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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 Longyuan Power Group Corporation Limited*, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION-ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH SHARE SWAP, DISPOSAL OF MATERIAL ASSETS AND PURCHASE OF ASSETS THROUGH CASH PAYMENT AND SPECIFIC MANDATE IN RELATION TO THE ISSUANCE OF A SHARES ENTERING INTO THE PROFIT COMPENSATION AGREEMENT WITH EFFECTIVE CONDITIONS A SHARE PRICE STABILIZATION PLAN OF THE COMPANY DIVIDEND DISTRIBUTION PLAN FOR THE THREE YEARS AFTER THE ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH SHARE SWAP BY THE ISSUANCE OF A SHARES BY THE COMPANY AND DISPOSAL OF MATERIAL ASSETS AND PURCHASE OF ASSETS THROUGH CASH PAYMENT DILUTION OF IMMEDIATE RETURNS BY THE TRANSACTION AND PROPOSED REMEDIAL MEASURES ARTICLES OF ASSOCIATION (DRAFT) AND ITS APPENDICES APPLICABLE AFTER THE LISTING OF A SHARES OF THE COMPANY ADMINISTRATIVE MEASURES FOR EXTERNAL GUARANTEES APPLICABLE AFTER THE LISTING OF A SHARES OF THE COMPANY AUTHORIZATION TO THE BOARD AND ITS AUTHORISED PERSONS TO DEAL WITH MATTERS RELATING TO THE TRANSACTION BY THE SHAREHOLDERS' GENERAL MEETING ISSUANCE OF SUPPLEMENTAL UNDERTAKING TO NON-COMPETITION AGREEMENT BY CONTROLLING SHAREHOLDER NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2021 NOTICE OF THE FIRST DOMESTIC SHAREHOLDERS CLASS MEETING IN 2021 AND NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING IN 2021

FINANCIAL ADVISER TO THE COMPANY



中信证券
CITIC SECURITIES

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT SHAREHOLDERS



Gram Capital Limited
嘉林資本有限公司

The Company will convene the third extraordinary general meeting in 2021 (the "EGM"), the first domestic shareholders class meeting in 2021 and the first H shareholders class meeting in 2021 (individually or collectively referred as the "Class Meetings") in sequence at 9:00 a.m. on Friday, 23 July 2021 at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People's Republic of China. Notices of EGM and Class Meetings are set out on pages 820 to 832 of this circular.

If you intend to appoint a proxy to attend the EGM and the Class Meetings, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For Shareholders of H Shares, the form of proxy should be returned to Computershare Hong Kong Investor Services Limited and for Shareholders of Domestic Shares, the proxy form should be returned to the Company's head office in the PRC not less than 24 hours before the time fixed for holding the EGM and the Class Meetings or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and the Class Meetings or at any other adjourned meeting should you so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	112
LETTER FROM GRAM CAPITAL	114
APPENDIX I GENERAL INFORMATION	165
APPENDIX II SUMMARY OF VALUATION REPORT ON ASSETS TO BE PURCHASED	173
APPENDIX III SUMMARY OF VALUATION REPORT ON ASSETS TO BE DISPOSED OF	619
APPENDIX IV LETTER FROM THE AUDITOR OF THE COMPANY	698
APPENDIX V LETTER FROM THE FINANCIAL ADVISER OF THE COMPANY	700
APPENDIX VI A SHARE PRICE STABILIZATION PLAN OF THE COMPANY	702
APPENDIX VII DIVIDEND DISTRIBUTION PLAN FOR THE THREE YEARS AFTER THE ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH SHARE SWAP BY THE ISSUANCE OF A SHARES BY THE COMPANY AND DISPOSAL OF MATERIAL ASSETS AND PURCHASE OF ASSETS THROUGH CASH PAYMENT	706
APPENDIX VIII DILUTION OF IMMEDIATE RETURNS BY THE TRANSACTION AND PROPOSED REMEDIAL MEASURES	711
APPENDIX IX COMPARISON TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION AND ITS APPENDICES	719
APPENDIX X ADMINISTRATIVE MEASURES FOR EXTERNAL GUARANTEES	814
NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2021	820
NOTICE OF THE FIRST DOMESTIC SHAREHOLDERS CLASS MEETING IN 2021	826
NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING IN 2021	828

DEFINITIONS

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

“A Shares”	ordinary share(s) as issued in the PRC, listed on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB with a nominal value of RMB1.00 each
“A Shares of Pingzhuang Energy”	A Shares of Pingzhuang Energy listed and traded on SZSE (stock code: 000780.SZ)
“Administrative Measures for External Guarantees”	the Administrative Measures for External Guarantees of China Longyuan Power Group Corporation Limited*
“Agreement on Absorption and Merger through Share Swap”	the Agreement on Absorption and Merger through Share Swap of China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. entered into between the Company and Pingzhuang Energy on 15 January 2021
“Agreement on Purchase of Assets through Cash Payment”	Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. entered into between the Company and the Other Subsidiaries of CHN Energy on 15 January 2021
“Articles of Association”	the articles of association of the Company (as amended, modified or otherwise supplemented from time to time)
“Assets Disposal Agreement”	Assets Disposal Agreement of Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. entered into between the Company and Pingzhuang Energy, Inner Mongolia Power on 15 January 2021
“Assets to be Disposed of”	all assets and liabilities of Pingzhuang Energy (excluding the deferred income tax asset, deferred revenue and taxes payable) as at 31 December 2020

DEFINITIONS

“Assets to be Purchased”	part of equity interests of subsidiaries engaging in new energy business to be purchased by Longyuan Power from the other subsidiaries of CHN Energy, including 100% equity interests in Yunnan New Energy, 100% equity interests in Guangxi New Energy, 100% equity interests in Northeast New Energy, 100% equity interests in Gansu New Energy, 100% equity interests in Dingbian New Energy, 100% equity interests in Inner Mongolia New Energy, 100% equity interests in Shanxi Jieneng, and 100% equity interests in Tianjin Jieneng
“Board”	board of directors of the Company
“Cash Alternative”	the rights of the Dissenting Shareholders of Pingzhuang Energy entitled in the Merger. The Dissenting Shareholders of Pingzhuang Energy who declare to exercise the right may request the Cash Alternative Providers to acquire all or part of the shares of Pingzhuang Energy held by them in cash during the Declaration Period of Cash Alternative
“Cash Alternative Exercise Date”	the date on which the Cash Alternative Providers pay cash consideration to Dissenting Shareholders of Pingzhuang Energy who effectively declared to exercise the Cash Alternative for the shares of Pingzhuang Energy held by them, which will be determined and announced by the Merger Parties through negotiation separately
“Cash Alternative Provider(s)”	the units that pay cash consideration to the eligible Dissenting Shareholders of Pingzhuang Energy for shares of Pingzhuang Energy held by such dissenting shareholders in the Merger. CHN Energy will act as the Cash Alternative Providers of the Merger
“China United Appraisal”	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), the valuation agency to the mining rights of the Assets to be Disposed of and the Assets to be Purchased and a qualified appraisal firm in the PRC
“CHN Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限公司), as at the Latest Practicable Date, CHN Energy in aggregate directly and indirectly holds 4,696,360,000 domestic shares (representing approximately 58.44% of the total issued share capital of the Company) in the Company, and is the controlling shareholder of the Company

DEFINITIONS

“Closing Date of Assets to be Disposed of”	the date when Pingzhuang Energy and Pingzhuang Coal Group execute the Confirmation of Assets Delivery
“Closing Date of Assets to be Purchased”	the date of transfer of the Assets to be Purchased into the name of Longyuan Power or its subsidiaries, being the date of completion of the registration of the change of transfer of the Assets to be Purchased at the Administration for Industry and Commerce
“Closing Date of the Merger” or “Closing Date”	the same day as the Share Swap Exercise Date or such other date as the Merger Parties may agree, on which Longyuan Power or its designated wholly-owned subsidiaries will inherit and take over all assets and liabilities of Pingzhuang Energy (excluding the Assets to be Disposed of)
“CLSA”	CLSA Capital Markets Limited, the financial adviser of the Company, a licensed corporation under the Securities and Futures Ordinance, licensed to carry on Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
“Company Law”	Company Law of the People’s Republic of China (as amended from time to time)
“Company” or “Longyuan Power”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Hong Kong Stock Exchange
“Completion Date of the Merger”	the date on which Longyuan Power completed the procedures for industrial and commercial registration of changes regarding the Merger or Pingzhuang Energy completed the procedures for deregistration of industrial and commercial registration, whichever is later
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price per share of Pingzhuang Energy when the A Shares of Pingzhuang Energy are converted into A Shares to be issued by Longyuan Power under the Merger

DEFINITIONS

“Conversion Ratio”	the ratio of the number of each A Shares of Pingzhuang Energy to be converted into A Shares of Longyuan Power under the Share Swap
“Conversion Shareholders of Pingzhuang Energy” or “Conversion Shareholders”	all shareholders of Pingzhuang Energy whose name appears on the shareholders’ register at the close of business of the Registration Date of Implementation of the Merger, including the shareholders of Pingzhuang Energy who have not declared, partially declared, have no right to declare or invalidly declared the exercise of the Cash Alternative, and the Cash Alternative Providers of Dissenting Shareholders of Pingzhuang Energy
“CSRC”	China Securities Regulatory Commission
“Declaration Period of Cash Alternative”	the period during which the eligible Dissenting Shareholders of Pingzhuang Energy may request to exercise the Cash Alternative, which will be determined and announced by the Merger Parties through negotiation separately
“Declaration Period of Put Option”	the period during which the eligible Dissenting Shareholders of Longyuan Power may request to exercise the Put Option, which will be determined and announced by the Merger Parties through negotiation separately
“Dingbian New Energy”	Guoneng Dingbian New Energy Co.,Ltd.* (國能定邊新能源有限公司), one of the Assets to be Purchased
“Director(s)”	director(s) of the Company
“Disposal” or “Assets Disposal”	the Assets to be Disposed of will be transferred by Pingzhuang Energy to Pingzhuang Coal Group according to the terms and conditions as agreed in the Assets Disposal Agreement and the Supplemental Agreement with a consideration of the Assets to be Disposed of payable by Pingzhuang Coal Group in cash to Longyuan Power, the Surviving Company after the Merger

DEFINITIONS

“Dissenting Shareholders of Longyuan Power”	the shareholders of Longyuan Power having cast effective dissenting votes in respect of the resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and the resolutions regarding entering into the Agreements and Supplemental Agreements relating to the Transaction at the general meeting and corresponding shareholders’ class meeting held by Longyuan Power regarding the Transaction, having held the shares which are entitled to the dissenting rights until the Put Option Exercise Date of the Dissenting Shareholders of Longyuan Power, and having fulfilled relevant declaration procedures of the Put Option within the specified time
“Dissenting Shareholders of Pingzhuang Energy”	the shareholders of Pingzhuang Energy having cast effective dissenting votes in respect of the resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and the resolutions regarding entering into the Agreements and Supplemental Agreements relating to the Transaction at the general meeting held by Pingzhuang Energy regarding the Transaction, and having held the shares which are entitled to the dissenting rights until the Cash Alternative Exercise Date of the Dissenting Shareholders of Pingzhuang Energy, and having fulfilled relevant declaration procedures of the Cash Alternative within the specified time
“Domestic Shareholders Class Meeting”	the first domestic shareholders class meeting in 2021 to be held by the Company on Friday, 23 July 2021 immediately after the conclusion of the EGM at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the PRC
“Domestic Shares”	unlisted domestic shares held by the legal person in the PRC in Longyuan Power on the date of signing the Agreement on Absorption and Merger through Share Swap, ordinary Share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for and fully paid in RMB
“EGM”	the third extraordinary general meeting in 2021 to be held by the Company at 9:00 a.m. on Friday, 23 July 2021 at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People’s Republic of China
“EY”	Ernst & Young, the auditor of the Company, Certified Public Accountants and Registered Public Interest Entity Auditor

DEFINITIONS

“Gansu Electric Power”	CHN Energy Gansu Electric Power Co., Ltd. (國家能源集團甘肅電力有限公司), a wholly-owned subsidiary of CHN Energy
“Gansu New Energy”	Guodian Gansu New Energy Co., Ltd.* (國電甘肅新能源有限公司), one of the Assets to be Purchased
“Guangxi Electric Power”	CHN Energy Guangxi Electric Power Co., Ltd. (國家能源集團廣西電力有限公司), a wholly-owned subsidiary of CHN Energy
“Guangxi New Energy”	Guangxi Guoneng Energy Development Co., Ltd.* (廣西國能能源發展有限公司), one of the Assets to be Purchased
“H Shareholders Class Meeting”	the first H shareholders class meeting in 2021 to be held by the Company on Friday, 23 July 2021 immediately after the conclusion of the Domestic Shareholders’ Class Meeting at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the PRC
“H Shares”	overseas listed foreign Shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars, and listed on the Hong Kong Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang, the independent non-executive Directors of the Company, to be established in respect of the Transaction and the Supplemental Undertaking
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction and the Supplemental Undertaking
“Inner Mongolia New Energy”	Guodian North China Inner Mongolia New Energy Co., Ltd.* (國電華北內蒙古新能源有限公司), one of the Assets to be Purchased

DEFINITIONS

“Inner Mongolia Power”	CHN Energy Inner Mongolia Power Co., Ltd. (國家能源集團內蒙古電力有限公司), a wholly-owned subsidiary of CHN Energy. As at the Latest Practicable Date, Inner Mongolia Power indirectly holds approximately 61.42% of shares of Pingzhuang Energy through Pingzhuang Coal Group (with the shareholding of 51%)
“Issuance of A Shares”	A Shares issued by Longyuan Power to all Conversion Shareholders of Pingzhuang Energy due to the Merger
“Issue Price”	the price per A Share to be issued by Longyuan Power to the Conversion Shareholders of Pingzhuang Energy for the Merger
“Latest Practicable Date”	6 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger” or “Absorption and Merger through Share Swap”	the Company absorbs and merges Pingzhuang Energy through the Share Swap by the Issuance of A Shares to the Conversion Shareholders of Pingzhuang Energy. Upon completion of the Merger, Pingzhuang Energy will be delisted and ultimately disqualified as a legal person. The Company, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets and liabilities of Pingzhuang Energy (excluding the Assets to be Disposed of). Meanwhile, the Company will apply for listing and trading of A Shares to be issued for the absorption and merger and the original Domestic Shares on the Main Board of SZSE
“Merger Parties”	Longyuan Power and Pingzhuang Energy
“Non-Competition Agreement”	The Non-Competition Agreement of China Guodian Corporation and China Longyuan Power Group Corporation Limited* entered into between Longyuan Power and its original controlling shareholder Guodian (currently known as CHN Energy) on 30 July 2009
“North China Electric Power”	CHN Energy North China Electric Power Co., Ltd. (國家能源集團華北電力有限公司), a wholly-owned subsidiary of CHN Energy
“Northeast Electric Power”	CHN Energy Northeast Electric Power Co., Ltd. (國家能源集團東北電力有限公司), a wholly-owned subsidiary of CHN Energy

DEFINITIONS

“Northeast New Energy”	Guodian Northeast New Energy Development Co., Ltd.* (國電東北新能源發展有限公司), one of the Assets to be Purchased
“Other Subsidiaries of CHN Energy”	including Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power, all of which are wholly-owned subsidiaries of CHN Energy
“Pingzhuang Coal Group”	Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司), an indirect subsidiary of CHN Energy. The shareholders of Pingzhuang Coal Group are Inner Mongolia Power (with the shareholding of 51%), China Cinda Asset Management Co., Ltd. (with the shareholding of 31.82%, listed on the Main Board of Hong Kong Stock Exchange (Stock Code: 01359), the ultimate beneficial owner of which is the Ministry of Finance of the People’s Republic of China) and the Industry and Information Commission of Chifeng City (赤峰市工業和信息化局) (with the shareholding of 17.18%). China Cinda Asset Management Co., Ltd. and the Industry and Information Commission of Chifeng City and their ultimate beneficial owners are all independent third parties other than the Company and its connected persons
“Pingzhuang Energy”	Inner Mongolia Pingzhuang Energy Co., Ltd. (內蒙古平莊能源股份有限公司), whose shares are listed and traded on the Main Board of SZSE with stock code 000780.SZ. As at the Latest Practicable Date, the total number of issued shares of Pingzhuang Energy was 1,014,306,324, among which, CHN Energy holds 61.42% of shares of Pingzhuang Energy through Pingzhuang Coal Group and is an indirect controlling shareholder of Pingzhuang Energy
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Pricing Benchmark Date”	the date of the announcement on resolution of the first board meeting held by Pingzhuang Energy for consideration of matters in relation to the Transaction (i.e. 15 January 2021)
“Profit Compensation Agreement”	the Profit Compensation Agreements entered into between the Company and Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power, respectively, on 18 June 2021

DEFINITIONS

“Purchase” or “Purchase through Cash”	the Assets to be Purchased will be purchased by Longyuan Power, the Surviving Company after the Merger, from the Other Subsidiaries of CHN Energy according to the terms and conditions as agreed in the Agreement on Purchase of Assets through Cash Payment with a consideration of the Assets to be Purchased payable by Longyuan Power to the Other Subsidiaries of CHN Energy in cash. On the Closing Date of the Assets to be Purchased, the Assets to be Purchased will be delivered directly to Longyuan Power or its subsidiaries
“Put Option”	the rights of the Dissenting Shareholders of Longyuan Power entitled in the Merger. The Dissenting Shareholders of Longyuan Power who declare to exercise such right may request the Put Option Providers to acquire all or part of the shares of Longyuan Power held by them in cash during the Declaration Period of Put Option
“Put Option Exercise Date”	the date on which the Put Option Providers pay cash consideration to Dissenting Shareholders of Longyuan Power who effectively declared to exercise the Put Option for the shares of Longyuan Power held by them, which will be determined and announced by the Merger Parties through negotiation separately
“Put Option Provider(s)”	the units that pay cash consideration to the eligible Dissenting Shareholders of Longyuan Power for shares of Longyuan Power held by such dissenting shareholders in the Merger. CHN Energy will act as the Put Option Providers of the Merger
“Receiving Party”	Pingzhuang Coal Group
“Registration Date of Implementation of the Merger”	one trading day for the purpose of determining the list of shareholders of Pingzhuang Energy entitling to participate in the Share Swap and the number of shares held by them, which will be determined and announced by the Merger Parties through negotiation separately
“Report of the Transaction”	Report on Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets through Cash Payment and Related Party Transactions (Draft)
“Restriction on Rights”	shares held by shareholders that are subject to ownership disputes, pledges, freezing orders, sealing-up orders or other restrictions on transfer under applicable laws or restricted agreement

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC, unless otherwise stated, the monetary amounts listed in the this circular refer to RMB
“SASAC of the State Council”	State-owned Assets Supervision and Administration Commission of the State Council
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shaanxi Electric Power”	CHN Energy Shaanxi Electric Power Co., Ltd. (國家能源集團陝西電力有限公司), a wholly-owned subsidiary of CHN Energy
“Shanxi Jieneng”	Guodian Shanxi Jieneng Co., Ltd.* (國電山西潔能有限公司), one of the Assets to be Purchased
“Share Swap”	in the Merger, the Conversion Shareholders of Pingzhuang Energy converted the A Shares of Pingzhuang Energy held by them into the A Shares issued by Longyuan Power for the Merger at the Conversion Ratio as agreed in the Agreement on Absorption and Merger through Share Swap and its supplemental agreement
“Share Swap Exercise Date”	the date on which the A Shares issued by Longyuan Power for the Merger registered under the name of Conversion Shareholders of Pingzhuang Energy, which will be determined and announced by the Merger Parties through negotiation separately
“Share(s)”	shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of Shares of the Company
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap”	the Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap between China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. entered into between the Company and Pingzhuang Energy on 18 June 2021

DEFINITIONS

“Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment”	the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment between China Longyuan Power Group Corporation Limited and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. entered into between the Company and Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power on 18 June 2021
“Supplemental Agreement to the Assets Disposal Agreement”	the Supplemental Agreement to the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited*, CHN Energy Inner Mongolia Power Co., Ltd. and Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. entered into among the Company and Pingzhuang Energy, Inner Mongolia Power and Pingzhuang Coal Group on 18 June 2021
“Supplemental Agreement(s)”	the Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap, the Supplemental Agreement to the Assets Disposal Agreement and/or the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment
“Supplemental Undertaking”	the Supplemental Undertaking Letter in relation to Non-competition with China Longyuan Power Group Corporation Limited by China Energy Investment Corporation Limited issued by CHN Energy on 18 June 2021 in respect of the Non-Competition Agreement
“Surviving Company”	Longyuan Power upon the completion of the issuance of shares and Absorption and Merger of Pingzhuang Energy through Share Swap
“SZSE”	Shenzhen Stock Exchange
“Tianjin Jieneng”	Tianjin Guodian Jieneng Electric Power Co., Ltd.* (天津國電潔能電力有限公司), one of the Assets to be Purchased

DEFINITIONS

“Transaction”	the whole transaction comprising of the Merger, the Disposal and the Purchase. The Merger, the Disposal and the Purchase are inter-conditional on each other, failing any of which, the other two transactions will not be implemented. Upon the completion of the Transaction, Pingzhuang Energy will be delisted and disqualified as a legal person. The Company, as the Surviving Company, will inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets and liabilities of Pingzhuang Energy (excluding the Assets to be Disposed of). The Company will apply for listing and trading of the A Shares to be issued for the absorption and merger and the original Domestic Shares on the Main Board of the SZSE
“Transitional Period of the Merger”	the period from the execution date of Agreement on Absorption and Merger through Share Swap to the Completion Date of the Merger
“Valuation Adjustment Target(s)”	the target companies except Guodian Jieneng Jinke (Shanxi) Co., Ltd. (國電潔能金科(山西)有限公司), a controlling subsidiary of Shanxi Jieneng which holds 52% equity interests in it, according to the Profit Compensation Agreement
“Valuation Benchmark Date”	the valuation benchmark date of the Assets to be Purchased and the Assets to be Disposed of involved in the Disposal and the Purchase as agreed in the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment, being 31 December 2020
“Valuation Report on the Assets to be Disposed of”	the Asset Valuation Report on the Relevant Assets and Liabilities of Inner Mongolia Pingzhuang Energy Co., Ltd. in Relation to the Proposed Assets Disposal Matters by Such Company issued by Zhong Ming International (Zhong Ming Ping Bao Zi [2021] No. 16116)
“Valuation Report on the Mining Rights of the Assets to be Disposed of”	Valuation Report on the Mining Rights of Fengshuigou Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No.1480), Valuation Report on the Mining Rights of Liujia Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1478), Valuation Report on the Mining Rights of Laogongyingzi Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1477) and Valuation Report on the Mining Rights of Xilutian Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1479) issued by China United Appraisal

