion have been satisfied, and outstanding procedures are primarily the change in business registration;

(2) The remaining Outstanding Pre-Restructuring Transactions are transactions involved in the Wu Ling Divestments, where the relevant divestment is required to be conducted via a public tender process. Wu Ling-Equivalent JV has provided an undertaking that it will participate in such public tender process in order to complete the relevant Outstanding Pre-Restructuring Transactions; and

(3) In respect of all Outstanding Pre Restructuring Transactions, each of Wu Ling Power, Wu Ling-Equivalent JV and SPIC (Beijing) New Energy (being the relevant parties to the Outstanding Pre-Restructuring Transactions), and the Company (being the holding company of the aforementioned companies) has provided an undertaking that they will complete the outstanding procedures for the change in business registration for the Outstanding Pre-Restructuring Transactions before 31 December 2025.

After the registration approval is issued by CSRC in relation to the Proposed Asset Restructuring, the parties shall at the same time complete the procedures for conferring the Consideration Shares and the listing registration in respect of the Proposed Asset Restructuring as soon as possible within the validity period of the approval.

Termination

If Yuanda Environmental fails to obtain the registration consent of the CSRC or the approval or consent of other regulatory authorities in relation to the Proposed Asset Restructuring, the Equity Transfer Agreements shall automatically terminate on the date on which the CSRC refuses registration or other regulatory authorities refuse to grant approval.

B. Compensation Agreements

Profit undertaking and compensation

The following agreements in relation to profit undertaking and compensation during the Compensation Period have been separately entered into in accordance with, among others, the Administrative Measures for the Material Asset Restructuring of Listed Companies (which are applicable to Yuanda Environmental as a SSE-listed company), and will take effect upon the relevant Equity Transfer Agreement becoming effective:

(1) the Wu Ling Power Compensation Agreement, whereby the Company and Xiangtou International have undertaken with Yuanda Environmental that the cumulative aggregate actual net profits after deducting extraordinary gains and losses of the Wu Ling Power Profit Undertaking Assets in the Compensation Period shall not be lower than the cumulative Wu Ling Power Profit Undertaking Assets Committed Net Profits in any Applicable Period during the Compensation Period; and

(2) the Changzhou Hydropower Compensation Agreement, whereby Guangxi Company has undertaken with Yuanda Environmental that the cumulative actual net profits (which shall be the net profits attributable to the shareholders of the parent after deducting extraordinary gains and losses) of Changzhou Hydropower in the Compensation Period shall not be lower than the cumulative Changzhou Hydropower Committed Net Profits in any Applicable Period during the Compensation Period.

During the Compensation Period, Yuanda Environmental shall conduct an audit on the difference between the cumulated actual net profits and cumulated Committed Net Profits with respect to the Profit Undertaking Assets as at the end of the Applicable Period when conducting its annual audit, and the accounting firm engaged by Yuanda Environmental for its annual audit shall issue a specific audit report on such difference.

In respect of each Profit Undertaking Asset for each Applicable Period, if the cumulated actual net profits with respect to that Profit Undertaking Asset is lower than its corresponding cumulated Committed Net Profits, then the Compensation Obligor for that Profit Undertaking Asset will compensate Yuanda Environmental first by way of Compensation Shares in accordance with the mechanism set out below, and if there are insufficient Compensation Shares (due to any of the circumstances disclosed in the section "*B. Compensation Agreements — Profit undertaking and compensation — Compensation by way of cash*" below), by cash.

With respect to the Wu Ling Power Compensation Agreement, the compensation shall be made by the Company and Xiangtou International to Yuanda Environmental in proportion to their shareholding in Wu Ling Power as at the date of Equity Transfer Agreement I.

If the Compensation Period overlaps with the Transitional Period, any amount paid by the Compensation Obligors in relation to the loss during the Transitional Period shall be deducted from the compensation amount payable by the relevant Compensation Obligor under the Compensation Agreements.

The amount to be compensated by the relevant Compensation Obligor in respect of the profit undertaking in each Applicable Period shall be calculated in accordance with the following formula:

$$\text{Compensation amount} = \frac{\text{(Cumulated Committed Net Profits as at the end of the Applicable Period during the Compensation Period} - \text{Cumulated actual net profits as at the end of the Applicable Period during the Compensation Period)}}{\text{Total committed net profits for the Applicable Period(s) during the Compensation Period}} \times \text{Total value of the consideration in respect of the relevant Profit Undertaking Assets under the corresponding Equity Transfer Agreement} - \text{Cumulated amount already compensated by the Compensation Obligor} - \text{Amount paid by the Compensation Obligor in relation to the loss during the Transitional Period (which overlaps with the Compensation Period) (if any)}$$

Compensation by way of Compensation Shares

Where compensation is to be satisfied by Compensation Shares:

(1) (With respect to the Wu Ling Power Compensation Agreement only) The aggregate transaction consideration for the Wu Ling Power Profit Undertaking Assets is the sum of the appraised value of each Wu Ling Power Profit Undertaking Asset × Wu Ling Power's corresponding shareholding in such asset. If shareholders have not paid all of the capital contributions in respect of the Wu Ling Power Profit Undertaking Assets:

$$\text{Value of such assets held by Wu Ling Power} = \text{(Appraised value of the interest of the shareholders of the investment unit + Unpaid capital contributions due from all shareholders)} \times \text{Proportion of capital contribution by Wu Ling Power and its subordinate enterprises} - \text{Amount of unpaid capital contributions due from Wu Ling Power and its subordinate enterprises}$$

If the Wu Ling Power Profit Undertaking Assets in turn own other Wu Ling Power Profit Undertaking Assets ("**Subordinate Assets**"), there shall not be double-counting and the value of the equity interest of the Subordinate Assets directly owned by the relevant Wu Ling Power Profit Undertaking Assets shall be deducted from the calculation of the value of the Subordinate Assets.

(2) (With respect to the Wu Ling Power Compensation Agreement only) If the Wu Ling Power Profit Undertaking Assets involve projects which will be financed by the proceeds of the Proposed Placing (please refer to the section "*M. Proposed Placing by Yuanda Environmental*" below), the actual net profit attributable to such assets shall be deducted from the aggregate actual net profits of the Wu Ling Power Profit Undertaking Assets during the Compensation Period.

(3) The number of Compensation Shares shall be determined by dividing the relevant amount of compensation by the Issue Price.

(4) If the calculated number of Compensation Shares includes decimals, it shall be rounded off to the nearest integer. If the number of Compensation Shares is less than zero, the value shall be taken to be zero, i.e. the Compensation Shares compensated shall not be reversed.

(5) During the Compensation Period, if there is any capitalisation issue or distribution of bonus shares by Yuanda Environmental resulting in a change in the number of shares in Yuanda Environmental held by the Compensation Obligor, the number of Compensation Shares shall be adjusted as follows: Number of Compensation Shares (after adjustment) = Number of Compensation Shares for the Applicable Period × (1 + percentage of capitalisation or bonus shares).

(6) If Yuanda Environmental distributes cash dividend during the Compensation Period, the Compensation Obligor shall return to Yuanda Environmental the dividend income attributable to the Compensation Shares received by the Compensation Obligor as follows: Amount to be returned = Amount of cumulative cash dividend per share × Number of Compensation Shares.

(7) The number of Compensation Shares to be compensated by the Compensation Obligor shall not exceed the relevant number of Consideration Shares received by the Compensation Obligor respectively under the Proposed Asset Restructuring (including shares obtained from capitalisation issue or distribution of bonus shares).

Compensation by way of cash

In the event that (1) the cumulative number of Compensation Shares does not exceed the number of Consideration Shares acquired by the relevant Compensation Obligor in respect of the Profit Undertaking Assets under the Proposed Asset Restructuring (including shares obtained from capitalisation issue or distribution of bonus shares), but (2) the shares in Yuanda Environmental held by the relevant Compensation Obligor cannot and/or are not sufficient to fully fulfil their respective compensation obligation due to the occurrence of any of the following circumstances listed in (1) to (4) below, the relevant Compensation Obligor shall compensate Yuanda Environmental in cash for the shortfall in accordance with the formula below:

(1) Violation of the agreed lock-up period arrangement;

(2) Disposal of shares in Yuanda Environmental prior to the completion of settlement of profit compensation obligations;

(3) The shares in Yuanda Environmental are frozen, enforced or restricted from being transferred or cannot be transferred for other reasons; and

(4) Other circumstances that result in the shares acquired by each Compensation Obligor (including shares obtained from capitalisation issue or distribution of bonus shares) to be unable and/or insufficient to fully fulfil the share compensation obligations under the relevant Compensation Agreement (as the case may be).

$$\text{Amount of cash to be compensated} = \text{Compensation amount for the Applicable Period} - \text{Number of Compensation Shares for the Applicable Period} \times \text{Issue Price}$$

Impairment compensation

Within four months upon the end of the Compensation Period, Yuanda Environmental shall engage a valuation entity to carry out impairment test on each Profit Undertaking Asset and engage an accounting firm to issue a specific audit report in accordance with applicable PRC laws and regulations. If the impairment amount of the relevant Profit Undertaking Asset as at the end of the Compensation Period is greater than the sum of (1) the total number of Compensation Shares compensated by the relevant Compensation Obligor x Issue Price, and (2) total amount of cash compensation paid (if any) during the Compensation Period, additional compensation shall be made by the relevant Compensation Obligor to Yuanda Environmental by means of additional Compensation Shares, the number of which shall be calculated in accordance with the formula below:

$$\text{Number of additional Compensation Shares} = \frac{\text{Impairment amount of the Profit Undertaking Asset as at the end of the Compensation Period} - (\text{total number of Compensation Shares compensated by the relevant Compensation Obligor} \times \text{Issue Price} + \text{total amount of cash compensation paid (if any)})}{\text{Issue Price}}$$

(1) The impairment amount shall be calculated by the consideration for the relevant Profit Undertaking Asset minus the appraised value of the relevant Profit Undertaking Asset at the end of the Compensation Period, as adjusted by the impact of capital increase, capital reduction, the acceptance of grant and profit distribution of the relevant Profit Undertaking Asset during the Compensation Period.

(2) If any calculated number of Compensation Shares has decimals, it shall be rounded off to the nearest integer. When the number of Compensation Shares is less than zero, the value shall be taken to be zero, meaning that Compensation Shares compensated shall not be reversed.

(3) During the Compensation Period, if there is any capitalisation issue or distribution of bonus shares by Yuanda Environmental resulting in a change in the number of shares in Yuanda Environmental held by the Compensation Obligor, the number of Compensation Shares shall be adjusted as follows: number of Compensation Shares (after adjustment) = number of Compensation Shares for the Applicable Period × (1 + percentage of capitalisation or bonus shares), excluding Compensation Shares held by the Compensation Obligor which were not involved in the capitalisation issue or distribution of bonus shares.

(4) If Yuanda Environmental distributes cash dividend during the Compensation Period, the dividend income attributable to the Compensation Shares received by the Compensation Obligor shall be returned to Yuanda Environmental.

(5) If the Consideration Shares held by the Compensation Obligor are not sufficient to fulfil their respective compensation obligation, the relevant Compensation Obligor shall compensate Yuanda Environmental in cash for the shortfall in accordance with the following formula:

$$\text{Amount of cash to be compensated} = \text{Shortfall in the number of Compensation Shares} \times \text{Issue Price}$$

The total number of Compensation Shares to be compensated by each Compensation Obligor under the profit undertaking and impairment compensation shall not exceed the relevant number of Consideration Shares received by the Compensation Obligor in respect of the Profit Undertaking Assets under the Proposed Asset Restructuring (including shares obtained through capitalisation issue or distribution of bonus shares). The total amount of compensation to be compensated by each Compensation Obligor under the profit undertaking and impairment compensation shall not exceed the relevant consideration received by the Compensation Obligor in respect of the Profit Undertaking Assets under the Proposed Asset Restructuring.

The table below sets out the details of the maximum amount of compensation in the extreme circumstances where the full amount of compensation is payable under the Wu Ling Power Compensation Agreement and the Changzhou Hydropower Compensation Agreement:

	Maximum amount of compensation (by way of cash and Compensation Shares) *(RMB)*	**Maximum amount of compensation by way of Compensation Shares** *(RMB)*	**Maximum number of Compensation Shares**
The Company	2,724,883,260.62	2,316,262,699.15	353,627,893
Xiangtou International	1,600,328,264.17	1,360,300,227.20	207,679,424
Guangxi Company	3,068,189,818.37	2,608,000,000.00	398,167,938

With respect to Wu Ling Power Profit Undertaking Assets:

(1) the maximum amount of compensation payable by each of the Company and Xiangtou International respectively under the profit undertaking and impairment compensation is (a) the sum of the valuation attributable to Wu Ling Power's equity interest in the Wu Ling Power Profit Undertaking Assets (being the total consideration attributable to Wu Ling Power Profit Undertaking Assets), multiplied by (b) the Company and Xiangtou's respective equity interest in Wu Ling Power as at the date of Equity Transfer Agreement I;

(2) the maximum number of Compensation Shares under the profit undertaking and impairment compensation is (a) the maximum amount

of compensation by way of Compensation Shares (being the non-cash consideration attributable to Wu Ling Power Profit Undertaking Assets) divided by the Issue Price, multiplied by (b) the Company and Xiangtou International's respective equity interest in Wu Ling Power as at the date of Equity Transfer Agreement I (for the Company, being RMB2,316,262,699.15 divided by RMB6.55/share, equal to 353,627,893 Consideration Shares; and for Xiangtou International, being RMB1,360,300,227.20 divided by RMB6.55/share, equal to 207,679,424 Consideration Shares), and any shares obtained from capitalisation issue or distribution of bonus shares from those Consideration Shares; and

(3) cash compensation shall be payable only in the circumstances disclosed in the section "*B. Compensation Agreements — Profit undertaking and compensation — Compensation by way of cash*" above, and the amount of cash compensation shall be calculated in accordance with the formula stated in the abovementioned section.

With respect to Changzhou Hydropower:

(1) the maximum amount of compensation under the profit undertaking and impairment compensation is the total amount of consideration payable to Guangxi Company for its 64.93% equity interests in Changzhou Hydropower (being RMB3,068,189,818.37);

(2) the maximum number of Consideration Shares to be compensated under the profit undertaking and impairment compensation is the maximum amount of compensation by way of Compensation Shares (being the non-cash consideration attributable to Changzhou Hydropower) divided by the Issue Price (being RMB2,608,000,000.00 divided by RMB6.55/share and rounded down to the nearest one share, equal to approximately 398,167,938 Consideration Shares), and any shares obtained from capitalisation issue or distribution of bonus shares from those Consideration Shares; and

(3) cash compensation shall be payable only in the circumstances disclosed in the section "*B. Compensation Agreements — Profit undertaking and compensation — Compensation by way of cash*" above, and the amount of cash compensation shall be calculated in accordance with the formula stated in the abovementioned section.

Assuming there will be no change in the shareholding of Yuanda Environmental aside from (a) the issue of Consideration Shares pursuant to the Equity Transfer Agreements and (b) the placing of additional new shares of Yuanda Environmental under the Proposed Placing (if conducted), which will proceed on the basis of the parameters described in "*M. Proposed Placing by Yuanda Environmental — (4) Amount of funds to be raised and number of shares to be issued*" below, based on the (i) the Group's shareholding in Yuanda Environmental and (ii) the Yuanda Environmental Shares Voting Agreement to be entered into on the date of Completion (please refer to the section "*H. Letter of Undertaking by SPIC"* below), the Company expects that Yuanda Environmental will continue to be accounted for on a consolidated basis in the financial statements of the Group, regardless of the amount of compensation payable under the Wu Ling Power Compensation Agreement and the Changzhou Hydropower Compensation Agreement disclosed above.

Transfer of Wu Ling Power Profit Undertaking Assets by Wu Ling Power

If, after signing the Wu Ling Power Compensation Agreement and before the Compensation Period ends, Wu Ling Power transfers one or more of the Wu Ling Power Profit Undertaking Assets out of the Group ("**Transferred Asset**"), each party shall terminate the profit undertaking in relation to the Transferred Asset after fulfilling the necessary internal approval procedures. From 1 January of the year of completion of the transfer of the Transferred Asset (based on the change in business registration), the aggregate committed net profits by the Company and Xiangtou International with respect to the Profit Undertaking Assets shall be deducted by the amount of committed net profits corresponding to the Transferred Asset. Yuanda Environmental shall not perform any impairment test on the Transferred Asset upon the end of the Compensation Period.

If the consideration of 100% equity interest in the Transferred Asset as at the date of the change in business registration ("**N**"), is lower than the sum of (i) the appraised value of 100% equity interest in the Transferred Asset and (ii) the interest accrued on such appraised value from the date when the relevant Equity Transfer Agreement becomes effective to the date of the change of business registration of the Transferred Asset (the interest rate shall be the 1-year lending rate quoted by the National Interbank Funding Center, and the appraised value shall be adjusted by the impact of any capital increase, capital reduction, the acceptance of grant and profit distribution during the interest period) (such sum being "**M**"), then any shortfall shall be borne by the Company and Xiangtou International in accordance with the following formula:

$$\text{Amount of compensation} = (M - N) \times \begin{array}{c}\text{Wu Ling Power's}\\ \text{shareholding percentage in}\\ \text{the Transferred Asset}\end{array} \times \begin{array}{c}\text{the Company or Xiangtou}\\ \text{International's respective}\\ \text{shareholding in Wu Ling Power}\end{array}$$

If the abovementioned compensation obligation arises, the Company and Xiangtou International shall compensate Yuanda Environmental in cash after Completion within 30 business days of the completion of the transfer of the Transferred Asset.

Timing and method of settlement of compensation

(1) Compensation by way of Compensation Shares

In the event that compensation by way of Compensation Shares is required under the Compensation Agreements, Yuanda Environmental shall, within 20 business days of the issue of the specific audit report for the Applicable Period and/or the impairment test report, notify the Compensation Obligor in writing, specifying the number of Compensation Shares; and within 10 business days of the issue of such written notice, the Compensation Obligor shall transfer the corresponding number of Yuanda Environmental's shares to a designated account specified by the board of Yuanda Environmental for lock-up. The locked-up shares shall not carry voting rights or rights to dividend distribution and shall be cancelled or endowed in accordance with the following:

(a) Upon determination of the number of Compensation Shares and completion of the lock-up procedures for each Applicable Period, Yuanda Environmental shall convene a shareholders' meeting within two months regarding the repurchase and subsequent cancellation of the locked-up shares. If so approved at the shareholders' meeting of Yuanda Environmental, Yuanda Environmental shall within 10 business days repurchase and cancel all the locked-up shares in the designated account at a total consideration of RMB1.00.

(b) If the above resolution in relation to the repurchase and cancellation of the Compensation Shares is not approved at Yuanda Environmental's shareholders' meeting, Yuanda Environmental shall, within 10 business days following the announcement of the shareholders' meeting resolutions, give notice in writing to the relevant Compensation Obligor. The Compensation Obligor shall, within 20 business days upon receipt of such notice, transfer for no consideration the relevant Compensation Shares to Yuanda Environmental's shareholders whose names appear on the register of members as of the record date of the shareholders' meeting according to the proportion of their respective shareholdings in the remaining share capital of Yuanda Environmental (i.e. excluding the shareholding of the Compensation Shares by the Compensation Obligor) on such record date.

(2) Compensation by way of cash

In the event that cash compensation is required under the Compensation Agreements, Yuanda Environmental shall, within 20 business days of the issue of the specific audit report for the Applicable Period and/or the impairment test report and/or the transfer of the Transferred Asset, notify the Compensation Obligor in writing of the compensation amount payable in cash for the Applicable Period. The Compensation Obligor shall, within 10 business days upon receipt of Yuanda Environmental's written notice, remit the total compensation amount in cash to the bank account designated by Yuanda Environmental in one lump sum.

C. Profit Forecast

The Company engaged PCAA, which is an independent and qualified PRC appraiser, to perform asset appraisals and prepare the Asset Appraisal Reports in respect of the Target Companies as at the Appraisal Benchmark Date. Further details of the Valuation, including the key assumptions and methodologies of the Asset Appraisal Reports are set out in Appendix I to this circular.

The Valuation in respect of Changzhou Hydropower and the Wu Ling Power Profit Undertaking Assets was performed adopting the income approach which has taken into account their discounted cash flow forecast and constitutes a profit forecast under Rule 14.61 of the Listing Rules, therefore the Company has to comply with the requirements under Rules 14.60A and 14A.68(7) of the Listing Rules. CITICS, the Company's financial adviser, have confirmed that they are satisfied that the profit forecast was made by the Board after due and careful enquiry. The full text of the letter from the Financial Adviser is contained in Appendix III to this circular. Ernst & Young, the Company's reporting accountant, has reported on the arithmetical accuracy of the calculations of the discounted cash flow forecast contained in the Asset Appraisal Reports. The full text of the report from Ernst & Young is contained in Appendix IV to this circular.

D. Financial effects of the disposals and intended use of proceeds

As at the Latest Practicable Date, Changzhou Hydropower is a subsidiary owned 64.93% by Guangxi Company (a wholly-owned subsidiary of the Company) and Wu Ling Power is a subsidiary owned 63% by the Company and owned 37% by Xiangtou International.

Upon Completion, the Group will hold 55.13% equity interest in Yuanda Environmental (before taking into account of the Proposed Placing, if conducted), which shall become a subsidiary of the Company. Yuanda Environmental will in turn hold 100% equity interest in Wu Ling Power and 64.93% equity interest in Changzhou Hydropower. The Target Companies will remain as subsidiaries of the Company and will continue to be accounted for on a consolidated basis in the financial statements of the Group. Therefore, the financial effect of the Proposed Asset Restructuring will primarily be assessed from the perspective of the acquisition of Yuanda Environmental and is mainly subject to the fair value of identifiable assets and liabilities of Yuanda Environmental as at the date of acquisition of shares in Yuanda Environmental. It is expected that the Company will be able to record additional revenue stream from Yuanda Environmental, and recognise the assets and liabilities of Yuanda Environmental upon Completion. Please refer to the section *"G. Information on the Relevant Parties"* below for the financial information of Yuanda Environmental.

The cash consideration received from the disposals of the Group's equity interest in Wu Ling Power and Changzhou Hydropower is intended to be used for working capital of the Group, including but not limited to the capital expenditure, investment and operations of new energy projects of the Group.

E. Reasons for and benefits of the Proposed Asset Restructuring

(1) Facilitating the Company in becoming a comprehensive clean energy flagship platform for SPIC

After the Proposed Asset Restructuring, the Company will complete the integration of its hydropower assets into a specialised platform and become the controlling shareholder of Yuanda Environmental. The Company is able to reinforce the complementary positioning of hydropower, thermal power, wind power and photovoltaic power and fully utilise the synergies between environmental protection business and clean thermal power business, laying a strong foundation for the Company's strategic goal of becoming a comprehensive clean energy flagship platform for SPIC.

(2) Diversifying financing channels through acquiring a controlling stake in Yuanda Environmental

After the Proposed Asset Restructuring, the Group will acquire a controlling stake in Yuanda Environmental, a company listed on the SSE, thereby establishing a favourable corporate structure and enhancing the Group's capabilities and channels for future financing transactions. The Group can effectively make use of the linkage hub function of the capital markets of mainland China and Hong Kong China to broaden financing channels and strengthen capital operation capabilities. The Company is also able to enjoy the benefits of the future development in hydropower and regional new energy business, which will promote the high-quality development of the Company's business.

(3) High growth potential of quality hydropower assets

After the Proposed Asset Restructuring, Yuanda Environmental will operate hydropower and integrated new energy business along cascade power stations. SPIC will gradually establish Yuanda Environmental as SPIC's hydropower assets consolidated platform and enhance its core competitiveness. Pursuant to the SPIC Non-Compete Undertaking, SPIC undertakes to actively promote the injection of other hydropower assets in the SPIC group to Yuanda Environmental within three years of the completion of the Proposed Asset Restructuring, on the basis that this is in accordance with the relevant laws and regulations and external approval procedures, and shall continue to facilitate the Company's status as the controlling shareholder of Yuanda Environmental. If the aforesaid injection of hydropower assets from the SPIC group to Yuanda Environmental is materialised (in which case the Company will comply with the applicable requirements under the Listing Rules at the relevant time), this will further expand the scale of quality hydropower business under the Company, thereby improving the quality and profitability of the Company's assets.

Taking into consideration all of the aforementioned in relation to the Proposed Asset Restructuring, the Directors (save for the members of the Independent Board Committee who will express their views after having received Somerley Capital's advice in writing on the Proposed Asset Restructuring) are of the view that the consideration and other terms of the Formal Restructuring Agreements are fair and reasonable, on normal commercial terms and that the Proposed Asset Restructuring is in the interests of the Company and the Shareholders as a whole.

F. Information on the Target Companies

Principal business and installed capacity

The following table sets out the principal business of the Target Companies and the estimated installed capacity in operation of the Target Companies assuming the Proposed Asset Pre-Restructuring has been completed:

Target Companies	**Principal business**	**Estimated installed capacity in operation** *(MW)*
Changzhou Hydropower	Development, investment, production and supply of hydropower, wind power and photovoltaic power in Guangxi Zhuang Autonomous Region, the PRC.	651.5
Wu Ling Power	Development, investment, production and supply of hydropower, wind power and other clean energy power in Hunan, Guizhou and Sichuan, the PRC.	7,527.7

Net asset value, Valuation and profit before/ after taxation

The following table sets out the net asset value as at 31 December 2024 and the profit before and after taxation of the Target Companies for the years ended 31 December 2023 and 31 December 2024 based on the unaudited accounts of the Target Companies prepared in accordance with the HKFRSs, which does not reflect the effect of the Proposed Asset Pre-Restructuring.

Target Companies	Net asset value as at 31 December 2024	For the year ended 31 December 2023		For the year ended 31 December 2024	
		Net profit before taxation	Net profit after taxation	Net profit before taxation	Net profit after taxation
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Changzhou Hydropower	2,103,725	398,443	355,212	228,112	180,176
Wu Ling Power[(1)]	25,031,801[(2)]	195,714	260,779	1,918,431	1,652,457

Note (1): The net asset value and net profit before and after taxation are in respect of Wu Ling Power on a consolidated basis.

Note (2): The total equity attributable to the owners of Wu Ling Power is RMB16,604,646,000.

The following table sets out the Valuation as at the Appraisal Benchmark Date (based on the Asset Appraisal Reports), the illustrative net asset value as at 31 October 2024 and the illustrative profit/loss before and after taxation of the Target Companies for the years ended 31 December 2022 and 31 December 2023 and the 10 months ended 31 October 2024 based on the audited accounts of the Target Companies prepared for the purposes of complying with the PRC laws and regulations applicable to Yuanda Environmental (as a SSE-listed company) in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, assuming the Proposed Asset Pre-Restructuring has been completed on 1 January 2022.

Target Companies (assuming the Proposed Asset Pre-Restructuring has been completed on 1 January 2022)	Illustrative net asset value as at 31 October 2024	Valuation as at the Appraisal Benchmark Date	For the year ended 31 December 2022		For the year ended 31 December 2023		For the 10 months ended 31 October 2024	
			Illustrative profit/loss before taxation	Illustrative profit/loss after taxation	Illustrative profit/loss before taxation	Illustrative profit/loss after taxation	Illustrative profit/loss before taxation	Illustrative profit/loss after taxation
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Changzhou Hydropower	1,468,615.5	4,725,380.9	372,706.4	306,593.0	362,068.8	300,436.6	405,065.4	347,111.8
Wu Ling Power[(1)]	16,698,918.5[(2)]	24,667,342.0	708,644.2	600,132.8	(468,162.0)	(350,203.6)	1,103,944.7	904,539.6

Note (1): The Valuation is in respect of Wu Ling Power only, whereas the net asset value and net profit/loss before and after taxation are in respect of Wu Ling Power on a consolidated basis.

Note (2): The total equity attributable to the owners of Wu Ling Power is RMB14,241,568,000.

G. Information on the Relevant Parties

The Company is a core subsidiary of SPIC. The Group is principally engaged in generation and sales of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and thermal power plants; and provision of energy storage, green power transportation, and integrated intelligent energy solution services. Its businesses are located in various major power grid regions of China.

Guangxi Company is a wholly-owned subsidiary of the Company. It is principally engaged in the operation and management of hydropower and wind power projects in Guilin, Wuzhou and Qinzhou, the PRC.

SPIC is an investment holding company principally engaged in businesses that cover various sectors, including power, coal, aluminum, logistics, finance, environmental protection and high-tech industries in the PRC and abroad. SPIC, together with its subsidiaries, is an integrated energy group which simultaneously owns thermal power, hydropower, nuclear power and renewable energy resources in the PRC.

Xiangtou International is principally engaged in the investment, development, operation and management of power projects both in the PRC and internationally. Xiangtou International is owned 50% by Meiya Xiangtou Power Company Limited (which is indirectly wholly-owned by China Guanghe Group Limited* (中國廣核集團有限公司)) and 50% by Hunan Energy Investment Group Limited* (湖南省能源投資集團有限公司) (which is ultimately controlled by Hunan Provincial People's Government State-owned Assets Supervision and Administration Commission* (湖南省人民政府國有資產監督管理委員會)).

Yuanda Environmental was listed on the SSE in November 2000 (A-shares stock code: 600292.SH). It is principally engaged in energy conservation, environmental protection and pollution control businesses in the PRC, including general contracting of desulfurization, denitrification and dust removal engineering, franchise of desulfurization and denitrification, water supplies engineering and operation, manufacturing and regenerating of denitrification catalyst, as well as new energy and integrated intelligent energy related businesses. As at the Latest Practicable Date, SPIC directly owns approximately 43.74% of the issued capital of Yuanda Environmental.

The following table sets out the net asset value as at 31 December 2024 and the profit before and after taxation of Yuanda Environmental for the years ended 31 December 2023 and 31 December 2024 based on the audited accounts of Yuanda Environmental prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

	Net asset value as at 31 December 2024	For the year ended 31 December 2023		For the year ended 31 December 2024	
		Net profit before taxation	Net profit after taxation	Net profit before taxation	Net profit after taxation
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Yuanda Environmental	5,584,824	95,543	45,497	104,111	54,425

H. Letter of Undertaking by SPIC

On 16 April 2025, SPIC issued an undertaking to the Company, namely the "Letter of Undertaking by State Power Investment Corporation Limited on Matters such as the Voting Arrangement" (《國家電力投資集團有限公司關於表決權委託等事項的承諾函》) (the "**SPIC Letter of Undertaking**"), pursuant to which SPIC has given undertakings including:

1. On the date of Completion, SPIC shall enter into an agreement with the Company to entrust the Company with the voting rights of SPIC in Yuanda Environmental ("**Yuanda Environmental Shares Voting Agreement**"). After Completion, SPIC shall strictly comply with the relevant regulatory requirements in Hong Kong and Mainland China to ensure that the Company enjoys all the rights as the controlling shareholder of Yuanda Environmental, including and not limited to the nomination of directors, recommendation of members of the various committees of the board of directors, recommendation of senior management personnel, so as to ensure the Company's control over Yuanda Environmental and to ensure Yuanda Environmental will continue to be accounted for on a consolidated basis in the financial statements of the Company;

2. If (i) the Company has to pay any compensation pursuant to the Wu Ling Power Compensation Agreement, (ii) the relevant Wu Ling Power Profit Undertaking Assets are also subject to the profit compensation arrangement under the Wu Ling External Acquisitions Agreements (as disclosed in the announcement of the Company in respect of the Proposed Asset Pre-Restructuring dated 17 January 2025) ("**Overlapping Profit Undertaking Assets**") and (iii) the compensation amount payable by the Company to Yuanda Environmental in respect of the Overlapping Profit Undertaking Assets under the Wu Ling Power Compensation Agreement exceeds the compensation amount payable by the relevant compensation obligors to Wu Ling Power under the Wu Ling External Acquisitions Agreements, SPIC shall supervise and facilitate the payment of the shortfall in compensation amounts by the relevant compensation obligors under the Wu Ling External Acquisitions Agreements to the Company. If the relevant compensation obligors under the Wu Ling External Acquisitions Agreements fail to pay the shortfall in compensation amounts to the Company within six months after the Company's request for such payment, SPIC shall assume the aforementioned payment obligation in proportion with its shareholding; and

3. After the Proposed Asset Restructuring, SPIC shall support Yuanda Environmental to increase its dividend payout ratio to at least 50% after complying with the necessary internal and external approval procedures (including the approval procedures of the Group).

I. Non-Compete Undertakings

On 16 April 2025, the Company and SPIC each issued a non-compete undertaking to Yuanda Environmental, namely the "Letter of Undertaking by China Power International Development Limited on Avoiding Business Competition with SPIC Yuanda Environmental-Protection Co., Ltd." (《中國電力國際發展有限公司關於避免與國家電投集團遠達環保股份有限公司存在同業競爭的承諾函》) (the "**China Power Non-Compete Undertaking**") and the "Letter of Undertaking by State Power Investment Corporation Limited on Avoiding Business Competition with SPIC Yuanda Environmental-Protection Co., Ltd." (《國家電力投資集團有限公司關於避免與國家電投集團遠達環保股份有限公司存在同業競爭的承諾函》) (the "**SPIC Non-Compete Undertaking**"), respectively, the content of which is as follows:

1. Upon the completion of the Proposed Asset Restructuring, except for projects that cannot be injected to Yuanda Environmental for the time being due to practical constraints, the Company and SPIC undertake that they will not carry on, invest in, or engage in any business or activities that compete or may compete with Yuanda Environmental's new principal business (i.e. the integrated development and operation of hydropower and new energy business along cascade power stations, primarily involving hydropower, wind power and solar power generation in Hunan Province, as well as hydropower generation in the Guangxi Zhuang Autonomous Region). Furthermore, subject to applicable laws, regulations and business entry requirements, the Company and SPIC shall procure that their respective controlled entities (excluding Yuanda Environmental and its controlled entities) shall not carry on, invest in, or engage in any business or activities that compete or may compete with Yuanda Environmental's principal business;

2. If the Company, SPIC, or their respective controlled entities identify new business opportunities that compete or may compete with Yuanda Environmental or its controlled entities, the Company and SPIC shall promptly notify Yuanda Environmental. Subject to applicable laws and regulations, the Company and SPIC shall make their best endeavours to ensure that such business opportunities are first offered to Yuanda Environmental or its controlled entities on reasonable and fair terms;

3. Regarding any business that competes or may compete between the Company, SPIC (or their respective controlled entities) and Yuanda Environmental (or its controlled entities) after the completion of the Proposed Asset Restructuring (the "**Competitive Business**"), and subject to applicable laws and the listing rules of the relevant stock exchange, Yuanda Environmental or its controlled entities shall have the right to acquire such Competitive Business from the

Company or its controlled entities at an appropriate time, either in a single transaction or multiple transactions. If the Company, SPIC, or their respective controlled entities intend to transfer, sell, lease, license, or otherwise assign or grant rights to use any assets or interests related to the Competitive Business to a third party, Yuanda Environmental shall have the right of first refusal on the same terms and conditions;

4. (Applicable to the China Power's Non-Compete Undertaking only) The Company shall actively cooperate with any measures taken by SPIC to eliminate or avoid business competition between SPIC (or its controlled entities) and Yuanda Environmental;

5. (Applicable to the SPIC's Non-Compete Undertaking only) SPIC supports the Company in maintaining its controlling status over Yuanda Environmental and in developing Yuanda Environmental as a platform for integration of SPIC's domestic hydropower assets. As of the issuance date of the SPIC Non-Compete Undertaking, for other hydropower assets under SPIC, SPIC undertakes that, within three years after the completion of the Proposed Asset Restructuring, subject to applicable laws, regulations, and necessary internal and external approvals at that time, and in line with Yuanda Environmental's development strategy and the interests of its shareholders, it will actively facilitate the gradual injection of such hydropower assets into Yuanda Environmental, and the assets to be injected into Yuanda Environmental shall comply with national laws, regulations, and securities regulatory requirements;

6. The Company and SPIC fully respect Yuanda Environmental's independent corporate status and undertake not to interfere in its normal business operations. The Company and SPIC shall not abuse their position as controlling shareholders or controllers in any manner that may harm the legitimate rights and interests of Yuanda Environmental and its other shareholders;

7. (Applicable to the China Power Non-Compete Undertaking only) The China Power Non-Compete Undertaking shall remain effective from the date of issuance unless any of the following circumstances occur, in which case it shall be terminated: (1) the Company ceases to be the controlling shareholder of Yuanda Environmental; or (2) Yuanda Environmental ceases to be listed on the SSE;

8. (Applicable to the SPIC Non-Compete Undertaking only) The SPIC Non-Compete Undertaking shall remain effective from the date of issuance unless any of the following circumstances occur, in which case it shall be terminated: (1) SPIC ceases to be the *de facto* controller of Yuanda Environmental; or (2) Yuanda Environmental ceases to be listed on the SSE; and

9. If the Company or SPIC fails to comply with the above undertakings and such failure results in losses to Yuanda Environmental, the Company and SPIC shall be liable for compensation for the corresponding losses.

Upon completion of the Proposed Asset Pre-Restructuring and the Proposed Asset Restructuring, the Company will retain a small amount of wind power assets in the Hunan province (the installed capacity of which is around 149.9MW) due to practical constraints (e.g. minority shareholder's non-waiver of pre-emption rights).

SPIC will retain certain limited photovoltaic assets in the Hunan province (the installed capacity of which is around 596.6MW) due to practical constraints (e.g. extensive procedures and long time required for the divestment of assets from SPIC's A-share listed subsidiaries to Yuanda Environmental).

There is no overlap in business between (1) the Company and SPIC and (2) Yuanda Environmental in the Guangxi Zhuang Autonomous Region.

The abovementioned overlap in business in Hunan will not constitute a breach of the Non-Compete Undertakings since projects that cannot be injected to Yuanda Environmental due to practical constraints are not within the scope of the Non-Compete Undertakings.

J. Undertaking on regulating and reducing related transactions

On 16 April 2025, the Company and SPIC issued the "Letter of Undertaking by China Power International Development Limited on Regulating and Reducing Related Transactions" (《中國電力國際發展有限公司關於規範和減少關聯交易的承諾函》) and "Letter of Undertaking by State Power Investment Corporation Limited on Regulating and Reducing Related Transactions" (《國家電力投資集團有限公司關於規範和減少關聯交易的承諾函》) (collectively the "**Related Transactions Undertakings**") to Yuanda Environmental respectively. Upon the completion of the Proposed Asset Restructuring, the Company will become the controlling shareholder of Yuanda Environmental, and SPIC will be the *de facto* controller of Yuanda Environmental. In order to regulate related transactions between the Company, SPIC and their controlled entities (excluding Yuanda Environmental and its subsidiaries) on the one hand, and Yuanda Environmental on the other hand, the Company and SPIC have given the following undertakings:

1. The transactions between the Company, SPIC and their controlled entities and Yuanda Environmental shall be conducted on a fair and reasonable pricing basis, with lawful and effective decision-making procedures. No related transactions shall be conducted on obviously unfair terms;

2. Upon the completion of the Proposed Asset Restructuring, the Company and SPIC will actively take measures to avoid or reduce related transactions between the Company, SPIC and their controlled entities, on the one hand, and Yuanda Environmental and its subsidiaries, on the other hand, as far as possible;

3. For unavoidable related transactions related to the operations of Yuanda Environmental, the Company and SPIC shall strictly comply with applicable laws, regulations and normative documents governing related transactions, as well as the relevant provisions of the Yuanda Environmental's Articles of Association and internal control system. The Company and SPIC shall follow

the relevant decision-making and abstention procedures for related transactions, ensure that the approval procedures are properly standardized and compliant, that the pricing of related transactions is fair, and fulfil its disclosure obligations in accordance with the laws and regulations. The Company and SPIC shall not use related transactions to transfer or shift profits in a way that harms the lawful rights and interests of Yuanda Environmental and its other shareholders;

4. The Company and SPIC shall not use their position as controlling shareholder or *de facto* controller to seek preferential conditions or benefits from Yuanda Environmental for the Company, SPIC or their controlled entities that are more favourable than those available to independent third parties in terms of business operations and other matters; and

5. The above undertakings shall remain valid for as long as the Company remains the controlling shareholder of Yuanda Environmental or SPIC remains the *de facto* controller of Yuanda Environmental (as the case may be). If the Company or SPIC fails to fulfil any of the above undertakings, resulting in losses to Yuanda Environmental, the Company or SPIC shall be liable for compensation for the corresponding losses.

K. Undertakings on maintaining the independence of Yuanda Environmental

On 16 April 2025, the Company and SPIC issued the "Letter of Undertaking by China Power International Development Limited on Maintaining the Independence of Yuanda Environmental" (《中國電力國際發展有限公司關於保持上市公司獨立性的承諾函》) and "Letter of Undertaking by State Power Investment Corporation Limited on Maintaining the Independence of Yuanda Environmental" (《國家電力投資集團有限公司關於保持上市公司獨立性的承諾函》) (collectively the "**Yuanda Environmental Independence Undertakings**") to Yuanda Environmental respectively. Upon the completion of the Proposed Asset Restructuring, the Company will become the controlling shareholder of Yuanda Environmental, and SPIC will be the *de facto* controller of Yuanda Environmental.

The Company and SPIC will continue to maintain the independence of Yuanda Environmental in terms of assets, personnel, finance, business and organization in strict accordance with the laws and regulations and the articles of association of Yuanda Environmental, the details of which are set out below:

I. Guaranteeing the independence of Yuanda Environmental's personnel

The Company and SPIC undertake to maintain personnel independence from Yuanda Environmental. Senior management personnel of Yuanda Environmental (such as the general manager, deputy general manager, financial controller and secretary to the board of directors of Yuanda Environmental) will not take up any positions (other than director and supervisor) in the Company, SPIC or companies under their control (excluding Yuanda Environmental and its subsidiaries) (such companies being "**SPIC/CPID Subordinate Enterprises**"), and will not receive any salary from the Company, SPIC and SPIC/CPID Subordinate Enterprises. The financial officers of Yuanda Environmental will not hold positions in the Company, SPIC and SPIC/CPID Subordinate Enterprises.

II. Guaranteeing the organizational independence of Yuanda Environmental

1. The Company and SPIC guarantee they will not use their position as the controlling shareholder or *de facto* controller to interfere with the establishment of a sound corporate governance structure of Yuanda Environmental, such that it will have an independent and complete organizational structure;

2. The Company and SPIC guarantee that Yuanda Environmental's offices and business premises will be independent of the Company, SPIC and SPIC/CPID Subordinate Enterprises; and

3. The Company and SPIC they will not use their position as the controlling shareholder or *de facto* controller to interfere with the independent exercise of the powers and functions of the board of directors, the supervisory committee and the functional departments of Yuanda Environmental in accordance with the laws and regulations and the articles of association of Yuanda Environmental, and that there is no subordinate relationship between Yuanda Environmental and the functional departments of the Company.

III. Guaranteeing the independence and integrity of the assets of Yuanda Environmental

1. The Company and SPIC guarantee that their status of controlling shareholder or *de facto* controller will not be used to interfere with the independence and integrity of the assets of Yuanda Environmental; and

2. The Company and SPIC guarantee that, except for normal business transactions, no funds or assets of Yuanda Environmental will be illegally occupied by the Company, SPIC and SPIC/CPID Subordinate Enterprises.