DEFINITIONS

“Yunnan Electric Power”	CHN Energy Yunnan Electric Power Co., Ltd. (國家能源集團雲南電力有限公司), a wholly-owned subsidiary of CHN Energy
“Yunnan New Energy”	Guoneng Yunnan New Energy Co., Ltd.* (國能雲南新能源有限公司), one of the Assets to be Purchased
“Zhong Ming Appraisal”	Zhong Ming (Beijing) Assets Appraisal International Co., Ltd. (中銘國際資產評估(北京)有限責任公司), the valuation agency to the Assets to be Disposed of and a qualified appraisal firm in the PRC

LETTER FROM THE BOARD



龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

Executive Directors:

Mr. Li Zhongjun (Chairman)
Mr. Tang Jian

Non-executive Directors:

Mr. Liu Jinhuan
Mr. Tian Shaolin
Mr. Tang Chaoxiong

Independent Non-executive Directors:

Mr. Zhang Songyi
Mr. Meng Yan
Mr. Han Dechang

Registered office in the PRC:

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Block c, 6 Fuchengmen North Street
Xicheng District, Beijing
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Head office in the PRC:

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Principal place of business in Hong Kong:

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183 Queen's Road East
Hong Kong

8 July 2021

To the Shareholders

Dear Sirs or Madams,

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION-ABSORPTION AND MERGER
OF PINGZHUANG ENERGY THROUGH SHARE SWAP, DISPOSAL OF MATERIAL ASSETS AND
PURCHASE OF ASSETS THROUGH CASH PAYMENT AND SPECIFIC MANDATE IN RELATION TO
THE ISSUANCE OF A SHARES
ENTERING INTO THE PROFIT COMPENSATION AGREEMENT WITH
EFFECTIVE CONDITIONS
A SHARE PRICE STABILIZATION PLAN OF THE COMPANY
DIVIDEND DISTRIBUTION PLAN FOR THE THREE YEARS AFTER THE ABSORPTION AND MERGER
OF PINGZHUANG ENERGY THROUGH SHARE SWAP BY THE ISSUANCE OF A SHARES BY THE
COMPANY AND DISPOSAL OF MATERIAL ASSETS AND PURCHASE OF
ASSETS THROUGH CASH PAYMENT
DILUTION OF IMMEDIATE RETURNS BY THE TRANSACTION AND PROPOSED REMEDIAL
MEASURES
ARTICLES OF ASSOCIATION (DRAFT) AND ITS APPENDICES APPLICABLE AFTER THE LISTING OF
A SHARES OF THE COMPANY
ADMINISTRATIVE MEASURES FOR EXTERNAL GUARANTEES APPLICABLE AFTER THE
LISTING OF A SHARES OF THE COMPANY
AUTHORIZATION TO THE BOARD AND ITS AUTHORISED PERSONS TO DEAL WITH MATTERS
RELATING TO THE TRANSACTION BY THE SHAREHOLDERS' GENERAL MEETING
ISSUANCE OF SUPPLEMENTAL UNDERTAKING TO NON-COMPETITION AGREEMENT BY
CONTROLLING SHAREHOLDER
NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2021
NOTICE OF THE FIRST DOMESTIC SHAREHOLDERS CLASS MEETING IN 2021
AND
NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING IN 2021**

* For identification purpose only

LETTER FROM THE BOARD

I. INTRODUCTION

The Company will convene the third extraordinary general meeting in 2021, the first domestic shareholders class meeting in 2021 and the first H shareholders class meeting in 2021 in sequence at 9:00 a.m. on Friday, 23 July 2021 at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People's Republic of China.

This circular aims to give you the Notice of EGM and Class Meetings and provide you with relevant information, to enable you to make an informed decision on whether to vote for or against the relevant resolutions at the EGM and the Class Meetings.

II. MATTERS TO BE CONSIDERED AT THE EGM AND THE CLASS MEETINGS

At the EGM, special resolutions will be proposed to consider and approve: (1) Resolution on absorption and merger of Pingzhuang Energy through Share Swap by the issuance of A Shares of the Company and disposal of material assets and purchase of assets through cash payment and proposal of related party transactions (to be voted separately); (2) Resolution on entering into the Agreement on Absorption and Merger through Share Swap of China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. and its supplemental agreement with effective conditions; (3) Resolution on entering into the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. and its supplemental agreement with effective conditions; (4) Resolution on entering into the Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. and its supplemental agreement with effective conditions; (5) Resolution on entering into the Profit Compensation Agreement of the Company and Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power with effective conditions; (6) Resolution on A Share Price Stabilization Plan of China Longyuan Power Group Corporation Limited*; (7) Resolution on Dividend Distribution Plan for the Three Years after the Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by the Issuance of A Shares by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets through Cash Payment; (8) Resolution on the dilution of immediate returns by the Transaction and proposed remedial measures; (9) Resolution on the Articles of Association (Draft) and its appendices applicable after the listing of A Shares of the Company ; (10) Resolution on authorization to the Board and its authorized persons to deal with matters relating to the Transaction by the general meeting; (11) Resolution in relation to the Specific Mandate to the Board to grant the additional A Shares issue at the general meeting and Class Meetings; and (12) Resolution on the Supplemental Undertaking Letter in relation to Non-Competition with China Longyuan Power Group Corporation Limited* entered into by CHN Energy with effective conditions.

LETTER FROM THE BOARD

At the EGM, ordinary resolutions will be proposed to consider and approve: (13) Resolution on absorption and merger of Pingzhuang Energy through Share Swap by the Company and disposal of material assets and purchase of assets through cash payment meeting the requirements for initial public offering and listing; (14) Resolution on the Report of the Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets through Cash Payment and Proposal of Related Party Transactions (Draft) and its summary; (15) Resolution on the approval for the audit report related to the Transaction; (16) Resolution on the approval for the assessment report related to the Transaction; (17) Resolution on the independence of the valuation agency, the reasonableness of valuation assumptions, the relevance of valuation methods and valuation purposes, and the fairness of valuation and pricing; (18) Resolution on the self-evaluation report of the internal control of the Company; (19) Resolution on the confirmation of the valuation report related to the Merger; (20) Resolution on the independence of the appraisal agency, the reasonableness of appraisal assumptions, the relevance of appraisal methods and appraisal purposes, and the fairness of appraisal and pricing; (21) Resolution on the relevant commitments and restraint measures issued by the Company regarding the Transaction; (22) Resolution on the Administrative Measures for External Guarantees applicable after the listing of A Shares of the Company; and (23) Resolution on the confirmation of the related party transactions during the reporting period (the year 2018, 2019 and 2020).

At the Domestic Shareholders Class Meeting, special resolution will be proposed to consider and approve: (1) Resolution on the Articles of Association (Draft) and its appendices applicable after the listing of A Shares of the Company.

At the H Shareholders Class Meeting, special resolutions will be proposed to consider and approve: (1) Resolution on absorption and merger of Pingzhuang Energy through Share Swap by the issuance of A Shares of the Company and disposal of material assets and purchase of assets through cash payment and proposal of related party transactions (to be voted separately); (2) Resolution on entering into the Agreement on Absorption and Merger through Share Swap of China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. and its supplemental agreement with effective conditions; (3) Resolution on entering into the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. and its supplemental agreement with effective conditions; (4) Resolution on entering into the Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. and its supplemental agreement with effective conditions; (5) Resolution on entering into the Profit Compensation Agreement of the Company and Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric

LETTER FROM THE BOARD

Power with effective conditions; (6) Resolution on Dividend Distribution Plan for the Three Years after the Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by the Issuance of A Shares by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets through Cash Payment; (7) Resolution on the Articles of Association (Draft) and its appendices applicable after the listing of A Shares of the Company; (8) Resolution on authorization to the Board and its authorized persons to deal with matters relating to the Transaction by the general meeting; and (9) Resolution in relation to the Specific Mandate to the Board to grant the additional A Shares issue at the general meeting and Class Meetings.

As at the Latest Practicable Date, the total number of the issued shares of the Company was 8,036,389,000 Shares, of which 4,696,360,000 are Domestic Shares and 3,340,029,000 are H Shares, Given that CHN Energy, the controlling shareholder of the Company, directly owns 4,602,432,800 Domestic Shares of the Company and owns 93,927,200 Domestic Shares of the Company through Northeast Electric Power (its associate), i.e. in aggregate, CHN Energy and its associate together hold all the issued Domestic Shares of the Company, and they are required to abstain from voting on the resolutions relating to the Transaction and the Supplemental Undertaking at the EGM and the Class Meetings under Rules 2.15 and 14A.36 of the Listing Rules accordingly (for details, please refer to “IV. Voting by poll at the EGM and the Class Meetings” in this circular), the relevant resolution(s) in respect of the Transaction and the Supplemental Undertaking will therefore no longer be submitted to the Domestic Shareholders Class Meeting for consideration.

1. ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH SHARE SWAP, DISPOSAL OF MATERIAL ASSETS AND PURCHASE OF ASSETS THROUGH CASH PAYMENT

Reference is made to the announcements of the Company dated 15 January 2021 and 18 June 2021, respectively, in relation to discloseable transaction and connected transaction in respect of the absorption and merger of Pingzhuang Energy through share swap, disposal of material assets and purchase of assets through cash payment and specific mandate in relation to the issuance of A Shares.

LETTER FROM THE BOARD

1.1 PLAN FOR THE TRANSACTION

Summary for the Plan for the Transaction

The Transaction comprises three parts, i.e. the Absorption and Merger through Share Swap, the Assets Disposal and the Purchase through Cash, particulars of which are as follows:

- Longyuan Power will absorb and merge Pingzhuang Energy through Share Swap by the Issuance of A Shares to all the Conversion Shareholders of Pingzhuang Energy. Upon completion of the Merger, Pingzhuang Energy will be delisted and finally disqualified as a legal person. Longyuan Power, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, the assets and liabilities of Pingzhuang Energy other than the Assets to be Disposed of. Meanwhile, Longyuan Power will apply for listing and trading of the A Shares to be issued for the Absorption and Merger and the original Domestic Shares on the Main Board of the SZSE.
- Pursuant to the terms and conditions agreed in the Assets Disposal Agreement and its supplemental agreement, Pingzhuang Energy will transfer the Assets to be Disposed of to Pingzhuang Coal Group, the consideration of the Assets to be Disposed of shall be paid by Pingzhuang Coal Group in cash. On the Closing Date of Assets to be Disposed of, the Assets to be Disposed of will be delivered directly to Pingzhuang Coal Group. In the transaction of the Assets Disposal, according to the Valuation Report on the Assets to be Disposed of which is issued by Zhong Ming Appraisal and has been filed with CHN Energy for record, the total appraisal value of the Assets to be Disposed of in the transaction of the Assets Disposal is RMB3,436,725,600, with 31 December 2020 as the Valuation Benchmark Date.
- Longyuan Power will purchase the assets from Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power, all being the Other Subsidiaries of CHN Energy, and the consideration of the Assets to be Purchased shall be paid by Longyuan Power, the Surviving Company, in cash. On the Closing Date of Assets to be Purchased, the Assets to be Purchased will be directly delivered to Longyuan Power, the Surviving Company, or its subsidiaries. In the transaction of Purchase through Cash, the transaction price of the Assets to be Purchased is subject to the valuation results as set out in the Valuation Report on the Assets to be Purchased which is issued by an assets valuation institution with qualifications in securities and futures business and has been filed with CHN Energy for record. According to the Valuation Report on the Assets to be

LETTER FROM THE BOARD

Purchased which is issued by China United Appraisal and has been filed with CHN Energy for record, the total appraisal value of the Assets to be Purchased in the transaction of the Purchase through Cash is RMB5,774,000,000, with 31 December 2020 as the Valuation Benchmark Date.

The Merger, the Assets Disposal and the Purchase through Cash comprise the overall transaction. The Absorption and Merger, the Assets Disposal and the Purchase through Cash are inter-conditional on each other, failing any of which, the other two transactions will not be implemented. Upon the completion of the Transaction, Pingzhuang Energy will be delisted and disqualified as a legal person. Longyuan Power, as the Surviving Company, will inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets and liabilities of Pingzhuang Energy other than the Assets to be Disposed of Longyuan Power will apply for listing and trading of the A Shares to be issued for the Absorption and Merger and the original Domestic Shares on the Main Board of the SZSE. Meanwhile, the Assets to be Disposed of will be directly delivered to Pingzhuang Coal Group, and the Assets to be Purchased will be directly delivered to Longyuan Power, the Surviving Company, or its subsidiaries, in accordance with the Assets Disposal Agreement and Agreement on Purchase of Assets through Cash Payment and their respective supplemental agreements.

1.1.1. Absorption and Merger

Parties Involved in the Transaction

The merging party and the merged party of the Absorption and Merger through Share Swap are Longyuan Power and Pingzhuang Energy, respectively.

Class and Nominal Value of Shares to be Issued under Share Swap

Longyuan Power will issue RMB ordinary shares (A Shares) for the purpose of the Merger, each with a par value of RMB1.00.

Targets of the Share Swap and Registration Date of Implementation of the Merger

LETTER FROM THE BOARD

The targets of the Share Swap are all the Conversion Shareholders of Pingzhuang Energy whose names appear on the shareholders' register at the close of business of the Registration Date of Implementation of the Merger, that is, on the Registration Date of Implementation of the Merger, the shares of Pingzhuang Energy held by the shareholders of Pingzhuang Energy who have not declared, partially declared, have no right to declare or invalidly declared the exercise of the Cash Alternative, and the shares of Pingzhuang Energy held by the Cash Alternative Providers for providing the Cash Alternative, will be entirely converted into A Shares to be issued by Longyuan Power for the Merger in accordance with the Conversion Ratio.

The boards of directors of the Merger Parties will separately announce the Registration Date of Implementation of the Merger after the Merger has been approved by the CSRC.

Issue Price of A Shares of Longyuan Power

The Issue Price of A Shares of Longyuan Power is RMB11.42 per share. On 28 May 2021, an annual general meeting was held by Longyuan Power, at which, the annual profit distribution plan for the year 2020 was considered and approved, pursuant to which, Shareholders whose names appear on the register of members of Longyuan Power on 7 June 2021 will be paid cash dividend of RMB0.1176 (tax inclusive) per share.

Pursuant to the above-mentioned annual profit distribution plan, the Issue Price of shares under the Absorption and Merger through Share Swap shall be adjusted by Longyuan Power on the ex-right or ex-dividend basis, the formula of which is set out as follows:

$$P1 = (P0 - D + A \times K) / (1 + K + N)$$

In particular, P0 is the pre-adjustment Issue Price, N is the number of bonus shares or shares converted into capital for each share, K is the number of new shares issued or allocated for each share, A is the price for new share issuance or allotment of shares, D is the amount of dividend declared per share, and P1 is the post-adjustment Issue Price. Given that the profit distribution plan for the year 2020 of the Company comprises only cash dividend, according to the above formula, the adjusted Issue Price is RMB11.42 - RMB0.1176 = RMB11.3024 per share. As the minimum change unit of the transaction price of A Shares is RMB0.01, the Issue Price (being rounded to two decimal places) is RMB11.30 per share.

LETTER FROM THE BOARD

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Longyuan Power from the next date upon completion of profit distribution to the Share Swap Exercise Date (both days inclusive), the above Issue Price shall be adjusted accordingly¹. Under other circumstances, the Issue Price will no longer be adjusted.

Pursuant to the financial statements of Longyuan Power for 2020 audited by Ernst & Young, the net asset per Share of Longyuan Power as at 31 December 2020 is RMB7.18 per Share.

The preliminary range of valuation of the entire equity of the Shareholders of Longyuan Power (being RMB81.659 billion to RMB131.916 billion) of the issue price of A Shares of Longyuan Power is determined based on the comparable companies method (value range of the entire equity of the Shareholders of Longyuan Power being RMB110.427 billion to RMB123.919 billion) and comparable transactions method (value range of the entire equity of the Shareholders of Longyuan Power being RMB52.892 billion to RMB139.913 billion), and then the corresponding range of the Issue Price (from RMB11.27 per share to RMB21.97 per share) to the range of valuation is determined. Combined with the requirement of the state-owned assets supervision authority that the issue price shall not be lower than one time of the net assets, and taking into consideration the feasibility for the plan of the Merger to be approved at the general meeting of Pingzhuang Energy and other factors, the Issue Price was determined as RMB11.42 per share and adjusted to be RMB11.30 per share. The issue price of A Shares of Longyuan Power was determined based on the principle of taking into account the interests of the shareholders of the Merger Parties, after an overall consideration of the overall business conditions, profitability, growth prospects, anti-risk ability, the valuation of comparable companies in the industry and other factors of the Merger Parties.

For cases of absorption and merger between listed companies since 2015, all the merging parties had transaction of issued H shares, and the range of P/B ratio multiples corresponding to the conversion price of the merging parties is 1.02 to 1.92, with a mean of 1.41.

The criteria for selection of the above absorption and merger cases are that these cases are absorption and merger transactions between listed companies involving A-share listed companies since 2015, where the H share of all the

¹. Please refer to the formula in previous paragraphs, such formula has covered all the scenarios of distribution of cash dividends, stock dividends, capital reserve being converted into share capital and allotment of shares.

LETTER FROM THE BOARD

merging parties are listed before the absorption and merger. The reason for selecting cases from 2015 up to present is that the time of such transactions is relatively close to that of the Transaction. Since the further going back, the less referential value the relevant transactions have due to the effect of the changes in overall market valuation, thus the Company considers that the transaction cases which meet the selection criteria since 2015 are appropriate reference for pricing. Since the merging parties and the merged parties in the four selected transaction cases since 2015, are also assets-intensive listed companies in traditional industry, which are similar to the merging party and merged party in the Transaction, taking into consideration the characteristics of the industry, the Company considers that it is suitable to use the P/B ratio as the basis for financial indicator.

Unit: RMB/share

Transaction year	Merging party	Main business of merging party	Merged party	Main business of merged party	Average price during the 20 trading days prior to the pricing benchmark date	Issue price	Premium ratio of issue price	Net assets per share for the previous year	Corresponding multiple of P/B ratio
2020	China Energy Engineering (H) (3996.HK)	The Main business of China Energy Engineering is divided into five segments, including survey, design and consulting segment, engineering construction segment, industrial manufacturing segment, clean energy, environmental protection and water utilities segment and investment and other business segments, among which, survey, design and consulting segment and engineering construction segment are mainly engaged in construction business; industrial manufacturing segment is mainly engaged in manufacture of cement, civil explosive and equipment; clean energy, environmental protection and water utilities segment is mainly engaged in clean energy, environmental protection and water utilities business; investment and other business segments are mainly engaged in expressway operation and infrastructure services business.	Gezhouba (600068.SH)	The main business of Gezhouba includes engineering construction, industrial manufacturing, investment and operation and comprehensive services, etc.	0.67	1.98	195.52%	1.94	1.02

LETTER FROM THE BOARD

Transaction year	Merging party	Main business of merging party	Merged party	Main business of merged party	Average price during the 20 trading days prior to the pricing benchmark date	Issue price	Premium ratio of issue price	Net assets per share for the previous year	Corresponding multiple of P/B ratio
2018	Sinotrans (H) (0598.HK)	Sinotrans is a leading integrated logistics provider and its main business includes freight forwarding, logistics, storage and terminal services, logistics equipment leasing and other services.	Sinotrans Development (600270.SH)	Sinotrans Development is a core enterprise engaged in modern logistics business under Sinotrans. Its main business includes three major business segments: air freight forwarding services, e-commerce logistics and professional logistics.	3.58	5.32	48.42%	3.50	1.52
2020	Dalian Port (A+H) (601880.SH, 2880.HK)	Dalian Port is one of the largest comprehensive terminal operators in the Northeast China. The main businesses of Dalian Port includes oil products/liquid chemical products terminals, container terminals, automobile terminals, ore terminals, general cargo terminals, bulk grain terminals, passenger roll-on/roll-off terminal operations and related logistics businesses, as well as port value-added and supporting businesses.	Yingkou Port (600317.SH)	Yingkou Port is mainly engaged in terminals and other port facilities services, cargo handling, warehousing services, vessel and port services, leasing and maintenance services of port facilities and equipment and port machinery, etc.	1.71	1.71	0.00%	1.46	1.17

LETTER FROM THE BOARD

Transaction year	Merging party	Main business of merging party	Merged party	Main business of merged party	Average price during the 20 trading days prior to the pricing benchmark date	Issue price	Premium ratio of issue price	Net assets per share for the previous year	Corresponding multiple of P/B ratio
2015	CSR (A+H) (601766.SH, 1766.HK)	CSR is principally engaged in the research and development, manufacturing, refurbishment, sale and leasing of locomotives, passenger carriages, freight wagons, MUs, rapid transit vehicles and key components, as well as in other extended businesses that utilise proprietary rolling stock technologies. At the same time, it is also engaged in new energy, new materials, new energy vehicles, construction machinery, general contracting business, financial leasing, financial services and other fields.	CNR (601299.SH)	CNR is mainly engaged in the research and development, manufacturing, repair and technical services and equipment leasing of rail transportation equipment (including rolling stock and urban rail vehicles), construction machinery, electrical and mechanical equipment, environmental protection equipment and related components. At the same time, it is also engaged in the manufacturing of electrical and mechanical products, clear energy, energy conservation and environment-friendly equipment, trading of raw materials, financial leasing for rail transportation equipment and machinery, and management and contracting services for the urban rail and other related projects.	5.63	5.63	0.00%	2.93	1.92
Mean							60.99%	-	1.41

LETTER FROM THE BOARD

The net assets per Share of Longyuan Power is RMB7.18 per Share, with reference to the aforementioned range of P/B ratio multiples, the range of its issue price is RMB7.32/Share to RMB13.79 per Share.

With reference to the valuation conclusion of the Merger, i.e., RMB81.659 billion to RMB131.916 billion, the share capital of H Shares of Longyuan Power being 3,340,029,000 shares, as well as the closing price of H Shares of Longyuan Power as at 15 January 2021 being HK\$10.32 per Share (equivalent to approximately RMB8.60 per Share), the H Shares is valued at RMB28,724,249,400. For the remaining Domestic Shares, based on the share capital of Domestic Shares being 4,696,360,000 shares and the balance by deducting the H Share valuation from the total valuation range, the issue price range is calculated at RMB11.27 per Share to RMB21.97 per Share. For details, please refer to “1.3.1 Analysis on the rationality of issue price of Longyuan Power” below.

The overlap range of the aforementioned ranges is RMB11.27 per share to RMB13.79 per share. Upon the communication with SASAC of the State Council, RMB11.42 per share is finally selected as the final Issue Price, which is adjusted to RMB11.30 per share.