IV. Guaranteeing the independence of the business of Yuanda Environmental

1. The Company and SPIC undertake not to take advantage of their positions as controlling shareholder or *de facto* controller to interfere with the business independence of Yuanda Environmental after the completion of the Proposed Asset Restructuring; and

2. The Company and SPIC guarantee not to interfere with Yuanda Environmental's ability to operate independently in the market with its assets, personnel, qualifications and capabilities by taking advantage of their position as the controlling shareholder or *de facto* controller.

V. ***Guaranteeing the financial independence of Yuanda Environmental***

1. The Company and SPIC guarantee that they will not use their position of controlling shareholder or *de facto* controller to interfere with Yuanda Environmental's establishment of an independent financial department and an independent financial accounting system, and a standardized and independent financial accounting mechanism;

2. The Company and SPIC guarantee that Yuanda Environmental will open bank accounts independently and will not share bank accounts with the Company, SPIC and SPIC/CPID Subordinate Enterprises;

3. The Company and SPIC guarantee that the financial personnel of Yuanda Environmental will not take up part-time jobs in the Company, SPIC and SPIC/CPID Subordinate Enterprises; and

4. The Company and SPIC guarantee that they will not use their position as the controlling shareholder or *de facto* controller to interfere with the independent financial decision-making of Yuanda Environmental, and that the Company and SPIC will not intervene in the use of Yuanda Environmental's funds in violation of regulations.

If the Company, SPIC or SPIC/CPID Subordinate Enterprises fail to comply with the above undertakings and such failure results in losses to Yuanda Environmental, the Company and SPIC shall be liable for compensation for the corresponding losses.

L. Undertaking on remedial measures regarding dilution of current returns

On 16 April 2025, the Company and SPIC issued the "Letter of Undertaking by China Power International Development Limited on Remedial Measures regarding Dilution of Current Returns" (《中國電力國際發展有限公司關於本次交易攤薄即期回報採取填補措施的承諾函》) and "Letter of Undertaking by State Power Investment Corporation Limited on Remedial Measures regarding Dilution of Current Returns" (《國家電力投資集團有限公司關於本次交易攤薄即期回報採取填補措施的承諾函》) (collectively the "**Undertakings on Remedial Measures on Returns**") to Yuanda Environmental respectively.

To address the potential risk of dilution of Yuanda Environmental's current returns due to adverse changes in the operating performance of the Target Companies, Yuanda Environmental has formulated the following remedial measures on current returns ("**Remedial Measures on Returns**"):

1. Accelerating the integration of the assets of the Target Companies to improve overall profitability

After completion of the Proposed Asset Restructuring, Yuanda Environmental will accelerate the integration of the assets of the Target Companies by introducing normative practices across operations, personnel, financial management and other aspects, continuously improve its corporate governance structure and internal control system, and strengthen its internal control framework. After completion of the Proposed Asset Restructuring, Yuanda Environmental's new hydropower and integrated new energy business along cascade power stations will be incorporated into Yuanda Environmental's unified strategic development planning, enhancing Yuanda Environmental's overall strength through resource integration and achieving its expected business outcomes.

2. Strictly implementing the profit distribution policy and strengthening mechanism for investor returns

Yuanda Environmental shall comply with the relevant laws and regulations and requirements in its articles of association regarding the distribution of profit. After the completion of the Proposed Asset Restructuring, Yuanda Environmental will further strengthen the investor returns mechanism by rationally planning profit distribution and cash dividends for shareholders where conditions allow, thereby safeguarding the interests of its shareholders.

Upon completion of the Proposed Asset Restructuring, the Company will become the controlling shareholder of Yuanda Environmental, and SPIC will be the *de facto* controller of Yuanda Environmental. The Company and SPIC have made the following undertakings to Yuanda Environmental:

1. Under no circumstances will the Company and SPIC abuse their position as the controlling shareholder or *de facto* controller of Yuanda Environmental, exceed their powers and interfere with the operation and management activities of Yuanda Environmental, or infringe upon the interests of Yuanda Environmental;

2. The Company and SPIC will supervise Yuanda Environmental to ensure the effective implementation of the Remedial Measures on Returns;

3. From the date of the Undertaking on Remedial Measures on Returns until the completion of the Proposed Asset Restructuring, if the CSRC introduces new regulatory requirements regarding the Remedial Measures on Returns and related undertakings, and if the Undertaking on Remedial Measures on Returns does not comply with such new requirements, the Company and SPIC undertake to make supplemental undertakings in accordance with the latest regulations imposed by the CSRC; and

4. The Company and SPIC undertake to fully execute the Remedial Measures on Returns and any undertaking they have made regarding such measures. If the Company or SPIC violates these undertakings and causes losses to Yuanda Environmental or its investors, the Company and SPIC agree to bear their respective liability to pay compensation in accordance with the relevant laws and regulations. If the Company or SPIC violates or refuses to fulfill the above undertakings, they agree to

accept any penalties or regulatory measures imposed by the CSRC or other securities regulatory authorities in accordance with applicable regulations and rules.

M. Proposed Placing by Yuanda Environmental

Yuanda Environmental proposes to conduct a placing of additional new shares after the Proposed Asset Restructuring.

(1) Class and par value of shares to be issued

The class of shares to be issued under the Proposed Placing shall be ordinary shares denominated in RMB (A shares), with a par value of RMB1.00 per share, which will be listed on the SSE.

(2) Pricing date, basis of pricing and issue price

The pricing date shall be the first day of the issuance period of the Proposed Placing. The issue price shall not be lower than 80% of the average trading price of the shares of Yuanda Environmental for 20 trading days prior to the pricing date, and shall not be lower than Yuanda Environmental's audited net assets per share attributable to shareholders for the latest financial year prior to the pricing date (if there is any ex-rights or ex-dividend event, such as distribution of dividend, bonus issue, rights issue, or transfer to share capital from reserve, during the period commencing on the balance sheet date of the latest audited financial statements and ending on the pricing date, then the net assets per share aforesaid will be adjusted accordingly).

The final issue price of the Proposed Placing will be determined through negotiations between the lead underwriter and the board of directors of Yuanda Environmental and its authorised representatives in accordance with the authorisation of the general meeting of shareholders, in compliance with relevant laws, regulations and regulatory requirements, and based on the book-building results after the Proposed Asset Restructuring has been approved by the SSE and registered with the CSRC.

If there is any ex-right or ex-dividend event, such as distribution of dividend, bonus issue, rights issue or transfer to share capital from capital reserve, by Yuanda Environmental during the period from the pricing date and the issuance date of the Proposed Placing, the issue price shall be adjusted in accordance with the relevant rules of the CSRC and the SSE.

(3) Target subscribers and subscription method

The issuance of shares under the Proposed Placing will be conducted through book-building, with no more than 35 target subscribers who are qualified under the laws and regulations, including securities investment fund management companies, securities companies, finance companies, insurance institutional investors, trust companies, qualified foreign institutional investors, RMB qualified foreign institutional investors and other qualified investors, etc. that comply with the provisions of the CSRC. All the target subscribers will subscribe for the shares to be issued under the Proposed Placing in cash at the same price.

(4) Amount of funds to be raised and number of shares to be issued

The total amount of proceeds raised under the Proposed Placing shall not exceed RMB5 billion and shall not exceed the sum of Consideration I and Consideration II. The number of shares to be issued under the Proposed Placing shall not exceed 30% of the total share capital of Yuanda Environmental upon the completion of the Proposed Asset Restructuring. The final amount of proceeds to be raised and the number of shares to be issued under the Proposed Placing shall be subject to the maximum limit approved by the SSE and registered with the CSRC.

The final number of shares to be issued under the Proposed Placing will be determined through negotiations between the lead underwriter and the board of directors of Yuanda Environmental and its authorised representatives, in accordance with the authorisation of the general meeting of shareholders, in compliance with relevant laws, regulations and regulatory requirements, after the Proposed Asset Restructuring has been approved by the SSE and registered with the CSRC.

If there is any ex-right or ex-dividend event, such as distribution of dividend, bonus issue, rights issue or transfer to share capital from capital reserve, by Yuanda Environmental during the period from the pricing date and the issuance date of the Proposed Placing, resulting in an adjustment to the issue price under the Proposed Placing, the number of shares to be issued under the Proposed Placing shall be adjusted accordingly.

(5) Lock-up period

The shares subscribed by the target subscribers under the Proposed Placing shall not be transferred within six months from the date of completion of the issuance.

Upon the completion of the Proposed Placing, if the target subscribers under the Proposed Placing acquire additional shares of Yuanda Environmental due to ex-rights or ex-dividend events such as dividend distribution, bonus issue, rights issue or transfer to share capital from capital reserve by Yuanda Environmental, such additional shares will also be subject to the aforementioned lock-up period.

In the event that the above lock-up undertakings become inconsistent with the latest regulatory requirements of the securities regulatory authorities, the target subscribers under the Proposed Placing shall make corresponding adjustments to the lock-up undertakings in order to comply with the latest regulatory requirements of the securities regulatory authorities. After the expiration of the lock-up period, transfer of shares in Yuanda Environmental acquired by the target subscribers under the Proposed Placing shall continue to be subject to the relevant requirements of the CSRC and the SSE.

(6) Use of proceeds

50% of the proceeds raised from the Proposed Placing are intended to be used to finance the construction of the Use of Proceeds Projects, whereas 50% of the proceeds are intended to be used for purposes including the payment of cash consideration for the Proposed Asset Restructuring, intermediary fees and related taxes.

The Proposed Placing is conditional upon the successful implementation of the Proposed Asset Restructuring. However, the implementation of the Proposed Asset Restructuring is not conditional upon the successful implementation of the Proposed Placing. If there are changes in the latest regulatory requirements of the securities regulatory authorities, Yuanda Environmental may make corresponding adjustments to matters related to the Proposed Placing in accordance with the latest regulatory requirements of the securities regulatory authorities.

Before receiving the proceeds raised from the Proposed Placing, Yuanda Environmental may use its own or self-raised funds to pay the relevant amounts for the aforementioned use of proceeds, and then replace them with the proceeds from the Proposed Placing once it has received them. If Yuanda Environmental fails to successfully raise the funds or the actual proceeds are insufficient to meet the required funding for the use of proceeds, Yuanda Environmental will cover the shortfall using its own or self-raised funds, at which time Yuanda Environmental will make appropriate adjustments as to the investment order, amount and specific methods for the abovementioned use of proceeds based on the proceeds actually raised and the actual funding requirements for the use of proceeds.

(7) Arrangements for accumulated undistributed profits

Upon completion of the Proposed Placing, the accumulated undistributed profits of Yuanda Environmental prior to the issuance of shares will be shared by the new and existing shareholders of Yuanda Environmental in proportion to their respective shareholdings upon the completion of the issuance.

Potential impact of the Proposed Placing

As no binding agreement in relation to the Proposed Placing has been entered into as of the Latest Practicable Date, the Proposed Placing may or may not materialise. As at the Latest Practicable Date, the principal terms (including the issue price and number of shares to be issued) have not been determined. As such, the impact of the Proposed Placing on the Company cannot be determined before the principal terms are finalised (which will not be determined before the completion of the Proposed Asset Restructuring). If the Proposed Placing materialises, the issue of A shares by Yuanda Environmental under the Proposed Placing is expected to result in a deemed disposal of the Company's interest in Yuanda Environmental. The Company will comply with the relevant Listing Rules at the relevant time where applicable.

III. LISTING RULES IMPLICATIONS

The Group's subscription of the Consideration Shares to be issued by Yuanda Environmental under the Proposed Asset Restructuring constitutes an acquisition by the Group of Yuanda Environmental.

The Company's transfer of 63% equity interest in Wu Ling Power to Yuanda Environmental pursuant to Equity Transfer Agreement I and Guangxi Company's transfer of 64.93% equity interest in Changzhou Hydropower to Yuanda Environmental pursuant to Equity Transfer Agreement II constitute disposals by the Group. As the Target Companies are expected to continue to be consolidated by the Company after Completion, the disposals are in substance a group reorganisation which would result in the net disposals of interest in Wu Ling Power and Changzhou Hydropower, the impact of the disposals of the equity interests in the Target Companies in the Proposed Asset Restructuring would be considered on a net disposal basis.

In addition, the compensation arrangements under the Compensation Agreements are part of the Proposed Asset Restructuring. In the extreme case where the Compensation Obligors are required to return certain Consideration Shares to Yuanda Environmental pursuant to the respective Compensation Agreements, i.e. (1) the Company is required to transfer 353,627,893 Consideration Shares, (2) Guangxi Company is required to transfer 398,167,938 Consideration Shares and (3) Xiangtou International is required to transfer 207,679,424 Consideration Shares, the total number of issued shares of Yuanda Environmental as a result will be 3,420,730,946, and the Group will hold 48.62% equity interest in Yuanda Environmental. The maximum net disposal of interest by the Group (taking into consideration the Compensation Agreements) in Wu Ling Power and Changzhou Hydropower is 14.38% and 33.36% respectively.

Pursuant to Rule 14.24 of the Listing Rules, as the Proposed Asset Restructuring involves both acquisition and disposal, it will be classified by reference to the larger of the acquisition or disposal. As the highest of the applicable percentage ratios in respect of the acquisition and the net disposals (taking into account the compensation arrangements contemplated under the Compensation Agreements) are each more than 5% but less than 25%, the Proposed Asset Restructuring constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, SPIC owns 65.19% of the issued share capital of the Company and is the ultimate controlling shareholder of the Company. Accordingly, SPIC, its subsidiaries and associates are connected persons of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, SPIC owns approximately 43.74% of the issued share capital of Yuanda Environmental. Yuanda Environmental is a 30%-controlled company and an associate of SPIC, and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Xiangtou International owns 37% of the issued share capital of Wu Ling Power, a subsidiary of the Company. It is a substantial shareholder of a subsidiary of the Company, and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the Proposed Asset Restructuring and the Formal Restructuring Agreements constitute connected transactions of the Company under the Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the acquisition and the net disposals described above is more than 5%, the Proposed Asset Restructuring and the Formal Restructuring Agreements are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. GENERAL MEETING

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from the shareholding companies of the Company, namely CPI Holding (being interested in 2,833,518,060 Shares, representing approximately 22.91% of the total number of Shares as at the Latest Practicable Date), CPDL (being interested in 2,662,000,000 Shares, representing approximately 21.52% of the total number of Shares as at the Latest Practicable Date), CPNE (being interested in 1,854,648,662 Shares, representing approximately 14.99% of the total number of Shares as at the Latest Practicable Date), SPIC Finance HK (being interested in 446,275,453 Shares, representing approximately 3.61% of the total number of Shares as at the Latest Practicable Date) and SPIC Innovation (being interested in 267,151,000 Shares, representing approximately 2.16% of the total number of Shares as at the Latest Practicable Date) (each of whom is required to abstain from voting), no other shareholder of the Company will be required to abstain from voting on the resolution for approving the Formal Restructuring Agreements and the transactions contemplated thereunder at the GM.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the Proposed Asset Restructuring and the Formal Restructuring Agreements, and Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Formal Restructuring Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole.

The GM will be held on Tuesday, 24 June 2025 at 10:30 a.m. by way of virtual meeting via the Online Platform, during which ordinary resolutions will be proposed to the shareholders of the Company to approve the Proposed Asset Restructuring, the Formal Restructuring Agreements and the transactions contemplated thereunder. CPI Holding, CPDL, SPIC Finance HK and CPNE, being shareholders of the Company and associates of SPIC, will abstain from voting on the ordinary resolution to approve the Proposed Asset Restructuring, the Formal Restructuring Agreements and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the GM will be taken by poll.

A notice convening the GM for the purpose of considering and, if thought fit, approving Proposed Asset Restructuring, the Formal Restructuring Agreements and the transactions contemplated thereunder is set out at the end of this circular on pages GM-1 to GM-3.

Whether or not you are able to attend the GM, you are requested to complete the form of proxy accompanying the notice of the GM in accordance with the instructions printed thereon and return it (i) to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (ii) electronically via the Company's email address at eproxy@chinapower.hk not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof (as the case may be). Submission of the form of proxy will not preclude any member of the Company from attending the GM or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.

A form of proxy for use at the GM is enclosed with this circular or can be downloaded from the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.chinapower.hk.

V. RECOMMENDATION

The Directors (including the independent non-executive Directors whose view are expressed in the letter from the Independent Board Committee) consider that the Proposed Asset Restructuring, the Formal Restructuring Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms and transactions contemplated are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the General Meeting to approve the Proposed Asset Restructuring, the Formal Restructuring Agreements and the transactions contemplated thereunder.

Yours faithfully,
On behalf of the Board
China Power International Development Limited
HE Xi
Chairman

* *English translation is for identification only.*

CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
中國電力國際發展有限公司
(incorporated in Hong Kong with limited liability)
(Stock Code: 2380)

20 May 2025

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ASSET RESTRUCTURING

We refer to the circular dated 20 May 2025 (the "**Circular**") issued by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Proposed Asset Restructuring, the Formal Restructuring Agreements and the transactions contemplated thereunder. Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

We wish to draw your attention to the letter from the Board, as set out on pages 12 to 50 of the Circular which contains, among others, information in connection with the Formal Restructuring Agreements as well as the letter from Somerley Capital set out on pages 52 to 112 of the Circular which contains its advice and recommendation in the same respect.

Having considered the terms of the Formal Restructuring Agreements and taken into account the advice of Somerley Capital, we consider that although the Proposed Asset Restructuring is not entered into in the ordinary and usual course of business of the Group, the terms of the Formal Restructuring Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Proposed Asset Restructuring is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the General Meeting to approve the Proposed Asset Restructuring, Formal Restructuring Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the
Independent Board Committee
China Power International Development Limited
LI Fang
YAU Ka Chi
HUI Hon Chung, Stanley

The following is the text of the letter of advice from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

SOMERLEY CAPITAL LIMITED
20th Floor China Building
29 Queen's Road Central
Hong Kong

20 May 2025

To: the Independent Board Committee and Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ASSET RESTRUCTURING

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed Asset Restructuring, details of which are set out in the letter from the Board of the circular of the Company dated 20 May 2025 (the "**Circular**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As disclosed in the Previous Announcements, on 18 October 2024, the Company and Xiangtou International entered into Restructuring Framework Agreement I and Guangxi Company entered into Restructuring Framework Agreement II with Yuanda Environmental respectively in relation to the Proposed Asset Restructuring. On 16 April 2025, the Company, Xiangtou International and Yuanda Environmental entered into Equity Transfer Agreement I pursuant to which the Company and Xiangtou International conditionally agreed to transfer 63% and 37% equity interest in Wu Ling Power respectively to Yuanda Environmental at the total consideration of RMB24,667,342,000.00, which shall be settled by Yuanda Environmental by way of Consideration Shares and cash. On 16 April 2025, Guangxi Company, a wholly-owned subsidiary of the Company, and Yuanda Environmental entered into Equity Transfer Agreement II, pursuant to which Guangxi Company conditionally agreed to transfer 64.93% equity interest in Changzhou Hydropower to Yuanda Environmental at the consideration of RMB3,068,189,818.37, which shall be settled by Yuanda Environmental by way of Consideration Shares and cash.

The Group's subscription of the Consideration Shares to be issued by Yuanda Environmental under the Proposed Asset Restructuring constitutes an acquisition by the Group of Yuanda Environmental. The Company's transfer of 63% equity interest in Wu Ling Power to Yuanda Environmental pursuant to Equity Transfer Agreement I and Guangxi Company's transfer of 64.93% equity interest in Changzhou Hydropower to Yuanda Environmental pursuant to Equity Transfer Agreement II constitute disposals by the Group. As the Target Companies are expected to continue to be consolidated by the Company after Completion, the disposals are in substance a group reorganisation which would result in the net disposals of interest in Wu Ling Power and

Changzhou Hydropower, the impact of the disposals of the equity interests in the Target Companies in the Proposed Asset Restructuring would be considered on a net disposal basis.

In addition, the compensation arrangements under the Compensation Agreements are part of the Proposed Asset Restructuring. In the extreme case where the Compensation Obligors are required to return certain Consideration Shares to Yuanda Environmental pursuant to the respective Compensation Agreements, i.e. (1) the Company is required to transfer 353,627,893 Consideration Shares, (2) Guangxi Company is required to transfer 398,167,938 Consideration Shares and (3) Xiangtou International is required to transfer 207,679,424 Consideration Shares, the total number of issued shares of Yuanda Environmental as a result will be 3,420,730,946, and the Group will hold 48.62% equity interest in Yuanda Environmental. The maximum net disposal of interest by the Group (taking into consideration the Compensation Agreements) in Wu Ling Power and Changzhou Hydropower is 14.38% and 33.36% respectively.

Pursuant to Rule 14.24 of the Listing Rules, as the Proposed Asset Restructuring involves both acquisition and disposal, it will be classified by reference to the larger of the acquisition or disposal. As the highest of the applicable percentage ratios in respect of the acquisition and the net disposals (taking into account the compensation arrangements contemplated under the Compensation Agreements) are each more than 5% but less than 25%, the Proposed Asset Restructuring constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, SPIC owns 65.19% of the issued share capital of the Company and is the ultimate controlling shareholder of the Company. Accordingly, SPIC, its subsidiaries and associates are connected persons of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, SPIC owns approximately 43.74% of the issued share capital of Yuanda Environmental. Yuanda Environmental is a 30%-controlled company and an associate of SPIC, and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Xiangtou International owns 37% of the issued share capital of Wu Ling Power, a subsidiary of the Company. It is a substantial shareholder of a subsidiary of the Company, and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the Proposed Asset Restructuring and the Formal Restructuring Agreements constitute connected transactions of the Company under the Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the acquisition and the net disposals described above is more than 5%, the Proposed Asset Restructuring and the Formal Restructuring Agreements are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely LI Fang, YAU Ka Chi and HUI Hon Chung, Stanley, has been established to advise the Independent Shareholders in relation to the Proposed Asset Restructuring and the Formal Restructuring Agreements. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, SPIC, Xiangtou International, Guangxi Company and Yuanda Environmental or their respective close associates or core connected persons and, accordingly, are considered eligible to give independent advice on the Proposed Asset Restructuring. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, SPIC, Xiangtou International, Guangxi Company and Yuanda Environmental or their respective close associates or core connected persons.

In formulating our opinion and advice, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company, which we have assumed to be true, accurate and complete in all material aspects. We have reviewed the information of the Company, including, among other things, (i) the annual reports of the Company for the year ended 31 December 2023 (the "**2023 Annual Report**") and for the year ended 31 December 2024 (the "**2024 Annual Report**"); (ii) the Previous Announcements and the Announcement; (iii) the Asset Appraisal Reports prepared by PCAA in relation to the Target Companies; and (iv) other information contained in the Circular. We also have sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us were not misleading in any material aspects. We consider that the information we have received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, SPIC, Xiangtou International, Guangxi Company, Yuanda Environmental or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the GM, and Shareholders will be informed of any material change as soon as possible.

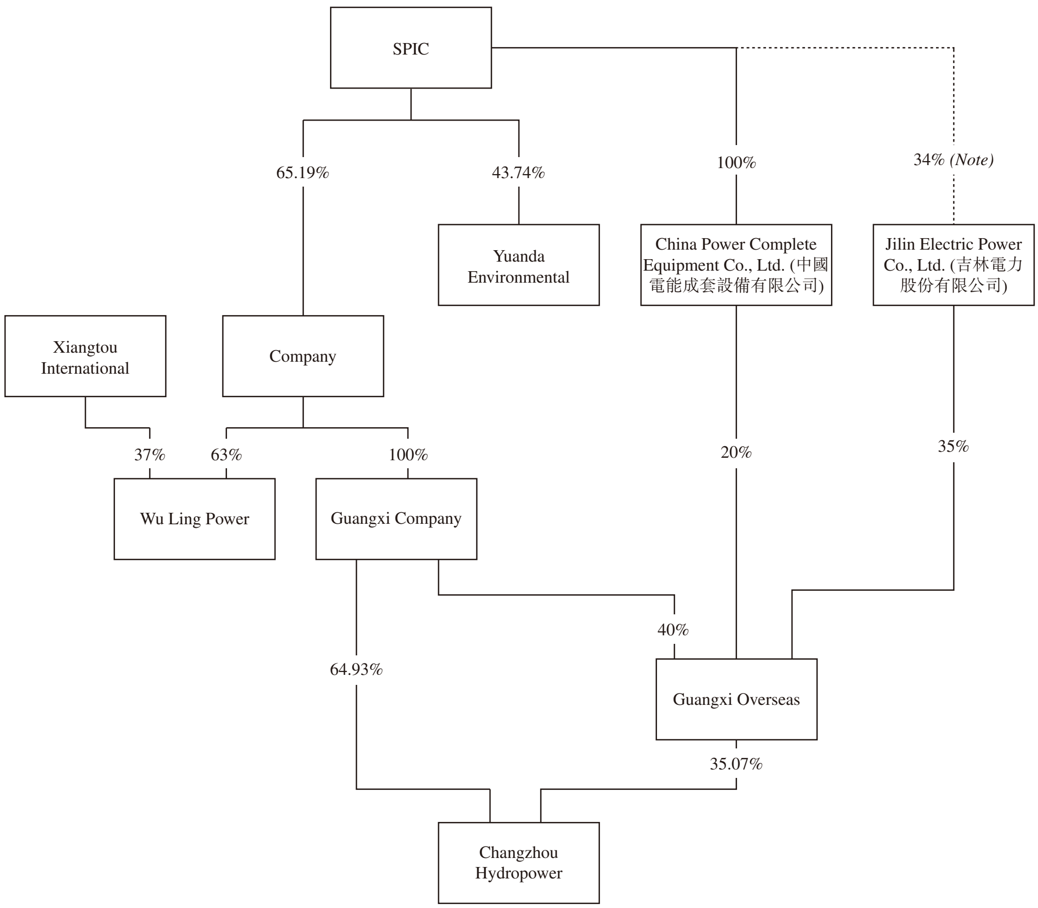
1. Background of the Proposed Asset Restructuring

As stated in the Previous Announcements, on 30 September 2024, the Company received the "Notice of Proposed Plan for Major Asset Restructuring Matters" (the "**Restructuring Notice**") from SPIC, which, among others, proposes the Company to use its controlling interests in subsidiaries, including Wu Ling Power and Changzhou Hydropower, as the consideration to subscribe for the allotment of new shares to be issued by Yuanda Environmental.

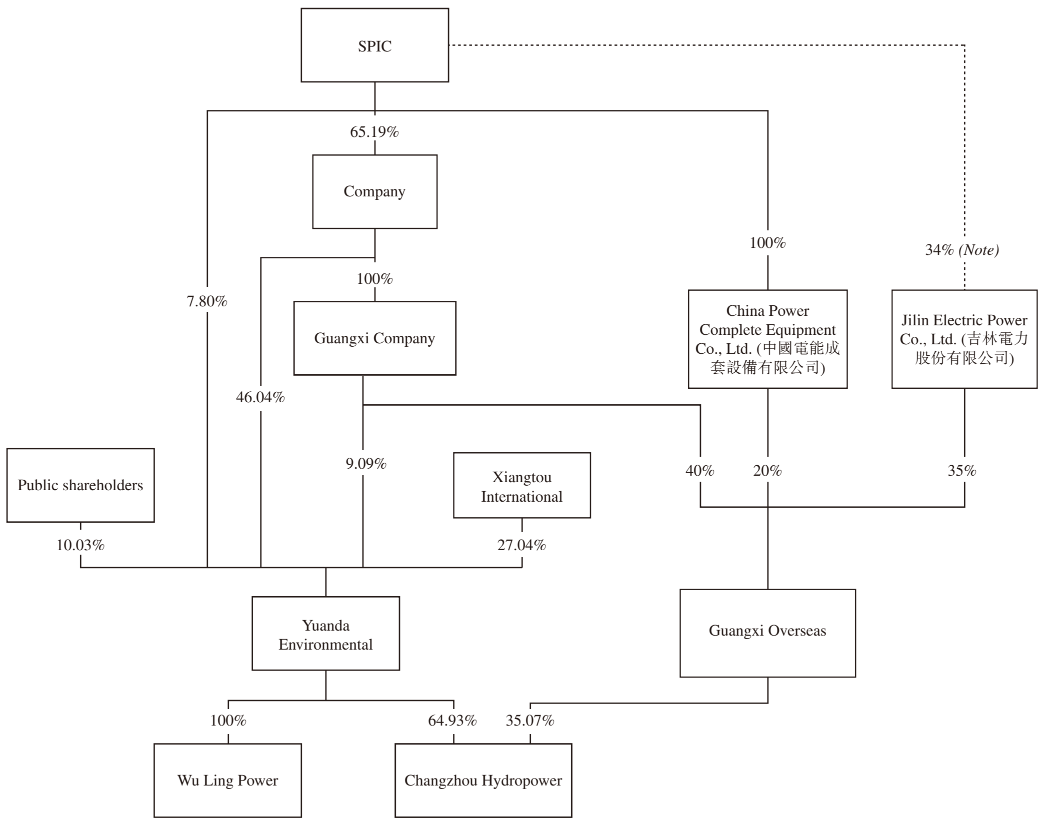
To highlight the positioning of Yuanda Environmental's new integrated new energy development and operation business of hydropower generation and basin hydropower stations after the Proposed Asset Restructuring, the Target Companies will undergo the Proposed Asset Pre-Restructuring prior to the implementation of the Proposed Asset Restructuring. The Proposed Asset Pre-Restructuring involves the Target Companies acquiring and disposing certain power generation assets, details of which were set out in the announcement of the Company dated 17 January 2025.

The charts below illustrate the summarized changes in shareholding structure of the Target Companies before and after the Proposed Asset Restructuring.

(i) After the Proposed Asset Pre-Restructuring and before Completion of the Proposed Asset Restructuring:



(ii) After Completion of the Proposed Asset Restructuring (without taking into account the effect of the Compensation Agreements and the potential impact of the Proposed Placing (if conducted), and assuming that there will be no change in the total number of issued Shares between the Latest Practicable Date and the date of Completion):



Note: Jilin Electric Power Co., Ltd. is a company listed on the Shenzhen Stock Exchange. Based on the latest available public information, SPIC directly and indirectly holds 34% shares in Jilin Electric Power Co., Ltd.

2. Information of the Relevant Parties

2.1 Information of the Group

The Company is a core subsidiary of SPIC. The Group is principally engaged in generation and sales of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and thermal power plants; and provision of energy storage, green power transportation, and integrated intelligent energy solution services. Its businesses are located in various major power grid regions of China.

Set out below is the summary of the financial information of the Group for the three years ended 31 December 2022, 2023 and 2024 as extracted from the 2023 Annual Report and 2024 Annual Report:

	For the year ended 31 December		
	2024	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Revenue			
— Thermal power	*24,268,883*	*23,929,482*	*28,583,266*
— Wind power	*11,737,415*	*8,719,661*	*5,232,439*
— Photovoltaic power	*9,491,881*	*6,011,637*	*4,292,128*
— Hydropower power	*4,806,371*	*3,052,804*	*4,685,036*
— Energy storage	*3,908,242*	*2,548,183*	*896,260*
	54,212,792	**44,261,767**	**43,689,129**
Operating profit	**12,167,191**	**8,715,187**	**7,604,262**
Profit attributable to equity holders of the Company	**3,861,822**	**3,084,469**	**2,648,051**

For the two years ended 31 December 2023 and 2024

Revenue of the Group amounted to approximately RMB54,212.79 million for the year ended 31 December 2024, representing an increase of approximately 22.48% compared with that of approximately RMB44,261.77 million for the year ended 31 December 2023. As disclosed in the 2024 Annual Report, revenue from hydropower increased by approximately RMB1,753.57 million, which was attributable to the increase in electricity sales of hydropower during the year. Revenue from wind power and photovoltaic power increased by approximately RMB6,498.00 million in total due to the expansion of consolidated installed capacity through strategic mergers and acquisitions and the commencement of commercial operation of various power generation projects. Revenue from thermal power moderately increased by approximately RMB339.40 million, which was attributable to the higher demand for frequency-modulating and peak-shaving power sources within the power system. Revenue from energy storage increased by approximately RMB1,360.06 million as the Group consistently expanded its energy storage business.

Operating profit of the Company amounted to approximately RMB12,167.19 million for the year ended 31 December 2024, representing an increase of approximately 39.61% as compared with that of approximately RMB8,715.19 million for the previous year, mainly due to the aforementioned increase in revenue.

Profit attributable to the equity holders of the Company increased by approximately 25.20% for the year ended 31 December 2024 as compared to that for the prior year. With reference to the 2024 Annual Report, such increase was mainly due to the net effect of (i) the increase in operating profit as mentioned above; (ii) the increase in profits from the share of results of associates; and (iii) the increase in the finance costs primarily due to the increase in interest expense on bank borrowings.

For the two years ended 31 December 2022 and 2023

Revenue of the Group amounted approximately RMB44,261.77 million for the year ended 31 December 2023, representing an increase of approximately 1.31% compared with that of approximately RMB43,689.13 million for the year ended 31 December 2022. As disclosed in the 2023 Annual Report, revenue from hydropower decreased by RMB1,632.23 million, which was attributable to the decrease in electricity sales of hydropower during the year. Revenue from wind power and photovoltaic power increased by RMB5,206.73 million in total due to the consolidation and commencement of commercial operation of various projects. Revenue from thermal power decreased by RMB4,653.78 million, which was attributable to the effect of the disposal of shares in two coal-fired power subsidiaries at the end of 2022, excluding the effects of such disposal, the revenue from thermal power would increase year-on-year. Revenue from energy storage increased by RMB1,651.92 million as the Group consistently expanded its energy storage business in alignment with the rapid growth of the energy storage market.

Operating profit of the Company amounted to approximately RMB8,715.19 million for the year ended 31 December 2023, representing an increase of approximately 14.61% as compared with that of approximately RMB7,604.26 million for the previous year, mainly due to (i) the aforementioned increase in revenue; (ii) the increase in other income, mainly attributable to income from provision of IT and other services and waste treatment income; and (iii) the decrease in total fuel costs, mainly due to the significant decrease in fuel consumption after the disposal of shares in two coal-fired power subsidiaries at the end of 2022.

Profit attributable to the equity holders of the Company increased by approximately 16.48% for the year ended 31 December 2023 as compared to that for the prior year. With reference to the 2023 Annual Report, such increase was mainly due to (i) the increase in operating profit as mentioned above; and (ii) the increase in profits from the share of results of associates primarily driven by the year-on-year decrease in coal prices, which resulted in a substantial year-on-year profit growth of associates engaged in coal-fired power-related businesses.

Set out below is the summary of the financial position of the Group as at 31 December 2022, 2023 and 2024 as extracted from the 2023 Annual Report and 2024 Annual Report:

	As at 31 December		
	2024	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Total assets	340,455,547	305,806,779	211,404,964
Total liabilities	232,923,154	210,786,067	142,814,859
Total equity	107,532,393	95,020,712	68,590,105

As at 31 December 2024, the Group's total assets amounted to approximately RMB340,455.55 million, mainly comprised of (i) property, plant and equipment of approximately RMB226,873.37 million; (ii) accounts receivables of approximately RMB31,647.50 million; and (iii) other intangible assets of approximately RMB14,960.69 million.

As at 31 December 2024, the Group's total liabilities amounted to approximately RMB232,923.15 million, mainly comprised of (i) bank borrowings of approximately RMB140,523.15 million; (ii) borrowings from related parties of approximately RMB28,283.62 million; (iii) other borrowings of approximately RMB23,587.72 million; and (iv) construction costs payable of approximately RMB18,218.51 million.

As at 31 December 2024 and 31 December 2023, the Group's total equity amounted to approximately RMB107,532.39 million and RMB95,020.71 million, respectively, representing an increase of approximately 13.17%.

In our view, based on the above analysis, the Group has financed its growth and retained a satisfactory financial position.

2.2 Information of SPIC

SPIC is an investment holding company principally engaged in businesses that cover various sectors, including power, coal, aluminum, logistics, finance, environmental protection and high-tech industries in the PRC and abroad. SPIC, together with its subsidiaries, is an integrated energy group which simultaneously owns thermal power, hydropower, nuclear power and renewable energy resources in the PRC.

2.3 Information of Guangxi Company

Guangxi Company is a wholly-owned subsidiary of the Company. It is principally engaged in the operation and management of hydropower and wind power projects in Guilin, Wuzhou and Qinzhou, the PRC.

2.4 Information of Xiangtou International

Xiangtou International is principally engaged in the investment, development, operation and management of power projects both in the PRC and internationally. Xiangtou International is owned 50% by Meiya Xiangtou Power Company Limited (which is indirectly wholly-owned by China Guanghe Group Limited* (中國廣核集團有限公司)) and 50% by Hunan Energy Investment Group Limited* (湖南省能源投資集團有限公司) (which is ultimately controlled by Hunan Provincial People's Government State-owned Assets Supervision and Administration Commission* (湖南省人民政府國有資產監督管理委員會)).

2.5 Information of Yuanda Environmental

Yuanda Environmental was listed on the SSE in November 2000 (A-shares stock code: 600292.SH). It is principally engaged in energy conservation, environmental protection and pollution control businesses in the PRC, including general contracting of desulfurization, denitrification and dust removal engineering, franchise of desulfurization and denitrification, water supplies engineering and operation, manufacturing and regenerating of denitrification catalyst, as well as new energy and integrated intelligent energy related businesses. As at the Latest Practicable Date, SPIC directly owns approximately 43.74% of the issued capital of Yuanda Environmental.

The audited financial data of Yuanda Environmental for the two financial years ended 31 December 2023 and 2024 was as follows:

Unit: RMB'000

	For the year ended 31 December	
	2024	**2023**
Revenue	4,722,394	4,251,614
Net profit before taxation	104,111	95,543
Net profit attributable to owners of the parent company	35,962	54,012

Revenue of Yuanda Environmental amounted approximately RMB4,722.39 million for the year ended 31 December 2024, representing an increase of approximately 11.07% compared with that of approximately RMB4,251.61 million for the year ended 31 December 2023. The net profit before taxation amounted approximately RMB104.11 million for the year ended 31 December 2024, representing an increase of approximately 8.97% compared with that of approximately RMB95.54 million for the year ended 31 December 2023. Such increase was mainly derived from the increase of revenue.

2.6 Information of Changzhou Hydropower

As at the Latest Practicable Date, Changzhou Hydropower is a subsidiary owned 64.93% by Guangxi Company (a wholly-owned subsidiary of the Company). It is principally engaged in the development, investment, production and supply of hydropower, wind power and photovoltaic power in Guangxi Zhuang Autonomous Region, the PRC.

The profit before and after taxation of Changzhou Hydropower for the two financial years ended 31 December 2024 based on the unaudited accounts of Changzhou Hydropower prepared in accordance with the HKFRSs, which does not reflect the effect of the Proposed Asset Pre-Restructuring was as follows:

Unit: RMB'000

	For the year ended 31 December	
	2024	**2023**
Net profit before taxation	228,112	398,443
Net profit after taxation	180,176	355,212

As disclosed in the letter from the Board of the Circular, the illustrative net asset value of Changzhou Hydropower as at 31 October 2024 was RMB1,468,615,500 and the Valuation as at the Appraisal Benchmark Date (based on the Asset Appraisal Reports) of Changzhou Hydropower is RMB4,725,380,870. The following table sets out the illustrative profit before and after taxation of Changzhou Hydropower for the years ended 31 December 2022 and 31 December 2023 and the 10 months ended 31 October 2024 based on the audited accounts of Changzhou Hydropower prepared for the purposes of complying with the PRC laws and regulations applicable to Yuanda Environmental (as a SSE-listed company) in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, assuming the Proposed Asset Pre-Restructuring has been completed on 1 January 2022.

Unit: RMB'000

	For the ten months ended 31 October	For the year ended 31 December	
	2024	**2023**	**2022**
Illustrative profit before taxation	405,065.4	362,068.8	372,706.4
Illustrative profit after taxation	347,111.8	300,436.6	306,593.0

2.7 Information of Wu Ling Power

As at the Latest Practicable Date, Wu Ling Power is a company incorporated in the PRC with limited liability and a subsidiary owned 63% by the Company. It is principally engaged in the development, investment, production and supply of hydropower, wind power and other clean energy power in Hunan, Guizhou and Sichuan, the PRC.

The profit before and after taxation of Wu Ling Power for the two financial years ended 31 December 2024 based on the unaudited accounts of Wu Ling Power prepared in accordance with the HKFRSs, which does not reflect the effect of the Proposed Asset Pre-Restructuring was as follows:

Unit: RMB'000

	For the year ended 31 December	
	2024	**2023**
Net profit before taxation[Note]	1,918,431	195,714
Net profit after taxation[Note]	1,652,457	260,779

Note: The net profit before and after taxation are in respect of Wu Ling Power on a consolidated basis.

As disclosed in the letter from the Board of the Circular, the illustrative net asset value of Wu Ling Power as at 31 October 2024 was RMB16,698,918,500[Note (1)] and the Valuation as at the Appraisal Benchmark Date (based on the Asset Appraisal Reports) of Wu Ling Power is RMB24,667,342,000[Note (1)]. The following table sets out the illustrative profit/loss before and after taxation of the Wu ling Power (together with its subsidiaries on a consolidated basis) for the years ended 31 December 2022 and 31 December 2023 and the ten months ended 31 October 2024 based on the audited accounts of Wu ling Power prepared for the purposes of complying with the PRC laws and regulations applicable to Yuanda Environmental (as a SSE-listed company) in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, assuming the Proposed Asset Pre-Restructuring has been completed on 1 January 2022.

Unit: RMB'000

	For the ten months ended 31 October	**For the year ended 31 December**	
	2024	**2023**	**2022**
Illustrative profit/loss before taxation	1,103,944.7	(468,162.0)	708,644.2
Illustrative profit/loss after taxation	904,539.6	(350,203.6)	600,132.8

Note (1): The Valuation is in respect of Wu Ling Power only, whereas the net asset value and net profit/loss before and after taxation are in respect of Wu Ling Power on a consolidated basis.

3. Reasons for and benefits of the Proposed Asset Restructuring

3.1 Reasons for and benefits of the Proposed Asset Restructuring

As set out in the Previous Announcements, according to the Restructuring Notice, the Proposed Asset Restructuring was to align with the "Opinions on Further Improving the Quality of Listed Companies" published by the State Council in 2020, which includes, among others, promoting market-oriented mergers, acquisitions and restructuring, as well as encouraging listed companies to revitalize their assets and achieve transformational development. It was further stated that SPIC intends that, upon completion of the transactions contemplated under the Proposed Asset Restructuring, Yuanda Environment will be built up as SPIC's hydropower assets consolidated platform in Mainland China and, through the Company's holding of the controlling stake of Yuanda Environmental, to further reinforce the Company's status as the integrated clean energy flagship listed platform of SPIC.

As set out in the letter from the Board of the Circular, the reasons for and benefits of the Proposed Asset Restructuring includes the following:

3.1.1 Facilitating the Company in becoming a comprehensive clean energy flagship platform for SPIC

After the Proposed Asset Restructuring, the Company will complete the integration of its hydropower assets into a specialised platform and become the controlling shareholder of Yuanda Environmental. The Company is able to reinforce the complementary positioning of hydropower, thermal power, wind power and photovoltaic power and fully utilise the synergies between environmental protection business and clean thermal power business, laying a strong foundation for the Company's strategic goal of becoming a comprehensive clean energy flagship platform for SPIC.