Conversion Price of A Shares of Pingzhuang Energy

The Conversion Price of Pingzhuang Energy is based on the average price of RMB3.50 per share in the 20 trading days prior to the Pricing Benchmark Date, with a 10% premium rate, which is RMB3.85 per share. Having considered the time and procedures required for listing of the A Shares by the Company, it compensates for the risks and uncertainties to be borne by the Conversion Shareholders of Pingzhuang Energy before the listing of the A Shares by the Company. On 18 June 2021, being the date of the board meeting of Pingzhuang Energy, the trading of its shares was suspended for one day due to the writing off of the risk warning against the delisting of its shares and the implementation of other risk warning, as at 17 June 2021, the closing price of the A shares of Pingzhuang Energy was RMB5.40 per share, and the conversion price of RMB3.85 per share represented a discount of approximately 28.70% over such closing price; as at the trading close on the Latest Practicable Date, the closing price of A shares of Pingzhuang Energy was RMB5.84 per share, and the conversion price of Pingzhuang Energy represented a discount of approximately 34.08% over such closing price; as at 31 December 2020, the net assets per share of Pingzhuang Energy was RMB3.00 per share, and the conversion price of Pingzhuang Energy represented a premium of approximately 28.33% over such net assets per share.

LETTER FROM THE BOARD

The Conversion Price of Pingzhuang Energy, the merged party, is determined based on the average price of the shares of Pingzhuang Energy for the 20 trading days prior to the Pricing Benchmark Date, with reference to the valuation of comparable companies and the premium rates of conversion in comparable transactions of the same type, upon comprehensive consideration of the risk of fluctuations in the price of the shares, risk compensation to the Conversion Shareholders of Pingzhuang Energy and other factors. In view of the mean of conversion premium rates given to the merged parties in the absorption and merger transactions which serve as references for the valuation of the Merger, being 15.30%, the continuous loss-making situation and poor basic aspects of Pingzhuang Energy which even faced the risk of delisting preceding the publication of the Rules governing the Listing of Securities on the Shenzhen Stock Exchange revised at the end of 2020, the premium rate given to Pingzhuang Energy shall not exceed the average premium rate of the reference cases, being 15.30%. On the other hand, the average price of the shares of Pingzhuang Energy for 1 day, 10 days and 20 days prior to the suspension of trading was RMB3.61 per share, RMB3.60 per share and RMB3.50 per share, respectively. Although the premium given was mainly based on the average price for 20 days prior to the Pricing Benchmark Date of Pingzhuang Energy, in order to be fair to Pingzhuang Energy, the Conversion Price shall not be lower than the average price for 1 day and 10 days prior to the Pricing Benchmark Date of Pingzhuang Energy, that is, no less than RMB3.61 per share (the corresponding premium rate is approximately 3.14%). Taking into account comprehensively the premium rate range of 3.14% to 15.30%, 10% was selected as the premium rate. For details, please refer to “1.3.2 Analysis on the Rationality of Conversion Price of Shares of Pingzhuang Energy” below.

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Pingzhuang Energy from the Pricing Benchmark Date to the date of the Share Swap (both days inclusive), the above Conversion Price shall be adjusted accordingly. Under other circumstances, the Conversion Price will no longer be adjusted.

The formula of the adjustment of Conversion Price of A Shares of Pingzhuang Energy is:

$$P1 = (P0 - D + A \times K) / (1 + K + N)$$

In which, P0 is the pre-adjustment Issue Price, N is the number of bonus shares or shares converted into share capital for each share, K is the number of new shares issued or allocated for each share, A is the price for new share issuance or allocation, D is the amount of dividend per share, and P1 is the post-adjustment Issue Price.

LETTER FROM THE BOARD

Conversion Ratio

The calculation formula for Conversion Ratio is: Conversion Ratio = Conversion Price of A Shares of Pingzhuang Energy \div Issue Price of A Shares of Longyuan Power (calculation result is rounded to four decimal places). Conversion Ratio for the Merger is 1: 0.3407, that is, each A Share of Pingzhuang Energy held by the Conversion Shareholders of Pingzhuang Energy can be converted for 0.3407 A Share to be issued by Longyuan Power. The Conversion Ratio for the Absorption and Merger through Share Swap will be adjusted based on the Issue Price after the profit distribution of Longyuan Power.

From the next date upon completion of profit distribution by Longyuan Power to the Share Swap Exercise Date (both days inclusive), unless there occurs any ex-right or ex-dividend event such as cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in either of the Merger Parties or the circumstances that the Issue Price or the Conversion Price shall be adjusted according to the relevant laws, regulations and the requirements of regulatory authorities, the Conversion Ratio shall not be adjusted under any other circumstances.

Number of Shares to be Issued under the Share Swap

As at the Latest Practicable Date, the total share capital of Pingzhuang Energy is 1,014,306,324 shares. Assuming that all shareholders of Pingzhuang Energy participate in the Share Swap, calculated based on the Conversion Ratio, the total number of A Shares to be issued by Longyuan Power for the Merger is 345,574,165 shares. In view of the profit distribution for the year 2020 of Longyuan Power, the adjusted Issue Price of A Shares is RMB11.30 per share and the total consideration of the Share Swap is RMB3,904,988,064.50. As at the Latest Practicable Date, CHN Energy indirectly holds 61.42% of shares of Pingzhuang Energy through Pingzhuang Coal Group, its subsidiary. Without considering the impact on the excise of Cash Alternative, Pingzhuang Coal Group, upon the Share Swap, will hold 212,238,141 A Shares of Longyuan Power, and the value of A Shares indirectly issued to CHN Energy will be approximately RMB2,398,290,993.30.

LETTER FROM THE BOARD

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in either of the Merger Parties from the next date upon completion of profit distribution by Longyuan Power to the date of the Share Swap (both days inclusive), the above number of shares to be issued under the Share Swap shall be adjusted accordingly.

Listing and Trading of A Shares of Longyuan Power

Upon the completion of the Merger, an application will be made for the A Shares to be issued by Longyuan Power for the Merger and the A Shares to be converted from the original Domestic Shares of Longyuan Power to be listed and traded on the Main Board of the SZSE.

Treatment of Fractional Shares

The number of A Shares of Longyuan Power to be obtained by the Conversion Shareholders of Pingzhuang Energy shall be in whole numbers, and if the number of shares of Pingzhuang Energy to be held by them multiplied by the Conversion Ratio is not in whole numbers, each shareholder shall be offered one share in descending order based on the decimal point until the actual number of shares to be converted is equal to the number of shares planned to be issued. In case the number of shareholders with the same decimal number exceeds the remaining shares, the shares will be allotted randomly by computer system until the actual number of shares to be converted is equal to the number of shares planned to be issued.

Treatment of Shares of Pingzhuang Energy with Restricted Rights

If the shares of Pingzhuang Energy held by the shareholders of Pingzhuang Energy are pledged, frozen, sealed up or subject to any restrictions on rights, all such shares shall be converted into A Shares issued by Longyuan Power at the time of Share Swap, while the original pledge, freezing, sealing up or other restrictions on rights on such shares will remain unchanged and become attaching to the corresponding A Shares of Longyuan Power obtained through Share Swap.

LETTER FROM THE BOARD

Lock-up Period Arrangement

- (1) CHN Energy, the controlling shareholder of Longyuan Power, undertakes that:
 - “(i) Within 36 months from the date when the A Shares of Longyuan Power are listed and traded, the company shall not transfer or entrust to others to manage the issued shares of Longyuan Power directly or indirectly held by the company prior to the Absorption and Merger through Share Swap (excluding H Shares), nor shall Longyuan Power repurchase such shares. Within six months after the listing of A Shares of Longyuan Power, if the closing prices of A Shares of Longyuan Power for 20 consecutive trading days are lower than the Issue Price, or the closing price at the end of six months after the listing is lower than the Issue Price, the company undertakes that the lock-up period of the shares of Longyuan Power held by the company shall be automatically extended for six months.
 - (ii) If relevant laws, regulations and regulatory documents or securities regulatory authorities such as China Securities Regulatory Commission have other requirements on the lock-up period of shares, the company agrees to adjust the lock-up period of the shares of Longyuan Power (excluding H Shares) held by the company accordingly.
 - (iii) The company undertakes to assume and compensate all losses caused to Longyuan Power and its controlled entities due to violation of the above undertakings or relevant laws, regulations and regulatory documents.
 - (iv) If any of the following circumstances occurs after one year from the date of listing of the A Shares of Longyuan Power, the above article (i) of the undertaking may be waived to comply with upon the application of the company and with the consent of the Shenzhen Stock Exchange: (a) both parties have actual control relationship or are under the control of the same controller; (b) such other circumstances as determined by the Shenzhen Stock Exchange.”

LETTER FROM THE BOARD

(2) Northeast Electric Power (a wholly-owned subsidiary of CHN Energy), the shareholder of Longyuan Power, undertakes that:

- “(i) Within 36 months from the date on which the A Shares of Longyuan Power are listed and traded, the company shall not transfer or entrust to others to manage the issued shares of Longyuan Power directly or indirectly held by the company prior to the Absorption and Merger through Share Swap (excluding H Shares), nor shall Longyuan Power repurchase such shares. Within six months after the listing of A Shares of Longyuan Power, if the closing prices of A Shares of Longyuan Power for 20 consecutive trading days are lower than the Issue Price, or the closing price at the end of six months after the listing is lower than the Issue Price, the company undertakes that the lock-up period of the shares of Longyuan Power held by the company shall be automatically extended for six months.
- (ii) If relevant laws, regulations and regulatory documents or securities regulatory authorities such as China Securities Regulatory Commission have other requirements on the lock-up period of shares, the company agrees to adjust the lock-up period of the shares of Longyuan Power (excluding H Shares) held by the company accordingly.
- (iii) The company undertakes to assume and compensate for all losses caused to Longyuan Power and its controlled entities due to violation of the above undertakings or relevant laws, regulations and regulatory documents.
- (iv) If any of the following circumstances occurs after one year from the date of listing of the A Shares of Longyuan Power, the above article (i) of the undertakings may be waived to comply with upon the application of the company and with the consent of the SZSE:
 - (a) there are actual control relationship between the parties or they are under the common control of a same controller;
 - (b) such other circumstances as determined by the SZSE.”

LETTER FROM THE BOARD

Pingzhuang Coal Group, the controlling shareholder of Pingzhuang Energy, undertakes that:

- “(i) Within 36 months from the date when the A Shares of Longyuan Power are listed and traded, the company shall not transfer or entrust to others to manage the shares of Longyuan Power held by the company due to the Absorption and Merger through Share Swap, nor shall Longyuan Power repurchase such shares. Within six months after the listing of A Shares of Longyuan Power, if the closing prices of A Shares of Longyuan Power for 20 consecutive trading days are lower than the Issue Price, or the closing price at the end of six months after the listing is lower than the Issue Price, the company undertakes that the lock-up period of the shares of Longyuan Power held by the company shall be automatically extended for six months.
- (ii) If relevant laws, regulations and regulatory documents or securities regulatory authorities such as China Securities Regulatory Commission have other requirements on the lock-up period of shares, the company agrees to adjust the lock-up period of the shares of Longyuan Power (excluding H Shares) held by the company accordingly.
- (iii) The company undertakes to assume and compensate all losses caused to Longyuan Power and its controlled entities due to violation of the above undertakings or requirements in relevant laws, regulations and regulatory documents.
- (iv) If any of the following circumstances occurs after one year from the date of listing of the A Shares of Longyuan Power, the above article (i) of the undertaking may be waived to comply with upon the application of the company and with the consent of the Shenzhen Stock Exchange: (a) both parties have actual control relationship or are under the control of the same controller; (b) such other circumstances as determined by the SZSE.”

Protection Mechanism for the Dissenting Shareholders of Longyuan Power

In order to fully safeguard the interests of the Shareholders of Longyuan Power, pursuant to the requirements of the Company Law and the Articles of Association of Longyuan Power, Longyuan Power will entitle its dissenting shareholders the Put Option.

CHN Energy is the Put Option Provider in the Transaction.

LETTER FROM THE BOARD

At the general meeting and corresponding shareholders' class meetings for consideration of the Transaction of Longyuan Power, any shareholder of Longyuan Power who had cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreements and Supplemental Agreements relating to the Transaction is entitled to request the Put Option Providers to purchase its shares in Longyuan Power at a fair price.

After the purchase of shares of Longyuan Power held by the dissenting shareholders at a fair price as requested by the dissenting shareholders, such dissenting shareholders shall not be entitled to claim the Put Option against Longyuan Power and/or other shareholders who cast effective assenting votes in respect of relevant resolutions of the plan for the Transaction.

The Dissenting Shareholders of Longyuan Power who exercise their Put Option may receive a cash consideration to be paid by the Put Option Providers at the price of the Put Option for each share of Longyuan Power that they have validly declared on the Put Option Exercise Date, and transfer the corresponding shares to the Put Option Providers. The Put Option Providers shall be assigned all the shares of Longyuan Power in respect of which the Dissenting Shareholders of Longyuan Power exercise their Put Option on the Put Option Exercise Date and pay cash consideration accordingly.

The Dissenting Shareholders of Longyuan Power shall satisfy the following conditions while exercising the Put Option:

- (i) having cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreements and Supplemental Agreements relating to the Transaction at the general meeting and the corresponding class meetings for consideration of the Transaction of Longyuan Power;
- (ii) having been effectively registered on the register of members of Longyuan Power since the registration date of the general meeting and shareholders' class meetings of Longyuan Power who is applicable for such class shareholders for consideration of the Transaction, and continuing to retain the shares which are proposed to exercise the Put Option until the Put Option Exercise Date;

LETTER FROM THE BOARD

- (iii) having successfully fulfilled relevant declaration procedures during the Declaration Period of Put Option;
- (iv) there is no circumstance that excludes the right to claim the exercise of the Put Option.

Shareholders who have fulfilled the above conditions only have the right to declare the exercise of the Put Option for the shares with which they have cast dissenting votes. Provided that the Dissenting Shareholders of Longyuan Power sell their shares (including but not limited to judicially compulsory deductions, etc.) after the registration date of the general meeting and shareholders' class meetings of the Company for consideration of the Transaction, the number of shares entitled to the Put Option shall be decreased accordingly; provided that the Dissenting Shareholders of Longyuan Power purchase shares after the registration date of the general meeting and shareholders' class meetings of the Company for consideration of the Transaction, the number of shares entitled to the Put Option shall not increase, and such shares shall not be entitled to the Put Option.

The Dissenting Shareholders of Longyuan Power who hold the following shares have no right to claim the exercise the Put Option for the shares they hold:

- (i) those shares of Longyuan Power with Restriction on Rights, including but not limited to the shares with transfer restrictions imposed by laws and regulations which are subject to any pledges, other third party's rights or judicial freeze;
- (ii) those shares held by legal holders who have undertaken in writing to Longyuan Power to surrender the Put Option;
- (iii) other shares that may not exercise the Put Option under applicable laws.

The detailed arrangements for the Put Option (including but not limited to the Put Option Exercise Date, the declaration, settlement and closing of the Put Option, etc.) will be determined by Longyuan Power and the Put Option Providers after negotiation and will be disclosed in accordance with the requirements of the laws, regulations and the Hong Kong Stock Exchange in a timely manner.

The relevant taxes and fees arising from the exercise of the Put Option shall be borne by the dissenting shareholders of the Put Option, the Put Option Providers and other parties in accordance with the requirements of relevant applicable laws, regulatory authorities and clearing companies. If there is no specific

LETTER FROM THE BOARD

provision in this regard under the applicable laws or from regulatory authorities or clearing companies, it shall be negotiated and determined by related parties with reference to market practices.

Protection Mechanism for the Dissenting Shareholders of Pingzhuang Energy

In order to fully safeguard the interests of the shareholders of Pingzhuang Energy, pursuant to the requirements of the Company Law and the existing articles of association of Pingzhuang Energy, Pingzhuang Energy will entitle its dissenting shareholders the Cash Alternative.

(1) Cash Alternative Provider(s)

CHN Energy is as the Cash Alternative Provider in the Transaction. At the general meeting for consideration of the Transaction of Pingzhuang Energy, any shareholder of Pingzhuang Energy who had cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreements and Supplemental Agreements relating to the Transaction is entitled to request Cash Alternative Providers to purchase its shares in Pingzhuang Energy.

After the purchase of shares of Pingzhuang Energy held by the dissenting shareholders requested by the dissenting shareholders, such dissenting shareholders shall not be entitled to claim the Cash Alternative against Pingzhuang Energy and/or other shareholders who cast effective assenting votes in respect of relevant resolutions of the plan for the Transaction.

(2) Price of Cash Alternative

The price for Cash Alternative of Dissenting Shareholders of Pingzhuang Energy is the average price in the 20 trading days before the Pricing Benchmark Date, i.e. RMB3.50 per share. If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Pingzhuang Energy from the Pricing Benchmark Date to the Cash Alternative Exercise Date (both days inclusive), the price for Cash Alternative shall be adjusted accordingly.

LETTER FROM THE BOARD

(3) Conditions for the implementation of Cash Alternative

The Dissenting Shareholders of Pingzhuang Energy shall satisfy the following conditions while exercising the Cash Alternative:

- (i) having cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreements and Supplemental Agreements relating to the Transaction at the general meeting for consideration of the Transaction of Pingzhuang Energy;
- (ii) having been effectively registered on the register of members of Pingzhuang Energy since the registration date of the general meeting of Pingzhuang Energy for consideration of the Transaction, and continuing to retain the shares which are proposed to exercise the Cash Alternative until the Cash Alternative Exercise Date;
- (iii) having successfully fulfilled relevant declaration procedures during the Declaration Period of Cash Alternative;
- (iv) there is no circumstance that excludes the right to claim the exercise of the Cash Alternative.

Shareholders who have fulfilled the above conditions only have the right to declare the exercise of the Cash Alternative for the shares with which they have cast dissenting votes. Provided that the Dissenting Shareholders of Pingzhuang Energy sell their shares (including but not limited to judicially compulsory deductions, etc.) after the registration date of the general meeting of Pingzhuang Energy for consideration of the Transaction, the number of shares entitled to the Cash Alternative shall be decreased accordingly; provided that the Dissenting Shareholders of Pingzhuang Energy purchase shares after the registration date of the general meeting of Pingzhuang Energy for consideration of the Transaction, the number of shares entitled to the Cash Alternative shall not increase, and such shares shall not be entitled to the Cash Alternative.

LETTER FROM THE BOARD

If the Dissenting Shareholders of Pingzhuang Energy choose the Cash Alternative, they shall cast effective dissenting votes at the general meeting of Pingzhuang Energy held to consider the Transaction. In case that the Transaction has still been considered and approved at the general meeting of Pingzhuang Energy and the examination/approval for the Transaction has been obtained from all other necessary regulatory authorities, it shall require the exercise when Pingzhuang Energy collects the intention of its shareholders who are willing to exercise the Cash Alternative. The Dissenting Shareholders of Pingzhuang Energy who exercise the Cash Alternative can obtain the cash consideration paid by the Cash Alternative Providers based on the price of the Cash Alternative for each share of Pingzhuang Energy that they have validly declared on the implementation date of the Cash Alternative, and transfer the corresponding shares to the Cash Alternative Providers. The Cash Alternative Providers shall accept the transfer of all the shares of Pingzhuang Energy involved in the exercise of the Cash Alternative by the Dissenting Shareholders of Pingzhuang Energy on the implementation date of the Cash Alternative, and pay the corresponding cash consideration. The shares of Pingzhuang Energy transferred to the Cash Alternative Providers through the Cash Alternative will be fully converted into A Shares of Longyuan Power issued for the Merger on the implementation date of the Share Swap at the conversion ratio.

The Dissenting Shareholders of Pingzhuang Energy who hold the following shares have no right to claim the exercise of the Cash Alternative for the shares they hold:

- (i) those shares of Pingzhuang Energy with Restriction on Rights, including but not limited to the shares with transfer restrictions imposed by laws and regulations which are subject to any pledges, other third party's rights or judicial freeze;
- (ii) those shares held by legal holders who have undertaken in writing to Pingzhuang Energy to surrender the Cash Alternative;
- (iii) other shares that may not exercise the Cash Alternative under applicable laws.

The above shares which are not entitled to claim the Cash Alternative will be converted into the A Shares to be issued by Longyuan Power for the Merger based on the Conversion Ratio on the Share Swap Exercise Date.

LETTER FROM THE BOARD

The Dissenting Shareholders of Pingzhuang Energy who have submitted the shares of Pingzhuang Energy as collateral for margin trading and securities lending transactions shall not exercise the Cash Alternative until they transfer the shares of Pingzhuang Energy from the customer credit guarantee account of the securities company to their ordinary securities account before the closing date of Declaration Period of the Cash Alternative. The Dissenting Shareholders of Pingzhuang Energy who have carried out agreed repurchase type securities trading shall not exercise the Cash Alternative until they complete the early repurchase procedures in time before the closing date of Declaration Period of the Cash Alternative.

(4) Adjustment mechanism for the price of Cash Alternative

A. Adjustment target

The adjustment target is the price of Cash Alternative of Dissenting Shareholders of Pingzhuang Energy.

B. Adjustable period

From the date of the general meeting resolution announcement in relation to the Transaction considered and approved by Pingzhuang Energy to the approval by the CSRC of the Transaction.

C. Trigger conditions

a. Upward adjustment

During the adjustable period, upward adjustment will be triggered when the following three conditions are simultaneously fulfilled on any trading day:

- (i) the closing indices of SZSE Composite (399106.SZ) on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% higher than the closing index on the trading day before the suspension of Pingzhuang Energy;

LETTER FROM THE BOARD

- (ii) the closing indices of WIND Coal Index (886003.WI) on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% higher than the closing index on the trading day before the suspension of Pingzhuang Energy;
- (iii) the daily average trading prices of shares of Pingzhuang Energy on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% higher than the closing price of shares on the trading day before the suspension of Pingzhuang Energy.

b. Downward adjustment

During the adjustable period, downward adjustment will be triggered when the following three conditions are simultaneously fulfilled on any trading day:

- (i) the closing indices of SZSE Composite (399106.SZ) on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% lower than the closing index on the trading day before the suspension of Pingzhuang Energy;
- (ii) the closing indices of WIND Coal Index (886003.WI) on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% lower than the closing index on the trading day before the suspension of Pingzhuang Energy;
- (iii) the daily average trading prices of shares of Pingzhuang Energy on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% lower than the closing price of shares on the trading day before the suspension of Pingzhuang Energy.

LETTER FROM THE BOARD

D. Adjustment mechanism and price adjustment benchmark date

When the aforementioned price adjustment trigger conditions first appeared, Pingzhuang Energy shall be entitled to hold the board meeting within 10 trading days from the date when the price adjustment trigger conditions were fulfilled to determine whether to adjust the price of the Cash Alternative of the Dissenting Shareholders of Pingzhuang Energy in accordance with the price adjustment plan. During the adjustable period, Pingzhuang Energy will only adjust the price of the Cash Alternative of the dissenting shareholders for once. In case that Pingzhuang Energy has convened a board meeting to review and determine the adjustment to the price of the Cash Alternative of the dissenting shareholders, when the price adjustment conditions are triggered again, no adjustments will be made; in case that Pingzhuang Energy has convened a board meeting to decide not to adjust the price of the Cash Alternative of the dissenting shareholders, when the price adjustment conditions are triggered again, no adjustments will be made.

The price adjustment benchmark date is the next trading day after the date when the above trigger conditions are fulfilled. The adjusted price of the Cash Alternative of the Dissenting Shareholders of Pingzhuang Energy is the closing price of shares on the trading day before the price adjustment benchmark date of Pingzhuang Energy.

E. Relevant taxes and fees for the exercise of the Cash Alternative

The relevant taxes and fees arising from the exercise of the Cash Alternative shall be borne by the dissenting shareholders of the Cash Alternative, the Cash Alternative Providers and other parties in accordance with the requirements of relevant applicable laws, regulatory authorities and clearing companies. If there is no specific provision in this regard under the applicable laws or from regulatory authorities or clearing companies, it shall be negotiated and determined by related parties with reference to market practices.

LETTER FROM THE BOARD

Arrangements in Relation to the Inheritance of Assets, Liabilities, Rights, Obligations, Business, Qualifications, Responsibilities, and the Disposal of Credits and Debts, and the Protection of Creditors in Respect Of the Merger

All assets (including equities of all companies directly invested in by it), liabilities, businesses, qualifications, employees, contracts and all other rights and obligations of Longyuan Power, as the merging party, will continue to be held and performed by it.

The Assets to be Disposed of Pingzhuang Energy, as the merged party, shall be delivered directly to Pingzhuang Coal Group. All assets and liabilities other than the Assets to be Disposed of Pingzhuang Energy will be taken over by Longyuan Power or its designated wholly-owned subsidiaries.

Longyuan Power and Pingzhuang Energy will issue the notification and announcement on the matters in relation to the Transaction to their respective creditors in accordance with the requirements of laws of the PRC and their respective articles of association, and will legally pay off their debts or provide sufficient and effective guarantees in accordance with the requirements of their respective creditors (if any). The outstanding debts payable and obligations and/or responsibilities performable by Longyuan Power shall be assumed by Longyuan Power after the Closing Date; the outstanding debts payable and obligations and/or responsibilities performable related to the Assets to be Disposed of by Pingzhuang Energy shall be assumed by Pingzhuang Coal Group after the Closing Date. Other outstanding debts payable and obligations and/or responsibilities performable other than the Assets to be Disposed of shall be assumed by Longyuan Power or its designated wholly-owned subsidiaries after the Closing Date.

For the issued and unexpired non-financial corporate debt financing instruments of Longyuan Power and Pingzhuang Energy, such as the enterprise bonds, corporate debts and ultra-short-term financing bonds, short-term financing bonds and medium-term notes, Longyuan Power and Pingzhuang Energy made commitment to hold debt financing instruments/bonds holders' meetings for the consideration of the matters in relation to the Transaction in accordance with the relevant regulations and the debt financing prospectus and as agreed in the rules for the holders' meetings.

LETTER FROM THE BOARD

Arrangements for the Transitional Period of the Merger

During the Transitional Period of the Absorption and Merger through Share Swap, both of the Merger Parties shall, and should procure their respective controlled subsidiaries to: (i) continue to operate independently according to the prevailing operational practices and business methods, and not conduct any unusual transactions or incur any unusual liabilities in their normal business process; (ii) make every effort to maintain all assets that constitute the main business in good condition, and continue to maintain relationships with competent authorities of the government, customers and employees; (iii) prepare, organize and keep their respective documents and information, as well as pay all related taxes and fees on time.

Distribution of Retained Profits

Except for the profit distribution plan approved by the respective general meetings of the Merger Parties, the retained profits of the Merger Parties as of the Closing Date of the Merger are shared by all the shareholders of the Surviving Company in proportion to their shareholding.

Placement of Staff

Upon completion of the Merger, the labor relations, social security relations and wages and benefits package for the employees of Longyuan Power will remain unchanged and continue to be borne by Longyuan Power; the labor relations as well as the social security relations for, and other benefits payable to the employees in accordance with laws or the existing regulations of Pingzhuang Energy, and the payment of wages in arrears, etc. for all the employees (including but not limited to those who are on-post, are temporarily unemployed, early retired, retired, take unpaid leave, are seconded or borrowed, are temporary workers, etc.) of Pingzhuang Energy shall be inherited by Pingzhuang Coal Group, the counterparty of the Assets to be Disposed of. The compensation and/or compensation matters (if any) and other expenses and costs related to the placement of those employees arising from early termination of the labor contracts relations between such employees and Pingzhuang Energy shall be paid or borne by Pingzhuang Coal Group.

Longyuan Power and Pingzhuang Energy have convened staff representative meeting or staff meeting on 21 May 2021 and 18 May 2021, respectively, which have considered and approved the staff placement plan contained in the Merger.

LETTER FROM THE BOARD

1.1.2. Details of the Transaction of the Assets Disposal

Parties involved in the Transaction

The seller of the Assets Disposal is Pingzhuang Energy, and the purchaser is Pingzhuang Coal Group. The Receiving Party of the cash consideration of the Assets to be Disposed of is Longyuan Power, the Surviving Company after the Merger.

Assets to be Disposed of

For all the assets and liabilities other than deferred income tax assets, deferred income and tax payable of Pingzhuang Energy as at 31 December 2020, the specific scope is subject to the asset valuation scope as confirmed in the Valuation Report on the Assets to be Disposed of issued by Zhong Ming Appraisal.

The details of the deferred income tax assets, deferred income and tax payable of Pingzhuang Energy as at 31 December 2020 are as follows:

RMB0'000

Item	Amount
Deferred income tax assets	9,279.38
Tax payable	4,039.86
Deferred income	232.61

Transaction price and pricing basis for the Transaction of the Assets Disposal

China United Appraisal has issued the Valuation Report on the Mining Rights of the Assets to be Disposed of for the Assets to be Disposed of held by Pingzhuang Energy. Zhong Ming Appraisal has issued the Valuation Report on the Assets to be Disposed of for the other Assets to be Disposed of held by Pingzhuang Energy. Based on the above valuation reports, it was confirmed that the total appraisal value of the Assets to be Disposed of owned by Pingzhuang Energy was RMB3,436,725,600, with 31 December 2020 as the Valuation Benchmark Date. The aforesaid valuation reports have been filed with CHN Energy for record.

LETTER FROM THE BOARD

Valuation Target	Valuation Report	Appraisal Value
Assets to be Disposed of	Asset Valuation Report on the Relevant Assets and Liabilities of Inner Mongolia Pingzhuang Energy Co., Ltd. in Relation to the Proposed Assets Disposal Matters by Such Company (Zhong Ming Ping Bao Zi [2021] No. 16116)	RMB3,436,725,600
Fengshuigou mining rights	Valuation Report on the Mining Rights of Fengshuigou Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1480)	RMB0.00
Liujia mining rights	Valuation Report on the Mining Rights of Liujia Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1478)	RMB37,464,400
Laogongyingzi mining rights	Valuation Report on the Mining Rights of Laogongyingzi Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1477)	RMB394,534,100
Xilutian mining rights	Valuation Report on the Mining Rights of Xilutian Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1479)	RMB0.00

Taking the above appraisal results which have been filed as pricing basis, as agreed among the parties involved in the Transaction of the Assets Disposal, the total transaction price for the Assets to be Disposed of is RMB3,436,725,600.

LETTER FROM THE BOARD

Arrangement for the assets delivery of the Assets Disposal

From the Closing Date of Assets to be Disposed of, the receiver of the Assets to be Disposed of shall enjoy all the rights and interests of all the assets under the Assets to be Disposed of, and shall assume all liabilities, responsibilities and obligations under the Assets to be Disposed of. The consideration of the Assets to be Disposed of shall be payable by Pingzhuang Coal Group in cash to Longyuan Power, the Surviving Company after the Merger.

Profit and Loss of the Assets Disposal during the Transitional Period

The parties involved in the Transaction of the Assets Disposal agreed that from the Valuation Benchmark Date to the Closing Date of the Assets to be Disposed of, the gains or losses arising from the Assets to be Disposed of and changes in equity resulting from any reasons shall be enjoyed or borne by Pingzhuang Coal Group.

Placement of Staff Involved in the Assets Disposal

The labor relations as well as the social security relations such as pension, medical, unemployment, work injury and maternity for, and other benefits payable to the employees in accordance with laws or the existing regulations of Pingzhuang Energy, and the payment of wages in arrears, etc. for all the employees of Pingzhuang Energy shall be inherited by Pingzhuang Coal Group. The compensation and/or compensation matters (if any) and other expenses and costs related to the placement of those employees arising from early termination of the labor contracts relations between such employees and Pingzhuang Energy shall be paid or borne by Pingzhuang Coal Group.

1.1.3. Details of the Transaction of the Purchase through Cash

Parties involved in the Transaction

The purchaser of the Purchase through Cash is Longyuan Power, and the sellers are the Other Subsidiaries of CHN Energy, which includes, Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power.

LETTER FROM THE BOARD

Assets to be Purchased

Details of the Assets to be Purchased are as follows:

No.	Counterparty of the Assets to be Purchased	Target Companies	Shareholding Percentage
1	Northeast Electric Power	100% equity interests in Northeast New Energy	100%
2	Shaanxi Electric Power	100% equity interests in Dingbian New Energy	100%
3	Guangxi Electric Power	100% equity interests in Guangxi New Energy	100%
4	Yunnan Electric Power	100% equity interests in Yunnan New Energy	100%
5	Gansu Electric Power	100% equity interests in Gansu New Energy	100%
6	North China Electric Power	100% equity interests in Tianjin Jieneng	100%
7		100% equity interests in Inner Mongolia New Energy	100%
8		100% equity interests in Shanxi Jieneng	100%

Transaction price and pricing basis for the Transaction of the Purchase through Cash

China United Appraisal has issued the Valuation Report on the Assets to be Purchased held by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power, respectively. According to such valuation reports, it was confirmed that the total appraisal value of the Assets to be Purchased held by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power was RMB5,774,000,000, with 31 December 2020 as the Valuation Benchmark Date. The valuation reports have been filed with CHN Energy for record.

LETTER FROM THE BOARD

Taking the above appraisal result which has been filed as pricing basis, as agreed among the parties involved in the Transaction of the Purchase through Cash, the transaction prices for the Assets to be Purchased are as follows:

RMBO'000

No.	Counterparty of the Assets to be Purchased	Assets to be Purchased	Valuation Report (individually or collectively, "the Valuation Report on the Assets to be Purchased")	Appraisal Value for 100% equity interests	Transaction Price
1	Northeast Electric Power	100% equity interests in Northeast New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guodian Northeast New Energy Development Co., Ltd.* Held by CHN Energy Northeast Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1470)	79,400.00	79,400.00
2	Shaanxi Electric Power	100% equity interests in Dingbian New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guoneng Dingbian New Energy Co., Ltd.* Held by CHN Energy Shaanxi Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1469)	81,600.00	81,600.00
3	Guangxi Electric Power	100% equity interests in Guangxi New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guangxi Guoneng Energy Development Co., Ltd.* Held by CHN Energy Guangxi Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1472)	98,600.00	98,600.00
4	Yunnan Electric Power	100% equity interests in Yunnan New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guoneng Yunnan New Energy Co., Ltd.* Held by CHN Energy Yunnan Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1474)	75,200.00	75,200.00
5	Gansu Electric Power	100% equity interests in Gansu New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guodian Gansu New Energy Co., Ltd.* Held by CHN Energy Gansu Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1471)	44,200.00	44,200.00

LETTER FROM THE BOARD

No.	Counterparty of the Assets to be Purchased	Assets to be Purchased	Valuation Report (individually or collectively, “the Valuation Report on the Assets to be Purchased”)	Appraisal Value for 100% equity interests	Transaction Price
6	North China Electric Power	100% equity interests in Tianjin Jieneng	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Tianjin Guodian Jieneng Electric Power Co., Ltd.* Held by CHN Energy North China Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1476)	60,000.00	60,000.00
7		100% equity interests in Inner Mongolia New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guodian North China Inner Mongolia New Energy Co., Ltd.* Held by CHN Energy North China Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1473)	79,100.00	79,100.00
8		100% equity interests in Shanxi Jieneng	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guodian Shanxi Jieneng Co., Ltd.* Held by CHN Energy North China Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1475)	59,300.00	59,300.00
Total				577,400.00	577,400.00

Based on such appraisal value and through friendly negotiations among the parties, it was determined that the total transaction price for the Assets to be Purchased in the Transaction is RMB5,774,000,000.

The Board of the Company, upon careful review of the relevant valuation information of the Transaction provided by the Company, is of the view that: the valuation assumptions of the relevant asset valuation reports issued by China United Appraisal, which was engaged by the Company for the Transaction, are in accordance with the relevant PRC laws and regulations, which follow common practices or criteria of the market and comply with the actual conditions of the appraised entities, therefore the valuation assumptions are reasonable; the purpose of the valuation is to determine the market value of the Assets to be Purchased as at the Valuation Benchmark Date and to provide a value reference basis for the Transaction, and the actual scope of assets appraised by the appraisal agency is consistent with the scope of assets under the entrusted valuation. The valuation has been conducted in accordance with the requirements of relevant PRC regulations and industry standards, which follow the principles of independence, objectivity, fairness and science. The

LETTER FROM THE BOARD

valuation methods adopted are reasonable, the valuation results have reflected the actual conditions of the appraised entities as at the Valuation Benchmark Date in an objective and fair way, and the valuation methods are relevant to and consistent with the valuation purpose. The transaction prices of the Assets to be Purchased in the Transaction are based on the valuation results issued by an asset appraisal agency that meets the requirements of the Securities Law and filed with CHN Energy, and are determined by the parties to the Transaction through negotiation. For the purpose of the valuation, corresponding valuation procedures are implemented in accordance with the requirements of relevant PRC regulations and industry standards and with the principles of independence, objectivity, fairness and science during the process of valuation, the valuation methods adopted are reasonable, the reference data and materials are reliable, the valuation results have reflected the actual conditions of the appraised entities as at the Valuation Benchmark Date in an objective and fair way, and the valuation pricing is reasonable and fair. The valuation pricing in the Transaction is fair, without any prejudice to the interests of the Company and its shareholders, especially the minority shareholders.

Arrangement for the assets delivery of the Purchase through Cash

From the Closing Date of Assets to be Purchased, the purchaser of the Assets to be Purchased shall enjoy all the rights and interests of all the assets under the Assets to be Purchased, and shall assume all liabilities, responsibilities and obligations under the Assets to be Purchased.

Profit and Loss of the Purchase through Cash during the Transitional Period

The parties involved in the Transaction of the Purchase through Cash agreed to engage an accounting firm with qualifications in securities and futures business to conduct audit on the profit and loss of the Assets to be Purchased during the transitional period within the 30 days after the Closing Date of Assets to be Purchased. The profit and loss during the period from the Valuation Benchmark Date to the Closing Date shall be determined based on the delivery audit report.

The parties agreed that from the Valuation Benchmark Date to the Closing Date of Assets to be Purchased, the gains realised from the Assets to be Purchased shall be attributable to Longyuan Power; the losses arising from the Assets to be Purchased shall be borne by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power who dispose of the equity interest in the loss-making company and shall be fully paid in cash to Longyuan Power no later than ten (10) working days after the date of the delivery audit report.

LETTER FROM THE BOARD

Placement of Staff Involved in the Purchase of Assets through Cash

The parties to the Purchase through Cash agreed that as the Assets to be Purchased under the Purchase through Cash are all equity interests in companies, the Purchase does not involve the placement of staff of the companies, and the labor relations, social security relations and wages and benefits of the staff will continue to be borne by such companies.

Performance Commitment and Compensation Involved in the Purchase of Assets through Cash

The Performance Undertakers, being Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power, have set the Performance Commitment Period of the Valuation Adjustment Targets to be the year during which the purchase of the assets is completed (i.e. the transfer of the assets of the Valuation Adjustment Targets has been completed) and the following two accounting years, i.e., the year of 2021, 2022 and 2023. In the event that the purchase of the assets fails to be completed before 31 December 2021, the Performance Commitment Period of Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power will be adjusted to be the year of 2022, 2023 and 2024.

Based on the estimated net profit set out in the valuation report on the Valuation Adjustment Targets issued by China United Appraisal, Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power have provided commitment to the Company on the net profit (meaning the net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss) of the Valuation Adjustment Targets for each of the year of 2021, 2022, 2023 and 2024 (if any).

For details of the performance commitment and compensation, please refer to the below “resolution on entering into the Profit Compensation Agreement with effective conditions”.

Validity period of resolutions

The validity period of resolutions of the Transaction is 12 months from the date of the Transaction being considered and approved at the general meeting and relevant Class Meetings of the Company.

LETTER FROM THE BOARD

1.1.4. Procedures for the Transaction

- (1) Approvals have been obtained for the Transaction:
 - (i) the Transaction has been considered and approved at the first meeting of the fourth session of the board of directors of Longyuan Power in 2021;
 - (ii) the Transaction has been considered and approved at the 13th meeting of the eleventh session of the board of directors of Pingzhuang Energy;
 - (iii) the Transaction has been considered and approved by the internal decision-making authorities of CHN Energy;
 - (iv) the Transaction has been approved by the SASAC of the State Council;
 - (v) the Transaction has been considered and approved at the seventh meeting of the fourth session of the Board of Longyuan Power;
 - (vi) the Transaction has been considered and approved by the 16th meeting of the eleventh session of the board of directors of Pingzhuang Energy;
 - (vii) the Transaction has been approved through decision-making by Pingzhuang Coal Group;
 - (viii) the Transaction has been approved through internal decision-making by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power;
 - (ix) for the Transaction, the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the transactions under the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment and their respective supplemental agreements published by Longyuan Power.

LETTER FROM THE BOARD

- (2) The Transaction is subject to the approvals or verifications

The Transaction is subject to the approval or verification procedures, including but not limited to:

- (i) the Transaction is subject to the consideration and approval by the general meeting of Pingzhuang Energy;
- (ii) the Transaction is subject to the consideration and approval by the general meeting and the H Shareholders Class Meeting of Longyuan Power;
- (iii) the Transaction is subject to the verification or decision of no further review (if necessary) by the Antimonopoly Bureau of the State Administration for Market Regulation for the concentration of business operators involved in the Transaction;
- (iv) the Transaction is subject to the review and approval by the SZSE for the listing of A Shares to be issued by Longyuan Power for the Merger;
- (v) the Transaction is subject to the approval by the CSRC;
- (vi) the Transaction is subject to other necessary approvals or verifications (if necessary) as stipulated in the relevant laws and regulations.

As at the Latest Practicable Date, to the best reasonable knowledge of the Directors of the Company, save and except for the conditions for approval or verification yet to be obtained specified above, there is no other conditions for approval or verification that need to be brought to the attention of the Shareholders.

There are uncertainties about whether the above approvals or verifications can be obtained for the Transaction. Investors and potential investors should exercise caution, when dealing, or contemplating dealing in the Shares of the Company.

LETTER FROM THE BOARD

1.2. MAIN CONTENTS OF THE AGREEMENTS RELATING TO THE TRANSACTION

On 15 January 2021, the Company entered into the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment, respectively for the possible absorption and merger of Pingzhuang Energy through Share Swap and the material assets replacement, and on 18 June 2021, entered into the supplemental agreements of the above agreements. In addition to the contents listed in “1.1. Plan for the Transaction” above, the main terms and conditions of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment and their respective supplemental agreements include:

1.2.1. Agreement on Absorption and Merger through Share Swap and its Supplemental Agreement

Effectiveness and Termination of Agreement The Agreement on Absorption and Merger through Share Swap shall come into existence from the date of signing and sealing by the legal representatives of both parties.

The Agreement on Absorption and Merger through Share Swap shall become effective from the date on which all the following conditions are fulfilled (for the avoidance of any doubt, such conditions shall not be waived by any party):

- (i) the Transaction has been approved with more than 2/3 of votes held by the independent shareholders attending the general meeting and the H Shareholders Class Meeting of Longyuan Power, respectively;
- (ii) the Transaction has been approved with more than 2/3 of votes held by all the non-connected shareholders attending the general meeting of Pingzhuang Energy;
- (iii) the Purchase has been considered and approved by the internal competent decision-making authorities of Other Subsidiaries of CHN Energy;

LETTER FROM THE BOARD

- (iv) the Disposal has been considered and approved by the competent decision-making authorities of Pingzhuang Coal Group;
- (v) the asset valuation reports on the Assets to be Purchased and the Assets to be Disposed of have been filed with CHN Energy;
- (vi) the Transaction has been approved by the SASAC of the State Council;
- (vii) the matters in relation to the Transaction have been approved by CSRC;
- (viii) the Transaction has passed the examination on concentration of business operators conducted by the Anti-monopoly Bureau of the State Administration for Market Regulation and/or by overseas anti-monopoly examination authorities (if necessary);
- (ix) the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the Transaction published by Longyuan Power.

The Agreement on Absorption and Merger through Share Swap shall be terminated in case of any of the following circumstances:

Both parties agree to terminate it through negotiations. Under such circumstance, none of the Merger Parties shall be liable for any default liability.

If a competent government authority issues injunction, determination and orders that restrict, prohibit, disallow the completion of the Merger, either party shall be entitled to terminate the Agreement on Absorption and Merger through Share Swap by written notice. Under such circumstance, neither of the Merger Parties shall be liable for any default liability.

LETTER FROM THE BOARD

Either party affected by force majeure event shall notify the other party within ten (10) working days from the occurrence of such force majeure event and provide evidences thereof that are available. If the Agreement on Absorption and Merger through Share Swap cannot be performed for sixty (60) days due to any force majeure event (except for extension of the agreement as agreed by both parties), either party to the Agreement on Absorption and Merger through Share Swap shall be entitled to terminate the Agreement on Absorption and Merger through Share Swap by written notice. Under such circumstance, neither of the Merger Parties shall be liable for any default liability.

If either party commits a material default of the requirements of the Agreement on Absorption and Merger through Share Swap and such default acts are not remedied within thirty (30) days following written notice issued by the non-defaulting party to the defaulting party requesting the defaulting party takes immediate remedial action for such default acts, the non-defaulting party shall be entitled to unilaterally terminate the Agreement on Absorption and Merger through Share Swap by written notice. Under such circumstance, the defaulting party shall be liable for the defaulting and compensate for all actual losses suffered by the other party therefrom.