3.1.2 Diversifying financing channels through acquiring a controlling stake in Yuanda Environmental

After the Proposed Asset Restructuring, the Group will acquire a controlling stake in Yuanda Environmental, a company listed on the SSE, thereby establishing a favourable corporate structure and enhancing the Group's capabilities and channels for future financing transactions. The Group can effectively make use of the linkage hub function of the capital markets of mainland China and Hong Kong China to broaden financing channels and strengthen capital operation capabilities. The Company is also able to enjoy the benefits of the future development in hydropower and regional new energy business, which will promote the high-quality development of the Company's business.

3.1.3 High growth potential of quality hydropower assets

After the Proposed Asset Restructuring, Yuanda Environmental will operate hydropower and integrated new energy business along cascade power stations. SPIC will gradually establish Yuanda Environmental as SPIC's hydropower assets consolidated platform and enhance its core competitiveness. Pursuant to the SPIC Non-Compete

Undertaking, SPIC undertakes to actively promote the injection of other hydropower assets in the SPIC group to Yuanda Environmental within three years of the completion of the Proposed Asset Restructuring, on the basis that this is in accordance with the relevant laws and regulations and external approval procedures, and shall continue to facilitate the Company's status as the controlling shareholder of Yuanda Environmental. If the aforesaid injection of hydropower assets from the SPIC group to Yuanda Environmental is materialised (in which case the Company will comply with the applicable requirements under the Listing Rules at the relevant time), this will further expand the scale of quality hydropower business under the Company, thereby improving the quality and profitability of the Company's assets.

3.2 Industry overview and prospects of the clean energy sector in China

In January 2022, the National Development and Reform Commission ("**NDRC**") and the National Energy Administration ("**NEA**") (國家能源局) issued the Guiding Opinions on Accelerating the Construction of a Nationwide Unified Electricity Market System (《關於加快建設全國統一電力市場體系的指導意見》), which outlined the goal of establishing a unified national electricity market by 2030, ensuring full participation of renewable energy in market transactions. In November 2023, the NDRC and NEA further emphasised the integration of renewable energy into electricity spot markets through the Notice on Further Accelerating the Development of Electricity Spot Markets (《關於進一步加快電力現貨市場建設工作的通知》). These measures encouraged market participants to engage in and promotes the development of the country's renewable energy industry. Based on the guidance of the "carbon peaking and carbon neutrality" goals proposed by the Chinese Government, China's power generation industry has prioritised the transition to clean energy, with renewable energy progressively replacing traditional thermal power. According to the NEA, as at 30 June 2024, China's installed capacity of renewable energy power generation reached 1.653 billion kilowatts, representing an increase of around 25% from that of the previous year and accounting for over half of the country's total installed power generation capacity. The total installed capacity of wind power and solar power surpassed that of coal-fired power for the first time as at 30 June 2024.

According to the statistics published by the NEA, in 2024, China's total installed power generation capacity was approximately 3,348.6 million kilowatts, which represented a year-on-year increase of approximately 14.6% compared to that for 2023, among others, (i) the installed capacity of hydropower reached 436.0 million kilowatts, accounting for approximately 13.0% of the country's total installed power generation capacity; (ii) the installed capacity of wind power amounted to 520.68 million kilowatts, accounting for approximately 15.6% of the country's total installed power generation capacity; and (iii) the installed capacity of solar power was 886.66 million kilowatts, accounting for approximately 26.5% of the country's total installed power generation capacity. In 2024, total hydropower generation, wind power generation, and photovoltaic power generation amounted to approximately 1,423.9 billion kilowatt-hours, 991.6 billion kilowatt-hours, and 834.1 billion kilowatt-hours, representing a year-on-year increase of approximately 10.7%, 11.9%, and 42.8% from that in 2023, respectively. Given the positive outlook for the clean energy sector in China, the Proposed Asset Restructuring, which will facilitate the Company in becoming a comprehensive clean energy flagship platform for SPIC, is expected to enable the Company to capitalise on business opportunities more effectively.

Taking into account the above and the fact that the principal terms of the Proposed Asset Restructuring, including the consideration of the Target Companies, are fair and reasonable as far as the Independent Shareholders are concerned (as set out in our analysis in the section headed "*4. Principal terms of the Proposed Asset Restructuring*" below), we are of the view that, despite the Proposed Asset Restructuring is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Independent Shareholders as a whole.

4. Principal terms of the Proposed Asset Restructuring

4.1 Equity Transfer Agreements

4.1.1 Equity Transfer Agreement I

Date

16 April 2025

Parties

(i) the Company;

(ii) Xiangtou International; and

(iii) Yuanda Environmental.

Subject matter

100% equity interest in Wu Ling Power, of which 63% is held by the Company and 37% is held by Xiangtou International

Consideration

	Total amount of consideration *(RMB)*	Number of Consideration Shares	Amount of cash consideration *(RMB)*
The Company	15,540,425,460.00	2,016,793,893	2,330,425,460.00
Xiangtou International	9,126,916,540.00	1,184,427,480	1,368,916,540.00
Total	24,667,342,000.00	3,201,221,373	3,699,342,000.00

Consideration I shall be RMB24,667,342,000.00, which shall be settled by Yuanda Environmental in the following manner: (a) RMB20,968,000,000.00, representing approximately 85% of Consideration I, shall be satisfied by way of the allotment and issue of 2,016,793,893 and 1,184,427,480 Consideration Shares, credited as fully paid up at the Issue Price per Consideration Share, to the Company and Xiangtou International respectively; and (b) RMB3,699,342,000.00, representing approximately 15% of Consideration I, shall be settled in cash by Yuanda Environmental to the Company and Xiangtou International in the amounts of RMB2,330,425,460.00 and RMB1,368,916,540.00 respectively.

4.1.2 Equity Transfer Agreement II

Date

16 April 2025

Parties

(i) Guangxi Company; and

(ii) Yuanda Environmental.

Subject matter

64.93% equity interest in Changzhou Hydropower

Consideration

	Total amount of consideration *(RMB)*	Number of Consideration Shares	Amount of cash consideration *(RMB)*
Guangxi Company	3,068,189,818.37	398,167,938	460,189,818.37

Consideration II shall be RMB3,068,189,818.37, which shall be settled by Yuanda Environmental in the following manner: (a) RMB2,608,000,000.00, representing approximately 85% of Consideration II, shall be satisfied by way of the allotment and issue of 398,167,938 Consideration Shares credited as fully paid up at the Issue Price per Consideration Share to Guangxi Company; and (b) RMB460,189,818.37, representing approximately 15% of Consideration II, shall be settled in cash by Yuanda Environmental to Guangxi Company.

Other principal terms of the Equity Transfer Agreement I and Equity Transfer Agreement II, which are substantially the same as each other, are summarised below.

Basis of Consideration

Consideration I and Consideration II were determined based on the Valuation as at the Appraisal Benchmark Date as set out in the Asset Appraisal Reports.

The Consideration Shares shall be common shares in Yuanda Environmental denominated in RMB and listed on the SSE, with a par value of RMB1.00 each. Subject to the adjustment mechanism below, the issue price of the Consideration Shares shall be RMB6.55 per share in Yuanda Environmental ("**Issue Price**"). The Issue Price is determined by the parties to the Equity Transfer Agreements, which is the lowest possible price pursuant to the requirements of relevant regulatory authorities (including SASAC and CSRC). According to the requirements of relevant regulatory authorities, such Issue Price shall not be lower than 80% of the average trading price of the shares of Yuanda Environmental for the 20 trading days, 60 trading days and 120 trading days prior to the Pricing Benchmark Date, and not lower than Yuanda Environmental's most recent audited net assets per share attributable to shareholders of the parent company after adjusting for ex-dividend payments as of 31 December 2023.

From the Pricing Benchmark Date to the date of the issue of the Consideration Shares, in the event of any ex-rights and ex-dividend events such as dividend distribution, bonus shares, capitalization or allotment of shares by Yuanda Environmental, the Issue Price will be adjusted accordingly in accordance with the formulae prescribed in the Equity Transfer Agreements complying with the relevant PRC laws and regulations, as set out below:

(1) Distribution of share dividends or transfer to share capital from reserve: $P_1 = P_0/(1 + n)$

(2) Rights of new shares or rights issue: $P_1 = (P_0 + A \times k)/(1 + k)$

Events (1) and (2) above occurring concurrently: $P_1 = (P_0 + A \times k)/(1 + n + k)$

(3) Distribution of cash dividends: $P_1 = P_0 - D$

Events (1), (2) and (3) above occurring concurrently: $P_1 = (P_0 - D + A \times k)/(1 + n + k)$

"P_0" denotes the effective Issue Price before adjustment, "n" denotes the rate of distribution of share dividends or conversion or transfer to share capital from reserve as at the relevant rights issue, "k" denotes the rate of rights issue as at the relevant rights issue, "A" denotes the price of rights issue as at the relevant rights issue, "D" denotes the cash dividend per share as at the relevant rights issue and "P_1" denotes the adjusted effective Issue Price.

In the event that the relevant laws and regulations regarding the determination of the Issue Price are changed, the Issue Price shall be adjusted accordingly in the manner as determined by the board of directors and/or the shareholders' meeting of Yuanda Environmental.

The total number of Consideration Shares to be issued by Yuanda Environmental under each of the Equity Transfer Agreements was determined based on the following formula (to be rounded down to the nearest one share, and any fractional share shall be regarded as a donation from the relevant counterparty(ies) to Yuanda Environmental and shall be directly included in the capital reserve of Yuanda Environmental):

$$\text{Number of Consideration Shares to be issued by Yuanda Environmental} = \frac{\text{Consideration to be paid by Yuanda Environmental by way of issuance of shares}}{\text{Issue Price (adjusted in accordance with the above adjustment mechanism (if applicable))}}$$

The final number of Consideration Shares to be issued shall be approved by the shareholders' meeting of Yuanda Environmental, reviewed and approved by the SSE and approved for registration by the CSRC. The shareholders' meeting of Yuanda Environmental will be held on 20 June 2025.

Settlement of consideration

The cash components of Consideration I and Consideration II shall be paid by Yuanda Environmental to the Company and Xiangtou International, and Guangxi Company, respectively within six months of Completion.

Yuanda Environmental shall register the Consideration Shares in the names of the Company, Xiangtou International and Guangxi Company as soon as possible after Completion.

Lock-up period

(1) The Company and Guangxi Company undertake not to transfer the Consideration Shares in any manner within 36 months from the date of completion of the issuance of Consideration Shares by Yuanda Environmental, including but not limited to any public transfer through the securities market or transfer by way of agreements. If the closing price of the shares of Yuanda Environmental is lower than the Issue Price for 20 consecutive trading days within 6 months after the completion of the issuance of Consideration Shares, or if the closing price at the end of the 6 months after the completion of the issuance of Consideration Shares is lower than the Issue Price, the lock-up period for the Consideration Shares of Yuanda Environmental will be automatically extended by 6 months. The shares of Yuanda Environmental directly and indirectly held by the Company prior to the transactions under the Proposed Asset Restructuring (which the Company has confirmed there was none up to the Latest Practicable Date) shall not be transferred in any manner within 18 months from the completion of the issuance of Consideration Shares.

(2) Xiangtou International undertakes not to transfer the Consideration Shares in any manner within 12 months from the date of completion of the issuance of Consideration Shares by Yuanda Environmental, including but not limited to any public transfer through the securities market or transfer by way of agreements.

(3) If the number of shares in Yuanda Environmental held by the recipients of the Consideration Shares are increased as a result of bonus shares, capitalization issue or allotment of shares by Yuanda Environmental, such increased portion of the shares will also be subject to the aforementioned lock-up period. Transfers of shares permitted under applicable laws, regulations and regulatory guidance material are not subject to the above restrictions.

(4) In the event that the above lock-up undertakings become inconsistent with the latest regulatory requirements of the securities regulatory authorities, the recipients of the Consideration Shares shall make corresponding adjustments to the lock-up undertakings in order to comply with the latest regulatory requirements of the securities regulatory authorities. After the expiration of the lock-up period, transfer of the Consideration Shares shall continue to be subject to the relevant requirements of the CSRC and the SSE.

Aside from the abovementioned lock-up undertakings in Equity Transfer Agreement I, the Company has also provided an undertaking to Yuanda Environmental that, if the issue of Consideration Shares by Yuanda Environmental to the Company does not satisfy the relevant conditions under the PRC regulations regarding foreign investors' strategic investment in listed companies, and are considered by the relevant PRC authorities as implementing a strategic investment in Yuanda Environmental through non-compliant means (such as misrepresentation, before satisfying the aforementioned conditions and within 12 months after satisfying such conditions), the Company shall not transfer, gift or pledge the Consideration Shares or participate in dividend distribution, exercise voting rights or influence the voting of the Consideration Shares.

Profit or loss during the Transitional Period

During the Transitional Period:

(1) the profits attributable to Wu Ling Power Profit Undertaking Assets shall belong to Yuanda Environmental (and therefore Yuanda Environmental shall not be required to pay such profits attributable to Wu Ling Power Profit Undertaking Assets to the Company or Xiangtou International), but any losses attributable to Wu Ling Power Profit Undertaking Assets shall be borne by the Company and Xiangtou International in proportion to their shareholding in Wu Ling Power as at the date when Equity Transfer Agreement I becomes effective and shall be paid by the Company and Xiangtou International, respectively, in cash to Yuanda Environmental (for the avoidance of doubt, the relevant profit or loss (as the case may be) shall be calculated based on the consolidated profit or loss of the Wu Ling Power Profit Undertaking Assets);

(2) the profits or losses (as the case may be) of Target Equity Interest I (excluding the Wu Ling Power Profit Undertaking Assets) shall belong to or be borne by Yuanda Environmental; and

(3) the profits attributable to Target Equity Interest II shall belong to Yuanda Environmental (and therefore no additional payment is required by any party), but any losses attributable to Target Equity Interest II shall be borne by Guangxi Company and shall be paid by Guangxi Company in cash to Yuanda Environmental.

Since the valuation of the Wu Ling Power Profit Undertaking Assets and Changzhou Hydropower was performed adopting the income approach, the valuation has already taken into account the growth in profit of such assets. If there is a loss attributable to such assets during the Transitional Period, the Company, Xiangtou International and Guangxi Company shall be liable to compensate Yuanda Environmental in respect of such loss. If the Compensation Period overlaps with the Transitional Period, any amount paid by the Compensation Obligors in relation to the loss during the Transitional Period shall be deducted from the compensation amount payable by the relevant Compensation Obligor under the Compensation Agreements (please refer to the section "*B. Compensation Agreements — Profit undertaking and compensation*" in the letter from the Board of the Circular.) Therefore, the Directors (save for the members of the Independent Board Committee) considers the arrangement to be fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Within 60 days after Completion, the parties shall jointly appoint an accounting firm to audit the profit or loss of the Target Companies during the Transitional Period and issue a specific audit report.

If the date of Completion is on or before the 15th day of the relevant month, the benchmark date for the audit of the profit or loss during the Transitional Period shall be the last day of the previous month. If the date of Completion is after the 15th day of the relevant month, the benchmark date for the audit of the profit or loss during the Transitional Period shall be the last day of that month. The Company, Xiangtou International and Guangxi Company shall fulfil their respective cash compensation obligations (if any) within 20 working days after the issuance of the specific audit report and the date of receipt of the written notice from Yuanda Environmental requesting compensation.

Conditions precedent

Each of the Equity Transfer Agreements will take effect upon fulfilment of all of the following conditions, unless all parties to the relevant Equity Transfer Agreement waive one or more of the following conditions in writing within the scope permitted by laws and regulations:

(1) authorised bodies, such as the board of directors and/or shareholders' meeting, of the parties to the transactions under the Equity Transfer Agreements and the Target Companies having approved the relevant agreements (including the requirement of shareholders' approval by the Company in accordance with the Listing Rules) and passed the relevant resolutions after the completion of the audit and appraisal work in relation to the Proposed Asset Restructuring;

(2) the Proposed Asset Restructuring having been formally approved by SASAC;

(3) filing of the relevant asset appraisal report in relation to the Proposed Asset Restructuring to the competent state-owned assets supervision and management authorities, or organizations authorized by them;

(4) Yuanda Environmental obtaining the approval in relation to the Proposed Asset Restructuring from the SSE and the registration consent from the CSRC;

(5) the Company obtaining the approval for its shareholders' circular in relation to the Proposed Asset Restructuring from the Hong Kong Stock Exchange; and

(6) other regulatory authorities having approved the Proposed Asset Restructuring (if required).

If the applicable laws and regulations are amended prior to Completion, imposing other mandatory approval requirements or exempting certain administrative licensing requirements, the conditions precedent of the Equity Transfer Agreements shall be adjusted according to the laws and regulations in effect at that time.

As at the date of the Latest Practicable Date, conditions precedent (3) and (5) above have been fulfilled.

Completion

Within 30 working days of obtaining all the approvals and consents in relation to the Proposed Asset Restructuring, the Company, Xiangtou International and Guangxi Company shall cooperate with Yuanda Environmental to complete the procedures of Completion, including but not limited to transferring the shareholding in the relevant Target Company to Yuanda Environmental, updating the register of shareholders and articles of association of the relevant Target Company and signing the relevant resolution documents.

For the avoidance of doubt, the Proposed Asset Restructuring may proceed to Completion in accordance with the Equity Transfer Agreements, even if not all of the transactions contemplated under the Proposed Asset Pre-Restructuring have been completed.

As at the Latest Practicable Date, except for a small number of transactions under the Proposed Asset Pre-Restructuring that have not proceeded to completion ("**Outstanding Pre-Restructuring Transactions**"), the transactions under the Proposed Asset Pre-Restructuring have substantially been completed.

(1) In respect of the majority of the Outstanding Pre-Restructuring Transactions, all material conditions precedent to completion have been satisfied, and outstanding procedures are primarily the change in business registration.

(2) The remaining Outstanding Pre-Restructuring Transactions are transactions involved in the Wu Ling Divestments, where the relevant divestment is required to be conducted via a public tender process. Wu Ling-Equivalent JV has provided an undertaking that it will participate in such public tender process in order to complete the relevant Outstanding Pre-Restructuring Transactions.

(3) In respect of all Outstanding Pre Restructuring Transactions, each of Wu Ling Power, Wu Ling-Equivalent JV, SPIC (Beijing) New Energy and CPNE (being the relevant parties to the Outstanding Pre-Restructuring Transactions), and the Company (being the holding company of the aforementioned companies) has provided an undertaking that they will complete the outstanding procedures for the change in business registration for the Outstanding Pre Restructuring Transactions before 31 December 2025.

After the registration approval is issued by CSRC in relation to the Proposed Asset Restructuring, the parties shall at the same time complete the procedures for conferring the Consideration Shares and the listing registration in respect of the Proposed Asset Restructuring as soon as possible within the validity period of the approval.

Termination

If Yuanda Environmental fails to obtain the registration consent of the CSRC or the approval or consent of other regulatory authorities in relation to the Proposed Asset Restructuring, the Equity Transfer Agreements shall automatically terminate on the date on which the CSRC refuses registration or other regulatory authorities refuse to grant approval.

4.2 Our assessment on the Consideration I and the Consideration II

As stated in the letter from the Board of the Circular, the consideration of the Target Companies were determined based on the Valuation as at the Appraisal Benchmark Date as set out in the Asset Appraisal Reports issued by PCAA (the "**Valuer**"). The following table sets forth a summary of the appraised value and the consideration of the Target Equity Interests. Please refer to Appendix I of the Circular for a summary of the Asset Appraisal Reports.

Unit: RMB in million

No.	Target Equity Interests	Illustrative net asset value as at 31 October 2024	Valuation of 100% of the Target Companies as at the Appraisal Benchmark Date	Valuation of the Target Equity Interests as at the Appraisal Benchmark Date	Consideration
1	64.93% equity interests in Changzhou Hydropower	1,468.62	4,725.38	3,068.19	3,068.19
2	100% equity interests in Wu Ling Power	16,698.92	24,667.34	24,667.34	24,667.34
	Total	**–**	**29,392.72**	**27,735.53**	**27,735.53**

4.2.1 Scope of work and qualifications of the Valuer

We have performed the work as required under Rule 13.80(2)(b) Note 1(d) of the Listing Rules in relation to the Valuer. In particular, we have reviewed the Asset Appraisal Reports and relevant documents obtained from the Valuer and interviewed the Valuer with particular attention to (i) the terms of engagement of the Valuer with the Company in relation to the Valuation; (ii) the certificates of qualifications and experience of the Valuer; and (iii) the valuation methodologies and assumptions used by the Valuer in formulating the Asset Appraisal Reports.

We have obtained and reviewed the credentials of the Valuer and understand that the Valuer is a qualified PRC appraiser certified with relevant professional qualifications required to perform the Valuation, including qualification to provide appraisal services for listed companies (the Valuer has completed relevant filings with the Ministry of Finance of the People's Republic of China and CSRC), and the person in-charge of the valuation has over 16 years' experience in the provision of valuation services to a wide range of clients in various industries, including the valuation of state-owned enterprises for similar restructuring projects, as well as companies listed on the Stock Exchange and A-share companies. The Valuer also confirmed to us that it was not involved in any incidents of non-compliance or investigation by regulators in the past two years. We have also conducted desktop search on the Valuer and noted no irregularities.

Based on our review of the Valuer's terms of engagement with the Company in relation to the Valuation and discussion with the Valuer on the work it has performed in formulating the Asset Appraisal Reports, we noted that the scope of work is appropriate for arriving at the Valuation and we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Asset Appraisal Reports. Nothing has come to our attention that the parties to the Proposed Asset Restructuring had made formal or informal representation to the Valuer that contravenes with our understanding of the information, to a material extent, as set out in the Circular. Furthermore, the Valuer has confirmed its independence from the parties of the Proposed Asset Restructuring and their respective core connected persons.

Furthermore, we noted from the Valuer that it has carried out on-site inspections and made relevant enquiries and searches for the preparation of the Asset Appraisal Reports. The Valuer has also relied and made enquires on (i) information provided by the Company, such as the financial information of the Target Companies, and has assumed the accuracy and completeness of such information; (ii) publicly available information from official sources for market data; and (iii) internal database in formulating the Asset Appraisal Reports. Based on our review of the Asset Appraisal Reports, nothing has come to our attention on the accuracy and completeness of the information relied on by the Valuer.

In light of the above, we are not aware of any matters that would cause us to question the Valuer's competence and independence, and we consider that the Valuer has sufficient expertise to perform the Valuation.

4.2.2 Valuation methodologies

We have reviewed the Asset Appraisal Reports and discussed with the Valuer methodologies of, and bases and assumptions adopted for the valuations, and adjustments made to arrive at the Valuations. As advised by the Valuer, according to the relevant Valuation standards, the fundamental valuation approaches of valuation of enterprise include income approach, market approach and asset-based approach. The Valuer shall analyse the applicability of these three appraisal methods and properly select one or more appraisal method(s). Based on our discussion with the Valuer, we understood that:

(i) the income approach represents the quantified present value of the expected profitability of total assets, with an emphasis on overall expected profitability of the enterprise;

(ii) the market approach assesses the current fair market value of the valuation subject with reference to comparables on the real market, with the characteristics of directly sourcing valuation data from market and convincing valuation conclusion; and

(iii) the asset-based approach refers to the valuation approach that determines the value of the valuation subject by reasonably assessing the value of various assets and liabilities included in the scope of valuation based on the balance sheet of the appraised entity as at the evaluation base date.

The following table sets forth the valuation methodologies applicable to each of the Target Companies and the valuation approach selected by the Valuer in determining the final valuation:

	Applicable valuation approach			
	Asset-based approach	Income approach	Market approach	Selected approach
Changzhou Hydropower	√	√		Income approach
Wu Ling Power	√	√		Asset-based approach

(i) Valuation of Changzhou Hydropower using the income approach

As noted from the Valuer, the income approach was adopted for Changzhou Hydropower as it has an established operating track record. Given the relatively stable power generation hours and electricity price, the future operating income could be reasonably estimated. The income approach appraisal adopts the discounted cash flow method, and the cash flow selected is the free cash flow of the enterprise, so as to indirectly obtain the value of the entire shareholders' equity through the appraisal of the enterprise value as a whole.

The entire shareholders' equity under this appraisal is calculated by the total discounted value of the company's operating assets plus total surplus assets and non-operating assets less interest-bearing liabilities. The value of the total operating assets of the company is calculated based on the total net free cash flows of the company for a number of years in the future, discounted at an appropriate rate.

(a) Discount rate

We noted that the Valuer has used the weighted average cost of capital ("**WACC**") to estimate the required rate of return of Changzhou Hydropower, which we understand from the Valuer, is widely adopted for the purpose of estimating the required rate of return of a company. As advised by the Valuer, hydropower business and photovoltaic business, which are the two principal business sectors of Changzhou Hydropower, are subject to distinct risk profiles. Therefore, different discount rates shall be applied when appraising their value under the income approach. In assessing the value of Changzhou Hydropower, the Valuer has determined the WACC of hydropower business to be 6.28%, and the WACC of photovoltaic power generation business to be 6.96%.

We noted that the WACC of Changzhou Hydropower was determined based on the (i) cost of debt, (ii) cost of equity, and (iii) debt-to-equity ratio of the hydropower business and the photovoltaic power generation business Changzhou Hydropower respectively. As noted from the Valuer, cost of debt was based on interest rate on debt after income tax; and the cost of capital was determined using the Capital Asset Pricing Model ("**CAPM**"), being the widely accepted model for the purpose of estimating the required rate of return on equity, after taking into account the risk-free rate, market risk premium, expected equity risk coefficient and specific risk premium. The difference between the WACC for the two business sectors was mainly due to the different debt-to-equity ratio and different expected equity risk coefficient of the hydropower business and the photovoltaic power generation business.

As set out in the Asset Appraisal Reports, cost of debt of both business sectors of Changzhou Hydropower was determined with reference to the 5-year Loan Prime Rate (LPR) of 3.60% announced by the People's Bank of China on 21 October 2024, being the longest term for LPR. We noted from the Valuer that the selection of the 5-year LPR was mainly due to the fact that (i) LPR reflects market's general interest rate level and is a common market practice to adopt such rates in similar valuation exercises, and (ii) the loan term of 5 years is most relevant to the Target Companies taking into account its relatively large investment scales and hence generally longer term loans. We understand from the management of the Company that, in view of the business nature of the power-generation industry, the financings used generally have longer term. As disclosed in the interim report for the six months ended 30 June 2024 of the Company, as at 30 June 2024, financings from third parties of the Group mainly includes (i) long-term bank borrowings of approximately RMB117.3 billion; (ii) short-term bank borrowings of approximately RMB13.1 billion; and (iii) other borrowings of approximately RMB21.8 billion mainly comprised of medium-term notes issued by the Company. The effective interest rates per annum of the Group's long-term bank borrowings was 3.65%, which is close to the 5-year LPR, while the medium-term notes were for a term of three to ten years. Having considered the above and given the Target Companies are principally operating in the PRC, we believe that it is fair and reasonable to adopt the 5-year LPR as the cost of debt. We performed checking on the data published on the website of the People's Bank of China and noted that the LPR adopted by the Valuer was consistent with the latest published 5-year LPR prior to the Appraisal Benchmark Date.

In arriving the cost of capital using CAPM, we noted that the Valuer has adopted, for both business sectors of Changzhou Hydropower, the yield to maturity of 2.15% for all treasury bonds with a remaining maturity of 10 years as at the Appraisal Benchmark Date as the risk-free rate. We understand from the Valuer that the 10 years yield to maturity of treasury bonds was adopted as it is a common market practice to adopt the yield of treasury bonds as risk-free rate and the term of 10 years could mitigate and normalise market fluctuations in short term. We have discussed with the management of the Company and noted that the development cycle of hydropower generation projects could generally take up to 15 to 30 years. Having considered the above and given the Target Companies are principally operating in the PRC, we believe that it is fair and reasonable to adopt the yield-to-maturity of ten-year PRC government bonds as the risk-free rate. We have also cross-checked such a rate from the website of "ChinaBond.com.cn" operated by the Central Depository and Clearing Corporation and noted that it is consistent with the rate adopted by the Valuer.

On the other hand, the Valuer has derived the market risk premium at 7.39%, for both business sectors of Changzhou Hydropower, with reference to the long-term average yield of the Chinese equity market, which is justifiable as Changzhou Hydropower is principally operating in the PRC. In respect of equity risk coefficient for the hydropower business and new energy business, we noted that the Valuer has made reference to the average beta coefficients of six and nine comparable listed companies in the A-share market, respectively (the "**Comparable Companies**"). We have reviewed and discussed with the Valuer on the selection criteria of above mentioned comparable companies to determine the market beta and were given to understand that the selected comparable companies are mainly engaged in the same core business as the respective business sectors of Changzhou Hydropower. We noted that the selection criteria for the aforementioned comparable companies includes (i) listed in China for over three years as at the Appraisal Benchmark Date; (ii) with over 60% of turnover derived from the respective core business (i.e. hydropower generation or new energy business, as the case may be) in their respective latest financial year; and (iii) no major asset reorganization or other events affecting share price volatility of the comparable company in the past two years. Given that the Target Companies are principally engaged in hydropower business and new energy business in the PRC, the above selection criteria facilitate the identification of comparable companies that operate in similar sectors and location, with the majority of their revenue derived from such businesses, excluding recently listed companies or those that have undergone significant reorganization, which could distort the market prices and capital structure, we are of the view that the selection criteria is fair and reasonable. Based on the same selection criteria, we have performed our independent research on the iFinD Financial Data Terminal and identified the same set of comparable companies used by the Valuer. Given the selection criteria are tailored to identify companies principally engaged in similar business, and the result from our independent research is consistent with those of the Valuer, we are of the view that the selected comparable companies in determining the market data are appropriate. The Valuer has also taken into consideration the specific situation of Changzhou Hydropower in determining the specific risk adjustment of 1% based on the differences in terms of enterprise operational environment, enterprise scale, business model, risk resistance capability etc. between the enterprise to be appraised and Comparable Companies.

(b) Cash flow forecast

We have reviewed the analysis and factors considered by the Valuer in formulating the cash flow forecast, which mainly includes (i) forecast of power generation income, (ii) forecast of operating costs, including water resource fees and reservoir funds, depreciation and amortisation, operation commissioning fees, safety production expenses and employee remuneration, etc.; and (iii) forecast of capital expenditure and working capital requirements. The Valuer has also assumed that Changzhou Hydropower will continue to maintain the existing business and management model in future operating period, and there will be no material changes in tariff and tax policies applicable to Changzhou Hydropower.

We understand that (i) the projected annual revenue is mainly derived from the estimated annual power sales from hydropower business and new energy business; (ii) the projected operating cost is primarily based on historical costs and applicable government and accounting policies; and (iii) the projected capital expenditure are mainly based on the estimated inputs for technological improvements and renewal of existing assets, and the increase in working capital required for continued operations.

For our due diligence purposes to analyze the fairness and the reasonableness of the assumptions and the key inputs adopted by the Valuer, we also conducted the following work:

(i) Regarding the projected annual revenue, we obtained and reviewed historical data of the hydropower business and photovoltaic business of Changzhou Hydropower and noted that the estimated capacities of the hydropower facilities and the photovoltaic plant for the forecasted period are in line with their respective existing capacities without considering growth rate. Additionally, the expected utilisation hours of hydropower and photovoltaic power-generating units, the expected grid-connected power volume and the expected unit price (including government subsidies, if applicable) for the generation of hydropower and photovoltaic power are determined based on the historical average data.

(ii) Regarding the projected operating costs, as advised by the Valuer, several fees, including water resource fees and reservoir funds, were calculated proportionately based on the expected grid-connected power volume. We have obtained and reviewed the calculation parameters in relation to the water resource fees and reservoir funds published by the Chinese government in 2021, which is in line with the estimations used in the cash flow forecast. For the operation commissioning fees, safety production expenses and employee remuneration, we noted that the estimations are based on the historical average data and the latest budget for 2025. For the depreciation and amortization, we cross-checked the forecasted depreciation against the historical data and noted that the forecasted depreciation is generally in line with the historical data after considering the reasonable remaining life.

(iii) Regarding the project capital expenditure, we cross-checked the latest technological improvements and renewal plan for 2025 provided by the Company (the "**Plan**") and noted that the estimated inputs are generally in line with the Plan, taking into account the potential growth projected by the relevant departments of the Company. As noted from the underlying workings, such growth rate was assumed to be 15%. From our review of the financial information of Changzhou Hydropower provided by the Company, the revenue of Changzhou Hydropower without considering the Proposed Asset Pre-Restructuring for the year ended 31 December 2024 represented a growth rate of approximately 17% as compared to that for the year ended 31 December 2023. As such, we consider such growth rate justified.

(iv) We have reviewed the Asset Appraisal Report and discussed with the Valuer in respect of the key assumptions adopted for performing the Valuation. We understand from the Valuer that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Valuation. We also consider the assumptions adopted in the Asset Appraisal Reports are general in nature and are not aware of any material facts which lead us to doubt the assumptions adopted by the Valuer.

With reference to the letters from the financial adviser of the Company on the profit forecast and Ernst & Young on the calculations of discounted future estimated cash flows in Appendix III and Appendix IV of the Circular respectively, we understand that Ernst & Young is of the view that, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, and the financial adviser of the Company is of the opinion that the valuation of the income approach prepared by the Valuer has been made after due and careful enquiry.

(c) Comparable Companies

In order to further assess the fairness and reasonableness of the valuation of Changzhou Hydropower, we have conducted independent research, for reference only, to cross-check the implied price-to-earning ("**P/E**") ratio and the implied price-to-book ("**P/B**") ratio of Changzhou Hydropower to the P/E ratios and P/B ratios of the comparable companies of Changzhou Hydropower. We have conducted research on iFinD Financial Data Terminal to identified companies which (i) are listed in China for over three years as at the Appraisal Benchmark Date; and (ii) recorded over 60% of turnover derived from the respective core business (i.e. hydropower generation or new energy business, as the case may be) in their respective latest financial year, and the comparable companies identified are the same as the Comparable Companies. The following table sets forth a summary of the Comparable Companies:

Stock Code	Company name	Principal business	Market capitalisation *(RMB million)* *(Note 1)*	P/E ratio *(times)* *(Note 2)*	P/B ratio *(times)* *(Note 3)*
600900.SH	China Yangtze Power Co., Ltd.	Operation, management, consultation, investment, and financing of hydropower stations.	736,004.0	22.65	3.50
600025.SH	Huaneng Lancang River Hydropower Inc.	Development, investment, construction, operation and management of hydropower projects.	174,600.0	21.04	2.37
600674.SH	Sichuan Chuantou Energy Co., Ltd.	Hydropower generation operation	82,917.1	18.39	1.97
600236.SH	Guangxi Guiguan Electric Power Co., Ltd.	Investment building and operation of electric energy projects with electricity production and sales.	50,131.9	21.95	2.65
601016.SH	Cecep Wind-Power Corporation	Develops, invests in, manages, constructs, operates, and maintains wind power generation projects primarily in China.	19,096.5	14.36	1.09
600032.SH	Zhejiang Provincial New Energy Investment Group Co., Ltd.	Investment, development, construction, operation, and management of renewable energy projects in China.	18,636.2	32.90	1.50
603693.SH	Jiangsu New Energy Development Co., Ltd.	Invests in, develops, constructs, and manages wind, solar, and biomass power plants.	11,295.0	27.09	1.69
600821.SH	Nyocor Company Limited	Development, investment, construction, and operation of new energy power projects.	11,224.6	13.98	1.21
600163.SH	Zhongmin Energy Co., Ltd.	Development and construction of power generation projects in China.	10,504.5	16.13	1.55
601778.SH	Jinko Power Technology Co., Ltd.	Operates as a clean energy supplier and service provider.	9,677.3	29.83	0.61
601619.SH	Jiaze Renewables Corporation Limited	Development, construction, sale, operation, and maintenance of new energy projects.	9,226.2	14.64	1.34
002039.SZ	Guizhou Qianyuan Power Co., Ltd.	Development, construction, operation and management of hydroelectric power stations.	6,952.1	31.86	1.78

Stock Code	Company name	Principal business	Market capitalisation *(RMB million)* *(Note 1)*	P/E ratio *(times)* *(Note 2)*	P/B ratio *(times)* *(Note 3)*
000722.SZ	Hunan Development Group Co., Ltd.	Clean energy, natural resources, and medical and health-related businesses.	5,560.6	82.01	1.79
000862.SZ	Ning Xia Yin Xing Energy Co., Ltd.	Energy power generation and equipment manufacturing businesses in China.	5,214.0	59.99	1.23
603105.SH	Zhejiang Sunoren Solar Technology Co.,Ltd.	Investment, development, construction, operation, and distribution of photovoltaic power stations in China.	4,235.1	21.88	1.93
			Minimum	**13.98**	**0.61**
			Maximum	**82.01**	**3.50**
			Average	**28.58**	**1.75**
			Median	**21.95**	**1.69**
Changzhou Hydropower *(Note 4)*		Development, investment, production and supply of hydropower, wind power and photovoltaic power in Guangxi Zhuang Autonomous Region, the PRC.	**4,725.4**	**15.73**	**3.22**

Source: iFind Financial Data Terminal

Notes:

1. Market capitalisation of the Comparable Companies were based on their respective market capitalisation as at the Latest Practicable Date as extracted from iFind Financial Data Terminal.

2. P/E ratios of the Comparable Companies were calculated based on their respective market capitalisation as at the Latest Practicable Date divided by their respective net profit attributable to equity shareholders for the year based on their latest published annual results.

3. P/B ratios of the Comparable Companies were calculated based on their respective market capitalisation as at the Latest Practicable Date divided by their respective net assets attributable to equity shareholders based on their latest published financial results.

4. Implied P/E and P/B ratios of Changzhou Hydropower were derived based on the appraised value of Changzhou Hydropower as at 31 October 2024 of RMB4,725,380,870 and (i) the illustrative profit after tax of Changzhou Hydropower for the year ended 31 December 2023 of RMB300,436,600, and (ii) the illustrative net asset value of Changzhou Hydropower as at 31 October 2024 of RMB1,468,615,500, respectively.

As set out above, the implied P/E ratio of Changzhou Hydropower of approximately 15.73 is within the range of the P/E ratios of the Comparable Companies of approximately 13.98 times to 82.01 times (with an average and median of approximately 28.58 times and 21.95 times respectively), and the implied P/B ratio of Changzhou Hydropower of approximately 3.22 times is within the range of the P/B ratios of the Comparable Companies of approximately 0.61 times to 3.50 times (with an average and median of approximately 1.75 times and 1.69 times respectively).

(ii) Valuation of Wu Ling Power using the asset-based approach

As noted from the Valuer, the asset-based approach was adopted for Wu Ling Power instead of the income approach as (i) the income approach is strongly influenced by a company's future profitability, its quality of assets, its operating capability and its business risks, and its overall business model may change in accordance with market conditions; and (ii) the asset-based approach is based on the appraised value of the appraised entity's assets and liabilities on-balance sheet and the identifiable assets and liabilities off-balance sheet. As Wu Ling Power holds a significant amount of long-term equity investments in various entities, the future profitability of which are subject to various uncertainties and market conditions, the Valuer is of the view that the asset-based approach generates a more reliable appraisal result and better reflects the value of Wu Ling Power.

By using the asset-based approach, the Valuer assessed the appraised value of each asset and liability of Wu Ling Power to derive its appraised net asset value. As at the Appraisal Benchmark Date, the book value of the net assets of Wu Ling Power was approximately RMB11,574.45 million, and the appraised value of the entire equity interest of Wu Ling Power was approximately RMB24,667.34 million, representing an appreciation amount of approximately RMB13,092.89 million. We have also enquired the Valuer of the details of the asset-based approach valuation, including the basis of appraising different categories of assets and liabilities and the reasons for the difference between the book value and appraised value. During our discussion with the Valuer, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the asset-based approach valuation. The appraisals of the assets and liabilities of Wu Ling Power are summarised below:

(a) Current assets

As noted from the respective Asset Appraisal Reports, the book value and appraised value of Wu Ling Power's current assets were approximately RMB13,196.66 million and RMB13,195.64 million respectively as at the Appraisal Benchmark Date. The decrease in appraised value of current assets as compared to the book value was primarily due to the decrease in appraised value of other receivables and inventories. The appraised value of the current assets accounted for approximately 29.0% of the appraised value of the total assets of Wu Ling Power.

Other receivables

In respect of other receivables, the decrease in appraised value was mainly due to the impairment of other receivables from enterprises with negative net assets corresponding to long-term investment units, of which the Valuer reassessed their appraisal value after taking into account the reimbursement ratio of the investment entity.

Inventories

In respect of inventories, the Valuer reassessed their appraisal value after taking into account the fluctuation of the market price of the materials purchased.

(b) Non-current assets

As noted from the respective Asset Appraisal Reports, the book value and appraised value of Wu Ling Power's non-current assets were approximately RMB19,207.19 million and RMB32,296.58 million respectively as at the Appraisal Benchmark Date, representing an appreciation of approximately 68.15%. The increase in appraised value of non-current assets as compared to the book value was primarily due to the increase in appraised value of long-term equity investments, fixed assets and intangible assets, while being partially offset by the decrease in appraised value of construction-in-progress.

Long-term equity investments which are companies carrying out new energy business

As noted from the Asset Appraisal Reports and confirmed by the Valuer, the book value and appraised value of Wu Ling Power's long-term equity investments were approximately RMB11,554.19 million and RMB19,821.29 million respectively as at the Appraisal Benchmark Date, representing an appreciation of approximately 71.55%. The appraised value of long-term equity investments accounted for approximately 43.6% of the appraised value of the total assets of Wu Ling Power. The appraised value for those Wu Ling Power's long-term equity investments which are companies carrying out new energy business were appraised based on (i) the asset-based approach for projects under construction or yet to commence construction as they might have no historical operating data for reference; or (ii) the income approach for projects that have been in production and operation as they have historical operating data and the future operating income could be reasonably estimated.

As advised by the Valuer, the main assets of the companies that were appraised using the asset-based approach are cash and cash equivalents, current accounts and pre-development expenses of projects, etc., the value of which can be reasonably reflected by the asset-based approach.

As advised by the Valuer, although asset-based approach was also adopted in appraising the value of the projects that have been in production and operation, the Valuer has concluded the appraisal value based on income approach for these companies generates a more reliable appraisal result as the Valuer is of the view that it is difficult for the replacement value under the asset-based approach to accurately reflect the future consolidated profitability of the appraised entity out of the assets and liabilities as a whole enterprise. Based on our review of the Asset Appraisal Reports and discussion with the Valuer, we noted that the key assumptions and basis adopted by the Valuer in valuing these projects under the income approach were generally in line with those adopted in the appraisal of Changzhou Hydropower.

We have reviewed the analysis and factors considered by the Valuer in formulating the cash flow forecast of these entities, which mainly includes (i) forecast of power generation income, which was based on historical power generation hours and electricity price determined by the government without considering growth rate. As noted from the Valuer, power generation hours and electricity prices are expected to remain steady for established power-generation companies in the PRC, (ii) forecast of operating costs, including energy storage leasing, maintenance costs, land lease fees, depreciation and amortisation, operation commissioning fees, safety production expenses and employee remuneration, etc., such expenses were forecasted based on historical amounts and relevant accounting policies; and (iii) forecast of capital expenditure and working capital requirements, which mainly includes technological improvements and renewal inputs.

For our due diligence purposes to analyze the fairness and the reasonableness of the assumptions and the key inputs adopted by the Valuer, we also conducted the following work:

(i) Regarding the projected annual revenue, we obtained and reviewed historical data in respect of the entities carrying out new energy business and noted that the estimated capacities of the power generation facilities (including wind farms and the photovoltaic plants) for the forecasted period are in line with their respective existing capacities without considering growth rate. Additionally, the expected utilisation hours of their power-generating units, the expected grid-connected power volume and the expected unit price (including government subsidies, if applicable) are determined based on the historical average data.

(ii) Regarding the projected operating costs, as advised by the Valuer, several fees, including water resource fees and reservoir funds, were calculated proportionately based on the expected grid-connected power volume. We have obtained and reviewed the calculation parameters in relation to the water resource fees and reservoir funds published by the Chinese government in 2021, which is in line with the estimations used in the cash flow forecast. For the operation commissioning fees, safety production expenses and employee remuneration, we noted that the estimations are based on the historical average data. For the depreciation and amortization, we cross-checked the forecasted depreciation against the historical data and noted that the forecasted depreciation is generally in line with the historical data after considering the reasonable remaining life.

(iii) Regarding the project capital expenditure, we cross-checked the latest Plan and noted that the estimated inputs are generally in line with the Plan, taking into account the potential growth projected by the relevant departments of the Company. As noted from the underlying workings, such potential growth mainly refers to the updates or improvements on major equipment and was relatively immaterial.

(iv) We have reviewed the Asset Appraisal Reports and discussed with the Valuer in respect of the key assumptions adopted for performing the Valuation. We understand from the Valuer that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Valuation. We also consider the assumptions adopted in the Asset Appraisal Reports are general in nature and are not aware of any material facts which lead us to doubt the assumptions adopted by the Valuer.

With reference to the letters from the financial adviser of the Company on the profit forecast and Ernst & Young on the calculations of discounted future estimated cash flows in Appendix III and Appendix IV of the Circular respectively, we understand that Ernst & Young is of the view that, so far as the calculations are concerned, the discounted future estimated cash flows have been properly compiled in all material respects, and the financial adviser of the Company are of the opinion that the valuation of the income approach prepared by the Valuer has been made after due and careful enquiry.

For the discount rate, as noted from the Asset Appraisal Reports and confirmed by the Valuer, the WACC adopted in valuing certain projects of new energy business in Wu Ling Power's the long-term equity investments under the income approach ranged from 6.33% to 7.52%. As advised by the Valuer, such discount rates were determined based on inputs and assumptions that are generally in line with those adopted for the valuation of Changzhou Hydropower, taking into account the difference in applicable tax rate and the specific risk adjustment. For detailed analysis of such inputs and assumptions, please refer to our discussion in the section headed "*4.2.2 Valuation methodologies — (i) Valuation of Changzhou Hydropower using income approach — (a) Discount rate*" above.

Having considered the above, we consider the appraisal methodologies, including the key assumptions and input, adopted by the Valuer in the appraisal of long-term equity investments of Wu Ling Power to be fair and reasonable.

Fixed assets

Fixed assets of Wu Ling Power mainly comprised of (i) buildings and (ii) equipment. As noted from the respective Asset Appraisal Reports, the book value and appraised value of Wu Ling Power's fixed assets were approximately RMB6,929.76 million and RMB10,593.42 million respectively as at the Appraisal Benchmark Date, representing an appreciation of approximately 52.87%. The appraised value of fixed assets accounted for approximately 23.3% of the appraised value of the total assets of Wu Ling Power.

In assessing the appraisal value for buildings, the Valuer has widely adopted the replacement cost method for self-constructed assets such as factory buildings/structure, in which market transactions are not available. We understand from the Valuer that the replacement cost approach was widely adopted for the valuation of buildings and other real estates, in which comparable market transactions are not available, as it reflects the current costs of reconstructing the properties as at the Asset Benchmark Date. We have reviewed and discussed with the Valuer the underlying calculation and noted that the respective appraised value under the replacement cost method was mainly derived from (i) the full replacement costs, which was determined taking into the expected construction period, estimated requirement of materials and labour, and the cost of materials and labour in recent years, with reference to the Construction Project Valuation Handbook (湖南省建設工程計價辦法) published by relevant departments of the Hunan Provincial Government in 2020 and Cost Structure of Hydropower Project and General Cost Calculation Standard (水電工程費用構成及概(估)算費用標準) published by the NEA in 2023 (together the "**Industry Guideline Documents**"), as well as the Valuer's internal database; and (ii) the depreciation rate, which was determined based on the economic durability, economic useful life and remaining service life of the relevant buildings with reference to the Appraisal Standards published by the China Appraisal Society (the "**Appraisal Standards**"). We understand from the Valuer that such basis were generally adopted for the appraisal of similar buildings. Estimated construction costs mainly comprised of direct and indirect costs. Direct costs mainly comprised of materials, labour and machinery and were derived based on the construction requirements for the respective buildings, which were in line with the information provided by the Company. We have reviewed the Industry Guideline Documents which set forth, among others, various rates of indirect costs such as management and finance costs for various type of construction projects, and noted that the Valuer has derived the relevant indirect costs for the construction projects based on such rates. We have also reviewed the Appraisal Standards and noted that the economic life for commercial building shall be assumed to be 50 years, which is in line with those used to determine the remaining service life of relevant buildings based on the sample workings provided by the Valuer. Having considered the above, in particular that (i) the adoption of the relevant methodologies are consistent with normal market practice for similar assets in which comparable market transactions are not available; and (ii) the assets were appraised based on individual conditions such as geographical region, replacement cost, residue rate and obsolescence, we consider the appraisal methodologies, including the key assumptions and input, adopted by the Valuer in the appraisal of buildings of Wu Ling Power to be fair and reasonable.

For equipment, the Valuer has also adopted replacement cost method in assessing the respective appraisal value. We understand from the Valuer that the equipment of Wu Ling Power mainly includes production equipment for electricity generation and there are no similar second-hand equipment for sale or lease in the market, hence the replacement cost approach was widely adopted as it reflects the current costs of renewing brand-new machinery and equipment after deducting the physical depreciation, functional depreciation and economic depreciation as at the Asset Benchmark Date. We have reviewed and discussed with the Valuer the underlying calculation and noted that, the respective appraised value was mainly derived by (i) the full replacement costs, which was determined taking into consideration the purchase price of the relevant equipment in the second-hand market, transportation and miscellaneous fees (which were based on market research conducted and enquiries made by the Valuer on identical or similar equipment, as well as the Valuer's internal database), installation and commission, and other expenses; and (ii) the depreciation rate, which was determined based on the economic useful life and remaining service life of the relevant equipment-type assets with reference to the Appraisal Standards. Estimated equipment costs mainly comprised of the purchase price of the equipment, transportation costs and installation costs. As the initial cost of the equipment varies based on specific parameters, we conducted desktop research on the market price of sample equipment and noted the purchase price the valuer used is generally in line with the market price. We have reviewed the Industry Guideline Documents, which set forth, among others, various rates of costs such as transportation costs and installation costs for various types of equipment, and noted that the Valuer has derived the relevant transportation and installation costs for the equipment based on such rates. We have also reviewed the Appraisal Standards and noted that the economic life for production equipment for electricity generation (e.g. water turbine) shall be assumed to be 32 years, which is in line with those used to determine the remaining service life of relevant buildings based on the sample workings provided by the Valuer. Having considered the above, in particular that (i) the market approach is not applicable given the lack of similar market transactions; (ii) the adoption of the replacement cost method is consistent with normal market practice; and (iii) the equipment were appraised based on individual conditions such as replacement cost, residue rate and obsolescence, we consider the appraisal methodologies, including the key assumptions and input, adopted by the Valuer in the appraisal of equipment of Wu Ling Power to be fair and reasonable.

Intangible assets

Intangible assets of Wu Ling Power mainly comprised of land use rights, patents and software in use. As noted from the respective Asset Appraisal Reports, the book value and appraised value of Wu Ling Power's intangible assets were approximately RMB164.21 million and RMB1,564.38 million respectively as at the Appraisal Benchmark Date, representing an appreciation of approximately 852.66%. Such significant appreciation was mainly attributable to the appreciation of land use rights in respect of state-owned land, which was in turn due to the continuous development of society and the economy of the region in recent years, the optimisation of the investment environment such region and the continuous improvement in infrastructure in the region. The appraised value of intangible assets accounted for only approximately 3.4% of the appraised value of the total assets of Wu Ling Power.

For land use rights, we were advised by the Valuer that usual appraisal approaches include the market comparison approach, income capitalisation approach, cost approximation approach, residual approach and land value coefficient revision approach. Following field survey and analysis by the Valuer, the appraisal was conducted using the (i) market comparison approach, (ii) the cost approximation approach, (iii) the land value coefficient revision approach, and (iv) residual approach, and final appraisal results are obtained by weighted average of the results of the various appraisal approaches. As advised by the Valuer, the income capitalisation approach was not applicable for the land use rights of Wu Ling Power due to the lack of reliable income date and it involves various assumptions which is subject to uncertainties. The market comparison approach estimates the objective and reasonable price of a land parcel with reference to similar land use rights. The cost approximation approach determines the land price based on the sum of all objective costs incurred in developing the land, plus the objective amount of profit, interest, tax payable and land appreciation gain. The land value coefficient revision method values land by making use of appraisal results of the town benchmark land price and coefficient, taking into account specific condition of the land parcel. As advised by the Valuer, the above approaches are the most commonly adopted methodologies in valuing land use rights. The valuation methods used in this appraisal are selected in accordance with the provisions of the Urban Land Valuation Regulations《城鎮土地估價規程》, in the light of the development of the local property market, and in the light of the specific characteristics of the subject of valuation and the specific valuation purpose. Having considered the above, in particular that (i) all commonly adopted appraisal approaches in valuing land use rights were considered by the Valuer; (ii) the adoption of the abovementioned methodologies are consistent with normal market practice and in accordance with relevant regulations; and (iii) the final appraisal results are obtained by weighted average of the results of the various appraisal approaches, we consider the appraisal methodologies, including the key assumptions and input, adopted by the Valuer in the appraisal of land use rights of Wu Ling Power to be fair and reasonable.

Appraisal of patents of Wu Ling Power was conducted using the cost approach, which is a method of recognising the value of patents and software copyrights on the basis of the costs and expenses incurred in the formation of the patents and software copyrights. As advised by the Valuer, in view of the income contribution from patents is difficult to be quantified and the uniqueness of patents, income approach and market approach were not applicable.

For software in use, the appraised value was confirmed in accordance with the current market price less subsequent upgrade costs, and software for which market price could not be obtained was appraised at their amortised value; for software that had been phased out and had no value in use, the appraised value was determined at zero; and for software for which the formation of patents and software copyrights had already been appraised in the context of patents and software copyrights, the appraised value for the current appraisal was determined at zero.

Construction under progress

As noted from the respective Asset Appraisal Reports, the book value and appraised value of Wu Ling Power's construction under progress were approximately RMB290.15 million and RMB76.61 million respectively as at the Appraisal Benchmark Date, representing a depreciation of approximately 73.60%. The significant impairment was mainly due to the fact that most technological improvements works have been put into use in respect of the relevant fixed assets and were considered in the appraised value of such fixed assets. As the relevant assets have been transferred from the construction under progress to fixed assets, to avoid double counting, the Valuer would book the appraised value of such construction under progress as zero. The appraised value of construction under progress accounted for only approximately 0.2% of the appraised value of the total assets of Wu Ling Power.

For construction under progress, the Valuer determined the respective appraised value based on the commencement date of the construction. If the commencement date of the construction is within half a year before the Appraisal Benchmark Date, the Valuer determined the respective appraised value from the book value; and if the commencement date of the construction is more than half a year from the Appraisal Benchmark Date and the capital cost was not included in the book value, the respective appraised value would be determined taking into account the book value and relevant capital costs. Meanwhile, to avoid double-counting of asset values, the Valuer would book the appraised value as zero if the relevant assets have been transferred from the construction under progress to the fixed assets. We have reviewed and discussed with the Valuer the underlying calculation and noted that the Valuer obtained the book values and construction schedule for each projects and determined its book value based on information provided by the Company. For relevant capital costs, we noted that it was calculated based on (i) the actual construction period; (ii) the interest-bearing period, which was assumed to be half of the construction period; and (iii) the loan interest rate based on the 1-year LPR of 3.1% or 5-year LPR of 3.6% (as the case may be) announced by the People's Bank of China on 21 October 2024 (where the reasonable construction period of the relevant project is less than five years, the loan interest rate is derived from interpolation of the corresponding duration with reference to one-year LPR and five-year LPR; where the reasonable construction period is five years or above, five-year LPR is used). We performed a check on the data published on the website of the People's Bank of China and noted that the LPR adopted by the Valuer was consistent with the latest published LPR prior to the Appraisal Benchmark Date. Having considered the above, we consider the appraisal methodologies, including the key assumptions and input, adopted by the Valuer in the appraisal of construction under progress of Wu Ling Power to be fair and reasonable.

(c) Current liabilities

The book value of Wu Ling Power's current liabilities was the same as the appraised value, being approximately RMB10,888.81 million as at the Appraisal Benchmark Date.

(d) Non-current liabilities

The book value and appraised value of Wu Ling Power's non-current liabilities were approximately RMB9,940.58 million and RMB9,936.07 million respectively as at the Appraisal Benchmark Date, representing a depreciation of approximately 0.05%. The decrease was mainly due to the recalculation of the appraised value of the deferred income tax liabilities based on the difference between the appraised value of investments in other equity instruments and the cost of investments in SPIC Financial Co., Ltd (國家電投集團財務有限公司), multiplied by the income tax rate.

In order to further assess the fairness and reasonableness of the valuation of Wu Ling Power, we have, for reference only, cross-checked the implied P/B ratio of Wu Ling Power to the P/B ratios of the Comparable Companies, being companies which (i) are listed in China for over three years as at the Appraisal Benchmark Date; and (ii) recorded over 60% of turnover derived from the respective core business (i.e. hydropower generation or new energy business, as the case may be) in their respective latest financial year.

Details of the analysis was set out in section headed "*4.2.2 Valuation methodologies — (i) Valuation of Changzhou Hydropower using income approach — (c) Comparable Companies*" above. As Wu Ling Power recorded an illustrative net loss after tax for the year ended 31 December 2023, the implied P/E ratio is not applicable. Based on the appraised value of Wu Ling Power as at 31 October 2024 of RMB24,667,342,000 and the illustrative net asset value of Wu Ling Power as at 31 October 2024 of RMB16,698,918,500, the implied P/B ratio of Wu Ling Power of approximately 1.48 times. Based on the respective market capitalisation of the Comparable Companies as at the Latest Practicable Date and their net assets attributable equity holders as at the then latest published financial year, we noted that the implied P/B ratio of Wu Ling Power of approximately 1.48 times is within the range of the P/B ratios of the Comparable Companies of approximately 0.61 times to 3.50 times (with an average and median of approximately 1.75 times and 1.69 times respectively).

Having taken into account the above and our interview with the Valuer, we are of the view that the key inputs and assumptions used in the Asset Appraisal Reports were arrived at after due and careful consideration and we concur with the Valuer on the methodologies, key assumptions and input adopted for deriving the appraised value of each of the Target Companies. On this basis, we consider the consideration of the Proposed Asset Restructuring is fair and reasonable.

4.3 Our assessment on the terms of the Consideration Shares

4.3.1 The Issue Price

Pursuant to the Equity Transfer Agreements, the issue price of the Consideration Shares shall be RMB6.55 per share in Yuanda Environmental (the "**Yuanda Share(s)**"). The Issue Price is determined by the parties to the Equity Transfer Agreements, which is the lowest possible price pursuant to the requirements of relevant regulatory authorities (including SASAC and CSRC). According to the requirements of relevant regulatory authorities, such Issue Price shall not be lower than 80% of the average trading price of the Yuanda Shares for the 20 trading days, 60 trading days and 120 trading days prior to the Pricing Benchmark Date, and not lower than Yuanda Environmental's most recent audited net assets per share attributable to shareholders of the parent company after adjusting for ex-dividend payments as of 31 December 2023.

The Issue Price of the Consideration Shares of RMB6.55 per Yuanda Share represented:

i. a premium of approximately 20.85% over the closing price of RMB5.42 per Yuanda Share as quoted on the SSE on 27 September 2024, being the last trading day prior to the Pricing Benchmark Date;

ii. a premium of approximately 32.86% over the average price of approximately RMB4.93 per Yuanda Share as quoted on the SSE for the 20 consecutive trading day immediately prior to the Pricing Benchmark Date;

iii. a premium of approximately 35.05% over the average price of approximately RMB4.85 per Yuanda Share as quoted on the SSE for the 60 consecutive trading day immediately prior to the Pricing Benchmark Date;

iv. a premium of approximately 28.18% over the average price of approximately RMB5.11 per Yuanda Share as quoted on the SSE for the 120 consecutive trading day immediately prior to the Pricing Benchmark Date; and

v. equivalent to the audited net assets attributable to shareholders of Yuanda Environmental as at 31 December 2023 after adjusting for ex-dividend payments as of 31 December 2023 of approximately RMB6.55 per Yuanda Share.

4.3.2 Comparable issuance

To assess the fairness and reasonableness of the Issue Price and the lock-up period of the Consideration Shares, we have conducted our independent research based on comparable analysis through identifying comparable transactions conducted by companies listed on the main board of the SSE, which (i) were first announced during the period from 1 January 2024 up to and including date of the Restructuring Framework Agreements (being 18 October 2024); and (ii) involved issuance of consideration shares (with or without additional cash payments) to connected parties of the relevant listed company. Based on the aforementioned criteria, we have identified an exhaustive list of 13 comparable transactions (together as the "**Comparable Issuances**") and we consider it is sufficient for the purpose of this analysis and reflects the prevailing market environment at the time of entering into the Restructuring Framework Agreements, including the determination of the Issue Price. As the Consideration Shares are to be issued by Yuanda Environmental, a SSE-listed company, and the review period chosen, being approximately nine-month period immediately prior to the date of the Restructuring Framework Agreements reflects the prevailing market environment at the time of entering into the Restructuring Framework Agreements, we consider the selection criteria of the Comparable Issuances to be fair and reasonable. Notwithstanding that the subject companies constituting the Comparable Issuances may have different principal activities, market capitalization, profitability and financial position as compared with those of Yuanda Environmental, we would still consider, in light of our selection criteria, capturing recent issues of consideration shares to connected parties by listed companies on the main board of the SSE under similar market conditions and sentiments can provide Shareholders with a broad perspective of the recent market trend of this type of transaction (which is similar to that of the issuance of the Consideration Shares).

Date of announcement	Company (Stock code)	Basis of issue price of consideration shares	Premium/ (Discount) of the issue price to the closing price immediately before the price benchmark date *(%)*	Implied price-to-book ratio of the issue price based on the latest net assets value per share attributable to shareholders*(Note)*	Lock-up period
19 Jan 24	Huada Automotive Technology Co., Ltd. (603358.SH)	Not less than 80% of the average trading price of the shares in 120 Trading Days prior to the price benchmark date	(35.3)	1.96	12-36 months
28 Feb 24	Harson Commercial Co., Ltd. (603958.SH)	Not less than 80% of the average trading price of the shares in 20 Trading Days prior to the price benchmark date	(19.5)	2.01	12-36 months

Date of announcement	Company (Stock code)	Basis of issue price of consideration shares	Premium/ (Discount) of the issue price to the closing price immediately before the price benchmark date *(%)*	Implied price-to-book ratio of the issue price based on the latest net assets value per share attributable to shareholders*(Note)*	Lock-up period
26 Mar 24	Anfu Technology Co., Ltd. (603031.SH)	Not less than 80% of the average trading price of the shares in 20 Trading Days prior to the price benchmark date	(26.3)	2.72	12-36 months
30 Apr 24	Jingda Machine (Ningbo) Co., Ltd. (603088.SH)	Not less than 80% of the average trading price of the shares in 20 Trading Days prior to the price benchmark date	(15.8)	3.71	36 months
15 May 24	Nuode Investment Co. Ltd (600110.SH)	Not less than 80% of the average trading price of the shares in 20 Trading Days prior to the price benchmark date	(8.69)	1.11	12 months
15 May 24	Guolian Minsheng Security Co., Ltd. (601456.SH)	Equal to the average trading price of the shares in 120 Trading Days prior to the price benchmark date	8.13	1.80	36 months
8 Jun 24	Nanjing Business& Tourism Corp., Ltd. (600250.SH)	Not less than 80% of the average trading price of the shares in 20 Trading Days prior to the price benchmark date	(15.8)	3.75	36 months
13 Jun 24	Antong Holdings Co., Ltd (600179.SH)	Not less than 80% of the average trading price of the shares in 20, 60 and 120 Trading Days prior to the price benchmark date	14.22	1.00	36 months

Date of announcement	Company (Stock code)	Basis of issue price of consideration shares	Premium/ (Discount) of the issue price to the closing price immediately before the price benchmark date (%)	Implied price-to-book ratio of the issue price based on the latest net assets value per share attributable to shareholders(Note)	Lock-up period
2 Aug 24	Huadian Power International Corporation Ltd. (600027.SH)	Not less than 80% of the average trading price of the shares in 20 Trading Days prior to the price benchmark date and not less than the audited net assets per share for the latest period	(15.63)	1.34	36 months
5 Aug 24	Ningbo Construction CO., Ltd (601789.SH)	Not less than 80% of the average trading price of the shares in 20 Trading Days prior to the price benchmark date	(2.18)	0.91	36 months
15 Aug 24	Sichuan Expressway Company Limited (601107.SH)	Not less than 80% of the average trading price of the shares in 20,60,120 Trading Days prior to the price benchmark date	2.04	0.98	36 months
7 Sep 24	ZhuZhou QianJin Pharmaceutical Co., Ltd (600479.SH)	Not less than 80% of the average trading price of the shares in 120 Trading Days prior to the price benchmark date	(12.04)	1.57	36 months
17 Oct 24	Guangdong Songfa Ceramics Co., Ltd. (603268.SH)	Not less than 80% of the average trading price of the shares in 60 Trading Days prior to the price benchmark date	(29.20)	16.66	36 months

Date of announcement	Company (Stock code)	Basis of issue price of consideration shares	Premium/ (Discount) of the issue price to the closing price immediately before the price benchmark date *(%)*	Implied price-to-book ratio of the issue price based on the latest net assets value per share attributable to shareholders*(Note)*	Lock-up period
		Minimum	**(35.30)**	**0.91**	
		Maximum	**14.22**	**16.66**	
		Average	**(12.00)**	**3.04**	
	The Consideration Shares	**Not less than 80% of the average trading price of the shares of Yuanda Environmental for the 20 trading days, 60 trading days and 120 trading days prior to the Pricing Benchmark Date and not less than the audited net assets per Yuanda Share for the latest period (i.e. 31 December 2023)**	**20.85**	**1.00**	**36 months**

Source: cninfo.com.cn

Note: the price-to-book ratio is calculated based on the issue price of the consideration shares disclosed in the relevant announcements divided by the audited net assets per share attributable to the shareholders in the latest financial report.

According to the Measures for the Administration of the Material Asset Restructurings of Listed Companies (《上市公司重大資產重組管理辦法》) promulgated by CSRC on 17 February 2023, (i) the issue price of issuance of consideration shares to target subscribers should not be lower than 80% of the 20-day, 60-day or 120-day average trading price of the shares immediately preceding the price benchmark date (the "**Basic Pricing Criteria**"); and (ii) the lock-up period for issuance of consideration shares to vendor(s) shall be at least 12 months for all vendor(s) and 36 months for vendor(s) who (a) is a controlling shareholder, actual controller, or related party controlled by it; (b) obtains right of actual control of the listed company through the consideration shares; or (c) has less than 12 months ownership on the asset subject to the consideration shares prior to the issuance of shares (the "**Minimum Lock-up Requirement**").

As set out in the table above, all the bases of the issue price of the consideration shares of the Comparable Issuances were in line with the Basic Pricing Criteria. We noted that the Issue Price of the Consideration Share of RMB6.55 per Yuanda Share was not less than 80% of the average trading price of the shares of Yuanda Environmental for the 20 trading days, 60 trading days and 120 trading days prior to the Pricing Benchmark Date, such pricing basis is in full compliance with the Basic Pricing Criteria.

We noted that the premium of approximately 20.85% of the Issue Price of the Consideration Shares to the closing price of Yuanda Share immediately prior to the Pricing Benchmark Date is higher than the range of discount/premium of the issue price of the consideration shares of the Comparable Issuances to the closing price immediately prior to their respective price benchmark date of the Comparable Issuances. We have discussed with the management of the Company and noted that, despite the Issue Price representing a premium to the closing price of Yuanda Share immediately prior to the Pricing Benchmark Date, it is the lowest possible price pursuant to the requirements of relevant regulatory authorities (including SASAC and CSRC), being equivalent to Yuanda Environmental's most recent audited net assets per share attributable to shareholders of the parent company after adjusting for ex-dividend payments as of 31 December 2023. Also, as set out in the table above, the implied price-to-book ratio of the Consideration Shares is 1.00 time, which is within the range of the Comparable Issuances and lower than the average of 3.04 times. Furthermore, we noted that the share price of the Yuanda Shares increased significantly since the Price Benchmark Date and closed at RMB12.77 on the Latest Practicable Date, representing an appreciation of approximately 94.96% over the Issue Price.

In view of the reasons including that (i) the bases of the Issue Price are generally in line with market practice; (ii) the pricing basis for arriving at the Issue Price is in full compliance with the Basic Pricing Criteria and the applicable regulatory requirements, representing the lowest possible price; (iii) the implied price-to-book ratio of the Issue Price of the Consideration Shares is 1.00 time, which is within the range of the Comparable Issuances and lower than the average of 3.04 times; (iv) the closing price of the Yuanda Shares on the Latest Practicable Date is significantly above the Issue Price; and (v) the fact that the Company will become the controlling shareholder of Yuanda Environmental, being a SSE-listed company, whilst Changzhou Hydropower and Wu Ling Power will each become a subsidiary of Yuanda Environmental, we are of the view that the Issue Price of the Consideration Shares and its pricing basis are fair and reasonable.

We also noted that the use of "lock-up" mechanism is common amongst the Comparable Issuances and the range of lock-up periods of the Comparable Issuances is generally between 12 months to 36 months. Since the Consideration Shares imposes a lock-up period requirement of 36 months to the Company, which is in line with that of the Comparable Issuances and satisfy the Minimum Lock-up Requirement, we are therefore of the view that such lock-up period is fair and reasonable.

In light of the above, we are of the view that key terms of the issuance of Consideration Shares, including the Issue Price and lock-up period, are fair and reasonable and in line with the general market.

4.4 Compensation Agreement

Profit undertaking and compensation

The following agreements in relation to profit undertaking and compensation during the Compensation Period have been separately entered into in accordance with, among others, the Administrative Measures for the Material Asset Restructuring of Listed Companies (which are applicable to Yuanda Environmental as a SSE-listed company), and will take effect upon the relevant Equity Transfer Agreement becoming effective:

(1) the Wu Ling Power Compensation Agreement, whereby the Company and Xiangtou International have undertaken with Yuanda Environmental that the cumulative aggregate actual net profits after deducting extraordinary gains and losses of the Wu Ling Power Profit Undertaking Assets in the Compensation Period shall not be lower than the cumulative Wu Ling Power Profit Undertaking Assets Committed Net Profits in any Applicable Period during the Compensation Period; and

(2) the Changzhou Hydropower Compensation Agreement, whereby Guangxi Company has undertaken with Yuanda Environmental that the cumulative actual net profits (which shall be the net profits attributable to the shareholders of the parent after deducting extraordinary gains and losses) of Changzhou Hydropower in the Compensation Period shall not be lower than the cumulative Changzhou Hydropower Committed Net Profits in any Applicable Period during the Compensation Period.

During the Compensation Period, Yuanda Environmental shall conduct an audit on the difference between the cumulated actual net profits and cumulated Committed Net Profits with respect to the Profit Undertaking Assets as at the end of the Applicable Period when conducting its annual audit, and the accounting firm engaged by Yuanda Environmental for its annual audit shall issue a specific audit report on such difference.

In respect of each Profit Undertaking Asset for each Applicable Period, if the cumulated actual net profits with respect to that Profit Undertaking Asset is lower than its corresponding cumulated Committed Net Profits, then the Compensation Obligor for that Profit Undertaking Asset will compensate Yuanda Environmental first by way of Compensation Shares in accordance with the mechanism set out below, and if there are insufficient Compensation Shares (due to any of the circumstances disclosed in the section "*Compensation by way of cash*" below), by cash.

With respect to the Wu Ling Power Compensation Agreement, the compensation shall be made by the Company and Xiangtou International to Yuanda Environmental in proportion to their shareholding in Wu Ling Power as at the date of Equity Transfer Agreement I.

If the Compensation Period overlaps with the Transitional Period, any amount paid by the Compensation Obligors in relation to the loss during the Transitional Period shall be deducted from the compensation amount payable by the relevant Compensation Obligor under the Compensation Agreements.

The amount to be compensated by the relevant Compensation Obligor in respect of the profit undertaking in each Applicable Period shall be calculated in accordance with the following formula:

$$\text{Compensation amount} = \frac{\text{(Cumulated Committed Net Profits as at the end of the Applicable Period during the Compensation Period} - \text{Cumulated actual net profits as at the end of the Applicable Period during the Compensation Period)}}{\text{Total committed net profits for the Applicable Period(s) during the Compensation Period}} \times \text{Total value of the consideration in respect of the relevant Profit Undertaking Assets under the corresponding Equity Transfer Agreement} - \text{Cumulated amount already compensated by the Compensation Obligor} - \text{Amount paid by the Compensation Obligor in relation to the loss during the Transitional Period (which overlaps with the Compensation Period) (if any)}$$

Compensation by way of Compensation Shares

Where compensation is to be satisfied by Compensation Shares:

(1) (With respect to the Wu Ling Power Compensation Agreement only) The aggregate transaction consideration for the Wu Ling Power Profit Undertaking Assets is the sum of the appraised value of each Wu Ling Power Profit Undertaking Asset × Wu Ling Power's corresponding shareholding in such asset. If shareholders have not paid all of the capital contributions in respect of the Wu Ling Power Profit Undertaking Assets:

$$\text{Value of such assets held by Wu Ling Power} = \text{(Appraised value of the interest of the shareholders of the investment unit + Unpaid capital contributions due from all shareholders)} \times \text{Proportion of capital contribution by Wu Ling Power and its subordinate enterprises} - \text{Amount of unpaid capital contributions due from Wu Ling Power and its subordinate enterprises}$$

If the Wu Ling Power Profit Undertaking Assets in turn own other Wu Ling Power Profit Undertaking Assets ("**Subordinate Assets**"), there shall not be double-counting and the value of the equity interest of the Subordinate Assets directly owned by the relevant Wu Ling Power Profit Undertaking Assets shall be deducted from the calculation of the value of the Subordinate Assets.

(2) (With respect to the Wu Ling Power Compensation Agreement only) If the Wu Ling Power Profit Undertaking Assets involve projects which will be financed by the proceeds of the Proposed Placing (please refer to the section "*M. Proposed Placing by Yuanda Environmental*" in the letter from the Board of the Circular), the actual net profit attributable to such assets shall be deducted from the aggregate actual net profits of the Wu Ling Power Profit Undertaking Assets during the Compensation Period.

(3) The number of Compensation Shares shall be determined by dividing the relevant amount of compensation by the Issue Price.

(4) If the calculated number of Compensation Shares includes decimals, it shall be rounded off to the nearest integer. If the number of Compensation Shares is less than zero, the value shall be taken to be zero, i.e. the Compensation Shares compensated shall not be reversed.

(5) During the Compensation Period, if there is any capitalisation issue or distribution of bonus shares by Yuanda Environmental resulting in a change in the number of shares in Yuanda Environmental held by the Compensation Obligor, the number of Compensation Shares shall be adjusted as follows: Number of Compensation Shares (after adjustment) = Number of Compensation Shares for the Applicable Period × (1 + percentage of capitalisation or bonus shares).

(6) If Yuanda Environmental distributes cash dividend during the Compensation Period, the Compensation Obligor shall return to Yuanda Environmental the dividend income attributable to the Compensation Shares received by the Compensation Obligor as follows: Amount to be returned = Amount of cumulative cash dividend per share × Number of Compensation Shares.

(7) The number of Compensation Shares to be compensated by the Compensation Obligor shall not exceed the relevant number of Consideration Shares received by the Compensation Obligor respectively under the Proposed Asset Restructuring (including shares obtained from capitalisation issue or distribution of bonus shares).

Compensation by way of cash

In the event that (1) the cumulative number of Compensation Shares does not exceed the number of Consideration Shares acquired by the relevant Compensation Obligor in respect of the Profit Undertaking Assets under the Proposed Asset Restructuring (including shares obtained from capitalisation issue or distribution of bonus shares), but (2) the shares in Yuanda Environmental held by the relevant Compensation Obligor cannot and/or are not sufficient to fully fulfil their respective compensation obligation due to the occurrence of any of the following circumstances listed in (1) to (4) below, the relevant Compensation Obligor shall compensate Yuanda Environmental in cash for the shortfall in accordance with the formula below:

(1) Violation of the agreed lock-up period arrangement;

(2) Disposal of shares in Yuanda Environmental prior to the completion of settlement of profit compensation obligations;

(3) The shares in Yuanda Environmental are frozen, enforced or restricted from being transferred or cannot be transferred for other reasons; and

(4) Other circumstances that result in the shares acquired by each Compensation Obligor (including shares obtained from capitalisation issue or distribution of bonus shares) to be unable and/or insufficient to fully fulfil the share compensation obligations under the relevant Compensation Agreement (as the case may be).

$$\text{Amount of cash to be compensated} = \text{Compensation amount for the Applicable Period} - \text{Number of Compensation Shares for the Applicable Period} \times \text{Issue Price}$$

Impairment compensation

Within four months upon the end of the Compensation Period, Yuanda Environmental shall engage a valuation entity to carry out impairment test on each Profit Undertaking Asset and engage an accounting firm to issue a specific audit report in accordance with applicable PRC laws and regulations. If the impairment amount of the relevant Profit Undertaking Asset as at the end of the Compensation Period is greater than the sum of (1) the total number of Compensation Shares compensated by the relevant Compensation Obligor x Issue Price, and (2) total amount of cash compensation paid (if any) during the Compensation Period, additional compensation shall be made by the relevant Compensation Obligor to Yuanda Environmental by means of additional Compensation Shares, the number of which shall be calculated in accordance with the formula below:

$$\text{Number of additional Compensation Shares} = \frac{\text{Impairment amount of the Profit Undertaking Asset as at the end of the Compensation Period} - (\text{total number of Compensation Shares compensated by the relevant Compensation Obligor} \times \text{Issue Price} + \text{total amount of cash compensation paid (if any)})}{\text{Issue Price}}$$

(1) The impairment amount shall be calculated by the consideration for the relevant Profit Undertaking Asset minus the appraised value of the relevant Profit Undertaking Asset at the end of the Compensation Period, as adjusted by the impact of capital increase, capital reduction, the acceptance of grant and profit distribution of the relevant Profit Undertaking Asset during the Compensation Period.

(2) If any calculated number of Compensation Shares has decimals, it shall be rounded off to the nearest integer. When the number of Compensation Shares is less than zero, the value shall be taken to be zero, meaning that Compensation Shares compensated shall not be reversed.

(3) During the Compensation Period, if there is any capitalisation issue or distribution of bonus shares by Yuanda Environmental resulting in a change in the number of shares in Yuanda Environmental held by the Compensation Obligor, the number of Compensation Shares shall be adjusted as follows: number of Compensation Shares (after adjustment) = number of Compensation Shares for the Applicable Period × (1 + percentage of capitalisation or bonus shares), excluding Compensation Shares held by Compensation Obligor which were not involved in the capitalisation issue or distribution of bonus shares.

(4) If Yuanda Environmental distributes cash dividend during the Compensation Period, the dividend income attributable to the Compensation Shares received by the Compensation Obligor shall be returned to Yuanda Environmental.

(5) If the Consideration Shares held by the Compensation Obligor are not sufficient to fulfil their respective compensation obligation, the relevant Compensation Obligor shall compensate Yuanda Environmental in cash for the shortfall in accordance with the following formula:

Amount of cash to be compensated = Shortfall in the number of Compensation Shares × Issue Price

The total number of Compensation Shares to be compensated by each Compensation Obligor under the profit undertaking and impairment compensation shall not exceed the relevant number of Consideration Shares received by the Compensation Obligor in respect of the Profit Undertaking Assets under the Proposed Asset Restructuring (including shares obtained through capitalisation issue or distribution of bonus shares). The total amount of compensation to be compensated by each Compensation Obligor under the profit undertaking and impairment compensation shall not exceed the relevant consideration received by the Compensation Obligor in respect of the Profit Undertaking Assets under the Proposed Asset Restructuring.

The table below sets out the details of the maximum amount of compensation in the extreme circumstances where the full amount of compensation is payable under the Wu Ling Power Compensation Agreement and the Changzhou Hydropower Compensation Agreement:

	Maximum amount of compensation (by way of cash and Compensation Shares) *(RMB)*	**Maximum amount of compensation by way of Compensation Shares** *(RMB)*	**Maximum number of Compensation Shares**
The Company	2,724,883,260.62	2,316,262,699.15	353,627,893
Xiangtou International	1,600,328,264.17	1,360,300,227.20	207,679,424
Guangxi Company	3,068,189,818.37	2,608,000,000.00	398,167,938

With respect to Wu Ling Power Profit Undertaking Assets:

(1) the maximum amount of compensation payable by each of the Company and Xiangtou International respectively under the profit undertaking and impairment compensation is (a) the sum of the valuation attributable to Wu Ling Power's equity interest in the Wu Ling Power Profit Undertaking Assets (being the total consideration attributable to Wu Ling Power Profit Undertaking Assets), multiplied by (b) the Company and Xiangtou's respective equity interest in Wu Ling Power as at the date of Equity Transfer Agreement I; and

(2) the maximum number of Compensation Shares under the profit undertaking and impairment compensation is (a) the maximum amount of compensation by way of Compensation Shares (being the non-cash consideration attributable to Wu Ling Power Profit Undertaking Assets) divided by the Issue Price, multiplied by (b) the Company and Xiangtou International's respective equity interest in Wu Ling Power as at the date of Equity Transfer Agreement I (for the Company, being RMB2,316,262,699.15 divided by RMB6.55/share, equal to approximately 353,627,893 Consideration Shares; and for Xiangtou International, being RMB1,360,300,227.20 divided by RMB6.55/share, equal to approximately 207,679,424 Consideration Shares), and any shares obtained from capitalisation issue or distribution of bonus shares from those Consideration Shares; and

(3) cash compensation shall be payable only in the circumstances disclosed in the section "*Compensation by way of cash*" above, and the amount of cash compensation shall be calculated in accordance with the formula stated in the abovementioned section.

With respect to Changzhou Hydropower:

(1) the maximum amount of compensation under the profit undertaking and impairment compensation is the total amount of consideration payable to Guangxi Company for its 64.93% equity interests in Changzhou Hydropower (being RMB3,068,189,818.37);

(2) the maximum number of Consideration Shares to be compensated under the profit undertaking and impairment compensation is the maximum amount of compensation by way of Compensation Shares (being the non-cash consideration attributable to Changzhou Hydropower) divided by the Issue Price (being RMB2,608,000,000.00 divided by RMB6.55/share and rounded down to the nearest one share, equal to approximately 398,167,938 Consideration Shares), and any shares obtained from capitalisation issue or distribution of bonus shares from those Consideration Shares; and

(3) cash compensation shall be payable only in the circumstances disclosed in the section "*Compensation by way of cash*" above, and the amount of cash compensation shall be calculated in accordance with the formula stated in the abovementioned section.

Assuming there will be no change in the shareholding of Yuanda Environmental aside from (a) the issue of Consideration Shares pursuant to the Equity Transfer Agreements and (b) the placing of additional new shares of Yuanda Environmental under the Proposed Placing (if conducted), which will proceed on the basis of the parameters described in "*M. Proposed Placing by Yuanda Environmental — (4) Amount of funds to be raised and number of shares to be issued*" in the letter from the Board of the Circular, based on the (i) the Group's shareholding in Yuanda Environmental and (ii) the Yuanda Environmental Shares Voting Agreement to be entered into on the date of Completion (please refer to the section "*H. Letter of Undertaking by SPIC*" in the letter from the Board of the Circular), the Company expects that Yuanda Environmental will continue to be accounted for on a consolidated basis in the financial statements of the Group, regardless of the amount of compensation payable under the Wu Ling Power Compensation Agreement and the Changzhou Hydropower Compensation Agreement disclosed above.

Transfer of Wu Ling Power Profit Undertaking Assets by Wu Ling Power

If, after signing the Wu Ling Power Compensation Agreement and before the Compensation Period ends, Wu Ling Power transfers one or more of the Wu Ling Power Profit Undertaking Assets out of the Group ("**Transferred Asset**"), each party shall terminate the profit undertaking in relation to the Transferred Asset after fulfilling the necessary internal approval procedures. From 1 January of the year of completion of the transfer of the Transferred Asset (based on the change in business registration), the aggregate committed net profits by the Company and Xiangtou International with respect to the Profit Undertaking Assets shall be deducted by the amount of committed net profits corresponding to the Transferred Asset. Yuanda Environmental shall not perform any impairment test on the Transferred Asset upon the end of the Compensation Period.

If the consideration of 100% equity interest in the Transferred Asset as at the date of the change in business registration ("**N**"), is lower than the sum of (i) the appraised value of 100% equity interest in the Transferred Asset and (ii) the interest accrued on such appraised value from the date when the relevant Equity Transfer Agreement becomes effective to the date of the change of business registration of the Transferred Asset (the interest rate shall be the 1-year lending rate quoted by the National Interbank Funding Center, and the appraised value shall be adjusted by the impact of any capital increase, capital reduction, the acceptance of grant and profit distribution during the interest period) (such sum being "**M**"), then any shortfall shall be borne by the Company and Xiangtou International in accordance with the following formula:

$$\text{Amount of compensation} = (M - N) \times \text{Wu Ling Power's shareholding percentage in the Transferred Asset} \times \text{the Company or Xiangtou International's respective shareholding in Wu Ling Power}$$

If the abovementioned compensation obligation arises, the Company and Xiangtou International shall compensate Yuanda Environmental in cash after Completion and within 30 business days of the completion of the transfer of the Transferred Asset.