Liabilities for Default

If either party to the Agreement on Absorption and Merger through Share Swap violates its representations, warranties, commitments, or makes any misstatements, or fails to perform any of its responsibilities or obligations under the Agreement on Absorption and Merger through Share Swap, such party shall be deemed to have defaulted. The defaulting party shall, upon request of the other party, continue to perform its obligations or take measures to remedy the default or provide the other party with full, prompt, adequate and effective compensation.

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

LETTER FROM THE BOARD

1.2.2. Assets Disposal Agreement and its Supplemental Agreement

Assets Delivery and Payment of Transaction Consideration

Both parties agree that, from the Closing Date, the receiver of the Assets to be Disposed of shall enjoy all rights and interests of all assets under the Assets to be Disposed of and assume all liabilities, responsibilities and obligations under the Assets to be Disposed of. All compensation, payment obligations, penalties which may arise from the Assets to be Disposed of and all pending disputes or conflicts of Pingzhuang Energy subsequent to the Closing Date shall be borne and solved by Pingzhuang Coal Group, and Pingzhuang Energy bears no liability. If any losses arising therefrom occur to Pingzhuang Energy, Pingzhuang Coal Group shall fully compensate Pingzhuang Energy for all losses suffered by Pingzhuang Energy in cash or by other methods recognized by Pingzhuang Energy within five (5) working days upon receipt of corresponding notice from Pingzhuang Energy.

Both parties agree that, from the Closing Date, the seller shall be deemed to have performed its obligations to deliver the Assets to be Disposed of under the Assets Disposal Agreement, however, the seller still has the obligation to assist the receiver of the Assets to be Disposed of in dealing with the procedures for registration of changes of ownership of the Assets to be Disposed of (including but not limited to registration of changes with industrial and commercial authorities).

Both parties agree that, once Pingzhuang Coal Group transfers the transaction consideration for the Assets to be Disposed of to the bank account designated by the seller within five (5) working days from the Closing Date, Pingzhuang Coal Group shall be deemed to have fully performed its obligation to pay the consideration under the Assets Disposal Agreement.

Profit Compensation Arrangement

The parties confirmed that there are no relevant arrangements on profit guarantee and compensation in connection with the Disposal.

LETTER FROM THE BOARD

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

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

Effectiveness, Alteration and Termination of Agreement The Assets Disposal Agreement shall come into existence from the date of signing and sealing by the legal representatives of both parties, which shall become effective upon all the following conditions are fulfilled:

- (i) the Transaction has been approved with more than 2/3 of votes held by the independent shareholders attending the general meeting, the H Shareholders Class Meeting of Longyuan Power, respectively;
- (ii) the Transaction has been approved with more than 2/3 of votes held by all the non-connected shareholders attending the general meeting of Pingzhuang Energy;
- (iii) the Purchase has been considered and approved by the internal competent decision-making authorities of the Other Subsidiaries of CHN Energy;
- (iv) the Disposal has been considered and approved by the internal competent decision-making authorities of Pingzhuang Coal Group;
- (v) the Transaction has been approved by the competent state-owned assets supervision and administration authorities;

LETTER FROM THE BOARD

- (vi) the matters in relation to the Transaction have been approved by CSRC;
- (vii) the Transaction has passed the examination on concentration of business operators conducted by the Anti-monopoly Bureau of the State Administration for Market Regulation and/or by the anti-monopoly examination authorities in relevant countries and areas outside of the PRC (if necessary);
- (viii) the Transaction has obtained the approval by the SZSE for the listing of A Shares to be issued by Longyuan Power for the Merger;
- (ix) the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the Transaction published by Longyuan Power.

Any alterations, amendments or supplement to the Assets Disposal Agreement are subject to the signing of written agreements by both parties. Such written agreements, being a part of the Assets Disposal Agreement, shall have equal legal effect with the Assets Disposal Agreement.

The Assets Disposal Agreement shall be terminated in case of any of the following circumstances:

- (i) both parties agree to terminate it through negotiations before the Closing Date;
- (ii) the Transaction cannot be implemented due to force majeure or other objective reasons other than the parties' before the Closing Date;
- (iii) either party to the Assets Disposal Agreement commits a material default of the requirements of the agreement or the applicable laws, which makes it impossible to perform and complete the agreement. Under such circumstance, the remaining party shall be entitled to unilaterally terminate the Assets Disposal Agreement by written notice.

LETTER FROM THE BOARD

If the agreement is terminated in accordance with the provisions of items (i) and (ii) above, neither party shall assume liabilities to any other party for breach of agreement. If the Assets Disposal Agreement is terminated in accordance with the provisions of items (iii), in addition to performing the obligations set forth above, the defaulting party shall make full compensation to the non-defaulting party for the losses suffered by the non-defaulting party therefrom.

1.2.3. Agreement on Purchase of Assets through Cash Payment and its Supplementary Agreement

Assets Delivery and Payment of Transaction Consideration	Both parties agree that, from the Closing Date, the receiver of the Assets to be Purchased shall enjoy all rights and interests of all assets under the Assets to be Purchased and assume all liabilities, responsibilities and obligations under the Assets to be Purchased.
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Both parties agree that, once the Surviving Company transfers the transaction consideration for the Assets to be Purchased to the bank account designated by the seller within five (5) working days from the Closing Date, the Surviving Company shall be deemed to have fully performed its obligation to pay the consideration under the Agreement on Purchase of Assets through Cash Payment.

Both parties agree that, from the Closing Date, the seller shall be deemed to have performed its obligation to deliver the Assets to be Purchased under the Agreement on Purchase of Assets through Cash Payment.

Profit Compensation Arrangement	The detailed plan for profit guarantee and compensation arrangement (if involved) shall otherwise be negotiated and determined by both parties with reference to the requirements of relevant laws and regulations and the practice.
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LETTER FROM THE BOARD

Liabilities for Default If either party to the Agreement on Purchase of Assets through Cash Payment violates its representations and warranties or makes any misstatements, or fails to perform any of its responsibilities or obligations under the Agreement on Purchase of Assets through Cash Payment, such party shall be deemed to have defaulted. The defaulting party shall, upon the request of the other party, continue to perform its obligations or take measures to remedy its default or provide it with compensation.

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

Effectiveness, Alteration and Termination of Agreement The Agreement on Purchase of Assets through Cash Payment shall come into existence from the date of signing and sealing by the legal representatives of both parties, which shall become effective upon all the following conditions are fulfilled:

- (i) the Transaction has been approved with more than 2/3 of votes held by the independent shareholders attending the general meeting, the H Shareholders Class Meeting of Longyuan Power, respectively;
- (ii) the Transaction has been approved with more than 2/3 of votes held by all the non-connected shareholders attending the general meeting of Pingzhuang Energy;
- (iii) the Purchase has been considered and approved by the internal competent decision-making authorities of the seller;
- (iv) the Disposal has been considered and approved by competent decision-making authorities of Pingzhuang Coal Group;

LETTER FROM THE BOARD

- (v) the Transaction has been approved by the competent state-owned assets supervision and administration authorities;
- (vi) the matters in relation to the Transaction have been approved by CSRC;
- (vii) the Transaction has passed the examination on concentration of business operators conducted by the Anti-monopoly Bureau of the State Administration for Market Regulation and/or by the anti-monopoly examination authorities in relevant countries and areas outside of the PRC (if necessary);
- (viii) the Transaction has obtained the approval by the SZSE for the listing of A Shares to be issued by Longyuan Power for the Merger;
- (ix) the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the Transaction published by Longyuan Power.

Any alterations, amendments or supplement to the Agreement on Purchase of Assets through Cash Payment are subject to the signing of written agreements by the parties. Such written agreements, being a part of the Agreement on Purchase of Assets through Cash Payment, shall have equal legal effect with the Agreement on Purchase of Assets through Cash Payment.

The Agreement on Purchase of Assets through Cash Payment shall be terminated in case of any of the following circumstances:

- (i) both parties agree to terminate it through negotiations before the Closing Date;

LETTER FROM THE BOARD

- (ii) the Transaction cannot be implemented due to force majeure or other objective reasons other than the parties' before the Closing Date;
- (iii) either party to the Agreement on Purchase of Assets through Cash Payment commits a material default of the requirements of the agreement or the applicable laws, which makes it impossible to perform and complete the Agreement on Purchase of Assets through Cash Payment. Under such circumstance, the remaining parties shall be entitled to unilaterally terminate the Agreement on Purchase of Assets through Cash Payment by written notice.

The parties agree that:

If the Agreement on Purchase of Assets through Cash Payment is terminated in accordance with the provisions of items (i) and (ii) above, neither party shall assume liabilities to other parties for breach of agreement. Under such circumstance, the parties shall, under the principle of restitution, sign all documents and take all necessary actions or, at the request of the other parties (such request shall not be unreasonably rejected), sign all documents or take all actions to assist the other parties to return to the state on the date of signing.

If the Agreement on Purchase of Assets through Cash Payment is terminated in accordance with the provisions of item (iii), in addition to performing the obligations set forth above, the defaulting party shall make full compensation to the non-defaulting party for the losses suffered by the non-defaulting party therefrom.

The Merger, the Disposal and the Purchase jointly constitute the whole Transaction. The Merger, the Disposal and the Purchase are inter-conditional upon each other, failing any of which, the other two transactions will not be implemented.

LETTER FROM THE BOARD

1.3. Analysis on the Rationality of the Merger

1.3.1 Analysis on the rationality of Issue Price of Longyuan Power

1.3.1.1. Ideas of valuation and selection of methods

From the practice of transactions of mergers and acquisitions, the market approach and income approach are generally used to carry out valuation of the subject of the transaction. In particular, market approach mainly includes the comparable company method and the comparable transaction method; while the income approach is mainly the discounted cash flow method. Cash flow is mainly divided into free cash flow of enterprises, free cash flow of equity interests and dividend cash flow.

Based on the characteristics of the relevant companies, the comparable company method selects valuation multiples of comparable listed companies (such as P/E ratio multiples, P/B ratio multiples, P/S multiples, etc.) as reference, the core idea of which is to carry out valuation on transaction targets by using relevant indicators and valuation multiples in the secondary market.

The comparable transaction method is to select companies which are in the same industry as the Company, and have completed the process of being invested or merger by acquisition for a suitable period before the valuation, obtaining useful financial or non-financial data to conduct analysis with reference to the financing or the transaction price from merger by acquisition, in order to obtain the corporate value or equity interest value of the transaction target.

The fundamental procedures of discounted cash flow method are as follows: first, establishing and using a reasonable financial model to predict the expected revenue, such as cash flow; secondly, choosing a reasonable discount rate (the weighted average capital cost or equity interest capital cost) based on the characteristics of relevant companies and the direction of the capital flow, performing discount on cash flow based on the expected revenue, and obtaining the transaction target or the value of equity interests through the estimation of the current value of expected income revenue.

Based on the actual situation of the Transaction, this report will select the appropriate method from the above three methods to examine and analyze the rationality of the price of the Merger.

LETTER FROM THE BOARD

1.3.1.2. Analysis on comparable companies method

By analyzing the operating and financial data of listed companies in the same or similar industries in the capital markets, the appropriate value ratios are calculated and the value of the valuation target are obtained after comprehensive analysis.

(i) Standards and scope of selecting comparable companies

In the Transaction, the A-share listed companies principally engaging in wind power generation business are selected as comparable companies of Longyuan Power, and the operating results for the last 12 months (as at the date of the announcement on the first resolutions in relation to the Transaction at the Board meeting, i.e. 18 January 2021, the same hereinafter) and the equity interests attributable to shareholders of the parent company as of the end of the most recent financial reporting period available based on the financial information publicly disclosed by the listed companies are shown in the following table:

RMB'00 million

Stock code	Stock abbreviation	Net profit attributable to the shareholders of the parent company for the past 12 months	Equity interests attributable to the shareholders of the parent company as of the end of the most recent financial reporting period available based on the financial information publicly disclosed by the listed company
601016.SH	CECEP Wind-power	6.95	97.24
601619.SH	Jiaze Renewables	2.51	36.59
600163.SH	Zhongmin Energy	2.63	33.33

Source: Wind, announcements of relevant companies.

LETTER FROM THE BOARD

Notes:

1. As the comparable companies are all A-share listed companies, the end of the most recent financial reporting period available based on the financial information publicly disclosed by the listed companies refers to 30 September 2020.
2. The comparable transactions specified in the circular cover all cases of transactions that meet the selection criteria.

(ii) Formulas for calculating financial indicators

The formulas for calculating the financial indicators involved in the comparable company method are as follows:

- i) Net profit attributable to shareholders of the parent company for the last 12 months = net profit attributable to shareholders of the parent company in the fourth quarter of 2019 + net profit attributable to shareholders of the parent company in the first three quarters of 2020;
- ii) Earnings per Share attributable to shareholders of the parent company for the last 12 months = net profit attributable to shareholders of the parent company for the last 12 months / the number of issued ordinary Shares of the Company as of the last trading day prior to the Pricing Benchmark Date;
- iii) P/E ratio for the last 12 months = average transaction price per Share for the 20 days prior to the Pricing Benchmark Date / earnings per Share attributable to Shareholders of the parent company for the last 12 months;
- iv) Net assets per Share as at the end of the most recent period = equity interests attributable to shareholders of the parent company as of the end of the most recent financial reporting period available based on the financial information publicly disclosed by the listed company / number of issued ordinary shares of the company as of the last trading day prior to the Pricing Benchmark Date;
- v) P/B ratio = average transaction price per trading day up to 20 days prior to the Pricing Benchmark Date / net assets per Share as at the end of the most recent period.

LETTER FROM THE BOARD

(iii) Valuation results of P/E ratio method of comparable companies

Stock code	Stock abbreviation	P/E ratio for the last 12 months (x)
601016.SH	CECEP Wind-power	25.55x
601619.SH	Jiaze Renewables	28.83x
600163.SH	Zhongmin Energy	25.87x
Minimum value		25.55x
Mean		26.75x
Median		25.87x
Maximum value		28.83x

Source: Wind, announcements of relevant companies.

According to the Longyuan Power 2019 Audit Report, the unaudited financial data from January to September 2019 of Longyuan Power and the unaudited financial data from January to September 2020 of Longyuan Power, the net profit attributable to the shareholders of the parent company for the last 12 months of Longyuan Power is RMB4.713 billion.

The value of the entire equity interests of the Shareholders of Longyuan Power calculated by using the P/E ratio data of comparable companies for the last 12 months is as follows:

Indicators	Calculated by maximum value	Calculated by minimum value
P/E Ratio of comparable companies for the last 12 months (x)	28.83x	25.55x
Value of entire equity interests of the Shareholders of Longyuan Power (RMB'00 million)	1,358.76	1,204.17

If the P/E ratio for the last 12 months of the above comparable companies is used as the reference valuation indicator, the value of entire equity interests of the Shareholders of Longyuan Power ranges from RMB120,417 million to RMB135,876 million.

LETTER FROM THE BOARD

(iv) Valuation results of P/B ratio method of comparable companies

Stock code	Stock abbreviation	P/B ratio
601016.SH	CECEP Wind-power	1.83x
601619.SH	Jiaze Renewables	1.98x
600163.SH	Zhongmin Energy	2.04x
Minimum value		1.83x
Mean		1.95x
Median		1.98x
Maximum value		2.04x

Source: Wind, announcements of relevant companies.

According to the Longyuan Power 2020 Interim Report, the net assets attributable to the shareholders of the parent company as at 30 June 2020 of Longyuan Power is RMB54.883 billion.

The value of the entire equity interests of the Shareholders of Longyuan Power calculated by using the P/B ratio data of comparable companies is as follows:

Indicators	Calculated by maximum value	Calculated by minimum value
P/B Ratio of comparable companies (<i>x</i>)	2.04x	1.83x
Value of entire equity interests of the Shareholders of Longyuan Power (RMB'00 million)	1,119.61	1,004.36

If the P/B ratio of the above comparable companies is used as the reference valuation indicator, the value of entire equity interests of the Shareholders of Longyuan Power ranges from RMB100,436 million to RMB111,961 million.

As Longyuan Power has been operating steadily for long and has recorded continuous profits during the reporting period (the year of 2018, 2019, 2020), the P/E ratio indicator has reference value. As power industry companies are assets intensive, the book value of net assets can effectively reflect the assets owned by enterprises actually, and thus the P/B ratio multiple based on book value has reference value.

LETTER FROM THE BOARD

1.3.1.3. Discounted cash flow method

Discounted cash flow method is the valuation method based on future forecast. Due to the lack of reliable cash flow or profit forecast data for the year 2020 and each of the subsequent year, the Transaction does not satisfy the criteria for valuation using the discounted cash flow method.

As Longyuan Power serves as the listed platform for wind power under CHN Energy in the future, its future development plans (such as business integration plan and installed capacity improvement plan) are greatly affected by the development strategy plan for overall energy sector of CHN Energy and national overall deployment policies for new energy power generation business, and the business plans of Longyuan Power are not merely affected by the market environment or supply and demand of power products, therefore, it is difficult to make a reasonable assumption on the profit forecast or cash flow forecast in a long run in the future under the assumption of perpetual growth.

Furthermore, as the Merger Parties of the Transaction are listed companies, prior to the completion of the Merger, subject to the listed regulation and commercial confidentiality limit, a more detailed financial information and future profits and cash flow forecast could not be provided and the announcement on the future profits and cash flow forecast may lead to unusual fluctuations in the share price. Among the large amount of the merger and acquisition transactions involved by both the A-share listed companies and companies listed on the Hong Kong Stock Exchange, the discounted cash flow method is not adopted in the determination of the appraisal value of companies listed on the Hong Kong Stock Exchange or their Issue Prices, such as the absorption and merger of China Gezhouba Group Stock Company Limited (600068.SH) through share swap by China Energy Engineering Corporation Limited (03996.HK), the absorption and merger of Sinotrans Air Transportation Development Corporation Limited (600270.SH) through share swap by Sinotrans Limited (0598.HK), the acquisition of ENN Energy Holdings Limited (2688.HK) by ENN Natural Gas Co., Ltd. (600803.SH), the acquisition of China Merchants Shekou Industrial Zone Holdings Co., Ltd. (001979.SZ) by Shenzhen Chiwan Wharf Holdings Limited (000022.SZ), etc.

LETTER FROM THE BOARD

1.3.1.4. Comparable transaction method analysis

The P/E ratio and P/B ratio level of the transaction were calculated by analyzing the transaction proposals disclosed since 1 January 2017 and the comparable transactions of purchase of assets through issuance of shares or purchase of wind power assets through cash payment which may constitute material asset reorganisation conducted by the A-share listed companies that had been completed as at 31 December 2020, and were compared with the P/E ratio and P/B ratio of Longyuan Power in the Transaction.

Selecting the cases of the transactions first disclosed and completed during the period from 1 January 2017 to 31 December 2020 by the A-share listed companies falling into the transactions in relation to ① the purchase of assets through the issuance of Shares, or ② the purchase of assets through cash payment, which constitutes the material asset reorganisation, in which, the subject assets acquired are engaged in the wind power generation business.

As the comparable analysis mainly takes into account the transactions in A-share market, in selecting the range of comparable transactions, we shall take into account that there should not be too large difference between the then average valuation level and the current average valuation level. The A-share market experienced sharp fluctuations in the overall valuation level from June 2014 to June 2016. Taking Wind Power Industry Index (882258.WI) as an example, the index continuously kept increasing from 1840.23 points on 30 May 2014 to a historical peak of 6325.95 points on 25 June 2015, and then rapidly decreased by more than 50% to 3039.68 points within one year until 30 June 2016. Subsequently, the industry valuation has been being gradually stable until now. In the range where the overall valuation level of the industry fluctuated sharply, the valuation of comparable transactions was also affected by the market condition at that time, which differed significantly from that for nowadays, and thus had a low referential value. Compared with the above range, Wind Power Industry Index (882258.WI) only has had slight fluctuation since 2017, which has higher referential value. The Power Industry Index closed at 3,261.37 points at the end of 2016 and at 3,304.45 points at the end of 2020, with an increase of only 1.32%, and a minimum of 3,221.54 points and a maximum of 3,406.96 points in such four years. The overall fluctuation was slight. Therefore, the range from 2017 up to present is appropriate.

LETTER FROM THE BOARD

As the analysis of the comparable transactions is essentially the valuation obtained by multiplying the comparable multiplier level of transactions during the historical period with the corresponding financial data such as profitability index and net asset index of Longyuan Power at present (as of 15 January 2021), thus it shall ensure that the valuation (multiples) of the power assets in the market during the selected historical period is not significantly different from the current one (as of 15 January 2021). Power Industry Index recorded sharp fluctuations from 2014 to 2016, which reflects the great change in the valuation multiples of the power assets in the market, which has a low reference value for the current valuation; the mean of the Power Industry Index prior to 2014 is obviously lower than the recent level, which reflects the lower valuation of the power assets in the overall market during the historical period, and using this range as a reference would systematically underestimate the value of Longyuan Power in the Transaction; the fluctuation of the Power Industry Index has slowed down since 2017, and the mean of the last four years was not much different from that at the end of 2020, either. Therefore, the year 2017–2020 was selected.

As Longyuan Power has been operated stably in a long run, and it continues to make profits during the reporting period, the P/E ratio indicator has reference value; as companies in the power industry are capital intensive, the book value of the net assets is able to reflect the asset condition actually owned by the enterprises, therefore, the P/B ratio multiples based on the book value has reference value.

(i) Formulas for calculating financial indicators

The formulas for calculating the financial indicators involved in the comparable company method in this report are as follows:

- i) $P/E \text{ Ratio} = \frac{\text{final valuation result of the market value of the total shareholders' equity of the target company}}{\text{net profit attributable to all the shareholders of the target company in the most recent accounting year disclosed in the announcement}}$;
- ii) $P/B \text{ Ratio} = \frac{\text{final valuation result of the market value of the total shareholders' equity of the target company}}{\text{net assets attributable to all the shareholders of the target company as at the end of the most recent period disclosed in the announcement}}$.

LETTER FROM THE BOARD

(ii) Valuation results of the comparable transaction method

RMB0'000

Acquisition parties	Transaction target	Target amount	P/E ratio	P/B ratio
Zhongmin Energy	100% equity interests of Zhongmin Wind Power	253,855.00	39.37x	2.07x
Yunnan Energy Investment	100% equity interests of Malong Company	27,190.00	22.37x	1.01x
	100% equity interests of Dayao Company	47,510.00	34.39x	1.05x
	100% equity interests of Huize Company	48,710.00	14.67x	1.24x
	70% equity interests of Luxi Company	26,890.00	12.10x	1.13x
Jiangnan Chemical Industry	100% equity interests of Dun'an New Energy ^{Note 2}	249,900.00	92.56x	1.33x
Shanghai Power	100% equity interests of Jiangsu Power	301,083.63	25.95x	1.26x
Sichuan New Energy Power	55% equity interests of Sichuan Energy Investment	148,234.61	25.68x	1.18x
Minimum value			12.10x	1.01x
Mean			24.93x	1.28x
Median			25.68x	1.21x
Maximum value			39.37x	2.07x

Note 1: Source: Wind and announcements of relevant companies.