4.5 Our assessment on the terms of the Compensation Agreements

As set out in the letter from the Board of the Circular, the compensation arrangement under the Compensation Agreements is made pursuant to the requirements of the Administrative Measures for the Material Asset Restructuring of Listed Companies (which are applicable to Yuanda Environmental as a SSE-listed company). Meanwhile, as advised by the management of the Company, the compensation arrangement under the Compensation Agreements, including the profit or loss during the Transitional Period, is in accordance with《監管規則適用指引—上市類第1號》(Guidelines for the Application of Regulatory Rules — No. 1 of the Listing Category*) (the "**Guidelines**"), which is applicable to transactions entered into by Yuanda Environmental as a listed company on SSE, as published by the CSRC.

For our due diligence purpose, we have reviewed the Guidelines. We noted that the Guidelines sets out, among others, relevant requirements for performance guarantee for material assets restructuring of A share listed companies, including but not limited to the scope and performance guarantee methodologies and formula, as well as the profit or loss arrangement during the transitional period. According to the Guidelines, among others, in material assets restructuring of A share listed companies, when the transaction consideration is determined based on asset-based approach and under which certain asset(s) is/are valued based on future expected income, (i) the listed companies' controlling shareholders, actual controllers or associated companies controlled by any of them (being the other party/(ies) to the transaction) shall compensate for the part consideration attributable to such asset(s); and (ii) profit during the transitional period shall belong to the listed company and the losses shall be made up by the counterparty. As the consideration of Changzhou Hydropower and the Wu Ling Power Profit Undertaking Assets were determined based on the income approach, which involves future expected income, the losses attributable to Changzhou Hydropower and the Wu Ling Power Profit Undertaking Assets shall be borne by the Company, Xiangtou International and Guangxi Company, respectively, and the profit during the transitional period shall belong to Yuanda Environmental.

As advised by the management of the Company, the transfer of the Target Companies by the Company to Yuanda Environmental constitutes material assets restructuring to Yuanda Environmental and shall be subject to the Guidelines. In relation to the compensation arrangement, based on our review and our discussion with the management of the Company, we noted that the relevant compensation formula followed the formula as set out in the Guidelines and the compensation arrangement (including the profit or loss during the Transitional Period) are in line with the Guidelines. As all listed companies in China undergoing material assets restructuring are subject to the Guidelines, we consider such compensation arrangement (including the profit or loss during the Transitional Period) are normal market practice for similar transactions.

As set out in section headed "*4.8 Letter of undertaking by SPIC*", SPIC undertakes to compensate the Company in respect of any excessive compensation amounts payable by the Company for the Overlapping Profit Undertaking Assets (net of those payable by the relevant compensation obligors to Wu Ling Power under the Wu Ling External Acquisitions Agreements). Furthermore, after Completion, SPIC shall ensure that the Company enjoys all the rights as the controlling shareholder of Yuanda Environmental, including and not limited to the nomination of directors, recommendation of members of the various committees of the board of directors, recommendation of senior management personnel, so as to ensure the Company's control over

Yuanda Environmental. The Company expects that Yuanda Environmental will continue to be accounted for on a consolidated basis in the financial statements of the Group, regardless of the amount of compensation payable under the Compensation Agreements.

Having considered that (i) the compensation arrangement under the Compensation Agreements is in accordance with relevant rules and regulations in the PRC; (ii) the relevant compensation formula follow the formula as sets out in the Guidelines; (iii) the reasons for and benefits of the Proposed Asset Restructuring; (iv) the total number of Compensation Shares to be compensated by each Compensation Obligor shall not exceed the relevant number of Consideration Shares received by the Compensation Obligor under the Proposed Asset Restructuring; (v) SPIC undertakes to ensure the control of the Company over Yuanda Environmental; and (vi) the compensation by SPIC to the Company in respect of the Overlapping Profit Undertaking Assets pursuant to the letter of Undertaking by SPIC, we consider that the terms of the Compensation Agreements, including the compensation arrangement and the compensation formulas, are on normal commercial term and are fair and reasonable.

4.6 Non-Compete Undertakings

On 16 April 2025, the Company and SPIC each issued a non-compete undertaking to Yuanda Environmental, namely the "Letter of Undertaking by China Power International Development Limited on Avoiding Business Competition with SPIC Yuanda Environmental-Protection Co., Ltd." (《中國電力國際發展有限公司關於避免與國家電投集團遠達環保股份有限公司存在同業競爭的承諾函》) (the "**China Power Non-Compete Undertaking**") and the "Letter of Undertaking by State Power Investment Corporation Limited on Avoiding Business Competition with SPIC Yuanda Environmental-Protection Co., Ltd." (《國家電力投資集團有限公司關於避免與國家電投集團遠達環保股份有限公司存在同業競爭的承諾函》) (the "**SPIC Non-Compete Undertaking**"), respectively, the content of which is as follows:

1. Upon the completion of the Proposed Asset Restructuring, except for projects that cannot be injected to Yuanda Environmental for the time being due to practical constraints, the Company and SPIC undertake that they will not carry on, invest in, or engage in any business or activities that compete or may compete with Yuanda Environmental's new principal business (i.e. the integrated development and operation of hydropower and new energy business along cascade power stations, primarily involving hydropower, wind power and solar power generation in Hunan Province, as well as hydropower generation in the Guangxi Zhuang Autonomous Region). Furthermore, subject to applicable laws, regulations and business entry requirements, the Company and SPIC shall procure that their respective controlled entities (excluding Yuanda Environmental and its controlled entities) shall not carry on, invest in, or engage in any business or activities that compete or may compete with Yuanda Environmental's principal business;

2. If the Company, SPIC, or their respective controlled entities identify new business opportunities that compete or may compete with Yuanda Environmental or its controlled entities, the Company and SPIC shall promptly notify Yuanda Environmental. Subject to applicable laws and regulations, the Company and SPIC shall make their best endeavours to ensure that such business opportunities are first offered to Yuanda Environmental or its controlled entities on reasonable and fair terms;

3. Regarding any business that competes or may compete between the Company, SPIC (or their respective controlled entities) and Yuanda Environmental (or its controlled entities) after the completion of the Proposed Asset Restructuring (the "**Competitive Business**"), and subject to applicable laws and the listing rules of the relevant stock exchange, Yuanda Environmental or its controlled entities shall have the right to acquire such Competitive Business from the Company or its controlled entities at an appropriate time, either in a single transaction or multiple transactions. If the Company, SPIC, or their respective controlled entities intend to transfer, sell, lease, license, or otherwise assign or grant rights to use any assets or interests related to the Competitive Business to a third party, Yuanda Environmental shall have the right of first refusal on the same terms and conditions;

4. (Applicable to the China Power's Non-Compete Undertaking only) The Company shall actively cooperate with any measures taken by SPIC to eliminate or avoid business competition between SPIC (or its controlled entities) and Yuanda Environmental;

5. (Applicable to the SPIC's Non-Compete Undertaking only) SPIC supports the Company in maintaining its controlling status over Yuanda Environmental and in developing Yuanda Environmental as a platform for integration of SPIC's domestic hydropower assets. As of the issuance date of the SPIC Non-Compete Undertaking, for other hydropower assets under SPIC, SPIC undertakes that, within three years after the completion of the Proposed Asset Restructuring, subject to applicable laws, regulations, and necessary internal and external approvals at that time, and in line with Yuanda Environmental's development strategy and the interests of its shareholders, it will actively facilitate the gradual injection of such hydropower assets into Yuanda Environmental, and the assets to be injected into Yuanda Environmental shall comply with national laws, regulations, and securities regulatory requirements;

6. The Company and SPIC fully respect Yuanda Environmental's independent corporate status and undertake not to interfere in its normal business operations. The Company and SPIC shall not abuse their position as controlling shareholders or controllers in any manner that may harm the legitimate rights and interests of Yuanda Environmental and its other shareholders;

7. (Applicable to the China Power Non-Compete Undertaking only) The China Power Non-Compete Undertaking shall remain effective from the date of issuance unless any of the following circumstances occur, in which case it shall be terminated: (1) the Company ceases to be the controlling shareholder of Yuanda Environmental; or (2) Yuanda Environmental ceases to be listed on the SSE;

8. (Applicable to the SPIC Non-Compete Undertaking only) The SPIC Non-Compete Undertaking shall remain effective from the date of issuance unless any of the following circumstances occur, in which case it shall be terminated: (1) SPIC ceases to be the *de facto* controller of Yuanda Environmental; or (2) Yuanda Environmental ceases to be listed on the SSE; and

9. If the Company or SPIC fails to comply with the above undertakings and such failure results in losses to Yuanda Environmental, the Company and SPIC shall be liable for compensation for the corresponding losses.

Upon completion of the Proposed Asset Pre-Restructuring and the Proposed Asset Restructuring, the Company will retain a small amount of wind power assets in the Hunan province (the installed capacity of which is around 149.9MW) due to practical constraints (e.g. minority shareholder's non-waiver of pre-emption rights). SPIC will retain certain limited photovoltaic assets in the Hunan province (the installed capacity of which is around 596.6MW) due to practical constraints (e.g. extensive procedures and long time required for the divestment of assets from SPIC's A-share listed subsidiaries to Yuanda Environmental).

There is no overlap in business between (1) the Company and SPIC and (2) Yuanda Environmental in the Guangxi Zhuang Autonomous Region.

The abovementioned overlap in business in Hunan will not constitute a breach of the Non-Compete Undertakings since projects that cannot be injected to Yuanda Environmental due to practical constraints are not within the scope of the Non-Compete Undertakings.

4.7 Our assessment on the terms of Non-Competition Undertakings

Pursuant to the Non-Competition Undertakings, the Company and SPIC undertake that they will not carry on, invest in, or engage in any Competitive Business, being the integrated development and operation of hydropower and new energy business along cascade power stations, primarily involving hydropower, wind power and solar power generation in Hunan Province, as well as hydropower generation in the Guangxi Zhuang Autonomous Region. If the Company, SPIC, or their respective controlled entities identify new business opportunities that compete or may compete with Yuanda Environmental or its controlled entities, the Company and SPIC shall promptly notify Yuanda Environmental. Subject to applicable laws and the listing rules of the relevant stock exchange, the Company and SPIC shall (i) make their best endeavours to ensure that such business opportunities are first offered to Yuanda Environmental or its controlled entities on reasonable and fair terms; and (ii) offer an option to Yuanda Environmental to acquire any Competitive Business from the Company, SPIC, or their respective controlled entities at the appropriate time.

As set out in the section headed "*2. Information of the relevant parties*" above, the Group is principally engaged in, among others, generation and sales of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and thermal power plants. As advised by the management of the Company, the Competitive Businesses currently conducted by the Group prior to the Proposed Asset Restructuring were generally carried out by the Changzhou Hydropower and Wu Ling Power. Upon Completion, the Company will retain a small amount of wind power assets in the Hunan province (the installed capacity of which is around 149.9MW) due to practical constraints (e.g. minority shareholder's non-waiver of pre-emption rights), which will not constitute a breach of the Non-Compete Undertakings. As Changzhou Hydropower and Wu Ling Power will remain as subsidiaries of the Company and the Company will become the controlling shareholder of Yuanda Environmental, the Group will be in substance conducting the Competitive Business through

Yuanda Environmental, and the financial performance of which will be consolidated into the financial statement of the Group. Furthermore, Yuanda Environmental is expected to be established as SPIC's hydropower assets consolidated platform, which is expected to expand the scale of quality hydropower business under the Company and improve the quality and profitability of the Company's assets.

Taking into account the above, and the fact that the Non-Competition Undertakings arise from relevant rules and requirements to facilitate the Proposed Asset Restructuring, we are of the view that the entering into of the Non-Competition Undertakings is in the interest of the Company and the Independent Shareholders as a whole.

4.8 Letter of Undertaking by SPIC

On 16 April 2025, SPIC issued an undertaking to the Company, namely the "Letter of Undertaking by State Power Investment Corporation Limited on Matters such as the Voting Arrangement" (《國家電力投資集團有限公司關於表決權委託等事項的承諾函》), pursuant to which SPIC has given undertakings including:

1. On the date of Completion, SPIC shall enter into an agreement with the Company to entrust the Company with the voting rights of SPIC in Yuanda Environmental ("**Yuanda Environmental Shares Voting Agreement**"). After Completion, SPIC shall strictly comply with the relevant regulatory requirements in Hong Kong and Mainland China to ensure that the Company enjoys all the rights as the controlling shareholder of Yuanda Environmental, including and not limited to the nomination of directors, recommendation of members of the various committees of the board of directors, recommendation of senior management personnel, so as to ensure the Company's control over Yuanda Environmental and to ensure Yuanda Environmental will continue to be accounted for on a consolidated basis in the financial statements of the Company;

2. If (i) the Company has to pay any compensation pursuant to the Wu Ling Power Compensation Agreement, (ii) the relevant Wu Ling Power Profit Undertaking Assets are also subject to the profit compensation arrangement under the Wu Ling External Acquisitions Agreements (as disclosed in the announcement of the Company in respect of the Proposed Asset Pre-Restructuring dated 17 January 2025) ("**Overlapping Profit Undertaking Assets**") and (iii) the compensation amount payable by the Company to Yuanda Environmental in respect of the Overlapping Profit Undertaking Assets under the Wu Ling Power Compensation Agreement exceeds the compensation amount payable by the relevant compensation obligors to Wu Ling Power under the Wu Ling External Acquisitions Agreements, SPIC shall supervise and facilitate the payment of the shortfall in compensation amounts by the relevant compensation obligors under the Wu Ling External Acquisitions Agreements to the Company. If the relevant compensation obligors under the Wu Ling External Acquisitions Agreements fail to pay the shortfall in compensation amounts to the Company within six months after the Company's request for such payment, SPIC shall assume the aforementioned payment obligation in proportion with its shareholding; and

3. After the Proposed Asset Restructuring, SPIC shall support Yuanda Environmental to increase its dividend payout ratio to at least 50% after complying with the necessary internal and external approval procedures (including the approval procedures of the Group).

As set out above, the Company's control over Yuanda Environmental is safeguarded as SPIC undertakes to entrust the Company with the voting rights of SPIC in Yuanda Environmental. The Company expects that Yuanda Environmental will continue to be accounted for on a consolidated basis in the financial statements of the Group, regardless of the amount of compensation payable under the Compensation Agreements, if any. Furthermore, the undertaking by SPIC to compensate the Company in respect of any excessive compensation amounts payable by the Company for the Overlapping Profit Undertaking Assets (net of those payable by the relevant compensation obligors to Wu Ling Power under the Wu Ling External Acquisitions Agreements) reduces the Company potential risks. As such, we consider such undertaking in the interest of the Company and Shareholders as a whole.

5. Financial effects of the Proposed Asset Restructuring on the Group and intended use of proceeds

As at the Latest Practicable Date, Changzhou Hydropower is a subsidiary owned 64.93% by Guangxi Company (a wholly-owned subsidiary of the Company) and Wu Ling Power is a subsidiary owned 63% by the Company and owned 37% by Xiangtou International.

Upon Completion, the Group will hold 55.13% equity interest in Yuanda Environmental (before taking into account of the Proposed Placing, if conducted), which shall become a subsidiary of the Company. Yuanda Environmental will in turn hold 100% equity interest in Wu Ling Power and 64.93% equity interest in Changzhou Hydropower. The Target Companies will remain as subsidiaries of the Company and will continue to be accounted for on a consolidated basis in the financial statements of the Group. Therefore, the financial effect of the Proposed Asset Restructuring will primarily be assessed from the perspective of the acquisition of Yuanda Environmental and is mainly subject to the fair value of identifiable assets and liabilities of Yuanda Environmental as at the date of acquisition of shares in Yuanda Environmental. It is expected that the Company will be able to record additional revenue stream from Yuanda Environmental, and recognise the assets and liabilities of Yuanda Environmental upon Completion. Please refer to the section "*2.5 Information of Yuanda Environmental*" above for the financial information of Yuanda Environmental.

The cash consideration received from the disposals of the Group's equity interest in Wu Ling Power and Changzhou Hydropower is intended to be used for working capital of the Group, including but not limited to the capital expenditure, investment and operations of new energy projects of the Group.

OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that, despite the Proposed Asset Restructuring is not entered into in the ordinary and usual course of business of the Group, the terms of the Proposed Asset Restructuring and the Formal Restructuring Agreements (being the Equity Transfer Agreements, the Compensation Agreements and the Non-Compete Undertakings) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Proposed Asset Restructuring is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Proposed Asset Restructuring to be proposed at the GM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Calvin Leung
Director

Mr. Calvin Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 20 years of experience in the corporate finance industry.

* *English translation is for identification only*

Set out below is a summary of the Asset Appraisal Reports containing the asset appraisals of the Target Companies. For the purpose of complying with Rules 14.60A and 14A.68(7) of the Listing Rules, the principal assumptions of the income approach valuation with discounted cash flow method (which constituted a profit forecast under Rule 14.61 of the Listing Rules) set out in the Asset Appraisal Reports in respect of the Target Companies are also set out below.

A. VALUATION ASSUMPTIONS

General Assumptions

(I) General assumptions applicable to the Target Companies

1. Transaction assumption: It is assumed that all assets to be appraised are in the course of transaction, and the appraiser carries out the valuation by benchmarking to simulated market based on the conditions for transaction of the assets to be appraised.

2. Open market assumption: An open market assumption is an assumption made on the conditions of the market where the assets are proposed to enter and how the assets will be affected under such market conditions. An open market, which has been fully developed with comprehensive market conditions, refers to a competitive market with willing buyers and sellers acting voluntarily and rationally on arm's length basis, having sufficient opportunities and time to obtain market information and under no compulsion or restrictions to buy or sell.

3. Assumption of continuous use: The assumption of continuous use is an assumption made on the conditions of the market where the assets are proposed to enter and the state of the assets under such market conditions. It is first assumed that the assets to be appraised are in use, and it is further assumed that the assets that are in use will be used continuously. Under the assumption of continuous use, no consideration is given to the conversion of the use of the assets or utilization of the assets under the best condition. Thus, the valuation results are subject to a restricted scope of applicability.

4. Assumption of continuous operation: The assumption of continuous operation is an appraisal assumption made for considering the assets of a company as a whole as the subject of appraisal. That is, a company, as the entity for business operation, will continue to operate in accordance with its business objectives under the external environment in which it operates. The persons in charge of operating the company are responsible and capable of taking responsibility; the company operates legally and is able to make proper profits to maintain its ability to continue business operation.

Special Assumptions

(II) Special assumptions applicable to all companies

1. There are no material changes in the existing relevant national laws, regulations and policies, or in the national macroeconomic conditions. There are no material changes in the political, economic and social environment of the regions where the parties to this transaction are located. There are no other unpredictable or force majeure factors that may have a material adverse impact on the enterprise.

2. Unless otherwise stated, it is assumed that the company is in full compliance with all relevant laws and regulations.

3. It is assumed that the basic information and financial information provided by the principal and the appraised entity are true, accurate and complete.

4. It is assumed that the accounting policies to be adopted by the company in the future are basically consistent with those adopted in the preparation of this report in material aspects.

5. It is assumed that the business scope and mode of the company will be in line with the current direction on the basis of the existing management approach and standard.

6. There are no materials changes in, amongst others, interest rates, exchange rates, taxation bases, tax rates and policy-based levies.

7. It is assumed that the enterprise's forecasted cash flow for each year, is generated evenly in each year.

8. It is assumed that the enterprise's products or services will remain the current market competition status after the Appraisal Benchmark Date and the future expectations can be realized.

9. It is assumed that there will not be material litigation, pledge or guarantee that will affect the company's performance in its future operation period.

10. It is assumed that the natural environment in which the power generation projects are located will not materially change during the appraisal period.

11. It is assumed that there will not be material changes between the future feed-in tariff and the effective feed-in tariff as at the Appraisal Benchmark Date.

12. It is assumed that the appraised entity will not incur a shortage of funds that would render it unable to continue its business operations.

13. It is assumed that the certificates and qualifications required for the operation of the appraised entity can be obtained or renewed as scheduled.

14. It is assumed that the policy pursuant to "Announcement on Extension of Enterprise Income Tax Policy for the Development of the Western Regions (Announcement [2020] No. 23 of the Ministry of Finance)"* (《關於延續西部大開發企業所得稅政策的公告》(財政部公告2020年第23號)) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission, where the corporate income tax rate are levied at a reduced rate of 15% for eligible companies from 1 January 2021 to 31 December 2030, will continue after the expiration date, and it is assumed that the relevant subsidiaries will continue to enjoy the favourable corporate income tax policy currently applicable to them.

15. It is assumed that the companies which have been recognised as "Enterprise of New and High Technology (高新技術企業)" and have enjoyed deduction of corporate income tax will continue to be recognised as Enterprise of New and High Technology and will continue to enjoy the relevant deduction of corporate income tax.

(III) Special assumptions applicable to Changzhou Hydropower

1. It is assumed that there will not be material changes between the future feed-in tariff and the effective feed-in tariff as at the Appraisal Benchmark Date.

2. It is assumed that the tax rates pursuant to "Announcement on Extension of Enterprise Income Tax Policy for the Development of the Western Regions (Announcement [2020] No. 23 of the Ministry of Finance)"* (《關於延續西部大開發企業所得稅政策的公告》(財政部公告2020年第23號)) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission will continue to be applicable after 31 December 2030, will continue after the expiration date, and it is assumed that the relevant appraised entities will continue to enjoy the favourable corporate income tax policy currently applicable to them.

(IV) Special assumptions applicable to Wu Ling Power

1. The appraisal is based on the premise that the favourable tax treatment currently applicable will continue to be obtained. Pursuant to "Announcement on the Record of the First Batch of Enterprise of New and High Technology Recognized by Hunan Provincial Recognition Organization in 2022" (《關於對湖南省認定機構2022年認定的第一批高新技術企業進行備案的公告》), the relevant appraised entity obtained high-tech enterprise certificate in October 2022 (certificate number: GR202243002348, valid period: 18 October 2022 to 18 October 2025), the relevant appraised entity enjoyed the reduced rate of 15% of the corporate income tax, with research and development expenses being deducted. It is assumed that the relevant appraised entity will continue to obtain high-tech enterprise certificate and continue to enjoy the reduced rate of 15% of corporate income tax and enjoy relevant favourable tax policies in October 2025 and in the future.

2. It is assumed that the policy pursuant to "Announcement on Extension of Enterprise Income Tax Policy for the Development of the Western Regions (Announcement [2020] No. 23 of the Ministry of Finance)"* (《關於延續西部大開發企業所得稅政策的公告》(財政部公告2020年第23號)) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission, where the corporate income tax rate are levied at a reduced rate of 15% for eligible companies from 1 January 2021 to 31 December 2030, will continue after the expiration date, and it is assumed that the relevant subsidiaries will continue to enjoy the favourable corporate income tax policy currently applicable to them.

3. Special assumptions applicable to renewable wind power and photovoltaic energy projects:

   a. It is assumed that the company's operation can reach the designed service life, specifically: the predicted operation period of wind power generation is 20 years and the predicted operation period of photovoltaic power generation is 25 years; each company shall operate in accordance with the above period and liquidate normally after the expiration of the period.

   b. In accordance with the relevant provisions of the "Notice of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Policy for Wind Power Generation (Caishui [2015] No. 74)"* (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅 [2015] 74號)), starting from 1 July 2015, taxpayers who sell self-produced power products using wind power will be subject to the policy of immediate 50% value-added tax (VAT) refund upon collection. The impact of this policy has been considered in this appraisal and it is assumed that this policy will continue to be effective throughout the operation period of the project.

   c. It is assumed that for the companies which have been included in the national new energy subsidy catalogue in 2026, the policy of new energy subsidy of their relevant locations will not change materially, and reference has been made to the status of historical collection of their national subsidy, where their the national subsidy collection cycle were 2 to 3 years.

   d. It is assumed that for the companies which are applying to be included in the national new energy subsidy catalogue, for which the policy of national new energy subsidy is applicable, their current cumulative subsidy amount will be collected in the first three years after entering the catalogue, that is, the national subsidy in 2026 will be collected from 2027 to 2029, and from 2030 the national subsidy collection cycle will be 2 to 3 years.

e. It is assumed that the company's major power generation equipment will be continuously used for its remaining service life and only simple maintenance will be carried out, and that no major improvements or replacements will be carried out.

In accordance with the requirements of asset appraisal, it is determined that these assumptions are valid as at the Appraisal Benchmark Date. If the economic environment changes materially in the future, the appraiser does not assume liability for having derived different appraisal conclusions due to changes in the assumptions.

B. VALUATION METHODOLOGIES

Selection of valuation approach

The basic approaches to enterprise valuation include the asset-based approach, the market approach and the income approach.

The asset-based approach, a valuation approach based on the balance sheet, determines the value of the appraised entity by reasonably appraising the value of various assets and liabilities on the balance sheet, and also off-the balance sheet assets and liabilities, if identifiable. The appraised entity may provide, and the appraiser may collect externally, the requisite information for the asset-based approach, in order to comprehensively audit and appraise the assets and liabilities of the appraised entity.

The market approach is to evaluate the current fair market value of the appraised entity with reference to comparable objects in the real market. It is characterized by a direct appraisal angle and appraisal approach, an intuitive appraisal process, direct appraisal data from the market, and convincing appraisal results. Since this transaction involves a number of new energy companies, each of which are in different circumstances and substantial differences exist between them, it is difficult to reasonably quantify the different circumstances of each project company under the market approach. As such, the market approach is not applicable to the present appraisal.

The income approach is built on the theory of expected utility in economics, which means that for investors, the value of an enterprise lies in the income that the enterprise is expected to generate in the future. Although the income approach does not directly use reference material available in the real market to demonstrate the present fair market value of the appraised entity, it assesses an asset by its expected profitability, which is the essential basis for determining the present fair market value of the asset. As such, it can comprehensively reflect the overall value of an enterprise and its appraisal conclusion is more reliable and convincing.

Determining the valuation methodology

Wu Ling Power and Changzhou Hydropower was appraised using the asset-based approach and the income approach. Wu Ling Power was priced using the asset-based approach and Changzhou Hydropower was priced using the income approach.

(I) Changzhou Hydropower was priced using the income approach.

Changzhou Hydropower has been in operation for many years, and considering its historical operation records, Changzhou Hydropower's power generation hours and price of electricity are relatively stable, and the operative income is good, so that its future income could be estimated relatively reasonably, and the income approach could reflect the value of the company well. Therefore, it is appraised using the income approach, and the appraisal results are used as the ultimate appraisal conclusion.

(II) Wu Ling Power was priced using the asset-based approach.

Reasons that Wu Ling Power has been priced based on the appraisal results using the asset-based approach:

The income approach takes the perspective of the future profitability of a company. The appraisal value of equity of the appraised entity is based on the possible income in the future that could be generated from the real assets of the appraised entity, where risk are discounted to reach the current value. However, the income approach is strongly influenced by a company's future profitability, its quality of assets, its operating capability and its business risks, and its overall business model may change in accordance with market conditions. Therefore, as far as the cash flow of the enterprise is concerned, there may be differences between the forecast and the actual operation in the future.

However, the asset-based approach is based on the appraised value of the appraised entity's assets and liabilities on-balance sheet and the identifiable assets and liabilities off-balance sheet from the perspective of current cost, and the appraised value of the equity interest in the appraised entity is determined by summing up the appraised values of the various elemental assets that make up the enterprise and subtracting the appraised value of the liabilities, which reflects the fair market value of the assets from the perspective of asset replacement. In connection with this appraisal, the appraised entity has provided detailed information on its assets and liabilities, and the appraisers have also collected information from external sources to satisfy the requirements of the asset-based approach, and the appraisers have conducted a comprehensive checking and valuation of the assets and liabilities of the appraised entity.

Wu Ling Power is a large-scale enterprise, with a total of 182 legal entities engaged in three principal business segments: hydropower generation, wind power generation and photovoltaic power generation. The specific valuation approach for each segment is as follows: ① The asset-based approach was adopted for valuation of the hydropower generation segment. The income approach was not adopted for this segment mainly because the power generation and revenue of each of the stations of each of the hydroelectric power plants have not been stable over the years due to factors such as the different geographical locations and climate conditions of each of the hydroelectric power plants of Wu Ling Power and the differences in their respective reservoir capacities and water storage capacities. In this valuation, in respect of the forecast of electricity generation, the valuer was unable to anticipate the occurrence and evolution of abnormal weather or extreme water conditions and their impact on future revenue conditions, therefore, the valuer is of the view that the appraisal conclusion derived using the asset-based approach for each hydropower plant in the hydropower generation segment is more reasonable and reliable as compared to the income-based method. Taking all these factors into account, the asset-based approach was used to derive the appraised value of the hydropower generation segment, with the income approach providing supplementary support and the market approach serving as a validation of its reasonableness; ② Given the relatively stable revenue streams from wind and photovoltaic power projects, the valuation result under the income approach showed a certain degree of appreciation compared to the asset-based approach. The income approach valuation is considered to better reflect the actual value of these two assets and was therefore adopted for deriving their appraised value. For service companies, certain other entities and shell companies, which generally generate limited or no revenue, the asset-based approach was used for valuation.

In summary, the valuer is of the view that the appraisal results using the asset-based approach are more in line with the value of the appraised entity in this economic activity than those using the income-based approach, and that the appraisal results of the asset-based approach are more reliable, and have therefore selected the appraisal results of the asset-based approach as the final appraisal conclusion of this report.

For those long-term equity investments of Wu Ling Power which are companies carrying out new energy businesses, either the income approach or the asset-based approach is selected for valuation based on the company's operational conditions:

(1) For projects under construction or yet to commence construction, there are no historical operating data for reference. For some projects, although the preparation of the project investment feasibility study report has been completed, the forecast of future investment expenditure and income is mainly dependent on the investment feasibility study report, and there is uncertainty as to whether the company's actual income will be in line with the investment feasibility study report. Therefore, although the above companies have used the income approach for valuation, the income approach is not applicable to be used as a conclusion of valuation. The asset-based method, on the other hand, is a valuation method based on the balance sheet, which is a method of assessing the value of various assets and liabilities on-balance sheet and identifiable off-balance sheet of an enterprise to determine the value of the appraised entity. The main assets of the aforesaid companies are cash and cash equivalents, current accounts and pre-development expenses of projects, etc., the value of which can be reasonably reflected by the asset-based approach. Accordingly, the valuation results of the asset-based approach have been adopted as the conclusion of the valuation of the aforesaid companies.

(2) For projects that have been in production and operation, based on the historical operating data of the appraised entity, the forecasts of future power generation and tariffs provided by the appraised entity were able to reflect the enterprise value calculated on the basis of the income approach, and the conclusion of the valuation adequately covered the value of all shareholders' equity of the appraised entity. Although the appraisers have also adopted the asset-based approach in valuing the appraised entity, the replacement cost of new energy

projects has been declining in recent years, and it is difficult for the replacement value under the asset-based approach to accurately reflect the future consolidated profitability of the appraised entity out of the assets and liabilities as a whole enterprise. Therefore, the valuation results based on the income approach have been adopted as the conclusion of this appraisal in respect of projects that have been put into production and operation.

For such long-term equity investments, this appraisal determines the appraised value in accordance with the above standard, and such result is summarised in the valuation of the long-term equity investments of Wu Ling Power.

C. KEY VALUATION INPUTS: VALUATION OF CHANGZHOU HYDROPOWER

The income approach appraisal adopts the discounted cash flow method, and the cash flow selected is the free cash flow of the enterprise, so as to indirectly obtain the value of the entire shareholders' equity through the appraisal of the enterprise value as a whole.

The entire shareholders' equity under this appraisal is calculated by the total discounted value of Changzhou Hydropower's operating assets plus total surplus assets and non-operating assets less interest-bearing liabilities. The value of the total operating assets of the company is calculated based on the total net free cash flow of the company for a number of years in the future, discounted at an appropriate rate.

Set out below are the key valuation inputs:

(I) Forecast of operating income

Operating income is mainly derived from power generation income (power generation income = power generation hours × installed capacity × (1 – comprehensive auxiliary power consumption rate and line loss rate) × unit price of electricity.

1. Power generation hours: As to hydropower business, in order to fully reflect the average power generation hours of the hydropower plants in the long-term future, the average annual power generation hours from 2021 to 2024 are taken as the future forecasted annual power generation hours; as to photovoltaic power generation business, its historical power generation hour level and feasibility study report decay rate are used to forecast future annual power generation hours

2. Installed capacity: The installed capacity is calculated by the current size of installed capacity

3. Comprehensive auxiliary power consumption rate and line loss rate: Calculated by the historical average level of the company

4. Unit price of electricity: The unit price of electricity is determined by a combination of the approved tariffs currently in force and the company's assessment of the future "two rules of assessment and low valley consumption sharing" and other factors

The detailed operating income forecast for Changzhou Hydropower is as follows:

Item	Hydropower generation	Photovoltaic power generation
Power generation hours (hours)	4,676.39	809.7-996.42
Installed capacity ('0,000 kW)	63	2.15252
Comprehensive auxiliary power consumption rate and line loss rate	1.33%	0.55%-0.80%
Annual electricity sales ('0,000 kWh)	290,699.94	118.90~2,125.54
Unit electricity price (including tax) (RMB'0,000/kWh)	0.3377	0.3389-0.8738
Revenue from power generation (RMB'0,000)	86,875.55	31.06~1,636.60

(II) Forecast of operating costs

Operating costs mainly include water resource fees, reservoir funds, depreciation and amortisation, operation commissioning fees, repair costs, material costs, safety production expenses, employee remuneration and other expenses.

1. Water resource fees and reservoir funds: In accordance with local policies, water resource fees and reservoir funds are calculated by RMB0.005/kWh and RMB0.008/kWh, respectively, based on the amount of feed-in electricity

2. Depreciation and amortisation: Forecasts are made based on the original book value of the fixed assets and intangible assets of the appraised entity as at the Appraisal Benchmark Date, as well as the amount of depreciation and amortisation accrued by each appraised entity in accordance with the current accounting policies

3. Operation commissioning fees, repair costs and material costs: Calculations are based on the reference to the average historical level of the company and the annual budget for 2025

4. Safety production expenses: The calculation is based on the standard in the "Notice on the Issuance of Administrative Measures for the Extraction and Use of Enterprise Safety Production Expenses (Caizi [2022] No. 136)"* (關於印發《企業安全生產費用提取和使用管理辦法》的通知(財資[2022]136 號))

5. Employee remuneration: The forecast refers to the current and actual remuneration level of each appraised entity

6. Other expenses: This category primarily includes technical supervision fees, technical service fees, insurance fees, property management fees and other related expenses. The calculation is based on the reference to the historical average level of other expenses of the company

Based on the inputs for the aforementioned operating costs, the breakdown of operating costs for Changzhou Hydropower is as follows:

Item	Hydropower generation *(RMB'0,000)*	Photovoltaic power generation *(RMB'0,000)*
Water resource fees, reservoir fund	3,779.1	–
Depreciation and amortisation	12,343.73~ 18,073.69	4.63~ 561.65
Operation commissioning fees, repair costs and material costs	12,533.21	19.16~ 270.39
Safety production expenses	933.76	–
Employee remuneration	5,203.45	14.34~202.34
Other expenses	5,790.4	–
Total	**40,583.64~ 46,313.61**	**33.5~ 1,034.38**

(III) Forecast of taxes and surcharges

Taxes and surcharges of the appraised entity include urban construction tax of 7%, education surcharge of 3%, local education surcharge of 2%, contribution to the hydraulic engineering fund (0.1% of the current operating income), real estate tax of 1.2%, land use tax (RMB10/m^2, RMB4/m^2), etc. Forecasts are based on the assumption that the tax rates applicable to each appraised entity as at the Appraisal Benchmark Date will remain unchanged.

(IV) Forecast of finance costs

Financing costs are mainly interest expenses on borrowings. As the appraisal uses the corporate free cash flow, where corporate free cash flow = EBITDA + depreciation and amortisation – capital expenditure – changes in net working capital, so interest expenses have no impact on the equity value of the company.

(V) Forecast of enterprise income tax

In accordance with the "Announcement on Extension of Enterprise Income Tax Policy for the Development of the Western Regions"* (關於延續西部大開發企業所得稅政策的公告) (Announcement [2020] No. 23 of the Ministry of Finance) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission, "from 1 January 2021 to 31 December 2030, corporate income tax shall be levied at a reduced rate of 15% on enterprises engaging in the encouraged industries and established in the Western Regions". Considering that the aforementioned corporate income tax policies for the development of the Western Regions have been extended many times, this appraisal assumes that the above policies can be continued throughout the forecast period, i.e. the corporate income tax rate in the future is calculated by the reduced rate of 15%. In particular, for the photovoltaic power generation business, it is exempted from corporate income tax from the first to the third year (at a rate of 0%); from the fourth to the sixth year, the corporate income tax rate is reduced by half (at a rate of 12.5%); thereafter, the applicable corporate income tax rate is expected to be 15%.

(VI) Forecast of depreciation and amortisation

Depreciation is forecasted based on the size of the fixed assets and the depreciation policy implemented by the appraised entity. Amortisation is forecasted based on the original recorded amount as at the Appraisal Benchmark Date and the amortisation policy implemented by each appraised entity. Depreciation and amortisation are calculated on a straight-line basis over the estimated service life as follows:

Asset	Service life	Estimated net residual value rate	Annual depreciation rate
Houses and buildings	5-45 years	0-3%	2.16%-20.00%
Machinery and equipment	5-30 years	0-5%	3.17%-20.00%
Vehicles	5-10 years	0-3%	9.70%-20.00%
Electronic equipment and others	5-35 years	0-5%	2.71%-20.00%

(VII) Forecast of capital expenditure

The capital expenditure forecasted in this appraisal consists of two parts:

1. Inputs for technological improvements in future years: Determined in accordance with the company's investment plan for technological improvements

2. Renewal inputs at the end of the life of existing assets: Determined in accordance with the economic life of the assets and the appraised original value of the assets

(VIII) Determination of additional working capital

Additional working capital refers to the increase in working capital required by the appraised entity for maintaining its ability to operate continuously without changing its main business, such as the amount of cash required to maintain normal production and operations, the funds required for unpaid business payments payable by customers (accounts receivable), and amounts payable.

In principle, to estimate the increase in working capital in the course of business, only main factors such as cash, receivables and payables that must be maintained in the ordinary course of business usually need to be considered. The increase in working capital is calculated as follows:

Increase in working capital = working capital requirements for the current period – working capital requirements for the previous period

Working capital requirements = minimum cash holdings + average balance of receivables – average balance of payables

With reference to the annual turnover rate of each of the current assets and liabilities involved in the operations of the appraised entity over the previous years, the working capital forecast for the coming years is measured as follows:

1. Minimum cash holdings = annual (operating costs + taxes + expenses – depreciation and amortization)/average number of cash payments annually

2. It is forecasted that the annual receivables, the receivable benchmark settlement income is settled with the State Grid once a month, and the number of turnovers of accounts receivable is calculated according to a 12 settlements per annum basis

3. Where the national subsidy for new energy projects directly or indirectly held by the appraised entity has entered the national subsidy catalogue, and the collection cycle is about 2 years as at the Appraisal Benchmark Date, the corresponding balance of accounts receivable shall be determined considering the balance of the national subsidy for 2 years

4. Forecasted annual accounts payable = annual operating costs/forecasted number of payments for accounts payable annually

Based on the inputs for the aforementioned operating costs, the increase in working capital for Changzhou Hydropower is as follows:

Item	**Hydropower generation** *(RMB'0,000)*	**Photovoltaic power generation** *(RMB'0,000)*
Increase in Working Capital	–23.09~1,843.30	–1,357.19~17.85

Based on the above key valuation inputs, items (II) to (V) are deducted from item (I) (operating income) to derive the net profit of each relevant period during the forecast period. The net profit is further adjusted by figures including item (VII) (capital expenditure) and item (VIII) (additional working capital) to arrive at the total net free cash flow of Changzhou Hydropower.

Forecast period

The appraised entity was operating normally as at the Appraisal Benchmark Date, and there was no limitation on the service life of the core assets affecting the continued operation of the company and no limitation on the duration of the company's production and operation, or the duration of the investor's ownership.

On the basis of the above, the forecast period adopted for the valuation of Changzhou Hydropower was indefinite term, and since the designed service life for photovoltaic power plants is 25 years, the corresponding forecast period is from the date of grid connection to the end of its designed service life.

Discount rate

This evaluation adopts the free cash flow of the appraised entity, and the discount rate is the weighted average cost of capital (WACC) of the corresponding standard. The WACC of hydropower business is 6.28%, and the WACC of photovoltaic power generation business is 6.96%. This evaluation adopts the weighted average cost of capital (WACC) model to determine the discount rate r.

$$r = (1-t) \times r_d \times w_d + r_e \times w_e$$

t: Income tax rate

W_d: Debt Ratio

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

W_e: Equity capital ratio

$$W_e = \frac{E}{(E+D)}$$

It should be noted that:

t income tax rate: In accordance with the "Announcement on Extension of Enterprise Income Tax Policy for the Development of the Western Regions"* (關於延續西部大開發企業所得稅政策的公告) (Announcement [2020] No. 23 of the Ministry of Finance) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission, "from 1 January 2021 to 31 December 2030, corporate income tax shall be levied at a reduced rate of 15% on enterprises engaging in the encouraged industries and established in the Western Regions". Considering that the aforementioned enterprise income tax policies for the development of the Western Regions have been extended many times, this appraisal assumes that the above policies can be continued throughout the forecast period, i.e. the corporate income tax rate in the future is calculated by the reduced rate of 15%.

w_d debt ratio and w_e equity capital ratio: as the company's operating borrowings have been increasing as the number of years of operation increases, the borrowings are continuously repaid until the final balance reaches zero, and the capital structure changes year by year. Considering that other parameters of the discount rate reference the market level, the wd debt ratio and we equity capital ratio also reference the capital structure of comparable listed companies. Assuming the target capital structure of the appraised entity is determined with reference to the average value of the interest-bearing debts and capital of comparable listed companies, for hydropower business, the w_d is 32.28% and the w_e is 67.72%, and for photovoltaic power generation business, the w_d is 51.96% and the w_e is 48.04%.

r_d cost of debt: reference is made to the 5-year loan rate LPR value of 3.60% announced by the People's Bank of China on October 21, 2024.

r_e cost of equity capital: determined in accordance with the Capital Asset Pricing Model (CAPM).

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$$

1. r_f risk-free rate: Determined based on the yield to maturity of 2.15% for all treasury bonds with a remaining maturity of 10 years as at October 31, 2024, provided by the Central Depository and Clearing Corporation (CCDC).

2. r_m expected market return: The appraised entity's business is mainly in China, so a Chinese *securities* market index is used to measure the market risk premium, which is expressed by the following formula: Market risk premium = average yield of the Chinese equity market – China risk-free rate

The average yield of the Chinese equity market, based on the historical data of the CSI 300 Index, is calculated by applying a 10-year moving arithmetic average method to the monthly data of the CSI 300 Index up to October 31, 2024 obtained on the Wind Info Quotes Database. The China risk-free rate adopts the yield to maturity of all treasury bonds with a remaining maturity of 10 years as at October 31, 2024.

The risk premium of the Chinese equity market is calculated to be 7.39%.

1. ε: Specific risk adjustment of 1%-2%: based on the differences in terms of enterprise operational environment, enterprise scale, business model, risk resistance capability etc. between the enterprise to be appraised and comparable listed *companies* that have been selected. The specific risk adjustment is valued at 1%.