Note 2: As the P/E Ratio of Dun'an New Energy is significantly higher than other comparable transactions, it is excluded in the assessment through the P/E Ratio of the comparable transactions. In the case of Dun'an New Energy, the P/B ratio is 1.33x, which is not much different from other comparable transactions. However, due to Dun'an New Energy recorded continuous loss before the transaction, and under the basis of the preparation of its simulated financial statements, the company turned loss into gain just at the time when the transaction took place, Dun'an New Energy is therefore not a company that has continued to make steady growth in profitability, so the referential value of P/E ratio indicator is relatively low.

Note 3: The principal business of each of the above transaction targets is wind power generation.

Note 4: "Target amount" refers to "the appraisal value of the total shareholders' equity of the target company as at the Valuation Benchmark Date." The difference between such amount and the transaction consideration is attributed to what the listed company acquired may only be the acquisition of a controlling stake (i.e. 55% or 70% of the shares) rather than the 100% equity interests of the target company. Thus, both the P/E ratio and P/B ratio shall be calculated based on the corresponding appraisal value of the total shareholders' equity.

LETTER FROM THE BOARD

Note 5: The comparable transactions specified in the circular cover all cases of transactions that meet the selection criteria.

When the comparable transaction P/E ratio was used as the reference valuation indicator, the value of the entire equity interests of the Shareholders of Longyuan Power ranged from RMB52.333 billion to RMB170.275 billion.

When the comparable transaction P/B ratio was used as the reference valuation indicator, the value of the entire equity interests of the Shareholders of Longyuan Power ranged from RMB53.452 billion to RMB109.550 billion.

1.3.1.5. Summary

The mean of the lower limit of interval of valuation through P/E ratio method and P/B ratio method of comparable companies is regarded as the lower limit of the interval ultimately selected through the comparable company method. The mean of the upper limit of the interval of valuation through P/E ratio method and P/B ratio method is regarded as the upper limit of the interval ultimately selected through the comparable company method. The interval of entire equity interest value of the Shareholders of Longyuan Power analyzed through comparable company method ranged from RMB110.427 billion to RMB123.919 billion.

RMB'00 million

Method	Lower limit of interval of valuation	Upper limit of interval of valuation
Comparable company method – P/E Ratio	1,204.17	1,358.76
Comparable company method – P/B Ratio	1,004.36	1,119.61
Final conclusion under comparable company method	1,104.27	1,239.19

The mean of the lower limit of interval of valuation through comparable transaction P/E ratio method and P/B ratio method is regarded as the lower limit of the interval ultimately selected through the comparable transaction method. The mean of the upper limit of the interval of valuation through comparable transaction P/E ratio method and P/B ratio method is regarded as the upper limit of the interval ultimately selected through the comparable company method. The interval of entire equity

LETTER FROM THE BOARD

interest value of the Shareholders of Longyuan Power analyzed through comparable transaction method ranged from RMB52.892 billion to RMB139.913 billion.

RMB'00 million

Method	Lower limit of interval of valuation	Upper limit of interval of valuation
Comparable transaction method – P/E Ratio	523.33	1,702.75
Comparable transaction method – P/B Ratio	534.52	1,095.51
Final conclusion under comparable transaction method	528.92	1,399.13

According to the above results, if the mean value of the lower limit of the interval of valuation through comparable transaction method and that through comparable company method is regarded as the ultimate lower limit of interval and the mean value of the upper limit of the interval of valuation through comparable transaction method and that through comparable company method is regarded as the ultimate upper limit of interval, then the interval of valuation of entire equity interest value of the Shareholders of Longyuan Power ranged from RMB81.659 billion to RMB131.916 billion.

RMB'00 million

Method	Lower limit of interval of valuation	Upper limit of interval of valuation
Comparable company method	1,104.27	1,239.19
Comparable transaction method	528.92	1,399.13
Final conclusion	816.59	1,319.16

According to the Plan for Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. Through Share Swap by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets Through Cash Payment and Related Party Transaction (《龍源電力集團股份有限公司換股吸收合併內蒙古平莊能源股份有限公司及重大資產出售及支付現金購買資產暨關聯交易預案》) considered and approved at the thirteenth meeting of the eleventh session of the Board of Pingzhuang Energy on 15 January 2021, the Issue

LETTER FROM THE BOARD

Price of the A Shares of Longyuan Power is RMB11.42 per Share. As at 15 January 2021, the closing price of H Shares of Longyuan Power was HK\$10.32 per Share, equivalent to RMB8.60 per Share (based on the median RMB exchange rate of HK\$1: RMB0.8336 quoted by the People's Bank of China on 15 January 2021).

As at 15 January 2021, the total share capital of Longyuan Power is 8,036,389,000 Shares, consisting of 3,340,029,000 H Shares and 4,696,360,000 Domestic Shares. With the Issue Price of A Shares of Longyuan Power corresponding to the equity value of the Shareholders of Domestic Shares of Longyuan Power, and the price of H Shares corresponding to the equity value of the Shareholders of H Shares of Longyuan Power, the equity value of the Shareholders of ordinary shares of Longyuan Power is RMB82.367 billion, falling within the above valuation interval ranging from RMB81.659 billion to RMB131.916 billion.

On 28 May 2021, an annual general meeting was held by Longyuan Power, at which, the annual profit distribution plan for the year 2020 was considered and approved for distributing the cash dividend of RMB0.1176 per Share (tax inclusive) to Shareholders whose names appear on the register of members of Longyuan Power on 7 June 2021. Pursuant to the above annual profit distribution plan, the Issue Price of Shares under the Absorption and Merger through Share Swap shall be adjusted by Longyuan Power on the ex-right or ex-dividend basis and the adjusted Issue Price is RMB11.30 per Share.

Since the valuation range under the comparable companies method falls within the valuation range under the comparable transactions method, with limited scope, in such case, it is usually possible to select (1) the union set of the results under the two valuation methods, or (2) the intersection of the results under the two valuation methods, or (3) the range between the average of the lower limits and the average of the upper limits of the results under the two valuation methods as the final valuation results. If method (1) is selected, the effect of the valuation results under comparable companies method will not be considered and the final range selected will be too large and the valuation range will be less meaningful for reference; if method (2) is selected, the effect of the valuation results under comparable transaction method will not be considered and the final range selected will be too dependent on the results under comparable companies method. Therefore, in order to take into account comprehensively the effects of the results under the two

LETTER FROM THE BOARD

valuation methods, the average of the lower valuation limits is selected as the final lower valuation limit and the average of the upper valuation limits is selected as the final upper valuation limit. Such selection method is reasonable. The method for this valuation is reasonable and in accordance with market practice, and acceptable by the market.

In summary, the Board of the Company is of the view that in the Transaction, the Issue Price of Longyuan Power was determined based on the principle of taking into account the interests of the shareholders of the Merger Parties, comprehensive consideration of the valuation level of comparable companies and comparable transactions in the industry, the overall business conditions, profitability, growth prospects, anti-risk ability and other factors of the Merger Parties. The valuation is reasonable and the pricing is fair.

1.3.2. Analysis on the Rationality of Conversion Price of Shares of Pingzhuang Energy

1.3.2.1 Comparison between Conversion Price and historical price

During Absorption and Merger through Share Swap, the Conversion Price of holders of A Shares of Pingzhuang Energy is based on the average transaction price of A Shares of Pingzhuang Energy for 20 trading days prior to the Pricing Benchmark Date, i.e. on the basis of RMB3.50/Share, and a 10% conversion premium rate on such basis was recognized, i.e. RMB3.85/Share. If Pingzhuang Energy issues cash dividends, share dividends, conversion of capital reserve into share capital, allotment of dividends or in the event of ex-right and ex-dividend matters from Pricing Benchmark Date to the conversion date (both days inclusive), the Conversion Price mentioned above will be adjusted accordingly. In addition, the Conversion Price is no longer subject to adjustment.

LETTER FROM THE BOARD

The Conversion Price has a certain premium over the closing price of the last trading day before the suspension of Pingzhuang Energy, the average price in the last 20 trading days, the average price in the last 60 trading days and the average price in the last 120 trading days. Details of which are as follows:

Benchmark price	Stock price (RMB/Share)	Premium of Conversion Price over historical price
Closing price one day before suspension	3.61	6.65%
Average price in the last 20 trading days	3.50	10.00%
Average price in the last 60 trading days	3.25	18.46%
Average price in the last 120 trading days	2.95	30.51%

Note 1: Source: Wind.

Note 2: The average transaction price is calculated by dividing the total transaction amount of Pingzhuang Energy's shares by the total transaction volume during the calculation period.

- 1.3.2.2. Conversion premium making adequate reference to the conversion premium level of the same type of transactions through Absorption and Merger through Share Swap in recent years

During the Absorption and Merger through Share Swap, if the Conversion Price of the shareholders of Pingzhuang Energy is calculated based on the average transaction price of shares of Pingzhuang Energy 20 trading days prior to the Pricing Benchmark Date, i.e. on the basis of RMB3.50/Share, the conversion premium rate with Conversion Price on such basis of RMB3.85/Share would be 10%.

LETTER FROM THE BOARD

Pingzhuang Energy, a party to be merged in the Transaction, is an A-share listed company. Comparable transactions of A-share listed companies, being merged parties in recent years, were selected for analysis. In such type of transactions the comparison between the conversion price of the merged parties and the premium rate of the average transaction price of shares of merged parties 20 trading days prior to the announcement date of the resolution of the first board of directors of the merged parties is as follows:

Unit: RMB/Share

Transaction type of merger and absorption	Pricing benchmark date	Name of transaction	Average price of 20 trading days prior to the pricing benchmark date	Conversion price	Premium ratio of conversion price
H-share listed company mergers and absorbs A-share listed company	2 September 2006	Weichai Power (2338.HK) merges and absorbs Torch (000549.SZ)	4.88	5.80	18.85%
H-share listed company mergers and absorbs A-share listed company	8 December 2006	Chalco (2600.HK) merges and absorbs Lanzhou Aluminium (600296.SH)	9.26	11.88	28.29%
H-share listed company mergers and absorbs A-share listed company	8 December 2006	Chalco (2600.HK) merges and absorbs Shandong Aluminium (600205.SH)	15.84	20.81	31.38%
H-share listed company mergers and absorbs A-share listed company	31 August 2007	Shanghai Electric (2727.HK) merges and absorbs Shanghai Power Transmission & Distribution (600627.SH)	26.65	35.00	31.33%
A-share listed company mergers and absorbs A-share listed company	5 November 2007	Pangang Steel and Vanadium (000629.SZ) merges and absorbs Panyu Titanium (000515.SZ)	14.14	17.08	20.79%
A-share listed company mergers and absorbs A-share listed company	5 November 2007	Pangang Steel and Vanadium (000629.SZ) merges and absorbs Great Wall Holding (000569.SZ)	6.50	7.85	20.79%
A-share listed company mergers and absorbs A-share listed company	26 December 2008	Salt Lake Potash (000792.SZ) merges and absorbs Salt Lake Group (000578.SZ)	25.46	25.46	0.00%

LETTER FROM THE BOARD

Transaction type of merger and absorption	Pricing benchmark date	Name of transaction	Average price of 20 trading days prior to the pricing benchmark date	Conversion price	Premium ratio of conversion price
A-share listed company mergers and absorbs A-share listed company	30 December 2008	Tangsteel Holdings (000709.SZ) merges and absorbs Chengde Vanadium and Titanium (600357.SH)	5.76	5.76	0.00%
A-share listed company mergers and absorbs A-share listed company	30 December 2008	Tangsteel Holdings (000709.SZ) merges and absorbs Handan Iron and Steel (600001.SH)	4.10	4.10	0.00%
A-share + H-share listed company mergers and absorbs A-share listed company	13 July 2009	China Eastern Airlines (600115.SH,0670.HK) merges and absorbs Shanghai Airlines (600591.SH)	5.50	6.88	25.00%
A-share listed company mergers and absorbs A-share listed company	16 October 2009	Shanghai Pharmaceuticals (601607.SH) merges and absorbs Shangshi Pharmaceutical (600607.SH)	19.07	19.07	0.00%
A-share listed company mergers and absorbs A-share listed company	16 October 2009	Shanghai Pharmaceuticals (601607.SH) merges and absorbs Zhongxi Pharmaceuticals (600842.SH)	11.36	11.36	0.00%
H-share listed company mergers and absorbs A-share listed company	5 June 2010	BBMG (2009.HK) merges and absorbs Taihang Cement (600553.SH)	10.09	10.8	7.04%
A-share listed company mergers and absorbs A-share listed company	4 November 2010	Friendship Group (600827.SH) merges and absorbs Bailian Group (600631.SH)	13.53	13.53	0.00%
A-share listed company mergers and absorbs A-share listed company	14 December 2010	Jinan Iron & Steel (600022.SH) merges and absorbs Laiwu Steel (600102.SH)	7.18	8.35	16.27%
H-share listed company mergers and absorbs A-share listed company	31 December 2010	CCCC Holding (1800.HK) merges and absorbs Road & Bridge International (600263.SH)	11.81	14.53	23.03%

LETTER FROM THE BOARD

Transaction type of merger and absorption	Pricing benchmark date	Name of transaction	Average price of 20 trading days prior to the pricing benchmark date	Conversion price	Premium ratio of conversion price
H-share listed company mergers and absorbs A-share listed company	21 March 2011	GAC Group (2238.HK) merges and absorbs GAC Changfeng (600991.SH)	12.65	14.55	15.00%
A-share + H-share listed company mergers and absorbs A-share listed company	28 March 2012	Guangzhou Pharmaceutical (600332.SH, 0874.HK) merges and absorbs Baiyunshan (000522.SZ)	11.55	11.55	0.00%
A-share listed company mergers and absorbs A-share listed company	5 May 2012	China Meheco (600056.SH) merges and absorbs Topfond Pharmaceutical (600253.SH)	6.39	6.39	0.00%
Non-listed company mergers and absorbs A-share listed company	28 March 2013	Midea Group merges and absorbs Midea Holding (000527.SZ)	9.46	15.96	68.71%
Non-listed company mergers and absorbs A-share listed company	26 July 2014	Shenyin & Wanguo merges and absorbs Hongyuan Securities (000562.SZ)	8.30	9.96	20.00%
A-share listed company mergers and absorbs A-share listed company	22 November 2014	BesTV (600637.SH) merges and absorbs Oriental Pearl (600832.SH)	10.75	10.75	0.00%
A-share + H-share listed company mergers and absorbs A-share + H-share listed company	31 December 2014	CSR (601766.SH, 1766.HK) merges and absorbs CNR (601299.SH)	5.92	6.19	4.56%
Non-listed company mergers and absorbs A-share listed company	28 April 2015	Wens Foodstuff Group merges and absorbs Dahuanong (300186.SZ)	8.33	13.33	60.00%

LETTER FROM THE BOARD

Transaction type of merger and absorption	Pricing benchmark date	Name of transaction	Average price of 20 trading days prior to the pricing benchmark date	Conversion price	Premium ratio of conversion price
Non-listed company mergers and absorbs A-share listed company	18 September 2015	China Merchants Shekou merges and absorbs China Merchants Property A (000024.SZ)	28.22	38.1	35.01%
A-share listed company mergers and absorbs A-share listed company	25 February 2016	Great Wall Computer (000066.SZ) merges and absorbs Great Wall Information (000748.SZ)	36.26	24.09	-33.56%
A-share listed company mergers and absorbs A-share listed company	23 September 2016	Baosteel (600019.SH) merges and absorbs WISCO (600005.SH)	2.86	2.58	-10.00%
Non-listed company mergers and absorbs A-share listed company	15 June 2017	China Merchants Highway merges and absorbs Huabei Expressway (000916.SZ)	4.73	5.93	25.40%
H-share listed company mergers and absorbs A-share listed company	1 March 2018	Sinotrans (0598.HK) merges and absorbs Sinotrans Air Transportation Development (600270.SH)	16.91	20.63	22.00%
A-share listed company mergers and absorbs A-share listed company	24 October 2018	Midea Group (000333.SZ) merges and absorbs Little Swan A (000418.SZ)	46.28	50.91	10.00%
A-share listed company mergers and absorbs A-share listed company	10 December 2018	Xinhu Zhongbao (600208.SH) merges and absorbs Xinhu Venture Investment (600840.SH)	7.11	7.11	0.00%
A-share + H-share listed company mergers and absorbs A-share listed company	8 July 2020	Dalian Port (601880.SH, 2880.HK) merges and absorbs Yingkou Port (600317.SH)	2.16	2.59	20.00%

LETTER FROM THE BOARD

Transaction type of merger and absorption	Pricing benchmark date	Name of transaction	Average price of 20 trading days prior to the pricing benchmark date	Conversion price	Premium ratio of conversion price
H-share listed company mergers and absorbs A-share listed company	28 October 2020	China Energy Engineering (3996.HK) merges and absorbs Gezhoubu (600068.SH)	6.04	8.76	45.00%
Minimum value					-33.56%
Mean					15.30%
Median					16.27%
Maximum value					68.71%

Note:

1. Source: Wind, announcement of relevant companies.
2. The comparable transactions specified in the circular cover all cases of transactions that meet the selection criteria.
3. The level of premium rates of conversion mainly examines the extent at which the Conversion Shareholders of the merged party is willing to accept the premium of the conversion compared with the opportunity cost of selling their shares in the secondary market. The indicator is directly compared with the secondary market price of stocks, not financial indicators, and its correlation with the market environment is relatively low. Therefore, cases with longer duration where data can be obtained for analysis were selected as far as possible. Due to the long period of time, the difficulty of data acquisition of the transaction cases before 2006 has been further increased. It is difficult to completely obtain lots of transaction information through public channels. Therefore, the transactions since 2006 have been selected taking into account the difficulty of data acquisition.

As known in the above table, in the case of comparable transactions, the average and median of conversion price of the merged parties over the average premium rate for 20 trading days were 15.30% and 16.27%, respectively. The conversion price of Pingzhuang Energy was RMB3.85/Share, representing a premium of 10% over the average of 20 trading days, taking into consideration the continuous losses of Pingzhuang Energy. The premium level was slightly lower than the average conversion premium level of the same type of transactions, which was reasonable.

LETTER FROM THE BOARD

As to the reference of the premium rates of conversion, it is primarily for the purpose of referring to the level of premium generally granted to the shareholders of the merged party relative to the average share price of the recent 20 days in historical transactions, so that such prices are more “fair” to the shareholders of the merged party, and the Transaction is more likely to be approved by the general meeting of the merged party. According to these purposes, it can be seen that the premium rates for similar transactions were not selected for the purpose of evaluating the absolute value of shareholders’ equity of Pingzhuang Energy, so it has a low correlation with the selection of the reference interval (in fact, it can be seen from the table that there is no significant trend between the premium rate and the transaction time). Therefore, the Company considers that the selected reference interval is suitable for comparable analysis. The transactions selected are all transactions in which the merged parties have issued A shares, which are similar to the Transaction, and are subject to the approval of the A shareholders’ class meeting. Therefore, it can be used as a reference for the A shareholders on what premiums the merged parties generally need to be given in the transaction of merger and absorption.

- 1.3.2.3. Premium from conversion of shares fully taking into account the changes in price of the A-share market and comparable listed companies during the suspension period

During the period from 31 December 2020 (being the trading day immediately before the suspension of trading) to 15 January 2021 (being the date on which the board of directors of Pingzhuang Energy was first convened), there was a certain degree of changes in the A-share market, the index of such industry and the share price of comparable listed companies of Pingzhuang Energy. During this period, SZSE Composite Index (399106.SZ) increased by 1.61%, Wind Coal Index (886003.WI) decreased by 1.61%, the mean and median of range of share price changes of A Share coal mining industry comparable companies were -9.88% and -10.84%. The premium rate of Share conversion of Pingzhuang Energy is higher than the index during the suspension period and the range of changes of comparable companies, which fully covered the opportunity cost of shares held by investors of Pingzhuang Energy. Even after considering the average price change of comparable companies was -9.88%, the premium rate is calculated at $10\% - (-9.88\%) = 19.88\%$, still within the range of the comparable transaction premium rates, and not far from the average value of 15.30% and 16.27%. Secondly, considering that as of 17 June 2021, before Pingzhuang Energy reviewed the formal plan for the transaction, the closing price of Pingzhuang Energy has increased to RMB5.40 per share, a significant

LETTER FROM THE BOARD

increase from that of the Pricing Benchmark Date, therefore, the Conversion Price at RMB3.85 per share would not harm the interests of the shareholders of Longyuan Power.

From 31 December 2020 to 11 June 2021, the lowest point and the highest point of SZSE Composite index is 2,130.09 point and 2,511.98 point, respectively; the lowest point and the highest point of Wind Coal Index is 3,886.85 point and 5,429.59 point, respectively.

Type	Name of Companies	Stock Code	Closing Price (RMB/Share)/ Closing Index		Range of Changes during the Period
			One Trading Day before Suspension	One Trading Day before Pricing Benchmark Date	
			2020/12/31	2021/1/15	
Comparable companies	Jingyuan Coal Industry	000552.SZ	3.21	2.80	-12.77%
	Yanzhou Coal Mining	600188.SH	10.07	10.00	-0.70%
	Shanxi Coal International	600546.SH	8.51	6.88	-19.15%
	Hengyuan Coal Industry	600971.SH	6.29	5.65	-10.17%
	Datong Coal Industry	601001.SH	6.30	5.39	-14.44%
	China Shenhua	601088.SH	18.01	18.73	4.00%
	China Coal Energy	601898.SH	4.45	4.71	5.84%
	Shaanxi Coal Industry	601225.SH	9.34	10.72	14.78%
	Open-pit Coal Industry	002128.SZ	10.94	9.98	-8.78%
	Dayou Energy	600403.SH	5.59	4.27	-23.61%
	Shanghai Energy	600508.SH	10.14	9.22	-9.07%
	Xinji Energy	601918.SH	3.13	2.77	-11.50%
	* ST Zhengzhou Coal	600121.SH	9.32	6.85	-26.50%
	Hongyang Energy	600758.SH	4.04	2.98	-26.24%
	Mean				-9.88%
	Median				-10.84%
Index	SZSE Composite Index	399106.SZ	2,329.37	2,366.86	1.61%
	Wind Coal Index	886003.WI	4,295.46	4,226.21	-1.61%

LETTER FROM THE BOARD

Notes:

1. Source: Wind and announcements of relevant companies.
2. The comparable transactions specified in the circular cover all cases of transactions that meet the selection criteria.