2. β_e: Expected equity risk coefficient. The estimated value of the expected equity risk coefficient is determined with reference to the average beta coefficients of

comparable listed companies in the A-share market in the past three years. In particular, as to hydropower business, the coefficients used with referenced to six comparable listed companies have a range from 0.4589 to 0.7966, and as to new energy business, the coefficients used with referenced to nine comparable listed companies have a range from 0.7960 to 1.0953. After excluding financial leverage on the basis of the above coefficients, the average value of the capital structure of comparable listed companies was selected as the target capital structure of the appraised entity, and β_e of the appraised entity was calculated.

Principles for screening comparable companies in determining the β_e coefficient:

(i) for comparable companies in the hydropower and new energy businesses, they must be listed for at least three years in China;

(ii) hydropower generation industry or new energy power generation (as the case may be) is the industry or main business in which the relevant comparable company is engaged in; and

(iii) there is no major asset reorganization or other events affecting share price volatility of the comparable company in the past two years.

The abovementioned free cash flow is discounted using the calculated discount rate, from which the total operating assets of Changzhou Hydropower is derived.

Determination of the appraised value of interest-bearing debts

Interest-bearing debts include short-term and long-term borrowings, long-term payables, etc, the value of which is determined market value.

Determination of the appraised value of surplus assets and non-operating assets

Surplus assets refer to excess assets that are not directly related to corporate income or assets that exceed the needs of corporate operations, and generally refer to excess monetary funds and transactional financial assets, etc. Non-operating assets refer to assets that are not directly related to corporate income, do not produce benefits, or are not considered in operating assets estimated by discounted cash flow.

Determination of the appraised value of Changzhou Hydropower

Based on the abovementioned valuation inputs, the appraised value as at the Appraisal Benchmark Date of Changzhou Hydropower was RMB4,725,380,870.

	RMB('000)
Total operating assets	6,091,556.01
Surplus assets and non-operating assets	547,847.58
Interest-bearing liabilities	1,914,022.72
Valuation	**4,725,380.87**

According to PCAA, the valuation assumptions and conditions are made in accordance with the relevant laws and regulations of the PRC and are in line with market practice and standard. The profit forecasts made have taken into account the actual situation of the appraised entities and are in line with the operation levels of the appraised entities.

Sensitivity analysis

Electricity prices are mainly determined by the relevant government approvals and are not subject to significant fluctuations. The forecast for power generation hours is based on historical statistical data without considering the growth rate. Therefore, the relevant inputs used in the valuation are unlikely to significantly change in the foreseeable future. Given that the primary revenue of Changzhou Hydropower derives from hydropower generation and that hydropower utilization hours exhibit some degree of fluctuation across different years, sensitivity analysis was conducted using hydropower tariffs and annual utilisation hours as key variables. The results are as follows:

Percentage of change in power generation hours	**Change in appraised value** *(RMB'0,000)*	**Percentage of change in appraised value**
+1%	11,084.46	2%
–1%	–11,084.46	–2%

Change in electricity price *(RMB/kWh)*	**Change in appraised value** *(RMB'0,000)*	**Percentage of change in appraised value**
0.01	34,426.61	7%
–0.01	–34,426.61	–7%

D. KEY VALUATION INPUTS: VALUATION OF WU LING POWER

Under the asset-based approach, the appraised value of the total equity of Wu Ling Power as at the Appraisal Benchmark Date is the sum of the appraised value of current assets and the appraised value of non-current assets, minus the total liabilities.

Set out below are the key valuation inputs:

Current assets

The current assets of Wu Ling Power mainly include cash and cash equivalents, accounts receivable, prepayments, dividends receivable, other accounts receivable, inventory and other current assets.

Inputs and computation process for the value of current assets:

1. Cash and cash equivalents: Including cash on hand, bank deposits and other monetary funds, the appraised value is determined by the verified value

through cash counts, verification of bank statements, bank correspondence and other monetary fund vouchers.

2. Accounts receivable and other accounts receivable: For accounts receivable, check whether the balances of the ledger and the general ledger, statements and assess whether the balances in the detailed statements match with each other, and access account records such as the amount of the payment, the time of occurrence, the relevant business, etc. in accordance with the schedule of appraisal, and analysis of the ageing of the accounts. Correspondence is conducted for large or unusual amounts, alternative procedures are implemented for amounts without response (obtaining relevant records for amounts recovered after the period or relevant records at the time of the business operation), and receivables from related companies are cross-checked to confirm the authenticity and completeness of receivables, and the results of the verifications are in line with the amounts in the books, tables and sheets.

   The assessed value of each receivable is determined on the basis of the amount that may be recovered from each receivable, subject to verification of its correctness. Where there are reasonable grounds for believing that all receivables are collectible, the assessed value is calculated on the basis of the entire amount of the receivable. If it is difficult to determine the amount of uncollectible receivables, the appraised value is calculated after deducting the amount of uncollectible receivables from the risk of loss with the help of historical data and on-site investigations, and analysing the amount, time and reason for default, status of recovery, and the current status of the defaulter's capital, credit, and operation and management with reference to the ageing analysis method. If there is a definite indication that the receivable is uncollectible, the valuation is calculated at zero, and the 'provision for bad debts' account in the accounts is calculated at zero. For receivables from long-term investees with negative net asset values, the assessed value is determined after taking into account the investee's reimbursement ratio.

3. Prepayments: The assessed value of prepayments is determined on the basis of the value of the corresponding goods forming assets or rights that can be recovered. For prepayments for which the corresponding goods or rights can be recovered, the verified book value is taken as the appraised value. For prepayments for which there is conclusive evidence that the corresponding goods cannot be recovered and no corresponding assets or rights can be formed, the appraised value is zero. Amortised expenses included in prepayments are assessed at the value of assets and rights still enjoyed by the appraised entity after the Appraisal Benchmark Date.

4. Dividends receivable: The appraisers verified the book entries, examined the investment agreements, board of directors' resolutions and other relevant information to verify the authenticity of the transaction matters, the contents of the business and the amount of the transaction, etc., and verified that the results of the verification of the books, tables and sheets matched the amount of the receivables. The audited book value was used as the appraised value.

5. Inventory: The appraisers checked the inventory declaration form against the ledger, general ledger and accounting statements, and inspected the relevant book records and original vouchers to confirm the real existence of the inventory and the status of property rights; they verified the enterprise's internal control system for inventory, the system for accounting for the entry and exit of inventory and its storage and the system for regular stocktaking, and checked the turnover of the inventory by consulting the most recent inventory entry and exit slips, etc.; they also put emphasis on investigating the quality of the inventories through spot checks of stocktaking. The appraisers conducted sample checking of the inventory entry and exit slips, etc. of the inventories between the Appraisal Benchmark Date and the date of stocktaking to ascertain the quantities of incoming and outgoing inventories between the Appraisal Benchmark Date and the date of stocktaking, from which the actual quantities of the inventories as at the Appraisal Benchmark Date were calculated.

   The appraisal of raw materials is based on the market approach: the appraised value is calculated on the basis of the prevailing market price plus reasonable transportation and miscellaneous charges and wastage. As the purchase dates of raw materials and working capital materials in stock are close to the Appraisal Benchmark Date and the price changes are minimal, for the purpose of this appraisal, the appraisal value is recognised at the audited book value.

6. Other current assets: In respect of the principal and interest of the entrusted loans, the appraisal officers checked the loan contracts one by one to understand the borrowing amount, interest rate, repayment method and repayment period of each borrowing, which were all correct, and the enterprises accrued interest on a monthly basis and were able to repay the principal and interest in a timely manner. The appraisal officers focused on verifying the authenticity and completeness of the loans, and at the same time conducted correspondence with the subordinate entrusted loan company to verify the outstanding principal balance as at the valuation reference date. The appraised value of the entrusted loans was confirmed at the verified book value on the basis of confirmation that interest had been paid or advanced. In respect of input VAT payable, on the basis that checks are done and there is no error, the appraisers verified the tax return of the company by understanding the type of tax applicable to the company, the tax rate, the amount of tax and the rate of payment of fees, and the correctness and authenticity of the filings were confirmed through the tax payment vouchers consulted. After verification, the enterprise tax and the amount is consistent with the declared number. Therefore, the audited book value is taken as the assessed value.

Non-current assets

The non-current assets of Wu Ling Power mainly include long-term equity investments, fixed assets, investments in other equity instruments, construction in progress, construction supplies, intangible assets – land use right, intangible assets – other non-current assets.

Inputs and computation process for the value of non-current assets:

1. Long-term equity investments: In this appraisal, in respect of each equity investment entity, the enterprise's historical operating conditions and future business plans is first examined, subsequently, investigation is conducted in relation to the enterprise's business operations, external environment, business condition, assets and financial condition and the valuation methodology for each appraised entity is determined through comprehensive analysis.

   (A) In respect of entities in which Wu Ling Power has normal equity holdings on and after the Appraisal Benchmark Date, each is appraised using the following methodologies:

      a. In respect of wholly-owned and controlled subsidiaries, the enterprise value method was used to appraise the investment enterprise as a whole, the appraised value of the long-term equity investment in such investment enterprises was calculated based on the proportionate share of equity interest of Wu Ling Power in the appraised entity. The appraised value of an investment enterprise which has a negative net asset appraised value is determined on zero basis.

         I. For entities which shareholders (other than Wu Ling Power) have not contributed in accordance with their respective committed contribution amount and to which such other shareholders will make up their respective committed contribution amount on a regular basis in the future, the appraised value of the equity value of such entities as at the Appraisal Benchmark Date = as at the Appraisal Benchmark Date = (appraised value of the entire shareholders' equity in the investment entity + amount of unpaid and payable capital contribution) × proportion of capital contribution paid by shareholders – amount of unpaid and payable shareholders' contribution.

         II. For entities which shareholders (other than Wu Ling Power) have not contributed in accordance with their respective committed contribution amount and where it is unclear if such other shareholders will be able to make up their respective committed contribution amount in the future, appraisal of such entities is based on the proportion of the investment entity's paid-up capital as at the Appraisal Benchmark Date.

(B) In respect of entities in which Wu Ling Power has a non-controlling equity interest where the circumstances allow or do not allow the appraisers to enter the venue for checking and verifying, different valuation methods are adopted for each specific entity:

a. For those enterprises where access thereto was possible to conduct an overall appraisal, overall appraisal of such entities were carried out using the enterprise value appraisal method, and the appraised value of Wu Ling Power's long-term investment is then calculated in proportion to the equity it holds in the appraised entity.

I. For entities which shareholders (other than Wu Ling Power) have not contributed in accordance with their respective committed contribution amount and to which such other shareholders will make up their respective committed contribution amount on a regular basis in the future, the appraised value of such entities as at the Appraisal Benchmark Date = (appraised value of the entire shareholders' equity in the investment entity + amount of unpaid and payable capital contribution) × proportion of capital contribution paid by shareholders – amount of unpaid and payable shareholders' contribution.

II. For entities which shareholders (other than Wu Ling Power) have not contributed in accordance with their respective committed contribution amount and to which such shareholders have not made up their contributions on time, such entities are appraised in accordance with the proportion of the investment entity's paid-up capital as at the Appraisal Benchmark Date.

b. For those enterprises in which Wu Ling Power's interest is too small such that it was not possible to conduct an overall appraisal, but for which audited accounting statements are available, the appraised value of such entities as at the Appraisal Benchmark Date = (appraised value of the entire shareholders' equity in the investment entity + amount of unpaid and payable capital contribution) × proportion of capital contribution paid by shareholders – amount of unpaid and payable shareholders' contribution.

2. Fixed assets: mainly consist hydraulic structures, general structures and equipment.

(A) *Hydraulic structures*

Hydraulic structures are appraised using the replacement cost method, which is calculated as follows:

Appraisal value = full cost of replacement × comprehensive newness rate

I. Full cost of replacement

Full cost of replacement = hydraulic structures main body construction costs + independent construction costs + Urban infrastructure support fees + apportioned temporary works costs + apportioned floodplain compensation costs + cost of capital – deductible VAT input tax

① Hydraulic structures main body construction costs

Such costs were calculated with reference to the construction drawings and final account report of a project, and the total cost of the project was calculated in accordance with the provisions of the 'Estimated Quotas for Hydroelectric Construction Projects'*《水電建築工程概算定額》, 'Quotas for Construction Machinery Hourly Fees for Hydroelectric Projects'*《水電工程施工機械台時費定額》and 'Cost Standards for Hydroelectric Project Design Estimates'*《水電工程設計概算費用標準》, as well as in conjunction with the settlement price, the contract price, and the price level of labour and materials on the base date of the appraisal.

② Independent construction costs

Such costs are an important part of a hydropower project, which mainly includes pre-construction fee, construction management fee, construction supervision fee, consulting service fee, project technical and economic evaluation fee, project acceptance fee and project insurance fee, and scientific research, investigation and design fee, etc. The calculation standard of each fee is based on the 'Standard for Costs of Hydropower Project Design Estimates'《水電工程設計概算費用標準》(2013 Edition). According to 'Regulations on Preparation of Hydropower Project Design Estimates', the independent cost is calculated according to the construction cost. The independent cost of hydropower buildings mainly includes construction unit management fee, investigation and design fee, engineering supervision fee, engineering bidding agent service fee, feasibility study fee and environmental impact assessment fee.

③ Floodplain compensation costs

Floodplain compensation costs are mainly the compensation for land, houses and migrant relocation in flooded areas of a reservoir, and such costs include migrants' compensation fees, compensation fees for the reconstruction of the professional project, cleaning fees of cleaning the bottom of the reservoir, management fees of the compensation for the land acquisition for the construction and migrants' resettlement, environmental protection and soil and water conservation fee of the migrants' resettlement area, water and soil other fees, related taxes, and the capital cost of the migrants' fee. The calculation standard of each cost is based on the Cost Standard for Hydropower Project Design Estimates《水電工程設計概算費用標準》(2023 edition), while the related taxes and fees are calculated in accordance with the national tax standard; finally, flood compensation costs are apportioned to the relevant hydropower construction.

④ Cost of capital

Cost of capital is determined on the basis of the sum of the construction and installation costs and preliminary and other costs in accordance with the reasonable construction period of the relevant project, based on the interest rate of loans of the corresponding maturity period as at the Appraisal Benchmark Date.

Cost of capital (loan interest) is based on the overall size of the relevant building, the construction period is calculated on the basis of the reasonable construction period of the relevant project, and assuming that the construction funds are evenly invested during the construction period, the interest-bearing period is calculated as 1/2 of the construction period. The loan interest rate is calculated on the basis of the Loan Market Quotation Rate (LPR) issued by the National Center for Interbank Lending (NCIBL) as of 21 October 2024 (one-year interest rate = 3.10%, five-year interest rate = 3.60%); where the reasonable construction period of the relevant project is less than five years, the loan interest rate is derived from interpolation of the corresponding duration with reference to one-year LPR and five-year LPR; where the reasonable construction period is five years or above, five-year LPR is used.

Cost of capital = (comprehensive cost of construction works + independent fee for construction works) × annual interest rate × construction period × 50%

II. Consolidated rate

① In respect of high-value, significant structures, determined using a combination of survey and age-specific rates, which are calculated using the following formula:

Comprehensive newness rate = surveyed newness rate × 60% + newness rate over service life × 40%

In which:

Newness rate over useful life (%) = serviceable life/(serviceable life + serviced life) × 100%

The surveyed newness rate was determined by examining each main structure to check the completion of the various types of structures, to understand its maintenance over the years and management. After on-site investigation, the newness rate is filled out in the on-site investigation form based on the following three elements: structure, furnishing and equipment in respect of each structure.

② In respect of small unit value, relatively simple structures, the age method is used and adjusted to determine the newness rate according to the specific circumstances, using the following formula:

Newness rate = (durable years – used life)/durable years × 100%

(B) General structures

In respect of the appraisal of general structures, the appraisal method is delineated based on the type of asset being appraised; generally, the replacement cost approach is used, and for assets which have market comparables (such as purchased office buildings and ground shops), the market approach is used.

For general structures which are appraised using the replacement cost approach, the replacement cost approach formula is as follows:

Appraisal value = full cost of replacement × comprehensive newness rate

I. Full cost of replacement

Full cost of replacement = cost of construction and installation + upfront costs and other costs + cost of capital – deductible VAT

① Cost of construction and installation

In the appraisal, the valuer determined the cost of construction and safety works of the building/structure to be appraised by adopting different appraisal methods through surveying the physical conditions of the appraised building/structure and investigating the as-built drawings of the relevant project and the completeness of the project settlement data. The general comprehensive cost can be determined according to the actual situation by adopting one of the methods such as the re-budgeting method, final accounting adjustment method, comparable coefficient adjustment method and unilateral cost estimation method, etc. to determine the cost of the construction and safety works of the object of valuation or by applying several methods at the same time to comprehensively determine the cost of the construction and safety works of the object of valuation.

Re-budgeting method: Calculate the construction and installation cost of major buildings and typical buildings as at the Appraisal Benchmark Date upon re-compilation of the checklist for the volume of work based on the construction completion documents, drawings, and budgetary information of the to-be-assessed buildings with reference to the on-site survey results, and in accordance with the prevailing standards of building construction budgetary quotas and fees in various places, after taking into account the various other costs of construction currently charged by the State and various places in respect of the construction project as at the Appraisal Benchmark Date, and after calculating the capital cost based on the reasonable duration of the project to arrive at the replacement cost of the buildings.

Final accounting adjustment method: For buildings (structures) in the assessed object with completed drawings and project settlement documents, the asset valuation professionals will classify the to-be-assessed buildings (structures) according to their structure after making detailed records of each and every item of condition of the buildings (structures) through on-site inspections of the to-be-assessed buildings (structures). Representative buildings (structures) with relatively completed project final accounts are selected from the major structural types as typical project cases, and the final accounting adjustment method was applied to analyze the costs of each component of the comprehensive cost of the construction and installation works of the finalized building (structures) on the basis of the confirmed quantities of works in the final account of the to-be-assessed buildings (structures) and the comprehensive cost of the construction and installation works of the finalized building (structures) is adjusted based on the information on prices of labor, materials, etc. in the local market and the relevant charging documents as at the Appraisal Benchmark Date, and finally the comprehensive cost of the construction and installation works after comprehensively is determined by taking into account the actual situation of the to-be-assessed buildings (structures) and the local construction market.

Comparable coefficient adjustment method: For buildings (structures) of which drawings and project settlement documents are incomplete, its compressive construction and installation cost is arrived at by adopting the comparable coefficient adjustment method. It is calculated at the adjusted construction and installation cost of a typical project case or project final accounting case in the "Completed Project Cost Analysis Sheet*" (《已完工造價分析表》) released by the competent provincial and municipal departments in charge of local construction and installation cost after making comparison between the gross floor area, structural type, floor height, number of storey, span, materials, internal and external decoration, construction quality, repair and maintenance, etc. of such typical project case and those of the assessed object with reference to the labour cost, material cost and growth rate of the machinery cost of such typical project case calculated by final accounting adjustment method.

Unilateral cost indicator estimation method: For certain buildings constructed in earlier years, the historical cost of which is no longer of reference value, and for which the engineering drawings and project final accounts are incomplete, the asset valuation professionals, upon comprehensive analysis, arrive at the compressive construction and installation cost of such buildings (structures) by adopting unilateral cost indicators with reference to the previous experience from similar projects.

For large-scale, high-value, significant buildings/structures using the final accounting adjustment method to determine their cost of construction and safety works, that is, to be assessed in the final account of the building/structures as the basis for the amount of work, according to the current project budget prices, rates, will be adjusted to the current calculation of the construction and safety works cost.

For general buildings (structures), based on the physical volume of typical houses and structures, their comprehensive cost in accordance with the current construction and installation project quotas (or indexes) and charging standards and local material prices and labour wages is determined; after calculating the comprehensive cost of typical projects, similar houses and structures using the analogy method are analysed to find out the factors of difference between them and typical houses and structures, and make adjustments for increases or decreases, so that the comprehensive cost of houses and structures similar to typical projects can be calculated. After calculating the comprehensive cost of the typical project, the comparable coefficient adjustment method will be applied to analyse the similar houses and structures to find out the factors of difference between them and the typical houses and structures, and make adjustments for increase or decrease, so as to calculate the comprehensive cost of houses and structures similar to the typical project.

The unilateral cost indicator estimation method is used to determine the cost of construction and safety works for buildings/structures of small value and simple structure.

② Preliminary and other costs

Preliminary and other costs are determined in accordance with the latest national standards for calculating other costs. Pre-construction and other costs are calculated in accordance with the amount of the assessed unit's investment in construction, the name of the pre-construction and other costs, the basis for calculating the costs, the criteria for calculating the costs and the basis for calculating the costs, in accordance with the fees and charges stipulated by the industry, the state or the local government.

③ Cost of capital

Cost of capital is determined on the basis of the sum of the construction and installation costs and preliminary and other costs in accordance with the reasonable construction period of the relevant project, based on the interest rate of loans of the corresponding maturity period as at the Appraisal Benchmark Date.

Capital cost = cost of construction and safety works × ordinary construction period × ordinary construction period loan interest rate × 1/2 + preliminary and other costs × ordinary construction period × normal construction period loan interest rate × 1/2

Cost of capital (loan interest) is based on the overall size of the relevant building, the construction period is calculated on the basis of the reasonable construction period of the relevant project, and assuming that the construction funds are evenly invested during the construction period, the interest-bearing period is calculated as 1/2 of the construction period. The loan interest rate is calculated on the basis of the Loan Market Quotation Rate (LPR) issued by the National Center for Interbank Lending (NCIBL) as of 21 October 2024 (one-year interest rate = 3.10%, five-year interest rate = 3.60%); where the reasonable construction period of the relevant project is less than five years, the loan interest rate is derived from interpolation of the corresponding duration with reference to one-year LPR and five-year LPR; where the reasonable construction period is five years or above, five-year LPR is used.

Cost of capital = (construction cost + preliminary and other costs) × ordinary construction period × LPR for ordinary construction period × 1/2

④ Comprehensive newness rate

A. In respect of high-value, significant structures, determined using a combination of surveyed newness rate and newness rate over service life, which are calculated using the following formula:

Comprehensive newness rate = surveyed newness rate × 60% + newness rate over service life × 40%

In which:

Newness rate over service life (%) = serviceable life/(serviceable life + serviced life) × 100%

The surveyed newness rate was determined by examining each main structure to check the completion of the various types of structures, to understand its maintenance over the years and management. After on-site investigation, the newness rate is filled out in the on-site investigation form based on the following three elements: structure, furnishing and equipment in respect of each structure.

B. In respect of small unit value, relatively simple structures, the newness rate over service life is used and adjusted to determine the newness rate according to the specific circumstances, using the following formula:

Newness rate = (durable years – used life)/durable years × 100%

II. Market approach

The market approach, also known as the market comparison approach, involves comparing the object of valuation with similar properties that have been recently transacted as of the valuation date. The transaction prices of these comparable properties are then adjusted accordingly to determine an objective and reasonable value of the object of valuation. General structures which have market comparables are appraised using the market approach.

For general structures which are appraised using the market approach, the market approach is as follows:

Price of the appraisal subject = benchmark transaction price × transaction date adjustment coefficient × transaction details adjustment coefficient × location adjustment coefficient × physical status adjustment coefficient × interest adjustment coefficient

The adjusted prices of comparable transactions are arithmetically averaged to determine the unit valuation price of the subject assets.

Detailed calculation is as follows:

① Selection of comparable transactions

Comparable property transactions within the same geographical region or supply-demand scope are identified as comparable property transactions.

② Adjustment for market transaction conditions

Where the transaction date of the relevant comparable differs from that of the appraised building/structure, which may result in price variations, adjustments must be made to account for the impact of the transaction date difference on the price.

③ Adjustment for market transaction conditions

Special deal factors such as related party transactions, distressed sales, urgent purchases, specific buyer/seller preferences, and whether the selected transaction had been executed, are removed.

④ Adjustment for location factors

Adjustments for differences in transportation accessibility, infrastructure and commercial amenities between the location of the comparable transaction and the appraised building/structure. The location attributes of the appraised building/structure serve as the benchmark for adjustment.

⑤ Adjustment for physical factors

Adjustments based on specific physical characteristics of the appraised building/structure, such as floor level, orientation, building area, structural type, renovation quality, facilities, and ceiling height.

⑥ Adjustment for ownership factors

Adjustments for differences in legal disputes, ownership status, lease conditions, and encumbrances between the comparable and the appraised building/structure.

⑦ Appraised value of general structures

Adjusted price of comparative structure = transaction price of comparative structure × (benchmark date index/comparative case date index) × (standard transaction condition/comparative transaction condition) × (regional factor conditional coefficient of the commissioned property/regional factor conditional coefficient of the comparative case transaction) × (physical factor conditional coefficient of the commissioned property/comparable physical factor conditional coefficient of the comparative structure) × (equity factor conditional coefficient of the commissioned property/equity factor conditional coefficient of the comparative structure)

The arithmetic mean of adjusted price of comparable transactions is used to derive the unit valuation price of the appraised building/structure.

Such valuation is determined by multiplying the unit valuation price by the areas of the appraised structure.

(C) Equipment

The equipment assets included in the scope of the valuation include three main categories: machinery and equipment, transport equipment and electronic equipment.

The valuation of machinery and equipment is mainly based on the replacement cost method. The replacement cost method of machinery and equipment appraisal is a method of determining the appraised value of machinery and equipment by estimating the replacement cost of renewing brand-new machinery and equipment and then deducting the physical depreciation, functional depreciation and economic depreciation, or on the basis of determining the comprehensive rate of reconditioning. The replacement value of equipment generally includes all reasonable direct and indirect costs required for the re-acquisition or construction of a completely new asset with the same efficacy as the subject of appraisal, such as the purchase price of the equipment, transportation and miscellaneous charges, installation and commissioning costs, etc. The replacement value of machinery and equipment is determined on the basis of a comprehensive newness rate. The calculation formula adopted for this appraisal is:

Appraisal value = full cost of replacement × comprehensive newness rate

I. Machinery and equipment

① Full cost of replacement of machinery, equipment and structural metal equipment

The full cost of replacement consists of four parts: equipment cost, installation cost, independent cost and capital cost, and the definitions, contents and standards of the four parts of the cost are based on the 'Hydropower Project Cost Composition and Probable (Estimated) Cost Standards'《水電工程費用構成及概(估)算費用標準》(2023 Edition).

Full cost of replacement of machinery and equipment = equipment purchase cost + installation costs + independent costs + capital cost – deductible VAT

Full cost of replacement of metal structures = replacement base price + installation costs + independent costs + cost of capital – deductible VAT

A. Equipment costs

According to the 'Hydroelectric Project Cost Composition and Probable (Estimated) Cost Standard'《水電工程費用構成及概(估)算費用標準》(2023 Edition), equipment cost consists of the original price of the equipment, transportation and miscellaneous costs, transportation insurance, additional costs for the transportation of oversized (heavy) parts, and procurement and storage costs.

(A) Original equipment costs

Determined according to the model of the equipment and by requesting the relevant technical parameters, manufacturer or equipment sellers to give quotations, consulting the '2024 mechanical and electrical products price information network'《2024機電產品價格信息網》and other methods.

(B) Freight and miscellaneous equipment costs

Determined based on the 'Cost Composition and Probable (Estimated) Cost Standards for Hydroelectric Projects'《水電工程費用構成及概(估)算費用標準》(2023 edition), which stipulates that it consists of two parts: railway transport and miscellaneous fees and road transport and miscellaneous fees. Calculation formula:

Main equipment transport and miscellaneous charges = original price of main equipment ×

(rate of railway transport and miscellaneous charges for main equipment + rate of road transport and miscellaneous charges)

Of which: the railway transportation and miscellaneous fee rate of main equipment hydro generator sets, main valves and bridge machines and main transformers is taken as 6%.

(C) Transport insurance premiums

Calculated at 0.4% of the original cost of the equipment.

(D) Procurement and custodial costs

Calculated at 0.7% of the sum of the original cost of the equipment and the cost of shipping and handling such equipment.

(E) Additional oversized (heavy) transport costs

Calculated at 1.20% of the original cost of the equipment.

B. Installation costs

According to different types of equipment, the installation and commissioning fee and installation material fee are calculated by adopting other measure fees, overheads, profit and tax by adopting the 'Estimated Quotas for Hydropower Equipment Installation Project'《水電設備安裝工程概算定額》(2016) edition and 'Cost Composition and Estimated (Estimated) Cost Standard for Hydropower Project'《水電工程費用構成及概(估)算費用標準》(2023 edition) issued by the former State Economic and Trade Commission; at the same time, according to the characteristics, weight and difficulty of installation of the equipment, the cost of installation and commissioning fee will be calculated by referring to the 'Reference Indicators for Machinery and Equipment Installation and Commissioning Rates'《機器設備安裝調試費率參考指標》and 'Wuqiangxi Hydropower Station Completion Account Report'《五強溪水電站竣工決算報告》, and, based on the purchase price, different installation rates will be charged.

C. Independent costs

Independent costs are mainly project construction management fees, production preparation fees, scientific research, investigation and design fees and other costs incurred before and during the construction period, which are calculated by multiplying the construction and installation project fee or equipment fee by the corresponding rate. The calculation method and basis for each of the costs were mainly measured on the basis of the "Standard for Cost Composition and Probable (Estimated) Costs of Hydropower Projects"* (《水電工程費用構成及概(估)算費用標準》) (2023 Edition) and the "Final Account Report on the Completion of Wuqiangxi Hydropower Station"* (《五強溪水電站竣工決算報告》), among other bases. According to the "Notice on the Comprehensively Launching of the Pilot Project of Changing Business Tax to Value-added Tax"* (《關於全面推開營業税改徵增值税試點的通知》) (Caishui [2016] No. 36), the input tax of nine items of costs, including survey and design fees, construction engineering supervision fees, consulting service fees, construction research and test fees, and survey and design fees, in addition to the management fee of the construction unit, among the preliminary stage and other costs, are deductible.

D. Cost of capital

Cost of capital, i.e., the financial cost during the construction period, is considered for equipment that needs to be pre-ordered and has a long manufacturing time. Reasonable duration should be based on the average social level of similar equipment construction and installation, generally take the project feasibility study or engineering design documents on the stipulated duration, usually assuming uniform input.

Cost of capital = (equipment purchase cost + installation cost + independent costs) × loan interest rate × construction period × 1/2

The loan interest rate shall be determined in accordance with the length of the reasonable construction period, implemented as at the Appraisal Benchmark Date (one-year interest rate = 3.10%, five-year or above interest rate = 3.60%)

E. Equipment foundation costs

Considered in relation to hydraulic structures and are not calculated in relation to equipment.

F. Other specialised and general purpose equipment

Mainly determined on the basis of the '2024 mechanical and electrical products price information network'*《2024機電產品價格信息網》.

② Comprehensive newness rate

A. In respect of high-value, significant structures, determined using a combination of survey and theoretical rates of salvage, which are calculated using the following formula:

Comprehensive newness rate = inspected newness rate × 0.6 + theoretical newness rate × 0.4

(A) Inspected newness rate

The inspected newness rate is determined mainly according to the actual conditions of the equipment of the enterprise, by on-site inspection and scoring various aspects of the equipment one by one, including technical conditions, the operating circumstance thereunder and maintenance of the equipment.

(B) Theoretical newness rate

Theoretical newness rate is determined by reference to the economic service life (or remaining service life) and the serviced life of the equipment.

Theoretical newness rate = (economic service life – serviced life)/economic service life × 100%

For equipment whose serviced life was longer than the economic service life, the following formula was applied:

Theoretical newness rate = remaining service life/(serviced life + remaining service life) × 100%

B. In respect of low-value structures which are lightweight and simple in structure, and which are in normal use, the service life approach is used to determine the newness rate, based primarily on the service time with consideration of its maintenance condition.

II. Vehicles

In respect of the appraisal of vehicles, for vehicles of the same model that are still available in the market, the cost approach is adopted; for vehicles of the same model that are no longer available in the market, the market approach is adopted.

For vehicles appraised using the cost approach, the cost approach formula is as follows:

Appraisal value of vehicles = full cost of replacement of vehicles × comprehensive newness rate

① Cost approach

A. Full cost of replacement of vehicles

The full replacement value of a vehicle consists of the purchase price excluding value-added tax, vehicle purchase tax and other reasonable costs (e.g. vehicle inspection fees, licence fees, handling fees, etc.). The purchase price is determined mainly by reference to the latest traded market prices of similar models.

B. Comprehensive newness rate

For transport vehicles, the newness rate is determined on the basis of the lower of the two methods of vehicle mileage and service life, then adjusted in conjunction with the on-site survey, or not adjusted if the difference between the on-site survey and the lower of the two methods of determining the newness rate is not significant.

Mileage rate = (legal travelling life of the vehicle – travelling life)/required travelling life of the vehicle × 100%

Mileage rate of newness = (legal mileage of the vehicle – accumulated mileage)/legal mileage of the vehicle × 100%

② Market approach

A. Selection of comparable transactions

The comparable transactions selected were sourced through the following channels:

(A) Reviewing various publications and websites for second-hand vehicle transaction data

(B) Conducting on-site market research in second-hand vehicle trading markets

(C) Obtaining transaction data from industry peers

B. Criteria for selecting comparable transactions

(A) The comparable transaction should be the same or a similar model as the appraisal subject

(B) The comparable transaction should have a similar or identical usage condition as the appraisal subject

(C) The transaction date of the comparable transaction should be close to the Appraisal Benchmark Date

(D) The comparable should align with the valuation purpose of the appraisal subject

(E) The transaction price of the comparable transaction should reflect normal market price or be adjusted to a normal price

C. Selection of comparison factors

In consideration of the characteristics of the appraisal subject and comparable transactions, the key comparison factors selected for this valuation include transaction date, transaction conditions, vehicle model, registration date and mileage driven.

D. Adjustment of comparison factors

Based on the factor condition index table, adjustments are made for transaction date, transaction conditions, registration date, vehicle condition and mileage driven of the comparable transaction. This involves comparing the factor condition indices of the appraisal subject and that of the comparable transaction to derive various adjustment coefficients, which are then compiled into an coefficients chart for adjusting comparison factors.

The relevant information on the comparison factor condition index is given below:

(A) Registration date: For each year that the "registration date" of the object of appraisal and each transaction case is one year ahead of or behind that of the object of appraisal, the corresponding ratio will be reduced or increased

(B) Mileage driven: Comparing the "remaining driving mileage" of the appraisal subject and each comparable transaction, for every increase or decrease of 20,000 kilometres in the remaining driving mileage of the object of appraisal, the corresponding ratio will be decreased or increased

(C) Vehicle condition: The condition of the appraisal subject and each transaction case is based on the four levels of "excellent, good, medium and poor", with an index of 100, and the ratio increases or decreases accordingly for each level of upward or downward movement

(D) Transaction date: In view of the overall trend of market prices of used car prices, the index is reduced accordingly compared to the appraisal subject for every half year in advance in respect of the appraisal subject and each transaction case based on the time from the date of transaction to the Appraisal Benchmark Date

(E) Transaction conditions: The transaction conditions of the appraisal subject is set as normal, and if the transaction case is not a normal transaction, it will be adjusted accordingly according to the specific situation

(F) Vehicle model: The vehicle model of the selected transaction case is consistent with the appraisal subject, so no adjustment will be made in this appraisal

III. Electronic equipment

Appraisal value = full cost of replacement of electronic equipment × comprehensive newness rate

① Full cost of replacement of electronic equipment

Electronic and office equipment is for daily office use, including photocopiers, air-conditioners and computers, etc. The dealer is responsible for the delivery, installation and commissioning of the equipment, and the replacement cost is determined directly by the market purchase price.

② Newness rate

For small equipment such as electronic equipment, the comprehensive newness rate is determined mainly on the basis of its economic life span; for large electronic equipment, the comprehensive newness rate is also determined with reference to its working environment and the operating conditions of the equipment.

For equipment and vehicles that were purchased at an earlier date, are no longer in production and do not have comparable prices, the market approach is used to evaluate them by mainly enquiring about second-hand transaction prices.

3. Investment in other equity instruments: In this appraisal, in respect of each unit of investment in other equity instruments, the historical operation of the enterprise and its future business planning is first examined, subsequently, investigation is conducted in relation to the enterprise's business operations,

external environment, business condition, assets and financial condition and the valuation methodology for each appraised entity is determined through comprehensive analysis.

For those enterprises where access thereto was possible to conduct an overall appraisal, overall appraisal of such entities was carried out using the enterprise value appraisal method, and the appraised value of Wu Ling Power's long-term investment is then calculated in proportion to the equity it holds in the appraised entity.

I. For entities which shareholders (other than Wu Ling Power) have not contributed in accordance with their respective committed contribution amount and to which such other shareholders will make up their respective committed contribution amount on a regular basis in the future, the appraised value of the equity value of such entities as at the Appraisal Benchmark Date = as at the Appraisal Benchmark Date = (appraised value of the entire shareholders' equity in the investment entity + amount of unpaid and payable capital contribution) × proportion of capital contribution paid by shareholders – amount of unpaid and payable shareholders' contribution.

II. For entities which shareholders (other than Wu Ling Power) have not contributed in accordance with their respective committed contribution amount and where it is unclear if such other shareholders will be able to make up their respective committed contribution amount in the future, appraisal of such entities is based on the proportion of the investment entity's paid-up capital as at the Appraisal Benchmark Date.

For those long-term investment entities in which Wu Ling Power's interest is too small such that it was not possible to conduct an overall appraisal, but for which audited accounting statements are available, the appraised value of such long-term investment entities as at the Appraisal Benchmark Date = (appraised value of the entire shareholders' equity in the investment entity + amount of unpaid and payable capital contribution) × proportion of capital contribution paid by shareholders – amount of unpaid and payable shareholders' contribution.

For those long-term investment entities in which Wu Ling Power's interest is too small such that it was not possible to conduct an overall appraisal, but for which audited accounting statements are available and where market transactions can be accessed through publicly available websites, the appraisal of such long-term investment entities was conducted using the market approach.

For partnerships investments in other equity instruments, in which Wu Ling Power's interest is too small such that it was not possible to conduct an overall appraisal, the appraisal of such long-term investment entities was determined on the basis of book value as the relevant financial information of the investment entities under the partnerships could not be provided.

4. Construction under progress: are appraised using the cost approach. In order to avoid double-counting of assets and the omission of asset values, the following valuation methodology has been adopted for each type of construction in progress and for specific circumstances, taking into account the characteristics of the construction in progress:

   I. For construction in progress where major equipment or the main body of the building has been transferred to fixed assets but some cost items have not been transferred, the assessed value of such construction in progress is zero if its value is included in the assessed value of fixed assets.

   II. *Uncompleted projects*

   For projects under construction commencing within six months from the Appraisal Benchmark Date, the balance of unreasonable expenditures shall be appraised based on the declared amount of the construction in progress, which shall be excluded from the appraisal value after reconciliation of the book value with the actual value.

   For projects under construction commencing more than half a year from the Appraisal Benchmark Date, if the capital cost is not included in the book value, the capital cost shall be added. If there was a significant difference between the book value and the price level on the appraisal reference date, the project cost was adjusted according to the price level on the Appraisal Benchmark Date.

5. Construction materials: The valuer reconciled the declaration forms for construction materials with the detailed accounts, general ledger and accounting statements, and inspected the relevant books and records and original vouchers to confirm the true existence and ownership status of the construction materials. As the purchase dates of the construction materials included in the scope of this appraisal are close to the Appraisal Benchmark Date and the price changes are minimal, the appraisal value is confirmed at the audited book value.

6. The Fixed Assets Liquidation Appraisal Division reconciles the fixed assets liquidation declaration form with the ledger, general ledger and accounting statements, and consults the relevant books and records and original vouchers to confirm the true existence of the fixed assets liquidation.

   I. It was verified that all assets corresponding to the liquidation of fixed assets were no longer physically present, and therefore the appraised value of the liquidation of fixed assets was assessed at RMB0.

II. The liquidation of fixed assets is the part of fixed assets that needed to be eliminated and renewed. In this appraisal, the appraisal value is confirmed by the book value after checking the accounts.

7. Intangible assets – land use rights: The 'Urban Land Valuation Regulations' 《城鎮土地估價規程》for land price valuation shall be observed in selecting a valuation approach and a proper one will be determined in the light of the respective applicability and practicality of each approach and in consideration of the detailed features and valuation purposes of the land parcel to be appraised.

Usual appraisal approaches include the market comparison approach, income capitalisation approach, cost approximation approach, residual approach and benchmark land price coefficient adjustment approach. Following field survey and analysis by the valuer, the appraisal was conducted using the market comparison method, cost approximation method and land value coefficient revision method, and final appraisal results are obtained by weighted average of the results of the various appraisal approaches.

I. Market comparison approach

The market comparison approach is an approach of estimating the objective and reasonable price of a land parcel to be appraised by comparing the parcel of land to be appraised with similar land use rights which are alternative and have recently been traded in the market as at the Appraisal Benchmark Date based on the principle of substitution in the market, and making appropriate adjustments to the transaction prices of the similar land use rights. The basic calculation formula is as follows:

Price of land parcel to be appraised = benchmark transaction price × transaction date adjustment coefficient × transaction details adjustment coefficient × location adjustment coefficient × individual factor adjustment coefficient

II. Cost approximation approach

The cost approximation method is a valuation approach that determines the land price based on the sum of all objective costs incurred in developing the land, plus the objective amount of profit, interest, tax payable and land appreciation gain.

The basic formula is: $V = Ea + Ed + T + R1 + R2 + R3 = VE + R3$

In which:
V: Land price
Ea: Land acquisition fee
Ed: Land development cost
T: Tax
R1: Interest
R2: Profit
R3: Land appreciation gain
VE: Cost of land

III. Benchmark land price coefficient adjustment approach

In respect of appraisal subject in which area applicable benchmark land price documents are available, and detailed information has been obtained, adoption of the benchmark land price coefficient adjustment approach is appropriate.

The benchmark land price coefficient adjustment approach is an approach that arrives at the value of the appraisal subject as at the Appraisal Benchmark Date by making use of appraisal results of the town benchmark land price and benchmark land price coefficient etc. and, in accordance with the substitution principle, comparing the regional and individual conditions of the appraisal subject with the average conditions of such region and selecting the corresponding adjustment coefficients in accordance with the table of adjustment coefficients for the adjustment of benchmark land price. The basic calculation formula is as follows:

Land price = benchmark land price × $(1+\Sigma K) \times Ki$

In which: ΣK = land price adjustment coefficient
Ki = other adjustment coefficients such as appraisal date, plot ratio, land tenure

IV. Residual (appreciation gain deduction) approach

For allocated land use rights, a technical route derived from the residual approach concept in the 'Urban Land Valuation Statute' (《城鎮土地估價規程》) is used to assess the allocated land value by deducting the appreciation gains of the land from the price of the land use rights granted, which is known as the residual (appreciation gain deduction) method.

Formula: Price of allocated land use rights = price of land use rights granted – land appreciation gain

8. Intangible assets – others:

I. For software in use, the appraised value was confirmed in accordance with the current market price less subsequent upgrade costs, and software for which market price could not be obtained was appraised at amortised value; for software that had been phased out and had no value in use, the appraised value was determined at zero; and for software for which the formation of patents and software copyrights had already been appraised in the context of patents and software copyrights, the appraised value for the current appraisal was determined at zero.

II. Patents and other intangible assets

Appraisal of patents was conducted using the cost approach, which is a method of recognising the value of patents and software copyrights on the basis of the costs and expenses incurred in the formation of the patents and software copyrights. This appraisal adopts the cost method for patents and other intangible assets.

The basic model of the cost method of valuation adopted for this appraisal is as follows:

Appraised value of intangible asset = replacement cost of intangible asset × (1 – depreciation rate)

Replacement cost of intangible assets P = C + R

In which:

P = appraised value of replacement costs of the intangible asset using the cost approach
C = development costs of the intangible asset
R = opportunity cost of investment in the intangible asset

$C = (C1 + \beta 1\ V)/(1 - \beta 2)$

In which:

C1 = consumption of physical labour in the development of intangible assets
V = consumption of live labour in the development of intangible assets
β1 = multiplier for creative labour of researchers
β2 = average risk factor for scientific research

$R = \sum Ci§$

In which:

Ci = cost of investment in year i of the intangible asset development process

§ = opportunity cost recovery rate

Depreciation rate = service life of the intangible asset/(serviced life of the patent + remaining service life of the patent) × 100%

Serviced life: the number of years from the date of application to the valuation date of the intangible asset.

Remaining service life: determined on the basis of the product characteristics of the intangible asset, combined with expert appraisal analyses and projections.

9. Other non-current assets: The valuer reconciled the declaration of other non-current assets with the ledger, general ledger and accounting statements, and checked the relevant books and records and original vouchers in order to confirm the book composition of other non-current assets and the true condition of the assets. After verification, the appraised value is confirmed in accordance with the book value.

Liabilities

The current liabilities of Wu Ling Power mainly include short-term loans, accounts payable, receipts in advance, employee compensation payable, tax payable, other payables, non-current liabilities due within one year, other current liabilities.

Inputs and computation process for the value of current liabilities:

1. Short-term borrowings: The valuer examined the short-term borrowings of the enterprise individually to understand the borrowing amount, interest rate, repayment method and repayment period of each borrowing to be correct, and Wu Ling Power accrued interest on a monthly basis and was able to repay the principal and interest in a timely manner. The appraisers focused on verifying the authenticity and completeness of the borrowings, and at the same time conducted correspondence with the lending bank to verify the outstanding principal balance as at the valuation reference date. The assessed value of short-term borrowings was confirmed at the verified book value on the basis of confirmation that interest had been paid or accrued.

2. Accounts payable: The valuer reviewed the Wu Ling Power's purchase contracts and relevant documents, materials and commodities purchased and accepted for storage by Wu Ling Power as recorded in its accounts according to the relevant documents (invoices and bills, and actual prices or provisional values recorded on the invoices accompanying the goods), and no omission of accounts payable was found. The appraised value is confirmed to be the verified book value.

3. Contractual liabilities: The valuer verified the relevant contracts and issued letters of enquiry for large units, and used the verified book value as the appraised value on the basis of confirmation of their authenticity.

4. Compensation payable to employees: The valuer verified and reviewed each item of compensation payable to employees at random in accordance with the regulations of Wu Ling Power, and checked the accrual, issuance and use of each item by reviewing the detailed accounts and entry vouchers. After verification that the relevant financial treatment was correct and in compliance with the corresponding policies stipulated by the company, and the appraised value was confirmed to be the verified book value.

5. Taxes payable: The valuer verified the percentage of each tax charge and checked the types and amounts of taxes paid by Wu Ling Power, audited the tax returns and tax payable accounts, and verified that the types and amounts of taxes payable as at the Appraisal Benchmark Date were correct. The assessed value was confirmed at the verified book value.

6. Other accounts payable: The valuer reviewed the relevant documents, contracts or related vouchers; there were no inflated or deflated accounts, and after confirming their authenticity, the appraisal value was confirmed at the verified book value.

7. Non-current liabilities due within one year: The valuer examined the loan contracts of the Wu Ling Power's borrowings individually to understand the borrowing amount, interest rate, repayment method and repayment period of each borrowing to be correct, and Wu Ling Power accrued interest on a monthly basis and was able to repay the principal and interest in a timely manner. The valuer focused on verifying the authenticity and completeness of the borrowings and conducted correspondence with the lending bank to verify the outstanding principal balance as at the valuation date simultaneously. The appraised value of non-current liabilities due within one year was confirmed at the verified book value on the basis of confirmation that interest had been paid or provided for.

8. Other current liabilities: After verifying Wu Ling Power's bond issuance documents and other relevant information on their issuance, coupon rate, issuance date, maturity date, etc., and confirmation that such long-term bond debt payable exists and the relevant amount is correct, the appraisal value was confirmed at the verified book value.

The non-current liabilities of Wu Ling power mainly include long-term borrowings and deferred income tax liabilities.

1. Long-term borrowings: The valuer examined the loan contracts of the Wu Ling Power's borrowings individually to understand the borrowing amount, interest rate, repayment method and repayment period of each borrowing to be correct, and Wu Ling Power accrued interest on a monthly basis and was able to repay the principal and interest in a timely manner. The valuer focused on verifying the authenticity and completeness of the borrowings and conducted correspondence with the lending bank to verify the outstanding principal balance as at the valuation date simultaneously. The appraised value of long-term borrowings was confirmed at the verified book value on the basis of confirmation that interest had been paid or provided for.

2. Deferred income tax liabilities: The difference between the book value and its tax basis arises from the difference between the provisions of the accounting standards of an enterprise and the provisions of the tax law in the subsequent measurement process of Wu Ling Power's accounting. The valuer investigated and understood the reasons for the differences and the formation process. It was verified that Wu Ling Power had accounted for deferred income tax liabilities arising from changes in fair value, provision for impairment, provision for bad debts, and formation of share-based payments in the accounting records.

   I. For the provision for impairment, provision for bad debts and share-based payment to form deferred income tax liabilities; the valuer verified the legality, reasonableness, truthfulness and accuracy of their incurrence, and they are liabilities actually borne by the enterprises under the premise of going concern, so the appraisal is based on the verified book value to confirm the appraisal value in this appraisal.

   II. For investment in other equity instruments (SPIC Financial Co., Ltd (國家電投集團財務有限公司)) whose fair value as at the Appraisal Benchmark Date was lower than its carrying value, the appraised value of deferred tax liabilities relating thereto was recognised based on the recalculation of the difference between the appraised value and the carrying cost of the investment entity.

The appraised value for liabilities is determined by the actual liabilities that Wu Ling Power should bear as at the Appraisal Benchmark Date.

Appraised value and book value of assets and liabilities

As at the Appraisal Benchmark Date, the book values of the net assets of Wu Ling Power was RMB11,574,453,700, and the appraised value of the entire equity interest of Wu Ling Power was RMB24,667,342,000, representing an appreciation amount of approximately RMB13,092,888,300. The details are as follows:

Item	Book value *(RMB'0,000)*	Appraised value *(RMB'0,000)*
Current assets	1,319,665.74	1,319,563.99
Non-current Assets	1,920,718.58	3,229,658.14
Including:		
Long-term equity investments	1,155,418.77	1,982,129.28
Fixed assets	692,976.01	1,059,341.88
Construction in progress	29,015.39	7,660.87
Intangible assets	16,421.16	156,438.16
Of which:		
Land use rights	5,361.75	133,379.20
Other non-current assets	26,887.25	24,087.95
Total assets	**3,240,384.32**	**4,549,222.13**
Current liabilities	1,088,881.14	1,088,881.14
Non-current liabilities	994,057.81	993,606.79
Total liabilities	**2,082,938.95**	**2,082,487.93**
Total equity	**1,157,445.37**	**2,466,734.20**

The appreciation was mainly attributable to the appraisal appreciation of long-term equity investments, fixed assets, construction in progress, intangible assets and other non-current assets; details of which are as follows:

1. Long-term equity investments: Book value is approximately RMB11.554 billion, appraised value is approximately RMB19.821 billion, representing an appreciation of approximately RMB8.267 billion and an appreciation rate of 71.55%. The appraisal appreciation is mainly attributable to the investment units maintaining profits in recent years.

2. Fixed assets and construction-in-progress: Construction-in-progress mainly consists of technological improvement works to fixed assets. Where such technological improvement works have been put into use in respect of the relevant fixed assets, the valuer has considered such construction-in-progress in combination with fixed assets. In considering the difference in book value and appraised value of the total equity of Wu Ling Power,

construction-in-progress and fixed assets should be considered together. The combined book value of fixed assets and construction-in-progress is approximately RMB7.22 billion, appraised value is approximately RMB10.67 billion, representing an appreciation of approximately RMB3.45 billion and an appreciation rate of 47.78%. The appraisal appreciation is mainly attributable to factors such as the increase in material costs and labour costs in recent years, the current valuation utilising factors such as the economic useful life which is longer than the depreciable life of the enterprise, and the increase of newness rate of certain fixed assets as a result of technological improvements.

3. Intangible assets: Book value is approximately RMB0.164 billion, appraised value is approximately RMB1.564 billion, representing an appreciation of approximately RMB1.4 billion and an appreciation rate of 852.66%. The appraisal appreciation is mainly attributable to the appreciation of land use rights in respect of state-owned land, and with the continuous development of society and the economy of the region in recent years, the optimisation of the investment environment such region and the continuous improvement in infrastructure have led to the increase in the value of the land use rights in the region, which has led to the appreciation in appraised value.

4. Other intangible assets: Book value is approximately RMB0.269 billion, appraised value is approximately RMB0.241 billion, representing an impairment of approximately RMB0.028 billion and an impairment rate of 10.41%. The appraisal impairment was mainly due to the difference between the recognised carrying amount of other equity instruments accounted for in this item that are measured at fair value and the current assessment of impairment.

E. VALUATION OF WU LING POWER PROFIT UNDERTAKING ASSETS: KEY VALUATION INPUTS

Wu Ling Power Profit Undertaking Assets are mainly the long-term equity investments which are new energy projects of Wu Ling Power, and such entities are appraised using the income approach:

The income approach appraisal adopts the discounted cash flow method, and the cash flow selected is the free cash flow of the enterprise, so as to indirectly obtain the value of the entire shareholders' equity through the appraisal of the enterprise value as a whole.

The total shareholders' equity under the present appraisal is calculated by adding together the discounted value of the enterprise's total operating assets, plus surplus assets and non-operating assets, and less interest-bearing liabilities. The value of the enterprise's total operating assets is based on the total net free cash flow of the enterprise for a number of years in the future, discounted by an appropriate discount rate. Set out below are the key valuation inputs:

Determining the projected income

The free cash flow of the enterprise is used in this appraisal as a quantitative indicator of expected earnings of the enterprise. The formula is as follows:

The free cash flow of the enterprise = EBITDA + depreciation and amortization – capital expenditure – change in working capital

Basis of the projections on key financial figures of the companies

(I) Forecast of operating income

Operating income is mainly derived from power generation income (power generation income = power sales × unit electricity price), which is forecasted based on the following factors.

1. Forecast of future annual power generation

(i) Future annual power sales of a photovoltaic project = theoretical power generation hours × (1 – photovoltaic abandonment rate) × (1 – line loss rate) × (1 – attenuation rate) × installed capacity of the power plant

(ii) Future annual power sales of a wind power project = theoretical power generation hours × (1 – wind abandonment rate) × (1 – line loss rate) × installed capacity of the power plant

For some wind power and photovoltaic projects that have been connected to the grid for a longer period of time, their historical feed-in tariffs are relatively stable, and the feed-in tariffs have already taken into account the photovoltaic abandonment rate, and the line loss rate, so these companies directly provide forecasts of feed-in tariffs in their profit forecasts, and the future annual sales of such projects are mainly forecasted with reference to the actual annual feed-in tariffs in the history of the company.

2. *Determination of theoretical power generation hours*

For photovoltaic projects, which have mainly been constructed and put into operation in the past two years, the present appraisal determines the power generation hours of the appraised entity in the coming years by analysing its (annualised) data in 2023 and 2024 with reference to the feasibility study conducted.

For wind power projects, the present appraisal determines the number of power generation hours of the appraised entity in the coming years by analysing data in the past three years or more (as some projects have generated power for more than three years) and with reference to the feasibility study conducted.

(i) Photovoltaic abandonment rate/wind abandonment rate

- The photovoltaic abandonment rate is determined with reference to both the abandonment rate of the location of the project, where the appraised entities are located, and the historical level of each appraised entity.

- The wind abandonment rate is determined with reference to both the abandonment rate of the location of the project, where the appraised entities are located, and the historical level of each appraised entity.

(ii) Line loss rate

The line loss rate is determined with reference to the historical level of the appraised entity.

(iii) The attenuation rate of photovoltaic power plants

The attenuation rate of photovoltaic power plants is forecasted with reference to the feasibility study and due diligence conducted and the power generation efficiency of the appraised entity.

3. *Forecast of the unit price of electricity*

The unit price of electricity is forecasted with reference to the average unit price of the appraised entity from 2022 to October 2024 and the current unit price level.

The self-consumption tariff of distributed photovoltaic projects is determined with reference to the prices in current contracts.

4. The forecasted operating income from power generation for Wu Ling Power Profit Undertaking Assets is as follows:

No.	Wu Ling Power Profit Undertaking Assets	Project type	Annual electricity sales *(10,000 kWh)*	Unit electricity price *(RMB/kWh) (incl. tax)*	Operating income from power generation *(RMB'0,000) (excl. tax)*
1	Xilin Haote Mingyang Smart Energy Co., Ltd* (錫林浩特市明陽智慧能源有限公司)	Centralised wind power	27,128.05	0.2865~0.4595	6,877.60~11,032.47
2	Wu Ling Tokexun Power Co., Ltd* (五凌托克遜電力有限公司)	Centralised wind power	8,437.40	0.5363	4,004.76
3	Qingshuihexian Mingyang New Energy Co., Ltd* (清水河縣明陽新能源有限公司)	Centralised wind power	12,556.12	0.2583~0.3821	2,870.25~4,246.18
4(i)	Xilin Haote Mingyang Wind Power Co., Ltd* (錫林浩特市明陽風力發電有限公司)	Centralised wind power	13,939.63	0.1842~0.3713	2,272.85~4,580.91
4(ii)	Xilin Haote Mingyang Wind Power Co., Ltd* (錫林浩特市明陽風力發電有限公司)	Distributed wind power	1,001.66	0.3188~0.5059	282.63~448.48
5	Wu Ling Qinghe Power Co., Ltd* (五凌青河電力有限公司)	Centralised photovoltaic power	2.851.10~3.097.00	0.1731~0.8231	436.67~2,255.79
6	Hulunbeier Yuhan New Energy Development Co., Ltd* (呼倫貝爾市宇涵新能源開發有限公司)	Centralised photovoltaic power	3,071.14~3,354.46	0.2415~0.8180	656.47~2,428.40
7	Shuangpai Majiang Wuxingling Wind Power Co., Ltd* (雙牌麻江五星嶺風力發電有限公司)	Centralised wind power	15,480.59	0.4446	6,091.04
8	Jiangyong Clean Energy Development Co., Ltd* (江永清潔能源開發有限公司)	Centralised wind power	10,685.76	0.4237~0.5737	4,006.99~5,425.46
9	Daoxian Clean Energy Development Co., Ltd* (道縣清潔能源開發有限公司)	Centralised wind power	11,782.09	0.4235~0.5735	4,415.60~5,979.60
10	Wu Ling Shanshan Power Co., Ltd* (五凌鄯善電力有限公司)	Centralised wind power	8,530.88~16,956.37	0.5153~0.5219	3,890.21~7,830.91
11	Wu Ling Buerjin Power Co., Ltd* (五凌布爾津電力有限公司)	Centralised wind power	11,146.83	0.5107	5,037.35
12	Xintian Linyuan Power Co., Ltd* (新田林源電力有限公司)	Centralised wind power	10,355.29	0.4111~0.5611	3,767.43~5,142.02
13	Wu Ling (Shaoyanxian) New Energy Co., Ltd* (五凌(邵陽縣)新能源有限公司)	Distributed photovoltaic power	9,194.52~10,424.02	0.4904	3,989.86~4,523.39
14	Wu Ling (Shuangpai) Power Co., Ltd* (五凌(雙牌)電力有限公司)	Distributed photovoltaic power	591.66~676.58	0.5289	276.94~316.68
15(i)	Jiangyong Changyuan New Energy Development Co., Ltd* (江永昌源新能源開發有限公司)	Centralised wind power	11,535.18	0.4200	4,287.41
15(ii)	Jiangyong Changyuan New Energy Development Co., Ltd* (江永昌源新能源開發有限公司)	Distributed photovoltaic power	40.43~45.90	0.7000	25.04~28.43
16	Cili Wutian New Energy Co., Ltd* (慈利五田新能源有限公司)	Distributed photovoltaic power	1,344.41~1,553.68	0.5946	707.42~817.54

No.	Wu Ling Power Profit Undertaking Assets	Project type	Annual electricity sales (10,000 kWh)	Unit electricity price (RMB/kWh) (incl. tax)	Operating income from power generation (RMB'0,000) (excl. tax)
17	Hunan Zhongshui Investment Co., Ltd* (湖南中水投資有限公司)	Distributed photovoltaic power	512.21~555.77	0.6779~0.6990	307.29~343.79
18	Jingle Hongyi Energy Development Co., Ltd* (靜樂弘義能源開發有限公司)	Centralised wind power	43,891.30	0.2563~0.4943	9,956.77~19,201.14
19	Shenchi Jinyuan New Wind Energy Development Co., Ltd* (神池晉源新風能源開發有限公司)	Centralised wind power	24,259.80	0.2676~0.5056	5,744.60~10,854.19
20	Jinglexian New Wind Energy Development Co., Ltd* (靜樂縣新風能源發展有限公司)	Centralised wind power	22,958.45	0.2645~0.5325	5,374.83~10,819.85
21	Xinping Wind Energy Fengzhizi Wind Power Co., Ltd* (新平風能風之子風電有限公司)	Centralised wind power	10,178.54	0.5071	4,568.11
22	Wu Ling Qidong Integrated Smart Energy Co., Ltd* (五淩祁東綜合智慧能源有限公司)	Distributed photovoltaic power	467.58~534.35	0.5294~0.5744	219.08~271.64
23	Jiangyong Shenghua Energy Development Co., Ltd* (江永晟華能源開發有限公司)	Centralised wind power	12,827.51	0.4039~0.5639	4,585.43~6,401.71
24	Jiangyong Xinfeng New Energy Development Co., Ltd* (江永鑫風新能源開發有限公司)	Centralised wind power	12,209.25	0.4241	4,582.58
25	Loudi Wuhong New Energy Co., Ltd* (婁底五宏新能源有限公司)	Distributed photovoltaic power	971.57~1,107.00	0.5146	442.48~504.17
26	Wu Ling (Hengxi) Power Co., Ltd* (五淩(瀘溪)電力有限公司)	Distributed photovoltaic power	462.55~534.55	0.6880	281.62~325.46
27	Dongkou Yonglan New Energy Co., Ltd* (洞口永蘭新能源有限公司)	Distributed photovoltaic power	99.65~109.90	0.4500	39.68~43.77
28	Yizhang Lingfa New Energy Co., Ltd* (宜章淩發新能源有限公司)	Distributed photovoltaic power	593.54~654.35	0.4500	236.37~260.58
29	Baojingxian Lingjian Energy Co., Ltd* (保靖縣淩建能源有限公司)	Distributed photovoltaic power	568.63~625.07	0.4696	236.32~259.78
30	Lanshanxian Lingyue New Energy Co., Ltd* (藍山縣淩悅新能源有限公司)	Distributed photovoltaic power	137.25~150.64	0.4500	54.66~59.99
31	Liping Qingshuijiang New Energy Co., Ltd* (黎平清水江新能源有限公司)	Distributed photovoltaic power	19677.06~22,480.25	0.4499	7,833.59~8,949.57
32	Jinping Qingyuan Power Co., Ltd* (錦屏清源電力有限責任公司)	Centralised photovoltaic power	14,095.40~16,238.94	0.4500	5,613.21~6,466.83
33	Wu Ling Jiangyong Power Co., Ltd* (五淩江永電力有限公司)	Centralised wind power	13,097.49	0.5138~0.5733	5,955.52~6,645.23
34	Hunan Province Hongzhao Wind Power Co., Ltd* (湖南省鴻兆風力發電有限公司)	Centralised wind power	10,885.42	0.4095~0.5695	3,944.74~5,486.04
35	Wu Ling Shuangfeng Power Co., Ltd* (五淩雙峰電力有限公司)	Centralised wind power	10,903.80	0.4160~0.5760	4,014.39~5,558.29

No.	Wu Ling Power Profit Undertaking Assets	Project type	Annual electricity sales (10,000 kWh)	Unit electricity price (RMB/kWh) (incl. tax)	Operating income from power generation (RMB'0,000) (excl. tax)
36	Xintian Jiufengshan Wind Power Co., Ltd* (新田九峰山風電有限公司)	Centralised wind power	9,824.78	0.4391	3,817.97
37	Xiangtan Weitai Photovoltaic Power Generation Co., Ltd* (湘潭威泰光伏發電有限公司)	Distributed photovoltaic power	837.83~945.86	0.4471~0.9147	331.52~760.24
38	Pingjiang Jianghe New Energy Co., Ltd* (平江江核新能源有限公司)	Distributed photovoltaic power	921.65~994.57	0.6695~0.7007	546.06~616.73
39	Hunan Dinghai New Energy Co., Ltd* (湖南鼎海新能源有限公司)	Distributed photovoltaic power	901.33~1,005.88	0.5038~0.5394	401.81~480.15
40	Hunan Jinghe New Energy Co., Ltd* (湖南景合新能源有限公司)	Distributed photovoltaic power	94.68~108.01	0.6290	52.70~60.12
41	Wu Ling (Taoyuan) New Energy Co., Ltd* (五凌(桃源)新能源有限公司)	Distributed photovoltaic power	44.14~47.62	0.5916	23.11~24.93
42	Wu Ling Linxiang Power Co., Ltd* (五凌臨湘電力有限公司)	Centralised wind power	18,908.49	0.5073~0.5722	8,488.03~9,574.10
43(i)	Wu Ling Xinshao Power Co., Ltd * (五凌新邵電力有限公司)	Centralised wind power	11,202.05	0.3743~0.5343	3,710.72~5,296.86
43(ii)	Wu Ling Xinshao Power Co., Ltd * (五凌新邵電力有限公司)	Distributed photovoltaic power	1,574.50~1,683.09	0.5085	708.53~757.39
44(i)	Wu Ling Yongshun Power Co., Ltd* (五凌永順電力有限公司)	Centralised wind power	11,202.05	0.3743~0.5343	3,710.72~5,296.86
44(ii)	Wu Ling Yongshun Power Co., Ltd* (五凌永順電力有限公司)	Distributed photovoltaic power	399.36~426.96	0.4500	159.04~170.03
45	Wu Ling Yuanling Power Co., Ltd* (五凌沅陵電力有限公司)	Centralised wind power	21,168.54	0.4219	7,904.09
46	Hunan Qidongxian Lingguan Wind Power Development Co., Ltd* (湖南祁東縣靈官風電開發有限公司)	Centralised wind power	8,526.68	0.4449	3,356.81
47(i)	Wu Ling Rucheng Power Co., Ltd* (五凌汝城電力有限公司)	Centralised wind power	8,964.52	0.5600	4,442.60
47(ii)	Wu Ling Rucheng Power Co., Ltd* (五凌汝城電力有限公司)	Distributed photovoltaic power	815.01~871.58	0.4500	324.56~347.09
48	Wu Ling Xinhua Power Co., Ltd* (五凌新化電力有限公司)	Centralised wind power	15,427.58	0.4246	5,797.33
49	Wu Ling You County Power Co., Ltd* (五凌攸縣電力有限公司)	Centralised wind power	11,551.76	0.4050~0.5315	4,140.48~5,433.48
50(i)	Wu Ling Taojiang Power Co., Ltd* (五凌桃江電力有限公司)	Centralised wind power	9,833.62	0.4883~0.5773	4,249.33~5,023.67
50(ii)	Wu Ling Taojiang Power Co., Ltd* (五凌桃江電力有限公司)	Distributed photovoltaic power	493.60~539.24	0.5965~0.5966	260.58~284.68
51	Wu Ling Yanling Electric Co., Ltd* (五凌炎陵電力有限公司)	Centralised wind power	10,440.48	0.4423	4,086.49

No.	Wu Ling Power Profit Undertaking Assets	Project type	Annual electricity sales (10,000 kWh)	Unit electricity price (RMB/kWh) (incl. tax)	Operating income from power generation (RMB'0,000) (excl. tax)
52	Hengdong Huafeng New Energy Development Co., Ltd* (衡東華風新能源開發有限公司)	Distributed wind power	5,901.00	0.4044~0.4744	2,111.97~2,477.52
53	Wu Ling Shimen Power Co., Ltd* (五凌石門電力有限公司)	Centralised photovoltaic power	1,873.44~2,220.21	0.4492~0.9094	744.75~1,786.73
54(i)	Wu Ling Xintian Power Co., Ltd* (五凌新田電力有限公司)	Centralised photovoltaic power	1,120.51~2,327.58	0.4512~0.8512	447.45~1,753.39
54(ii)	Wu Ling Xintian Power Co., Ltd* (五凌新田電力有限公司)	Distributed photovoltaic power	985.33~1,087.85	0.4500	392.39~433.22
55	Yongzhou Lingpeng New Energy Co., Ltd* (永州市凌鵬新能源有限公司)	Distributed photovoltaic power	2,751.31~2,951.18	0.5344	1,301.15~1,395.67
56	SPIC Hunan Zhigu Smart Energy Co., Ltd* (湖南電投智谷智慧能源有限公司)	Distributed photovoltaic power	567.00~654.40	0.9549	479.14~553.00
57	Chenzhou Rucheng Zhongdian New Energy Co., Ltd* (郴州汝城中電新能源有限公司)	Distributed photovoltaic power	607.25~675.18	0.4500	241.83~268.88
58	Leiyang Taiping Wind Power Co., Ltd* (耒陽太平風電有限公司)	Centralised wind power	9,845.09	0.5657	4,928.28
59	Jianghua Yao Autonomous County Kunhao Wind Power Co, Ltd* (江華瑤族自治縣坤昊風力發電有限公司)	Centralised wind power	12,155.91	0.5635	6,061.57
60	Rucheng Hougu'ao Wind Power Development Co., Ltd* (汝城猴古坳風電開發有限公司)	Centralised wind power	10,123.85	0.5958	5,337.90
61(i)	SPIC Hunan New Energy Co., Ltd* (國家電投集團湖南新能源有限公司)	Distributed wind power	9,122.60	0.5706	6,132.23
61(ii)	Changsha branch of SPIC Hunan New Energy Co., Ltd* (國家電投集團湖南新能源有限公司長沙分公司)	Distributed photovoltaic power	445.12~508.23	0.5552	218.72~249.72
62	Hunan Xiangtan Daliwan PV Power Co., Ltd* (湖南湘潭大栗灣光伏發電有限公司)	Centralised photovoltaic power	1,804.01~2,097.29	0.4500~0.8395	718.41~1,558.08
63	Hunan Xiangxi Longshan Da'an New Energy Co., Ltd* (湖南湘西龍山大安新能源有限公司)	Centralised wind power	8,620.21	0.5618	4,285.93
64	Hunan Xiangxiang Huiyuan New Energy Co., Ltd* (湖南湘鄉慧源新能源有限公司)	Distributed wind power	10,880.48	0.4140	3,986.39
65	Ningyuan Qianxiang Wancun New Energy Co., Ltd* (寧遠千鄉萬村新能源有限公司)	Distributed photovoltaic power	7,711.13~8,768.27	0.4786	3,265.97~3,489.25
66	Dongan Qianxiang Wancun New Energy Co., Ltd* (東安千鄉萬村新能源有限公司)	Distributed photovoltaic power	4,999.28~5,712.62	0.4550	2,013.12~2,300.37
67	Loudi Shuangfeng Zhongdian New Energy Co., Ltd* (婁底雙峰中電新能源有限公司)	Distributed photovoltaic power	980.8~1,101.13	0.5197~0.5200	451.05~506.70

No.	Wu Ling Power Profit Undertaking Assets	Project type	Annual electricity sales (10,000 kWh)	Unit electricity price (RMB/kWh) (incl. tax)	Operating income from power generation (RMB'0,000) (excl. tax)
68	Chenzhou Zhongxindian New Energy Co., Ltd* (郴州中新電新能源有限公司)	Distributed photovoltaic power	194.49~223.51	0.6414	111.11~126.87
69	Miluo Qingxintou Electric Power Co., Ltd* (汨羅市青新投電力有限責任公司)	Distributed photovoltaic power	1,959.09~2,269.10	0.4664~0.4672	808.68~938.11
70	Zhuzhou Heshun Zhuoer New Energy Co., Ltd* (株洲和順卓爾新能源有限公司)	Distributed photovoltaic power	3,242.39~3,640.53	0.6418	1,841.59~2,067.73
71	Hunan SPIC Haixiang New Energy Tech Co., Ltd* (湖南國電投海湘新能源科技有限公司)	Distributed photovoltaic power	2,683.76~3,065.25	0.5918	1,405.50~1,605.25
72	Jianghua Yaozu Autonomous County Xiehe Wind Power Co., Ltd.* (江華瑤族自治縣協合風力發電有限公司)	Centralised wind power	7,698.91~8,235.28	0.5772	4,354.95~4,808.96
73	Chenzhou Yunyi Electric Investment New Energy Co., Ltd* (郴州雲伊電投新能源有限公司)	Distributed photovoltaic power	3,852.02~4,309.22	0.5046	1,720.16~1,924.33
74	Longhui Lengxishan New Energy Co., Ltd* (隆回冷溪山新能源有限公司)	Centralised wind power	10,988.91	0.4328	4,208.85
75	Lanshanxian Zhuoyue New Energy Development Co., Ltd* (藍山縣卓越新能源開發有限公司)	Centralised wind power	9,748.79	0.5666	4,888.13
76	Xianghe New Energy Co., Ltd* (湘核新能源有限公司)	Centralised photovoltaic power	4,526.62~5,067.50	0.4571~0.9108	1,831.17~4,084.33
77	Changde Xianghe New Energy Co., Ltd* (常德湘核新能源有限公司)	Distributed photovoltaic power	254.26~286.78	0.6077	136.73~154.22
78	Linli Hechuang New Energy Co., Ltd * (臨澧核創新能源有限公司)	Distributed photovoltaic power	218.01~246.13	0.6471	124.84~140.94
79	Changsha Xianghe New Energy Co., Ltd* (長沙湘核新能源有限公司)	Distributed photovoltaic power	4,503.95~5,507.28	0.5448~0.5827	2,171.51~2,811.14
80	Yongzhou Jianghua Zhongdian New Energy Co., Ltd* (永州江華中電新能源有限公司)	Energy storage power station	4,398.38~5,217.88	0.6676	2,598.88~3,083.10

According to the "Supplementary Circular on 'Matters Relating to Certain Opinions on Promoting the Healthy Development of Non-Water Renewable Energy Power Generation'"* (《〈關於促進非水可再生能源發電健康發展的若干意見〉有關事項的補充通知》) (Caijian [2020] No. 426) and the "Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy"* (《可再生能源電價附加資金管理辦法》) (Caijian [2020] No. 5) issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration, the reasonable utilization hours for type one, type two, type three, and type four wind power projects for each of its entire life cycle are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively; the reasonable utilization hours for type one, type two and type three of photovoltaic power projects for its entire life cycle are 32,000 hours, 26,000 hours and 22,000 hours. For projects that are included in the list of renewable energy power generation subsidies, wind power and photovoltaic power generation projects will no longer enjoy the subsidy funds from the central government after 20 years from the date of grid connection, regardless of whether the project has reached the full life cycle subsidy capacity.

Full life cycle subsidy capacity of a project = project capacity × number of reasonable utilization hours for the entire life cycle of the project

(II) Forecast of operating costs

Operating costs mainly consist of depreciation and amortization, operation commissioning fees, energy storage leasing, maintenance costs, material costs, land lease fees, employee remuneration, safety production expenses and other expenses.

1. Depreciation and amortization: forecasts are made based on the original book value of the fixed assets and intangible assets of the appraised entity as at the Appraisal Benchmark Date, as well as the amount of depreciation and amortization accrued by each appraised entity in accordance with the current accounting policies.

2. Operation commissioning fees and energy storage leasing fees: the operation commissioning fees are forecasted based on the operation commissioning contracts, and the energy storage leasing fees are determined with reference to the existing leases of each appraised entity.

3. Maintenance and material costs: the forecast consults the historical data within the warranty period, as well as the operating standards of SPIC's new energy projects after the warranty period and the parameters of other new energy investment projects.

4. Land lease fees: the forecast is based on the amount of rent in current leases signed by each appraised entity.

5. Employee remuneration: the forecast refers to the current and actual remuneration level of each appraised entity.

6. Safety production expenses: the calculation is based on the standard in the "Notice on the Publication of the Measures for the Administration of the Extraction and Use of Enterprise Safety Production Expenses (Caizi [2022] No. 136)"* (關於印發《企業安全生產費用提取和使用管理辦法》的通知(財資[2022]136 號)).

7. Other expenses: determined after analysing the historical annual expenditure level of each appraised entity and the financial budget amount for 2024.

(III) Forecast of taxes and surcharges

Taxes and surcharges of the appraised entity mainly include urban construction tax of 1%, 5% or 7%, education surcharge of 3%, local education surcharge of 2%, 0.06% of current operating income or 0.5% of current VAT payable Water Construction Fund, real estate tax of 1.2%, land use tax of different regional standards, stamp duty of 0.3% to 1%, etc. Forecasts are based on the assumption that the tax rates applicable to each appraised entity as at the Appraisal Benchmark Date will remain unchanged.

(IV) Forecast of management expenses and sales expenses

The appraised entities are mainly project companies, and none of them incur management fees or sales fees. A small number companies with historical years of management and selling expenses maintained historical levels of forecasts.

(V) Forecast of finance costs

Financing costs are mainly interest expenses on borrowings. As the appraisal adopts the corporate free cash flow, where corporate free cash flow = EBITDA + depreciation and amortization – capital expenditure – changes in net working capital, interest expenses have no impact on the equity value of the company.

(VI) Forecast of other income

The forecast of other income is a forecast of value-added tax refund. In accordance with the relevant provisions of the "Circular of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Caishui [2015] No. 74)"* (《財政部、國家稅務總局關於風力發電增值稅政策的通知(財稅[2015]74 號)》), starting from 1 July 2015, taxpayer who sell self-produced power products using wind power will be subject to the policy of immediate 50% value-added tax refund upon collection. The impact of this policy has been considered in the present appraisal, and it is assumed that this policy can continue until the end of the operation period of the project.

(VII) Forecast of enterprise income tax

Forecast is made based on the income tax policy and corresponding tax rate applicable to the appraised entity. The main tax incentives are:

1. The income obtained by enterprises from investing in and operating ports and docks, airports, railways, highways, urban public transportation, electricity, hydraulic and other projects shall be exempted from enterprise income tax from the first to the third years (the tax rate is 0%), and the enterprise income tax shall be reduced by half from the fourth to the sixth years (the tax rate is 12.5%), and the enterprise income tax shall be paid at the applicable tax rate of 25% thereafter.

2. In October 2023, Hunan New Energy Co., Ltd. obtained the high-tech enterprise certificate with certificate number: GR202343003122, which is valid for three years. The company's current enterprise income tax rate is 15%, and the present appraisal assumes that the company can continue to be recognized as a high-tech enterprise in the future and enjoy income tax benefits.

3. In accordance with the "Announcement on the Continuation of the Enterprise Income Tax Policy for the Development of the Western Region"* (《關於延續西部大開發企業所得稅政策的公告》) (Announcement [2020] No. 23 of the Ministry of Finance) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission, "from 1 January 2021 to 31 December 2030, enterprise income tax shall be levied at a reduced rate of 15% on enterprises engaging in the encouraged industries and established in the Western Regions". Considering that the aforementioned enterprise income tax policies for the development of the Western Regions have been extended many times, this appraisal assumes that the above policies can be continued throughout the forecast period.

(VIII) Forecast of depreciation and amortisation

Depreciation is forecasted based on the size of the fixed assets and the depreciation policy implemented by the appraised entity. Amortisation is forecasted based on the original recorded amount as at the Appraisal Benchmark Date and the amortisation policy implemented by each appraised entity. Depreciation and amortisation are calculated on a straight-line basis over the estimated useful life as follows:

Asset	Depreciation/ amortization period	Estimated net residual value rate *(%)*
Houses and buildings	5-55 years	0.00-3.00
Machinery and equipment	5-30 years	0.00-5.00
Vehicles	6-10 years	3.00
Electronic equipment	5-8 years	0.00-5.00
Software	5-10 years	0.00
Land tenure	10-50 years	0.00

(IX) Forecast of capital expenditure

Capital expenditure refers to the expenditures for the renewal of existing fixed assets and equipment and the possible increase of capital expenditures in the future, which are required by the appraised entity to meet its future business plan. Based on one of the assumptions of the income approach in the present appraisal, which assumes that the term of future earnings is of limited duration, and that expenditure on new production expansion projects will not be considered, capital expenditures are the renewal expenditures that must be invested in order to meet the project's plans to put the project into operation and to maintain ongoing operations. Considering that the main production equipment of the new energy power generation industry is a one-off investment, and only some equipment with shorter service life needs to be updated, capital expenditure will only be considered for that part of the assets in the present appraisal.

(X) Determination of additional working capital

Additional working capital refers to the increase in working capital required by the appraised entity for maintaining its ability to operate continuously without changing its main business, such as the amount of cash required to maintain normal production and operations, the funds required for unpaid business payments payable by customers (accounts receivable), and amounts payable.

In principle, to estimate the increase in working capital in the course of business, only main factors such as cash, receivables and payables that must be maintained in the ordinary course of business usually need to be considered. The increase in working capital is calculated as follows:

Increase in working capital = Working capital requirements for the current period – working capital requirements for the previous period

Working capital requirements = Minimum cash holdings + average balance of receivables – average balance of payables

With reference to the annual turnover rate of each of the current assets and liabilities involved in the operations of the appraised entity over the previous years, the working capital forecast for the coming years is measured as follows:

1. Minimum cash holdings = Annual (operating costs + taxes + expenses – depreciation and amortization)/average number of cash payments annually.

2. It is forecasted that the annual receivables, the receivable benchmark settlement income is settled with the State Grid once a month, and the number of turnovers of accounts receivable is calculated on the basis of 12 settlements per annum basis.

3. Where the national subsidy for new energy projects directly or indirectly held by the appraised entity has entered the national subsidy catalogue, and the collection cycle is about 2 years as at the Appraisal Benchmark Date, the corresponding balance of accounts receivable shall be determined considering the balance of the national subsidy for 2 years.

4. Where the national subsidy for new energy projects directly or indirectly held by the appraised entity has entered the national subsidy catalogue, and the collection cycle is about 3 years as at the Appraisal Benchmark Date, the corresponding balance of accounts receivable shall be determined considering the balance of the national subsidy for 3 years.

5. Forecasted annual accounts payable = Annual operating costs/forecasted number of payments for accounts payable annually.

Based on the above key valuation inputs, items (II) to (VII) are deducted from item (I) (operating income) to derive the net profit of each relevant period during forecast period. The net profit is further adjusted by figures including item (IX) (capital expenditure) and item (X) (additional working capital) to arrive at the total net free cash flow of each Wu Ling Power Profit Undertaking Asset.

Forecast period

This appraisal assumes that the appraised entity will only develop and operate existing projects in the next few years, or will no longer develop or invest in any new projects based on existing investment projects, and that the appraised entity will exit the existing projects at maturity and cease to operate upon the expiry of the operating period of the last project in which it invested. The designed lives life of wind power stations is designed to be 20 years, and the designed lives life of photovoltaic power stations is designed to be 25 years. The forecast period is determined from the grid-connection date of the appraised entity to the end of its designed lives.