The price of Cash Alternative of RMB3.50 per share is the average price of the share trading for the 20 days prior to the Pricing Benchmark Date of Pingzhuang Energy, which reflects the pricing level given by the market based on the public information of the market in the case that the Transaction has not been disclosed, that is, the price that the shareholders of Pingzhuang Energy can obtain in selling their shares in the secondary market. It can reflect, in the absence of the Transaction, the market's valuation on Pingzhuang Energy, that is, the opportunity cost of Dissenting Shareholders in the secondary market, therefore, the Company considers it as fair and reasonable. Meanwhile, the price for Cash Alternative of Dissenting Shareholders of Pingzhuang Energy is set to be lower than the Conversion Price, which is also conducive to promoting the active participation of the shareholders of Pingzhuang Energy in the Share Swap, and the sharing of long-term integration dividends of both parties of the Merger by all shareholders of Pingzhuang Energy.

In light of the above, the Board of the Company is of the view that the determination of the Conversion Price of the Pingzhuang Energy, the merged party, is based on historical market prices before the suspension, fully taking into account various factors such as the historical premium level and the capital market environment, which is in line with the relevant market regulations, with fair and reasonable pricing.

1.4. Profit Forecast in Relation to the Valuation of the Assets to be Disposed of and the Assets to be Purchased

Pursuant to the Valuation Report on the Assets to be Disposed of, the Assets to be Disposed of involves four mining rights, including Fengshuigou mining rights, Laogongyingzi mining rights, Liujia mining rights and Xilutian mining rights. The mining rights included in the valuation scope of the Assets to be Disposed of have been appraised by China United Appraisal, which was engaged by Pingzhuang Energy. The cash flow method has been adopted for the valuation. The total appraisal values of the four mining rights are RMB431,998,500, in which, the appraisal value of Fengshuigou mining rights is RMB0.00, and the appraisal value of Laogongyingzi mining rights is RMB394,534,100, and the appraisal value of Liujia mining rights is RMB37,464,400 and the appraisal value of Xilutian mining rights is RMB0.00. Such

LETTER FROM THE BOARD

valuation is considered as the profit forecast for the four mining rights under Rule 14.61 of the Listing Rules. The Company sets out the following key assumptions on which the valuation of the mining rights of the Assets to be Disposed of is based in accordance with Rule 14.60A of the Listing Rules.

Key assumptions on the appraisal value of Fengshuigou mining rights

(i) The relevant policies, laws and systems followed has no major change but remain current status and the related social, political and economic environment and the mining technology and conditions, etc. followed have no major change but remain current status; (ii) the operation is continued legally based on the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level; (iii) the price, cost and expense, tax rate and interest rate will change within the normal range during the earning period of mining development; (iv) the mining license shall be statutorily extended upon its expiry, in which, the relevant possible expenses from the extension and registration of the mining license upon its expiry are not taken into account; (v) this valuation result does not take into account the impact of the possible mortgage, guarantee and additional value that may be paid by special transaction parties on the appraisal value. This valuation result does not take into account the influence of changes in national macroeconomic policies, natural force, other force majeure and unpredictable factors which may affect the appraisal value, either.

Key assumptions on the appraisal value of Laogongyingzi mining rights

(i) The relevant policies, laws and systems followed has no major change but remain current status and the related social, political and economic environment and the mining technology and conditions, etc. followed have no major change but remain current status; (ii) the operation is continued legally based on the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level; (iii) the price, cost and expense, tax rate and interest rate will change within the normal range during the earning period of mining development; (iv) within the service life of mine calculated in this valuation, enterprises are able to apply for the reduction preferential of coal resource tax for the decaying coal mine (the remaining service life being less than 5 years) on normal basis; (v) the mining license shall be statutorily extended upon its expiry, in which, the relevant possible expenses from the extension and registration of the mining license upon its expiry are not taken into account; (vi) this valuation

LETTER FROM THE BOARD

result does not take into account the impact of the possible mortgage, guarantee and additional value that may be paid the impact of by special transaction parties on the appraisal value. This valuation result does not take into account the influence of changes in national macroeconomic policies, natural force, other force majeure and unpredictable factors which may affect the appraisal value, either.

Key assumptions on the appraisal value of Liujia mining rights

(i) The relevant policies, laws and systems followed has no major change but remain current status and the related social, political and economic environment and the mining technology and conditions, etc. followed have no major change but remain current status; (ii) the operation is continued legally based on the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level; (iii) the price, cost and expense, tax rate and interest rate will change within the normal range during the earning period of mining development; (iv) this valuation result does not take into account the impact of the possible mortgage, guarantee and additional value that may be paid by special transaction parties on the appraisal value. This valuation result does not take into account the influence of changes in national macroeconomic policies, natural force, other force majeure and unpredictable factors which may affect the appraisal value, either.

Key assumptions on the appraisal value of Xilutian mining rights

(i) The relevant policies, laws and systems followed has no major change but remain current status and the related social, political and economic environment and the mining technology and conditions, etc. followed have no major change but remain current status; (ii) the operation is continued legally based on the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level; (iii) the price, cost and expense, tax rate and interest rate will change within the normal range during the earning period of mining development; (iv) within the service life of mine calculated in this valuation, enterprises are able to apply for the reduction preferential of coal resource tax for the decaying coal mine (the remaining service life being less than 5 years) on normal basis; (v) the mining license shall be statutorily extended upon its expiry, in which, the relevant possible expenses from the extension and registration of the mining license upon its expiry are not taken into account; (vi) this valuation result does not take into account the impact of the possible mortgage, guarantee and additional value that may be paid by special transaction parties on the appraisal value. This valuation result does not take into account the influence of changes in national macroeconomic policies, natural force, other force majeure and unpredictable factors which may affect the appraisal value, either.

LETTER FROM THE BOARD

As income approach was adopted for the valuation of the Assets to be Purchased, the valuation is considered as a profit forecast under Rule 14.61 of the Listing Rules. The Company sets out the following key assumptions on which the valuation of the Assets to be Purchased is based in accordance with Rule 14.60A of the Listing Rules.

No.	Assets to be Purchased	Key Assumptions
1	100% equity interests in Northeast New Energy	Please refer to “IX. Valuation Assumptions” of the Summary of Valuation Report on Assets to be Purchased in Appendix II to the circular on page 198
2	100% equity interests in Dingbian New Energy	Please refer to “IX. Valuation Assumptions” of the Summary of Valuation Report on Assets to be Purchased in Appendix II to the circular on page 254
3	100% equity interests in Guangxi New Energy	Please refer to “IX. Valuation Assumptions” of the Summary of Valuation Report on Assets to be Purchased in Appendix II to the circular on page 294
4	100% equity interests in Yunnan New Energy	Please refer to “IX. Valuation Assumptions” of the Summary of Valuation Report on Assets to be Purchased in Appendix II to the circular on page 332
5	100% equity interests in Gansu New Energy	Please refer to “IX. Valuation Assumptions” of the Summary of Valuation Report on Assets to be Purchased in Appendix II to the circular on page 371
6	100% equity interests in Tianjin Jieneng	Please refer to “IX. Valuation Assumptions” of the Summary of Valuation Report on Assets to be Purchased in Appendix II to the circular on page 490
7	100% equity interests in Inner Mongolia New Energy	Please refer to “IX. Valuation Assumptions” of the Summary of Valuation Report on Assets to be Purchased in Appendix II to the circular on page 451
8	100% equity interests in Shanxi Jieneng	Please refer to “IX. Valuation Assumptions” of the Summary of Valuation Report on Assets to be Purchased in Appendix II to the circular on page 413

LETTER FROM THE BOARD

EY, the auditor of the Company, has confirmed that they have checked the arithmetical accuracy of the calculation of the relevant forecast made using income approach in the valuation. CLSA, the financial adviser of the Company, has reviewed the relevant valuation reports and discussed with the directors the key assumptions on which the relevant valuation reports were based. CLSA is of the opinion that the relevant forecast, for which the directors are solely responsible, has been made by the directors after due and careful enquiry. The letters issued by EY and CLSA are enclosed in the Appendixes IV and V to this circular.

1.5. REASONS FOR AND BENEFITS OF THE TRANSACTION

1.5.1. Aligning with the national new energy development strategy, consolidating and enhancing the industry leading position and international competitiveness of Longyuan Power

Since the beginning of the 21st century, a new round of energy reform has sprung up around the world. It is the common mission of all countries around the world to solve the problem of sustainable energy supply and cope with climate change, and promote the transformation of human society from industrial civilization to ecological civilization. In 2016, more than 170 countries around the world jointly signed the Paris Agreement to cope with climate change and improve the sustainable development of global civilization. Under this framework, various countries around the world have formulated energy transformation strategies, put forward higher energy efficiency targets, formulated more active low-carbon policies, constantly sought for low-cost clean energy alternatives, and promoted the development of renewable energy and the transformation of green and low-carbon economy. It has become a global consensus for energy development to follow the path of green and low-carbon development and gradually shift the focus from fossil energy to clean energy such as wind, solar and hydro power.

As the world's largest energy producer and consumer, China is also the largest emitter of carbon dioxide. If China fails to achieve "carbon neutrality" as early as possible, it will have to pay huge carbon emission costs in the future. In the meanwhile, China has rich reserves of wind energy resources, and the utilization of wind power generation has obvious benefits of energy conservation, emission reduction and environmental protection, which is conducive to the transformation of China's energy structure to low-carbonization and non-carbonization.

LETTER FROM THE BOARD

In 2014, the Party Central Committee, with President Xi Jinping at its core, put forward the new energy security strategy of “Four revolutions & One cooperation”, which pointed out the direction for China’s energy transformation. Under the guidance of this strategy, China has made remarkable achievements in wind power development in recent years, with its installed capacity ranking first in the world. As at the end of 2020, the installed capacity of wind power has reached 281.72 million kW. However, given China’s total installed power capacity of 2.1 billion kW and the total energy consumption of standard coal of 5 billion tons, the proportion of non-fossil energy in primary energy consumption is only 15.3%, which is still lower than the world average. Since September 2020, President Xi Jinping has stated to the world on a series of important international occasions that China will accelerate its green transformation and development. On 22 September 2020, President Xi Jinping made a solemn promise to the world in the general debate of the 75th session of the General Assembly of the United Nations that “China will increase its nationally determined contributions, adopt more forceful policies and measures, strive to reach the peak of carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060.” In December 2020, at the Climate Ambition Summit, President Xi Jinping emphasized again in an important speech that “By 2030, China’s carbon dioxide emissions per unit of GDP will decrease by more than 65% from the level in 2005, and the non-fossil energy will account for about 25% of primary energy consumption..... The total installed capacity of wind power and solar power will reach more than 1.2 billion kW.”

Meanwhile, in recent years, the state has introduced various policies to encourage the state-owned enterprises to merge and reorganize, and support the enterprises to utilize the capital market for mergers and reorganizations to promote industry integration and industrial upgrading. In order to implement the decision and deployment of the Party Central Committee and the State Council on the reform of state-owned enterprises, Longyuan Power and Pingzhuang Energy intend to further promote the internal resource allocation intensification and business development synergy through the Merger, giving play to the advantages of the whole industry chain in related fields, highlighting the development of related competitive industries, improving the level of value creation of the Company, and consolidating and enhancing the industry leading position and international competitiveness of Longyuan Power.

LETTER FROM THE BOARD

1.5.2. Being conducive to broadening financing channels and enhancing competitive advantages of the Company

Upon the completion of the Transaction, Longyuan Power, as the Surviving Company, will become A + H dual listing and can conduct capital operation in both H share market and A share market, so as to open up financing channels in and outside of the PRC. As the investment and financing instruments in the A share market have been constantly evolving, the investment and financing activities are rather active and the overall valuation of A shares represents a premium over that of H shares, it can provide strong capital support for the business development and merger and acquisition of Longyuan Power in the future. In addition, returning to the A share market can also further enhance the influence of the brand of Longyuan Power, promote its business development and the effective interaction between it and the capital market, as well as its long-term development in the future and protect the overall interests of all its Shareholders.

1.5.3. Being conducive to reducing horizontal competition and realizing resource integration

Longyuan Power is a listed company platform for the new energy segment of CHN Energy. The Merger and the injection of new energy assets of CHN Energy through the Assets Disposal and the Purchase through Cash are conducive to easing the horizontal competition between Longyuan Power and CHN Energy in the new energy sector, enhancing the independence of the listed company, so as to promote the healthy and sound development of the listed company. The reorganization of the new energy segment, being consistent with the strategic positioning of the CHN Energy to construct its eight business segments, will facilitate the further integration, expansion as well as improvement of the new energy segment of CHN Energy, so as to build Longyuan Power into a world-class listed new energy company.

Prior to the Transaction, Longyuan Power, the merging party of the Transaction, was primarily engaged in the design, development, construction, management and operation of wind farms. As at the end of 2020, the consolidated installed capacity of Longyuan Power was 24,681 MW, of which the consolidated installed capacity of wind power was 22,303 MW, representing 90.37%. Its domestic market share ranks first in China and it is also the world's largest wind power operator. The principal business of the Assets to be Purchased (including 8 target assets) in the Transaction is the construction and operation of wind power generation project, which is well matched with the existing principal

LETTER FROM THE BOARD

business of Longyuan Power. After several years of development, Longyuan Power has accumulated extensive experience in the development, operation, management and other aspects of wind power generation project, and possesses a sound and efficient business management system. After the injection of 8 target assets, Longyuan Power can integrate these projects into its existing business system, which is conducive to realizing coordination and optimizing resource allocation at the project management level. At the same time, in terms of project development, Longyuan Power can make use of its own advantages of integrating resources and combine with the local business accumulated by the target companies to make joint efforts to expand new projects, expand business areas and achieve more efficient business expansion.

Upon completion of the Transaction, Longyuan Power, as the Surviving Company, will become A + H dual listing and can conduct capital operation in both H share market and A share market, so as to open up financing channels in and outside of the PRC, which can provide strong capital support for the business development and merger and acquisition of the Company in the future, and is conducive to the business development and brand construction of the Company. In addition, upon completion of the acquisition and integration of the Assets to be Purchased in this Transaction, the wind power installed capacity, revenue and profit of Longyuan Power will be further improved, and thus it can remain the leading position in the industry.

Therefore, the Transaction can promote the internal resource allocation intensification and business development synergy and give play to the advantages of the whole industry chain in related field.

As the investment and financing instruments in the A share market have been constantly evolving, the investment and financing activities are rather active and the overall valuation of A shares represents a premium over that of H shares, it can provide strong capital support for the business development and merger and acquisition of Longyuan Power in the future. In addition, returning to the A share market can also further enhance the influence of the brand of Longyuan Power, promote its business development and the effective interaction between it and the capital market, as well as the its long-term development in the future and protect the overall interests of all its shareholders. The Company is a listed company platform for the new energy segment of CHN Energy. The Merger and Acquisition and the injection of new energy assets of CHN Energy through

LETTER FROM THE BOARD

the Assets Disposal and the Purchase through Cash are conducive to easing the horizontal competition between Longyuan Power and CHN Energy in the new energy sector, and enhancing the independence of the listed company, so as to promote the healthy and sound development of the listed company.”

Through the Transaction, Longyuan Power, as the Surviving Company, will become A + H dual listing and can conduct capital operation in both H share market and A share market, adding new financing channels in domestic capital market (such as issuing additional shares in the A share market to raise funds), which can provide strong capital support for the business development and merger and acquisition of Longyuan Power in the future. In addition, it will also help the investors in the A share market to better understand and recognize the value of Longyuan Power, which is conducive to the business development and brand building of Longyuan Power. From the perspective of the listing approach of A shares, the listing of the Company’s A Share through the absorption and merger is the best plan selected by the Company after comprehensively considering various factors such as the regulatory requirements of A share, application procedures and efficiency. In view of the fact that Pingzhuang Energy was mainly engaged in coal business previously, which is quite different from the Company’s wind power business and lacks business synergy, the Company thus intends to dispose of the original assets of Pingzhuang Energy in order to focus on its main business in the future.

The development goals of Longyuan Power in terms of fund raising are to continue to focus on the two major capital markets (i.e. domestic and foreign ones) at the financing level, to further broaden financing channels and innovate financing methods. We raise equity funds through share placing, issuance of additional shares and convertible bonds to control the company’s debt risk; increase the proportion of direct debt financing and maintain the Company’s capital cost advantage in the industry by issuing corporate bonds, financing bonds, notes and asset securitization. Through the Transaction, Longyuan Power will achieve listing in domestic market, which will further expand its financing channels and enhance the understanding of domestic investors through additional placing of A shares, additional issuance and other financing methods, laying foundation for the subsequent issuance of bonds in domestic market for direct financing.

LETTER FROM THE BOARD

1.6. LISTING RULES IMPLICATIONS

The highest applicable percentage ratio calculated in respect of the Transaction pursuant to Chapter 14 of the Listing Rules is more than 5% but lower than 25%, therefore, the Transaction constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the Shareholders' approval requirement.

As at the Latest Practicable Date, CHN Energy, being the direct controlling Shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. CHN Energy, through its wholly-owned subsidiary, Inner Mongolia Power, holds 51% shares of Pingzhuang Coal Group, which holds 61.42% shares of Pingzhuang Energy, therefore Pingzhuang Energy is an indirect subsidiary of CHN Energy, and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. The Other Subsidiaries of CHN Energy and Pingzhuang Coal Group also constitute connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement, the Agreement on Purchase of Assets through Cash Payment and their respective Supplemental Agreements and the Profit Compensation Agreements constitute the connected transactions of the Company. The highest applicable percentage ratio calculated in respect of the Transaction pursuant to Chapter 14 of the Listing Rules is more than 5%, therefore, the Transaction is subject to the announcement, annual reporting and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1.7. GENERAL INFORMATION

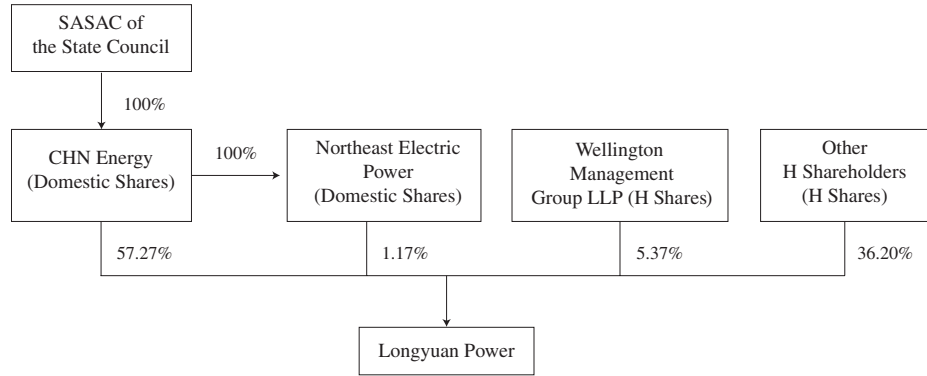
1.7.1. Information on the Company

The Company is a leading wind power generation company in the PRC, primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, the Company also operates other power projects such as coal power, solar power, tidal, biomass and geothermal energy. Meanwhile, the Company also provides consultation, repair and maintenance, training and other professional services to wind farms, as well as manufactures and sells power equipment used in the power grids, wind farms and coal power plants. The ultimate beneficial owner of the Company is CHN Energy.

LETTER FROM THE BOARD

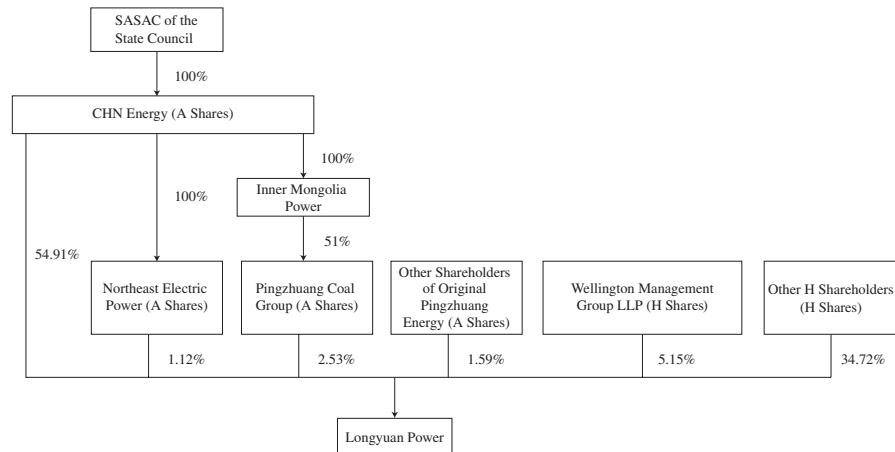
Shareholding Structure of the Company

As at the Latest Practicable Date, the shareholding structure of the Company is as follows:



Note: Certain amounts and percentage figures set out in this chart have been subject to rounding adjustments. Accordingly, the arithmetic sum shown may not be an aggregation of the figures preceding them. Any discrepancies between the arithmetic sum and the total of the figures listed are due to rounding.

Immediately after the completion of the Transaction (assuming that no other shares will be issued after the Latest Practicable Date until the completion of the Transaction and not taking into account the effect of the exercise of the Cash Alternative and the exercise of the Put Option), it is anticipated that the shareholding structure of the Company will be as follows:



Note: Certain amounts and percentage figures set out in this chart have been subject to rounding adjustments. Accordingly, the arithmetic sum shown may not be an aggregation of the figures preceding them. Any discrepancies between the arithmetic sum and the total of the figures listed are due to rounding.

LETTER FROM THE BOARD

Impact of the Merger on Shareholding Structure of the Company

Pursuant to the plan for the Transaction, Longyuan Power will increase by 345,574,165 A Shares due to the Merger. Upon the completion of the Transaction and taking no consideration of the impact of the exercise of the Put Option and the Cash Alternative, CHN Energy will directly and indirectly hold 4,908,598,141 shares of Longyuan Power in aggregate, representing 58.56% of the total share capital of Longyuan Power, and thus remains the controlling shareholder of Longyuan Power. The SASAC of the State Council holds 100% equity interests in CHN Energy, therefore remains the ultimate de facto controller of Longyuan Power. Before the Merger, the total number of shares of Longyuan Power was 8,036,389,000, the number of A shares to be issued in the Merger is 345,574,165. Upon the completion of the Transaction, the total number of shares of Longyuan Power will be 8,381,963,165.