No.	Wu Ling Power Profit Undertaking Assets	Grid-connection date	Forecast period
1	Xilin Haote Mingyang Smart Energy Co., Ltd* (錫林浩特市明陽智慧能源有限公司)	December 2020	November 2024 – December 2040
2	Wu Ling Tokexun Power Co., Ltd* (五淩托克遜電力有限公司)	June 2013	November 2024 – June 2033
3	Qingshuihexian Mingyang New Energy Co., Ltd* (清水河縣明陽新能源有限公司)	June 2020	November 2024 – June 2040
4(i)	Xilin Haote Mingyang Wind Power Co., Ltd* (錫林浩特市明陽風力發電有限公司)	August 2020	November 2024 – September 2040
4(ii)	Xilin Haote Mingyang Wind Power Co., Ltd* (錫林浩特市明陽風力發電有限公司)	February 2019	November 2024 – January 2039
5	Wu Ling Qinghe Power Co., Ltd* (五淩青河電力有限公司)	June 2016	November 2024 – June 2041
6	Hulunbeier Yuhan New Energy Development Co., Ltd* (呼倫貝爾市宇涵新能源開發有限公司)	June 2017	November 2024 – June 2042
7	Shuangpai Majiang Wuxingling Wind Power Co., Ltd* (雙牌麻江五星嶺風力發電有限公司)	September 2022	November 2024 – August 2042
8	Jiangyong Clean Energy Development Co., Ltd* (江永清潔能源開發有限公司)	September 2020	November 2024 – September 2040
9	Daoxian Clean Energy Development Co., Ltd* (道縣清潔能源開發有限公司)	November 2020	November 2024 – November 2040
10	Wu Ling Shanshan Power Co., Ltd* (五淩鄯善電力有限公司)	Grid connection in batches starting from November 2014	November 2024 – June 2036

No.	Wu Ling Power Profit Undertaking Assets	Grid-connection date	Forecast period
11	Wu Ling Buerjin Power Co., Ltd* (五凌布爾津電力有限公司)	July 2013	November 2024 – July 2033
12	Xintian Linyuan Power Co., Ltd* (新田林源電力有限公司)	December 2020	November 2024 – December 2040
13	Wu Ling (Shaoyanxian) New Energy Co., Ltd* (五凌(邵陽縣)新能源有限公司)	December 2024	December 2024 – December 2049
14	Wu Ling (Shuangpai) Power Co., Ltd* (五凌(雙牌)電力有限公司)	June 2023	November 2024 – June 2048
15(i)	Jiangyong Changyuan New Energy Development Co., Ltd* (江永昌源新能源開發有限公司)	July 2025	July 2025 – June 2045
15(ii)	Jiangyong Changyuan New Energy Development Co., Ltd* (江永昌源新能源開發有限公司)	January 2023	November 2024 – December 2047
16	Cili Wutian New Energy Co., Ltd* (慈利五田新能源有限公司)	December 2022	November 2024 – December 2049
17	Hunan Zhongshui Investment Co., Ltd* (湖南中水投資有限公司)	Grid connection in batches starting from March 2016	November 2024 – November 2049
18	Jingle Hongyi Energy Development Co., Ltd* (靜樂弘義能源開發有限公司)	June 2021	November 2024 – June 2041
19	Shenchi Jinyuan New Wind Energy Development Co., Ltd* (神池晉源新風能源開發有限公司)	June 2021	November 2024 – June 2041
20	Jinglexian New Wind Energy Development Co., Ltd* (靜樂縣新風能源發展有限公司)	March 2021	November 2024 – March 2041
21	Xinping Wind Energy Fengzhizi Wind Power Co., Ltd* (新平風能風之子風電有限公司)	December 2017	November 2024 – December 2037
22	Wu Ling Qidong Integrated Smart Energy Co., Ltd* (五凌祁東綜合智慧能源有限公司)	May 2020	November 2024 – April 2045
23	Jiangyong Shenghua Energy Development Co., Ltd* (江永晟華能源開發有限公司)	December 2020	November 2024 – December 2040
24	Jiangyong Xinfeng New Energy Development Co., Ltd* (江永鑫風新能源開發有限公司)	December 2022	November 2024 – November 2042

No.	Wu Ling Power Profit Undertaking Assets	Grid-connection date	Forecast period
25	Loudi Wuhong New Energy Co., Ltd* (婁底五宏新能源有限公司)	Grid connection in batches starting from May 2023	November 2024 – October 2049
26	Wu Ling (Hengxi) Power Co., Ltd* (五凌(瀘溪)電力有限公司)	December 2024	December 2024 – December 2049
27	Dongkou Yonglan New Energy Co., Ltd* (洞口永蘭新能源有限公司)	August 2024	November 2024 – August 2049
28	Yizhang Lingfa New Energy Co., Ltd* (宜章凌發新能源有限公司)	October 2024	November 2024 – October 2049
29	Baojingxian Lingjian Energy Co., Ltd* (保靖縣凌建能源有限公司)	December 2023	November 2024 – December 2048
30	Lanshanxian Lingyue New Energy Co., Ltd* (藍山縣凌悦新能源有限公司)	November 2023	November 2024 – November 2048
31	Liping Qingshuijiang New Energy Co., Ltd* (黎平清水江新能源有限公司)	Grid connection in batches starting from July 2023	November 2024 – December 2049
32	Jinping Qingyuan Power Co., Ltd* (錦屏清源電力有限責任公司)	December 2024	November 2024 – December 2049
33	Wu Ling Jiangyong Power Co., Ltd* (五凌江永電力有限公司)	January 2019	November 2024 – January 2039
34	Hunan Province Hongzhao Wind Power Co., Ltd* (湖南省鴻兆風力發電有限公司)	October 2018	November 2024 – October 2038
35	Wu Ling Shuangfeng Power Co., Ltd* (五凌雙峰電力有限公司)	November 2018	November 2024 – November 2038
36	Xintian Jiufengshan Wind Power Co., Ltd* (新田九峰山風電有限公司)	June 2022	November 2024 – June 2042
37	Xiangtan Weitai Photovoltaic Power Generation Co., Ltd* (湘潭威泰光伏發電有限公司)	December 2016	November 2024 – December 2041
38	Pingjiang Jianghe New Energy Co., Ltd* (平江江核新能源有限公司)	November 2021	November 2024 – November 2046
39	Hunan Dinghai New Energy Co., Ltd* (湖南鼎海新能源有限公司)	Grid connection in batches starting from July 2019	November 2024 – December 2044
40	Hunan Jinghe New Energy Co., Ltd* (湖南景合新能源有限公司)	December 2023	November 2024 – December 2048
41	Wu Ling (Taoyuan) New Energy Co., Ltd* (五凌(桃源)新能源有限公司)	Grid connection in batches starting from 1 March 2023	November 2024 – February 2049
42	Wu Ling Linxiang Power Co., Ltd* (五凌臨湘電力有限公司)	Grid connection in batches starting from March 2015	November 2024 – June 2038

No.	Wu Ling Power Profit Undertaking Assets	Grid-connection date	Forecast period
43(i)	Wu Ling Xinshao Power Co., Ltd * (五淩新邵電力有限公司)	March 2017	November 2024 – March 2037
43(ii)	Wu Ling Xinshao Power Co., Ltd * (五淩新邵電力有限公司)	October 2024	November 2024 – September 2049
44(i)	Wu Ling Yongshun Power Co., Ltd* (五淩永順電力有限公司)	November 2016	November 2024 – June 2045
44(ii)	Wu Ling Yongshun Power Co., Ltd* (五淩永順電力有限公司)	December 2024	December 2024 – December 2049
45	Wu Ling Yuanling Power Co., Ltd* (五淩沅陵電力有限公司)	December 2022	November 2024 – December 2042
46	Hunan Qidongxian Lingguan Wind Power Development Co., Ltd* (湖南祁東縣靈官風電開發有限公司)	October 2022	November 2024 – October 2042
47(i)	Wu Ling Rucheng Power Co., Ltd* (五淩汝城電力有限公司)	November 2015	November 2024 – November 2035
47(ii)	Wu Ling Rucheng Power Co., Ltd* (五淩汝城電力有限公司)	September 2024	November 2024 – August 2049
48	Wu Ling Xinhua Power Co., Ltd* (五淩新化電力有限公司)	December 2021	November 2024 – December 2041
49	Wu Ling You County Power Co., Ltd* (五淩攸縣電力有限公司)	December 2020	November 2024 – November 2040
50(i)	Wu Ling Taojiang Power Co., Ltd* (五淩桃江電力有限公司)	December 2019	November 2024 – December 2039
50(ii)	Wu Ling Taojiang Power Co., Ltd* (五淩桃江電力有限公司)	October 2023	November 2024 – December 2050
51	Wu Ling Yanling Electric Co., Ltd* (五淩炎陵電力有限公司)	December 2022	November 2024 – December 2042
52	Hengdong Huafeng New Energy Development Co., Ltd* (衡東華風新能源開發有限公司)	March 2022	November 2024 – March 2042
53	Wu Ling Shimen Power Co., Ltd* (五淩石門電力有限公司)	December 2017	November 2024 – December 2042
54(i)	Wu Ling Xintian Power Co., Ltd* (五淩新田電力有限公司)	July 2017	November 2024 – July 2042
54(ii)	Wu Ling Xintian Power Co., Ltd* (五淩新田電力有限公司)	December 2022	November 2024 – December 2047
55	Yongzhou Lingpeng New Energy Co., Ltd* (永州市淩鵬新能源有限公司)	December 2024	December 2024 – December 2049
56	SPIC Hunan Zhigu Smart Energy Co., Ltd* (湖南電投智谷智慧能源有限公司)	June 2025	June 2025 – December 2053
57	Chenzhou Rucheng Zhongdian New Energy Co., Ltd* (郴州汝城中電新能源有限公司)	September 2023	November 2024 – November 2050

No.	Wu Ling Power Profit Undertaking Assets	Grid-connection date	Forecast period
58	Leiyang Taiping Wind Power Co., Ltd* (耒陽太平風電有限公司)	November 2017	November 2024 – November 2037
59	Jianghua Yao Autonomous County Kunhao Wind Power Co, Ltd* (江華瑤族自治縣坤昊風力發電有限公司)	December 2020	November 2024 – December 2040
60	Rucheng Hougu'ao Wind Power Development Co., Ltd* (汝城猴古坳風電開發有限公司)	December 2020	November 2024 – December 2040
61(i)	SPIC Hunan New Energy Co., Ltd* (國家電投集團湖南新能源有限公司)	June 2016	November 2024 – June 2036
61(ii)	Changsha branch of SPIC Hunan New Energy Co., Ltd* (國家電投集團湖南新能源有限公司長沙分公司)	January 2023	November 2024 – January 2048
62	Hunan Xiangtan Daliwan PV Power Co., Ltd* (湖南湘潭大栗灣光伏發電有限公司)	December 2018	November 2024 – December 2043
63	Hunan Xiangxi Longshan Da'an New Energy Co., Ltd* (湖南湘西龍山大安新能源有限公司)	March 2021	November 2024 – March 2041
64	Hunan Xiangxiang Huiyuan New Energy Co., Ltd* (湖南湘鄉慧源新能源有限公司)	December 2022	November 2024 – December 2042
65	Ningyuan Qianxiang Wancun New Energy Co., Ltd* (寧遠千鄉萬村新能源有限公司)	June 2023	November 2024 – June 2048
66	Dongan Qianxiang Wancun New Energy Co., Ltd* (東安千鄉萬村新能源有限公司)	October 2023	November 2024 – October 2048
67	Loudi Shuangfeng Zhongdian New Energy Co., Ltd* (婁底雙峰中電新能源有限公司)	Grid connection in batches starting from June 2023	November 2024 – December 2049
68	Chenzhou Zhongxindian New Energy Co., Ltd* (郴州中新電新能源有限公司)	December 2023	November 2024 – December 2049
69	Miluo Qingxintou Electric Power Co., Ltd* (汨羅市青新投電力有限責任公司)	Grid connection in batches starting from November 2023	November 2024 – March 2050
70	Zhuzhou Heshun Zhuoer New Energy Co., Ltd* (株洲和順卓爾新能源有限公司)	Grid connection in batches starting from May 2022	November 2024 – December 2049

No.	Wu Ling Power Profit Undertaking Assets	Grid-connection date	Forecast period
71	Hunan SPIC Haixiang New Energy Tech Co., Ltd* (湖南國電投海湘新能源科技有限公司)	Grid connection in batches starting from March 2023	November 2024 – October 2048
72	Jianghua Yaozu Autonomous County Xiehe Wind Power Co., Ltd.* (江華瑤族自治縣協合風力發電有限公司)	September 2014	November 2024 – September 2034
73	Chenzhou Yunyi Electric Investment New Energy Co., Ltd* (郴州雲伊電投新能源有限公司)	February 2024	November 2024 – February 2049
74	Longhui Lengxishan New Energy Co., Ltd* (隆回冷溪山新能源有限公司)	August 2021	November 2024 – August 2041
75	Lanshanxian Zhuoyue New Energy Development Co., Ltd* (藍山縣卓越新能源開發有限公司)	December 2020	November 2024 – December 2040
76	Xianghe New Energy Co., Ltd* (湘核新能源有限公司)	Grid-connected power generation in batches starting from June 2017	November 2024 – December 2042
77	Changde Xianghe New Energy Co., Ltd* (常德湘核新能源有限公司)	Full-capacity grid connection in September 2021	November 2024 – August 2046
78	Linli Hechuang New Energy Co., Ltd * (臨澧核創新能源有限公司)	Full-capacity grid connection in May 2023	November 2024 – April 2048
79	Changsha Xianghe New Energy Co., Ltd* (長沙湘核新能源有限公司)	Grid connection in batches starting from April 2022	November 2024 – June 2049
80	Yongzhou Jianghua Zhongdian New Energy Co., Ltd* (永州江華中電新能源有限公司)	June 2023	November 2024 – June 2043

Discount rate

This evaluation adopts the free cash flow of the appraised entity, and the discount rate is the weighted average cost of capital (WACC) of the corresponding standard. The WACC of the new energy projects is in the range of 6.33% to 7.52%. This evaluation adopts the weighted average cost of capital (WACC) model to determine the discount rate r.

$r = (1 - t) \times r_d \times w_d + r_e \times w_e$

t: Income tax rate

W_d: Debt Ratio

$$w_d = \frac{D}{(E + D)}$$

W_e: Equity capital ratio

$$w_e = \frac{E}{(E + D)}$$

It should be noted that:

t income tax rate: in accordance with the provisions of the "Notice of the Ministry of Finance and the State Administration of Taxation on Issues Relating to the Implementation of the Catalogue of Enterprise Income Tax Incentives for Public Infrastructure Projects (Caishui [2008] No. 46)"* (《財政部、國家稅務總局關於執行公共基礎設施專案企業所得稅優惠目錄有關問題的通知》(財稅[2008]46號)), the Company complies with the relevant provisions on the income tax benefits for investment and operation of public infrastructure projects supported by the state. With reference to the investment and operating income of public infrastructure projects approved after January 1, 2008, from the tax year in which production and operating income is first generated from the project, the enterprise income tax is exempted from the first to the third year, and the enterprise income tax is reduced by half from the fourth to the sixth year. From the seventh year onwards, the income tax rate is 25%.

w_d debt ratio and we equity capital ratio: as each project company has a limited number of years of operation, the balance of borrowings was relatively large at the beginning of their operation. As the number of years of operation increases, the borrowings are continuously repaid until the final balance reaches zero, and the capital structure changes year by year. Considering that other parameters of the discount rate reference the market level, the wd debt ratio and we equity capital ratio also reference the capital structure of comparable listed companies. Assuming the target capital structure of the appraised entity is determined with reference to the average value of the interest-bearing debts and capital of comparable listed companies, the w_d is 51.96% and the w_e is 48.04%.

***r_d* cost of debt:** Reference is made to the 5-year loan rate LPR value of 3.60% announced by the People's Bank of China on October 21, 2024.

***r_e* cost of equity capital:** Determined in accordance with the Capital Asset Pricing Model (CAPM).

$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon$

1. r_f risk-free rate: Determined based on the yield to maturity of 2.15% for all treasury bonds with a remaining maturity of 10 years as at October 31, 2024, provided by the Central Depository and Clearing Corporation (CCDC).

2. r_m expected market return: The appraised entity's business is mainly in China, so a Chinese securities market index is used to measure the market risk premium, which is expressed by the following formula:

   Market risk premium = Average yield of the Chinese equity market – China risk-free rate

   The average yield of the Chinese equity market, based on the historical data of the CSI 300 Index, is calculated by applying a 10-year moving arithmetic average method to the monthly data of the CSI 300 Index up to October 31, 2024 obtained on the Wind Info Quotes Database. The China risk-free rate adopts the yield to maturity of all treasury bonds with a remaining maturity of 10 years as at October 31, 2024.

The risk premium of the Chinese equity market is calculated to be 7.39%.

1. ε: specific risk adjustment of 0.5%-1.5%: Based on the differences in terms of enterprise operational environment, enterprise scale, business model, risk resistance capability etc. between the enterprise to be appraised and comparable listed companies that have been selected. For parity wind power and photovoltaic projects, the specific risk adjustment value is 0.5%; the specific risk adjustment value for projects included in the national subsidy catalogue is 1%; for individual projects for particular reasons, special risk adjustment value will be considered and applied.

2. β_e: expected equity risk coefficient: The estimated value of the expected equity risk coefficient is determined with reference to the average beta coefficients of nine comparable listed companies in the A-share market in the past three years. A range of coefficients from 0.7960 to 1.0953 was used. The average value of the capital structure of comparable listed companies was selected as the target capital structure of the appraised entity.

   Principles for screening comparable companies in determining the β_e coefficient:

   (i) comparable companies must be listed for at least three years in China;

(ii) new energy power generation industry is the industry or main business in which the comparable company is engaged in; and

(iii) there is no major asset reorganization or other events affecting share price volatility of the comparable company in the past two years.

The abovementioned free cash flow is discounted using the calculated discount rate, from which the total operating assets of each Wu Ling Power Profit Undertaking Asset is derived.

Determination of the appraised value of interest-bearing debts

Interest-bearing debts include short-term and long-term borrowings, the value of which is determined market value.

Determination of the appraised value of surplus assets and non-operating assets

Surplus assets refer to excess assets that are not directly related to corporate income or assets that exceed the needs of corporate operations, and generally refer to excess monetary funds and transactional financial assets, etc. Non-operating assets refer to assets that are not directly related to corporate income, do not produce benefits, or are not considered in operating assets estimated by discounted cash flow.

According to PCAA, the valuation assumptions and conditions are made in accordance with the relevant laws and regulations of the PRC and are in line with market practice and standard. The profit forecasts made have taken into account the actual situation of the appraised entities and are in line with the operation levels of the appraised entities.

Sensitivity analysis

No sensitivity analysis has been conducted for the valuation of the new energy projects in Wu Ling Power's long-term equity investments.

* *English translation is for identification only*

Appendix I was prepared by PCAA in Chinese, with no official English translation. The English translation is provided solely for reference only. In case of any discrepancy between the two versions, the Chinese version shall prevail.

No.	Asset appraised using the income approach	Percentage of Wu Ling Power's equity interest	Type of shareholding
1	Xilin Haote Mingyang Smart Energy Co., Ltd* (錫林浩特市明陽智慧能源有限公司)	1.0044%	Direct and indirect shareholding
2	Wu Ling Tokexun Power Co., Ltd* (五凌托克遜電力有限公司)	1.0044%	Direct and indirect shareholding
3	Qingshuihexian Mingyang New Energy Co., Ltd* (清水河縣明陽新能源有限公司)	1.0044%	Direct and indirect shareholding
4	Xilin Haote Mingyang Wind Power Co., Ltd* (錫林浩特市明陽風力發電有限公司)	1.0044%	Direct and indirect shareholding
5	Wu Ling Qinghe Power Co., Ltd* (五凌青河電力有限公司)	1.0044%	Direct and indirect shareholding
6	Hulunbeier Yuhan New Energy Development Co., Ltd* (呼倫貝爾市宇涵新能源開發有限公司)	1.0038%	Indirect shareholding
7	Shuangpai Majiang Wuxingling Wind Power Co., Ltd* (雙牌麻江五星嶺風力發電有限公司)	50.2309%	Direct and indirect shareholding
8	Jiangyong Clean Energy Development Co., Ltd* (江永清潔能源開發有限公司)	49.2108%	Direct and indirect shareholding
9	Daoxian Clean Energy Development Co., Ltd* (道縣清潔能源開發有限公司)	49.2108%	Direct and indirect shareholding
10	Wu Ling Shanshan Power Co., Ltd* (五凌鄯善電力有限公司)	1.0038%	Indirect shareholding
11	Wu Ling Buerjin Power Co., Ltd* (五凌布爾津電力有限公司)	1.0038%	Indirect shareholding
12	Xintian Linyuan Power Co., Ltd* (新田林源電力有限公司)	1.0038%	Indirect shareholding
13	Wu Ling (Shaoyanxian) New Energy Co., Ltd* (五凌(邵陽縣)新能源有限公司)	100.0000%	Direct shareholding
14	Wu Ling (Shuangpai) Power Co., Ltd* (五凌(雙牌)電力有限公司)	100.0000%	Direct shareholding
15	Jiangyong Changyuan New Energy Development Co., Ltd* (江永昌源新能源開發有限公司)	100.0000%	Direct shareholding
16	Cili Wutian New Energy Co., Ltd* (慈利五田新能源有限公司)	100.0000%	Direct shareholding
17	Hunan Zhongshui Investment Co., Ltd* (湖南中水投資有限公司)	100.0000%	Direct shareholding

No.	Asset appraised using the income approach	Percentage of Wu Ling Power's equity interest	Type of shareholding
18	Jingle Hongyi Energy Development Co., Ltd* (靜樂弘義能源開發有限公司)	19.2008%	Direct and indirect shareholding
19	Shenchi Jinyuan New Wind Energy Development Co., Ltd* (神池晉源新風能源開發有限公司)	19.2008%	Direct and indirect shareholding
20	Jinglexian New Wind Energy Development Co., Ltd* (靜樂縣新風能源發展有限公司)	19.2008%	Direct and indirect shareholding
21	Xinping Wind Energy Fengzhizi Wind Power Co., Ltd* (新平風能風之子風電有限公司)	51.0000%	Direct and indirect shareholding
22	Wu Ling Qidong Integrated Smart Energy Co., Ltd* (五凌祁東綜合智慧能源有限公司)	51.0000%	Indirect shareholding
23	Jiangyong Shenghua Energy Development Co., Ltd* (江永晟華能源開發有限公司)	51.0000%	Direct and indirect shareholding
24	Jiangyong Xinfeng New Energy Development Co., Ltd* (江永鑫風新能源開發有限公司)	51.0000%	Indirect shareholding
25	Loudi Wuhong New Energy Co., Ltd* (婁底五宏新能源有限公司)	100.0000%	Direct shareholding
26	Wu Ling (Hengxi) Power Co., Ltd* (五凌(瀘溪)電力有限公司)	100.0000%	Direct shareholding
27	Dongkou Yonglan New Energy Co., Ltd* (洞口永蘭新能源有限公司)	100.0000%	Direct shareholding
28	Yizhang Lingfa New Energy Co., Ltd* (宜章凌發新能源有限公司)	100.0000%	Direct shareholding
29	Baojingxian Lingjian Energy Co., Ltd* (保靖縣凌建能源有限公司)	100.0000%	Direct shareholding
30	Lanshanxian Lingyue New Energy Co., Ltd* (藍山縣凌悅新能源有限公司)	100.0000%	Direct shareholding
31	Liping Qingshuijiang New Energy Co., Ltd* (黎平清水江新能源有限公司)	51.3000%	Indirect shareholding
32	Jinping Qingyuan Power Co., Ltd* (錦屏清源電力有限責任公司)	47.5000%	Indirect shareholding
33	Wu Ling Jiangyong Power Co., Ltd* (五凌江永電力有限公司)	70.0000%	Direct shareholding
34	Hunan Province Hongzhao Wind Power Co., Ltd* (湖南省鴻兆風力發電有限公司)	70.0000%	Direct shareholding

No.	Asset appraised using the income approach	Percentage of Wu Ling Power's equity interest	Type of shareholding
35	Wu Ling Shuangfeng Power Co., Ltd* (五凌雙峰電力有限公司)	70.0000%	Direct shareholding
36	Xintian Jiufengshan Wind Power Co., Ltd* (新田九峰山風電有限公司)	70.0000%	Direct shareholding
37	Xiangtan Weitai Photovoltaic Power Generation Co., Ltd* (湘潭威泰光伏發電有限公司)	70.0000%	Direct shareholding
38	Pingjiang Jianghe New Energy Co., Ltd* (平江江核新能源有限公司)	70.0000%	Indirect shareholding
39	Hunan Dinghai New Energy Co., Ltd* (湖南鼎海新能源有限公司)	70.0000%	Direct shareholding
40	Hunan Jinghe New Energy Co., Ltd* (湖南景合新能源有限公司)	67.0000%	Direct shareholding
41	Wu Ling (Taoyuan) New Energy Co., Ltd* (五凌(桃源)新能源有限公司)	62.7000%	Indirect shareholding
42	Wu Ling Linxiang Power Co., Ltd* (五凌臨湘電力有限公司)	54.7000%	Indirect shareholding
43	Wu Ling Xinshao Power Co., Ltd* (五凌新邵電力有限公司)	54.7000%	Indirect shareholding
44	Wu Ling Yongshun Power Co., Ltd* (五凌永順電力有限公司)	54.7000%	Indirect shareholding
45	Wu Ling Yuanling Power Co., Ltd* (五凌沅陵電力有限公司)	54.7000%	Indirect shareholding
46	Hunan Qidongxian Lingguan Wind Power Development Co., Ltd* (湖南祁東縣靈官風電開發有限公司)	54.7000%	Indirect shareholding
47	Wu Ling Rucheng Power Co., Ltd* (五凌汝城電力有限公司)	54.7000%	Indirect shareholding
48	Wu Ling Xinhua Power Co., Ltd* (五凌新化電力有限公司)	54.7000%	Indirect shareholding
49	Wu Ling You County Power Co., Ltd* (五凌攸縣電力有限公司)	54.7000%	Indirect shareholding
50	Wu Ling Taojiang Power Co., Ltd* (五凌桃江電力有限公司)	54.7000%	Indirect shareholding
51	Wu Ling Yanling Electric Co., Ltd* (五凌炎陵電力有限公司)	54.7000%	Indirect shareholding
52	Hengdong Huafeng New Energy Development Co., Ltd* (衡東華風新能源開發有限公司)	54.7000%	Indirect shareholding
53	Wu Ling Shimen Power Co., Ltd* (五凌石門電力有限公司)	54.7000%	Indirect shareholding
54	Wu Ling Xintian Power Co., Ltd* (五凌新田電力有限公司)	54.7000%	Indirect shareholding

No.	Asset appraised using the income approach	Percentage of Wu Ling Power's equity interest	Type of shareholding
55	Yongzhou Lingpeng New Energy Co., Ltd* (永州市凌鵬新能源有限公司)	51.0000%	Direct shareholding
56	SPIC Hunan Zhigu Smart Energy Co., Ltd* (湖南電投智谷智慧能源有限公司)	10.0000%	Direct shareholding
57	Chenzhou Rucheng Zhongdian New Energy Co., Ltd* (郴州汝城中電新能源有限公司)	100.0000%	Direct shareholding
58	Leiyang Taiping Wind Power Co., Ltd* (耒陽太平風電有限公司)	66.0000%	Direct shareholding
59	Jianghua Yao Autonomous County Kunhao Wind Power Co, Ltd* (江華瑤族自治縣坤昊風力發電有限公司)	100.0000%	Direct shareholding
60	Rucheng Hougu'ao Wind Power Development Co., Ltd* (汝城猴古坳風電開發有限公司)	63.0000%	Indirect shareholding
61	SPIC Hunan New Energy Co., Ltd* (國家電投集團湖南新能源有限公司)	100.0000%	Direct shareholding
62	Hunan Xiangtan Daliwan PV Power Co., Ltd* (湖南湘潭大栗灣光伏發電有限公司)	100.0000%	Direct shareholding
63	Hunan Xiangxi Longshan Da'an New Energy Co., Ltd* (湖南湘西龍山大安新能源有限公司)	100.0000%	Direct shareholding
64	Hunan Xiangxiang Huiyuan New Energy Co., Ltd* (湖南湘鄉慧源新能源有限公司)	100.0000%	Direct shareholding
65	Ningyuan Qianxiang Wancun New Energy Co., Ltd* (寧遠千鄉萬村新能源有限公司)	70.0000%	Direct shareholding
66	Dongan Qianxiang Wancun New Energy Co., Ltd* (東安千鄉萬村新能源有限公司)	70.0000%	Direct shareholding
67	Loudi Shuangfeng Zhongdian New Energy Co., Ltd* (婁底雙峰中電新能源有限公司)	100.0000%	Direct shareholding
68	Chenzhou Zhongxindian New Energy Co., Ltd* (郴州中新電新能源有限公司)	100.0000%	Direct shareholding
69	Miluo Qingxintou Electric Power Co., Ltd* (汨羅市青新投電力有限責任公司)	100.0000%	Direct shareholding

No.	Asset appraised using the income approach	Percentage of Wu Ling Power's equity interest	Type of shareholding
70	Zhuzhou Heshun Zhuoer New Energy Co., Ltd* (株洲和順卓爾新能源有限公司)	80.0000%	Direct shareholding
71	Hunan SPIC Haixiang New Energy Tech Co., Ltd* (湖南國電投海湘新能源科技有限公司)	100.0000%	Direct shareholding
72	Jianghua Yaozu Autonomous County Xiehe Wind Power Co., Ltd.* (江華瑤族自治縣協合風力發電有限公司)	100.0000%	Direct shareholding
73	Chenzhou Yunyi Electric Investment New Energy Co., Ltd* (郴州雲伊電投新能源有限公司)	51.0000%	Direct shareholding
74	Longhui Lengxishan New Energy Co., Ltd* (隆回冷溪山新能源有限公司)	100.0000%	Direct shareholding
75	Lanshanxian Zhuoyue New Energy Development Co., Ltd* (藍山縣卓越新能源開發有限公司)	100.0000%	Direct shareholding
76	Xianghe New Energy Co., Ltd* (湘核新能源有限公司)	100.0000%	Direct shareholding
77	Changde Xianghe New Energy Co., Ltd* (常德湘核新能源有限公司)	100.0000%	Direct shareholding
78	Linli Hechuang New Energy Co., Ltd * (臨澧核創新能源有限公司)	100.0000%	Direct shareholding
79	Changsha Xianghe New Energy Co., Ltd* (長沙湘核新能源有限公司)	100.0000%	Direct shareholding
80	Yongzhou Jianghua Zhongdian New Energy Co., Ltd* (永州江華中電新能源有限公司)	100.0000%	Direct shareholding

* *English translation is for identification only*

LETTER FROM THE FINANCIAL ADVISER

The following is the full text of the report from the Financial Adviser, for the purpose of, among other things, incorporation into this circular.

16 April 2025

The Board of Directors
China Power International Development Limited (the "Company")
Suite 6301, 63/F., Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

We refer to (i) the announcement dated 16 April 2025 (the "**Announcement**"), in relation to the Proposed Asset Restructuring. Unless otherwise defined or the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Announcement refers to the valuation of Changzhou Hydropower and the Wu Ling Power Profit Undertaking Assets (the "**Profit Undertaking Assets**") as at the Appraisal Benchmark Date of 31 October 2024 by Pan-China Assets Appraisal Co., Ltd. (the "**Valuer**") contained in the asset appraisal reports prepared by the above-mentioned Valuer (the "**Asset Appraisal Reports**"). We note that the Asset Appraisal Reports and certain other documents related to the proposed disposal have been provided to you in the capacity of the Directors of the Company (the "**Directors**") for your consideration of the proposed disposal. We note that the Valuer derived the valuation results in the Asset Appraisal Reports based on projections, which are thus considered a profit forecast (the "**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**").

The purpose of providing this letter is to confirm that, we have (i) reviewed the Profit Forecast contained in the Asset Appraisal Reports and disclosed in the Announcement, for which you as the Directors are solely responsible; and (ii) conducted enquiries with you, the management of the Company and the Valuer regarding the qualifications, bases and assumptions upon which the Profit Forecast has been made; and (iii) reviewed the reports to the Directors from Ernst & Young, as set forth in Appendix IV to the Announcement, regarding the calculations of discounted future cash flows. The Profit Forecast is based on a number of bases and assumptions. As these bases and assumptions pertain to future events that may or may not occur, the actual financial performance of the Profit Undertaking Assets may deviate from expectations, and such deviations could be significant.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Valuer and the Company (for which the Valuer and the Company are solely responsible), we are of the opinion that the Profit Forecast have been made by you after due and careful enquiry. The Directors are responsible for the Profit Forecast, including the preparation of the discounted future cash flow based on the bases and assumptions determined by the Directors and set out in the Asset Appraisal Reports. This responsibility includes performing appropriate procedures for the preparation of the discounted future cash flows used in the Asset Appraisal Reports, applying appropriate preparation bases, and making reasonable estimates according to the circumstances. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

The work undertaken by us is for the sole purpose of reporting to you in accordance with Rule 14.60A(3) of the Listing Rules, and for no other purpose. We have not independently verified the assumptions or calculations of the valuations in the Asset Appraisal Reports. We have not participated in or been involved in any assessment of the valuation contained in the Asset Appraisal Reports, nor have we provided or will we provide any evaluation of the valuation contained in the Asset Appraisal Reports to the Company. We have assumed that all information, materials, and representations provided to us by the Company and the Valuer (including those referred to or contained in the Announcement) are true, accurate, complete, and not misleading at the time they were provided or made and remain so up to the date of the Announcement. We also assume that no material facts or information have been omitted. We do not expressly or impliedly make any representation and assurance as to the accuracy, truthfulness or completeness of the said information, materials or representations. Therefore, we do not expressly or impliedly assume any responsibility to the valuation in the Asset Appraisal Reports.

Yours faithfully,

For and on behalf of CITIC Securities (Hong Kong) Limited

Edmund Chan

Managing Director, Head of M&A

REPORT FROM ERNST & YOUNG

The following is the full text of the report from Ernst & Young, for the purpose of, among other things, incorporation into this circular.

16 April 2025

The Board of Directors
China Power International Development Limited
Suite 6301, 63/F, Central Plaza
18 Harbour Road, Wanchai, Hong Kong

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE PROFIT UNDERTAKING ASSETS

Dear Sirs,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Forecast**") on which the valuation dated 31 October 2024 prepared by Pan-China Assets Appraisal Co., Ltd. in respect of Changzhou Hydropower and the Wu Ling Power Profit Undertaking Assets (the "**Profit Undertaking Assets**") as at 31 October 2024 is based. The valuation is set out in the announcement of China Power International Development Limited (the "**Company**") dated 16 April 2025 (the "**Announcement**") in connection with the proposed asset restructuring. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 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 solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The key Assumptions are set out in Appendix I (Summary of Asset Appraisal Reports) to the Announcement.

Our independence and quality control

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 behavior.

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 control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

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 are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. 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.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Companies. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) 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.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2024, save as disclosed below, no person, not being a Director nor chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[4]	Percentage of issued share capital of the Company *(%)*	Long/ Short position
SPIC Innovation	Beneficial owner	204,196,000	1.65	Long
SPIC Finance HK	Beneficial owner	446,275,453	3.61	Long
CPDL	Beneficial owner	2,662,000,000	21.52	Long
CPNE	Beneficial owner	1,854,648,662	14.99	Long
CPI Holding[1]	Interest of controlled corporations	4,516,648,662	36.51	Long
	Beneficial owner	2,833,518,060	22.91	Long
SPIC[2]	Interest of controlled corporations	8,000,638,175	64.68	Long

Name	Capacity	Number of shares in which interested other than under equity derivatives[4]	Percentage of issued share capital of the Company *(%)*	Long/ Short position
China CITIC Financial AMC International Holdings Limited ("**CITIC International**")	Beneficial owner	618,508,000	5.00	Long
China CITIC Financial Asset Management Co., Ltd ("**CITIC Financial AMC**")[3]	Interest of controlled corporation	618,508,000	5.00	Long
	Beneficial owner	12,650,000	0.10	Long

Notes:

(1) CPI Holding is the beneficial owner of CPDL and CPNE and therefore CPI Holding is deemed to be interested in the shares of the Company owned by CPDL and CPNE for the purposes of the SFO.

(2) SPIC is the beneficial owner of CPI Holding, SPIC Finance HK and SPIC Innovation and therefore SPIC is deemed to be interested in the shares of the Company owned by CPI Holding, SPIC Finance HK and SPIC Innovation for the purposes of the SFO.

(3) According to the Corporate Substantial Shareholder Notice filed by CITIC Financial AMC with the Hong Kong Stock Exchange pursuant to Part XV of the SFO — Disclosure of Interests, on 6 August 2024, CITIC Financial AMC directly holds 12,650,000 shares of the Company and indirectly holds 618,508,000 shares of the Company through its wholly-owned subsidiary, CITIC International. CITIC Financial AMC is the beneficial owner of CITIC International and therefore CITIC Financial AMC is deemed to be interested in the shares of the Company owned by CITIC International for the purpose of the SFO.

(4) Save as disclosed above and to the best of the Company's knowledge, information and belief, SPIC, CPI Holding, CPDL, CPNE, SPIC Finance HK and SPIC Innovation do not have any other interests in the equity derivatives of the Company.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, save as the share options granted to our Directors under a share option incentive scheme pursuant to the ordinary resolution passed by the Shareholders on 15 June 2022 as disclosed in the table below, none of the Directors or the chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "**SFO**") which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name of Director	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company *(%)*	Long/ short position
HE Xi	beneficial owner	the Company	5 July 2022	737,000	0.006	Long
GAO Ping	beneficial owner	the Company	5 July 2022	737,000	0.006	Long

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of the Director	Position(s) within the Company	Other Interests[1]
HE Xi	Chairman of the Board and Executive Director	Chairman of CPI Holding Chairman of National Bio Energy Co., Ltd.* (國能生物發電集團有限公司)
GAO Ping	Executive Director and President	Vice-chairman of National Bio Energy Co., Ltd.
HU Jiandong	Non-executive Director	Special duty director of SPIC Director of CPI Holding Director of SPIC Huanghe Hydropower Development Co., Ltd.* (國家電投集團黃河上游水電開發有限責任公司) Director of Qinghai Huanghe Hydropower Development Co., Ltd.* (青海黃河上游水電開發有限責任公司) Director of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司) Director of SPIC Hydrogen Technology Development Co., Ltd.* (國家電投集團氫能科技發展有限公司)

Name of the Director	Position(s) within the Company	Other Interests[1]
ZHOU Jie	Non-executive Director	Special duty director of SPIC Director of CPI Holding Director of SPIC Huanghe Hydropower Development Co., Ltd.* (國家電投集團黃河上游水電開發有限責任公司) Director of Qinghai Huanghe Hydropower Development Co., Ltd.* (青海黃河上游水電開發有限責任公司) Director of SPIC Aluminum and Power investment Co., Ltd.* (國家電投集團鋁電投資有限公司)
HUANG Qinghua	Non-executive Director	Special duty director of SPIC Director of CPI Holding Director of SPIC Guizhou Jinyuan Co., Ltd.* (國家電投集團貴州金元股份有限公司) Director of SPIC Chongqing Electric Power Co., Ltd.* (國家電投集團重慶電力有限公司)

Note:

(1) SPIC and CPI Holding are companies which have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

* *English translation is for identification only*

6. DIRECTOR'S INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up or subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Enlarged Group.

7. EXPERTS AND CONSENTS

The following are the qualifications of the professional advisers which have given opinions or advice contained in this circular:

Name	Qualifications
CITICS	a licensed corporation to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	certified public accountants
PCAA	independent and qualified PRC appraiser
Somerley Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, all of the experts set out above:

(i) did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group; and

(ii) did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

All of the experts set out above had given and had not withdrawn their written consents to the issue of this circular with the inclusions of their reports, opinions or statements (as the case may be) as set out in this circular and references to their name in the form and context in which they are included.

8. INTERESTS IN ASSETS

As at the Latest Practicable Date, (i) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group; and (ii) none of the Directors or expert named in paragraph 6 of this Appendix had any direct or indirect interest in any assets which had been, since 31 December 2024 (being the date of which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2024, the date to which the latest published audited consolidated financial statements of the Group were made up.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.chinapower.hk) and the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular: (i) the Formal Restructuring Agreements, (ii) the Formal Restructuring Ancillary Undertakings and (iii) the Asset Appraisal Reports.

CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED
中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

The General Meeting will be held by way of virtual meeting via the Online Platform which can be accessed from any location with connection to the internet. Shareholders of the Company need not attend the general meeting in person.

NOTICE IS HEREBY GIVEN that a general meeting of China Power International Development Limited (the "**Company**") (the "**General Meeting**") will be held on **Tuesday, 24 June 2025 at 10:30 a.m.** by way of virtual meeting via the Online Platform (as hereinafter defined), for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**:

a. the Proposed Asset Restructuring, Equity Transfer Agreement I, Equity Transfer Agreement II, Wu Ling Power Compensation Agreement, Changzhou Hydropower Compensation Agreement, the China Power Non-Compete Undertaking and the SPIC Non-Compete Undertaking dated 16 April 2025 (collectively the "**Formal Restructuring Agreements**" as defined in the Company's circular dated 20 May 2025) (copies of which have been produced to the meeting marked "A", "B", "C", "D", "E", and "F" respectively and have been initialled by the chairman of this meeting for the purpose of identification) and all the transactions contemplated thereunder, including the China Power Lock-up Undertaking, SPIC Letter of Undertaking, Related Transactions Undertakings, Yuanda Environmental Independence Undertakings and Undertakings on Remedial Measures on Returns (collectively the "**Formal Restructuring Ancillary Undertakings**" as defined in the Company's circular dated 20 May 2025) (copies of which have been produced to the meeting marked "G", "H", "I", "J" and "K" respectively and have been initialled by the chairman of this meeting for the purpose of identification), be and are hereby generally and unconditionally approved, confirmed and ratified; and

b. any director(s) of the Company be and is/are hereby authorised to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with (i) the implementation and completion of the Proposed Asset Restructuring, the Formal Restructuring Agreements and the transactions contemplated thereunder (including the Formal

Restructuring Ancillary Undertakings) and (ii) any amendment, variation or modification of the Proposed Asset Restructuring, the Formal Restructuring Agreements and the transactions contemplated thereunder (including the Formal Restructuring Ancillary Undertakings).

By Order of the Board
China Power International Development Limited
Chairman
HE Xi

Hong Kong, 20 May 2025

Registered Office:
Suite 6301, 63/F., Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Notes:

1. The General Meeting will be a virtual meeting. Shareholders of the Company ("**Shareholders**") can attend and participate in the General Meeting by accessing the website at https://meetings.computershare.com/CHINAPOWER_2025GM2 (the "**Online Platform**"). Shareholders are reminded that physical attendance in person at the General Meeting is NOT necessary. Independent Shareholders joining the General Meeting using the Online Platform will be counted towards the quorum and they will be able to cast their votes and submit questions through the Online Platform.

2. Details regarding General Meeting arrangements and login access for joining the General Meeting through the Online Platform are provided on the notification letter to be despatched together with the Company's circular dated 20 May 2025 (the "**Circular**") and related documents. Shareholders attending the General Meeting are reminded to read the "GUIDANCE FOR THE GM" set out in the Circular prior to joining the General Meeting.

3. Each of the resolutions set out in this notice will be voted by way of a poll. A member of the Company entitled to vote at the General Meeting is entitled to appoint one or more proxies to attend the General Meeting through the Online Platform and vote on his/her behalf. A proxy need not be a member of the Company.

4. All Shareholders who wish to appoint a proxy to attend and vote at the General Meeting through the Online Platform, they are advised to appoint the chairman of the General Meeting as their proxy to act according to their indicated voting instructions, by completing, signing and returning the proxy form accompanying the Circular.

5. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited (i) at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (ii) **electronically via the Company's email address at eproxy@chinapower.hk** not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof (as the case may be). This email address is provided solely for receiving proxy forms relating to the General Meeting and shall not be used for any other purposes.

6. **Closure of register of members of the Company for the General Meeting:** The register of members of the Company will be closed from Thursday, 19 June 2025 to Tuesday, 24 June 2025, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to **qualify to vote at the General Meeting**, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong **not later than 4:30 p.m. on Wednesday, 18 June 2025**.

7. Shareholders attending the General Meeting through the Online Platform will be able to raise questions relevant to the proposed resolutions during the General Meeting. Prior to the General Meeting, Shareholders are also welcome to send such questions or matters in writing to the Company's email at ir@chinapower.hk no later than 6:00 p.m. on Friday, 20 June 2025. The Company will endeavor to address relevant questions in relation to the proposed resolutions at the General Meeting. However, the Company may not be able to answer all the questions during the time allocated. Unanswered questions may be responded to after the General Meeting.

8. In the event that a gale warning (tropical cyclone no. 8 or above) or black rainstorm warning is in effect at any time between 9:00 a.m. and 10:30 a.m. on the day of the above meeting, the above meeting will be automatically postponed to a later date. In this event, the Company will, as soon as practicable, post an announcement on its website and on the website of the Stock Exchange to notify the Shareholders that the above meeting has been postponed (however, a failure to post such an announcement shall not affect the automatic postponement of such meeting). Shareholders may also telephone the Company's hotline on (852) 2862 8555 to enquire whether the meeting has been cancelled. When the date, time and details of the rescheduled meeting has been fixed, the Company will post a further announcement on its website and on the website of the Stock Exchange to notify the Shareholders of the date, time and details of the rescheduled meeting. At least seven clear days' notice shall be given of the rescheduled meeting.

9. As at the date of this notice, the directors of the Company are: executive directors HE Xi and GAO Ping, non-executive directors HU Jiandong, ZHOU Jie, HUANG Qinghua and CHEN Pengjun, and independent non-executive directors LI Fang, YAU Ka Chi and HUI Hon Chung, Stanley.

If Shareholders have any questions relating to the General Meeting, please contact the share registrar of the Company as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990
Online Enquiries: www.computershare.com/hk/en/online_feedback