The shareholding structure of Longyuan Power prior to and after the Transaction is as follows:

Name of Shareholder	Prior to the Transaction		After the Transaction	
	Number of Shares Held <i>(share)</i>	Shareholding Percentage <i>(%)</i>	Number of Shares Held <i>(share)</i>	Shareholding Percentage <i>(%)</i>
CHN Energy	4,602,432,800	57.27%	4,602,432,800	54.91%
Northeast Electric Power	93,927,200	1.17%	93,927,200	1.12%
Pingzhuang Coal Group	-	-	212,238,141	2.53%
Other original shareholders of Pingzhuang Energy	-	-	133,336,024	1.59%
Total Domestic Shares (A Shares)	4,696,360,000	58.44%	5,041,934,165	60.15%
Public H Shareholders	3,340,029,000	41.56%	3,340,029,000	39.85%
Total H Shares	3,340,029,000	41.56%	3,340,029,000	39.85%
Total share capital	8,036,389,000	100.00%	8,381,963,165	100.00%

LETTER FROM THE BOARD

Notes:

1. Taking no consideration of the impact of the exercise of the Put Option and the Cash Alternative.
2. The shareholding percentages represent the percentage to the total share capital.
3. The number of shares held by Pingzhuang Coal Group and other original shareholders of Pingzhuang Energy after the Transaction will be determined in accordance with the fractional share disposal method.
4. Certain amounts and percentage figures set out in this table have been subject to rounding adjustments. Accordingly, the arithmetic sum shown may not be an aggregation of the figures preceding them. Any discrepancies between the arithmetic sum and the total of the figures listed are due to rounding.

Assuming that the resolutions in relation to the Transaction were considered and approved at the EGM and the Class Meetings of the Company and the general meeting of Pingzhuang Energy, and that the Put Option and the Cash Alternative were exercised with the maximum number of shares for exercise of the same (i.e. the Put Option was exercised with one-third of the number of H Shares of the Company, which in turn would be held by CHN Energy; the Cash Alternative was exercised (by other original shareholders of Pingzhuang Energy) with one-third of the total share capital of Pingzhuang Energy, which in turn would be held by CHN Energy), the shareholding structure of Longyuan Power prior to and after the Transaction is as follows:

Name of Shareholder	Prior to the Transaction		After the Transaction	
	Number of Shares Held (share)	Shareholding Percentage (%)	Number of Shares Held (share)	Shareholding Percentage (%)
CHN Energy	4,602,432,800	57.27%	4,646,878,141	55.44%
Northeast Electric Power	93,927,200	1.17%	93,927,200	1.12%
Pingzhuang Coal Group	–	–	212,238,141	2.53%
Other original shareholders of Pingzhuang Energy	–	–	88,890,683	1.06%
Total Domestic Shares (A Shares)	<u>4,696,360,000</u>	<u>58.44%</u>	<u>5,041,934,165</u>	<u>60.15%</u>
Public H Shareholders	3,340,029,000	41.56%	2,226,686,000	26.57%
CHN Energy	–	–	1,113,343,000	13.28%
Total H Shares	<u>3,340,029,000</u>	<u>41.56%</u>	<u>3,340,029,000</u>	<u>39.85%</u>
Total share capital	<u>8,036,389,000</u>	<u>100%</u>	<u>8,381,963,165</u>	<u>100.00%</u>

LETTER FROM THE BOARD

Notes:

1. The shareholding percentage represents the percentage to the total share capital.
2. The number of shares held by Pingzhuang Coal Group and other original shareholders of Pingzhuang Energy after the Transaction will be determined in accordance with the fractional share disposal method.
3. Certain amounts and percentage figures set out in this table have been subject to rounding adjustments. Accordingly, the arithmetic sum shown may not be an aggregation of the figures preceding them. Any discrepancies between the arithmetic sum and the total of the figures listed are due to rounding.

The public float of the Company is expected to remain at not lower than 25% all along upon completion of the Transaction. The Company will ensure the compliance with the requirement of public float before and after the completion of the Transaction.

1.7.2. Information on CHN Energy

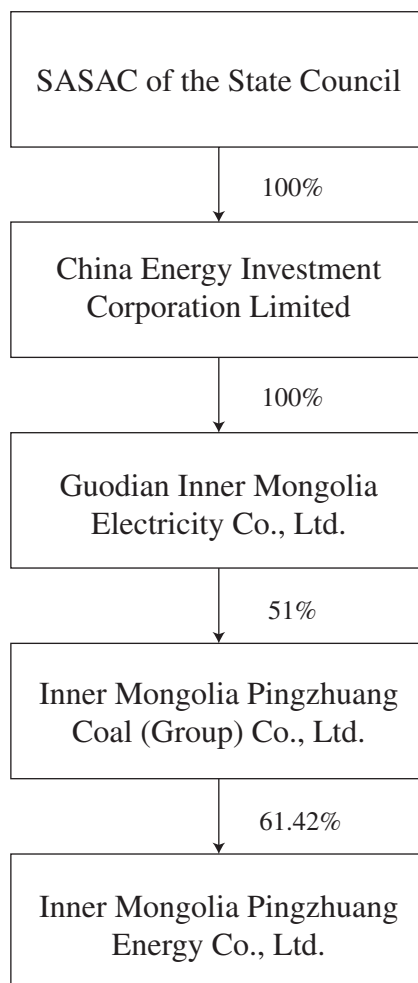
As a state-owned enterprise established in accordance with the laws of the PRC, CHN Energy is the controlling shareholder of the Company, and operates eight business segments including coal, thermal power, new energy, hydropower, transportation, chemicals, environmental technologies and finance. It is the world's largest producer of coal, thermal power, wind power, as well as coal-to-liquids and coal chemical products.

1.7.3. Information on Pingzhuang Energy

Pingzhuang Energy is a joint stock limited company incorporated and validly existing under the laws of the PRC, whose shares are listed and traded on Shenzhen Stock Exchange with stock code 000780.SZ. Pingzhuang Energy is mainly engaged in the businesses of production, preparation, processing and sales (limited to operation by branches) of coal, sales of mine equipments, materials, accessories and disposal materials, catering services, accommodation and other businesses. As at the Latest Practicable Date, the total number of issued shares of Pingzhuang Energy was 1,014,306,324, among which, CHN Energy holds 61.42% of shares of Pingzhuang Energy through Pingzhuang Coal Group and is an indirect controlling shareholder of Pingzhuang Energy and the ultimate beneficial owner. Other than Pingzhuang Coal Group, all other shareholders of Pingzhuang Energy are independent third parties other than the Company and its connected persons.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the shareholding structure of Pingzhuang Energy is as follows:



1.7.4. Information on the Other Subsidiaries of CHN Energy

Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power, all incorporated pursuant to the laws of the PRC, are all wholly-owned subsidiaries of CHN Energy, and mainly engaged in development, investment and operation of wind power projects. CHN Energy is the ultimate beneficial owner of all its other subsidiaries.

Pingzhuang Coal Group is a limited liability company incorporated and validly existing under the laws of the PRC, and it is mainly engaged in mining and sales of coal. Inner Mongolia Power, a wholly-owned subsidiary of CHN Energy, holds 51% shares of Pingzhuang Coal Group, China Cinda Asset Management Co., Ltd. (01359.HK) holds 31.82% shares of Pingzhuang Coal Group and

LETTER FROM THE BOARD

Chifeng Municipal Industry and Information Bureau holds 17.18% shares of Pingzhuang Coal Group. CHN Energy is an indirect controlling shareholder and the ultimate beneficial owner of Pingzhuang Coal Group. As at the Latest Practicable Date, CHN Energy has signed an equity transfer agreement with China Cinda Asset Management Co., Ltd., and intends to acquire 31.82% of shares in Pingzhuang Coal Group held by China Cinda Asset Management Co., Ltd., for which no procedures for industrial and commercial registration of changes have yet been completed.

The Assets to be Purchased is a wholly-owned subsidiary established by CHN Energy. The registered capital at the date of the establishment, the accumulated increase in capital and the latest registered capital of it are as follows:

No.	Name of the Target Company	Latest registered capital (RMB0'000)	Registered	Accumulated increase in capital (RMB0'000)
			capital at the date of the establishment (RMB0'000)	
1	Yunnan New Energy	33,565.74	5,000.00	28,565.74
2	Guangxi New Energy	20,962.35	2,060.00	18,902.35
3	Northeast New Energy	41,754.00	5,000.00	36,754.00
4	Gansu New Energy	25,298.53	1,500.00	23,798.53
5	Dingbian New Energy	17,650.00	400.00	17,250.00
6	Inner Mongolia New Energy	18,500.00	10,000.00	8,500.00
7	Shanxi Jieneng	10,000.00	10,000.00	–
8	Tianjin Jieneng	32,120.80	2,000.00	30,120.80

1.7.5. Financial information on Pingzhuang Energy, the Assets to be Disposed of and the Assets to be Purchased

Based on the audited financial data of Pingzhuang Energy prepared in accordance with the PRC Accounting Rules and Regulations as set out in the published 2018 annual report, 2019 annual report and 2020 annual report for A Shares, and the total profit (profit before tax) and the net profit (profit after tax) of Pingzhuang Energy for the three financial years ended 31 December 2018,

LETTER FROM THE BOARD

31 December 2019 and 31 December 2020, and the total assets and the net assets attributable to the shareholders of the listed company as at 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Total assets	5,205,074,349.18	4,845,531,382.58	4,191,048,311.84
Net assets attributable to the shareholders of the listed company	4,158,912,974.94	3,844,150,130.01	3,047,619,602.37
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Total profit (profit before tax)	-264,064,017.44	-74,097,286.47	-783,933,969.81
Net profit (profit after tax)	-251,022,382.59	-78,020,964.01	-760,633,530.20

Based on the audited financial data prepared in accordance with the PRC Accounting Rules and Regulations, the total profit (profit before tax) and the net profit (profit after tax) of the Assets to be Disposed of for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and the total assets as at 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

RMB

	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Total assets	5,131,657,292.97	4,776,038,003.91	4,098,254,493.56
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Total profit (profit before tax)	-264,064,017.44	-74,147,689.71	-784,135,582.77
Net profit (profit after tax)	-264,064,017.44	-74,147,689.71	-784,135,582.77

LETTER FROM THE BOARD

Based on the audited financial data prepared in accordance with the PRC Accounting Rules and Regulations, the total profit (profit before tax) and the net profit (profit after tax) of the Assets to be Purchased for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and the total assets as at 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

RMB

	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Total assets	13,204,962,929.18	13,154,102,855.14	15,126,376,327.32
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Total profit (profit before tax)	646,587,440.22	615,065,777.81	720,073,955.55
Net profit (profit after tax)	536,159,472.89	494,063,502.86	595,266,050.65

For details related to the Transaction including the Transaction Report and its summary, and the audit report related to the Transaction, the self-evaluation report of the internal control of the Company, the valuation report related to the Transaction, the valuation report related to the Merger, the relevant commitments and restraint measures issued by the Company regarding the Transaction and others, please refer to the overseas regulatory announcements published by the Company on the website of “HKExnews” of the Hong Kong Stock Exchange (www.hkexnews.hk) on 18 June 2021 and 28 June 2021.

1.7.6. Financial Impact of the Assets Disposal and Use of Proceeds

According to the consolidated balance sheet and income statement of Longyuan Power in 2020 prepared in accordance with the PRC Accounting Rules and Regulations and the pro forma consolidated balance sheet and income statement of the Company in 2020 which were prepared in accordance with the PRC Accounting Rules and Regulations and based on the structure after the completion of the Merger, disposal of material assets and purchase of assets through cash payment. Upon completion of the Transaction, the Company, as the Surviving Company, and the Assets to be Purchased will further enhance the core competitiveness and industry influence through deep integration of various elements such as assets, personnel and management. The net profit attributable to the parent company of the Company will increase from RMB4,977 million to RMB5,477 million, and the weighted average return on net assets will increase

LETTER FROM THE BOARD

from 9.32% to 9.99%, and basic earnings per share will increase from RMB0.58 per share to RMB0.62 per share.

The Transaction comprises of three parts which are the Absorption and Merger through Share Swap, Assets Disposal and Purchase through Cash. The proceeds from the Assets Disposal of the Transaction are intended to be used to pay the consideration for the Assets to be Purchased to Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power.

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM and H Shareholders Class Meeting for consideration and approval.

Attention

The Transaction may or may not be proceeded or become unconditional or effective. There is no assurance that all the effectiveness conditions contained in the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment and their supplemental agreements and the Profit Compensation Agreement can be satisfied. Investors and potential investors should exercise caution, and should not only rely on information published by the Company, when dealing, or contemplating dealing in the Shares of the Company. This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares or securities.

2. Resolution on entering into the Profit Compensation Agreement with effective conditions

In order to clarify the rights and obligations of the parties in the course of the transaction, on 18 June 2021, the Company entered into a Profit Compensation Agreement with each of Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power (individually or collectively, the “**Performance Undertaker(s)**”) with effective conditions. The main contents are as follows:

Performance Commitment Period and Committed Net Profit

The performance commitment period of the Valuation Adjustment Targets set by the Performance Undertakers, being Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric

LETTER FROM THE BOARD

Power, is the year following the completion of the Purchase of the assets (i.e. the transfer of the assets of the Valuation Adjustment Targets) and the two financial years thereafter, namely 2021, 2022 and 2023 (collectively, the “**Performance Commitment Period**”).

If the Purchase of the assets is not completed by 31 December 2021, the Performance Commitment Period of Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power, shall be adjusted to 2022, 2023 and 2024.

On the basis of the estimated net profit of the Valuation Adjustment Targets as set out in the valuation report issued by China United Appraisal, the net profit of the Valuation Adjustment Targets in 2021, 2022, 2023 and 2024 (if any) (being the net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss, the same hereinafter) under the undertakings by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power to Longyuan Power shall be no less than the following indicators, respectively (the “**Committed Net Profit**”).

RMB0'000

No.	Counterparty of the Assets to be Purchased	Committed Net Profit for the Year 2021	Committed Net Profit for the Year 2022	Committed Net Profit for the Year 2023	Committed Net Profit for the Year 2024
1	Northeast Electric Power	9,127.77	8,882.29	9,205.16	8,894.29
2	Shaanxi Electric Power	8,353.77	10,914.34	10,642.48	11,429.55
3	Guangxi Electric Power	20,357.29	22,900.01	23,820.20	23,401.92
4	Yunnan Electric Power	15,854.79	15,702.47	13,017.78	10,658.67
5	Gansu Electric Power	2,424.96	2,910.08	3,958.41	4,743.56
6	North China Electric Power	13,873.60	13,564.53	14,115.01	13,971.47

Note: A subsidiary that is 52% owned by Shanxi Jieneng, a subsidiary of North China Electric Power, took the valuation result under the cost approach as the final valuation result, and therefore no valuation adjustment was involved.

Determination of Net Profit Difference

Upon completion of the Purchase of assets, the Company will engage an accounting firm with qualifications in securities and futures business to conduct a special audit and issue a special audit report on the actual net profit of the Valuation Adjustment Targets for the year (“**Actual Net Profit**”) by 30 April of the next year following the end of each year of

LETTER FROM THE BOARD

the Performance Commitment Period. The difference between the Actual Net Profit and the Committed Net Profit for each year of the Performance Commitment Period will be determined and calculated as the Committed Net Profit minus the Actual Net Profit (the “**Net Profit Difference**”).

The preparation of the financial statements of the Valuation Adjustment Targets shall comply with the provisions of the Accounting Standards for Business Enterprises and other laws and regulations, and be consistent with the accounting policies and accounting estimates of the Company and meet the governance requirements for listed companies.

Method of Compensation for the Net Profit Difference and its Implementation

The parties agreed that upon completion of the Purchase of Assets, Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power shall make compensation to Longyuan Power in cash for the difference in the valuation result corresponding to the difference in net profit pursuant to the agreement if the amount of the Actual Net Profit of the Valuation Adjustment Targets in any accounting year during the Performance Commitment Period is lower than the amount of the Committed Net Profit.

During the Performance Commitment Period, the compensation amount for each year for the Performance Undertakers is calculated and implemented in accordance with the following as agreed:

Compensation amount payable for a year = (the cumulative Committed Net Profit of a Valuation Adjustment Target as at the end of the year – the cumulative Actual Net Profit of the Valuation Adjustment Target as at the end of the Year) ÷ the cumulative Committed Net Profit of the Valuation Adjustment Target during the Performance Commitment Period × the transaction consideration of the Valuation Adjustment Target – the cumulative amount compensated.

Longyuan Power shall determine the compensation amount payable for the current period within 30 days after the issuance of the special audit report for each accounting year during the Performance Commitment Period and notify Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power in writing. Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power shall remit the compensation amount payable for the current period in cash to the designated account for compensation cash within 30 days from the date of receipt of the notice of the Longyuan Power.

LETTER FROM THE BOARD

Arrangement for Additional Compensation in the event of Impairment

The Company shall conduct an impairment test on the Valuation Adjustment Targets within four months after the expiry of the Performance Commitment Period and engage an accounting firm and/or an appraisal agency with qualifications in securities and futures business to issue an impairment test report on the impairment test. The valuation method adopted in the impairment test report shall be consistent with the valuation report on the Assets to be Purchased, unless there are mandatory provisions under laws.

If the closing impairment amount of a Valuation Adjustment Target is greater than the total cumulative cash compensated, Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power shall make additional compensation to Longyuan Power in cash. The amount of the additional compensation is: the closing impairment amount of the Valuation Adjustment Target – the total cumulative cash compensated.

The Company shall determine the compensation amount payable within 30 days after the issuance of the impairment test report and notify the Performance Undertakers in writing. The Performance Undertakers shall remit the compensation amount payable in cash to the designated account for compensation cash within 30 days from the date of receipt of the notice of the Company.

In the case of compensation year by year, the amount of cash compensation calculated for each year is taken as zero if it is less than zero, i.e., the cash already compensated will not be reversed.

The maximum amount of cash compensation under the Profit Compensation Agreements shall be the entire transaction consideration received by the Performance Undertakers for the Purchase of assets.

Default Liability

If any party fails to perform or only partially performs its obligations under the Profit Compensation Agreement which causes loss and damage to the non-defaulting party, the non-defaulting party shall be entitled to claim compensation from the defaulting party for all economic losses caused thereby.

If a Performance Undertaker fails to perform its compensation obligations as agreed in the Profit Compensation Agreement, it shall pay to the Company liquidated damages at the rate of five-ten thousandths of the unpaid amount for each day overdue.

LETTER FROM THE BOARD

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM and the H Shareholders Class Meeting for consideration and approval.

3. **Resolution on A Share Price Stabilization Plan of China Longyuan Power Group Corporation Limited***

In order to ensure the stability of the share price of the Company's A Shares upon the Merger and safeguard the lawful rights and interests of investors, the A Share Price Stabilization Plan of China Longyuan Power Group Corporation Limited* (the "Plan") is formulated in accordance with the requirements of the Securities Law of the People's Republic of China and the Opinions of the CSRC on Further Promoting the Reform of New Share Offering System (《中國證監會關於進一步推進新股發行體制改革的意見》) and the relevant laws, regulations and regulatory documents. The Plan covers the conditions for activation of the share price stabilization measures, specific measures and implementation procedures of the share price stabilization, and the guarantee measures of the share price stabilization plan, etc. The Plan will be, upon consideration and approval at the EGM and the H Shareholders Class Meeting, implemented from the date of listing of A Shares of the Company on the main board of the SZSE, with a validity period of three years (i.e. 36 months). Please refer to the Appendix VI to this circular for details of the Plan.

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM for consideration and approval.

4. **Resolution on Dividend Distribution Plan for the Three Years after the Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by the Issuance of A Shares by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets through Cash Payment**

To improve and regulate the dividend mechanism of the Company, enhance the transparency and operability of dividend distribution decision and ensure the reasonable return on investments of Shareholders and other rights, in accordance with the Decisions on Amending Some Provisions on Cash Dividends by Listed Companies issued by the CSRC (《關於修改上市公司現金分紅若干規定的決定》), the Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), the Guideline No. 3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) and the Articles of Association, Longyuan Power has formulated the dividend distribution plan for the three years after the Merger (the "Dividend Distribution Plan"). The Dividend Distribution Plan will be, upon consideration and approval at the EGM and the H Shareholders Class Meeting, implemented from the date of listing of A Shares of the Company on the main board of the SZSE. For details of the Dividend Distribution Plan, please refer to Appendix VII of this circular.

LETTER FROM THE BOARD

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM and H Shareholders Class Meeting for consideration and approval.

5. Resolution on the dilution of immediate returns by the Transaction and proposed remedial measures

According to the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), Certain Opinions of the State Council on Further Promoting the Healthy Development of Capital Markets (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)) and Guiding Opinions on Matters relating to the Dilution of Immediate Return Resulting from Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(中國證券監督管理委員會公告[2015]31號)) and other regulations, the Company has made a careful, prudent and objective analysis on the impact of the Merger on the dilution of immediate return. The specific situation is described as follows:

According to the audit report on the pro forma consolidated financial statements of Longyuan Power for 2020, audit reports on the annual financial statements of Longyuan Power for 2018, 2019 and 2020 and audit reports on the annual financial statements of the Assets to be Purchased for 2018, 2019 and 2020 issued by Baker Tilly China Certified Public Accountants (Special General Partnership), the audit reports on the annual financial statements of the Assets to be Disposed of for 2018, 2019 and 2020 issued by ShineWing Certified Public Accountants (Special General Partnership), and audit report on the financial statements of Pingzhuang Energy for 2020 issued by ShineWing Certified Public Accountants (Special

LETTER FROM THE BOARD

General Partnership), upon the completion of the Transaction, the earnings per share before and after deducting the non-recurring profit and loss of Longyuan Power are set out as follows:

Unit: RMB/share

Company Name	Item	2020 pro forma		Percentage of Changes
		Before the Merger	after the Merger	
Longyuan Power	Basic earnings per share attributable to ordinary shareholders	0.58	0.62	6.42%
Longyuan Power	Basic earnings per share attributable to ordinary shareholders after deducting the non-recurring profit and loss	0.56	0.59	6.87%

Before the Transaction, the basic earnings per share attributable to ordinary shareholders of Longyuan Power in 2020 is RMB0.58 per share, and the basic earnings per share attributable to ordinary shareholders after deducting the non-recurring profit and loss is RMB0.56 per share; Upon the completion of the Merger, the basic earnings per share attributable to ordinary shareholders of Longyuan Power in 2020 is RMB0.62 per share, and the basic earnings per share attributable to ordinary shareholders after deducting the non-recurring profit and loss is RMB0.59 per share. Thus, upon the completion of the Merger, the basic earnings per share attributable to the ordinary shareholders of Longyuan Power is increased.

LETTER FROM THE BOARD

As the Surviving Company after the Merger, Longyuan Power will follow up and adopt relevant principles and measures to further improve the operation and management capacities, to respond to the risks of the dilution of the immediate returns. The controlling shareholders, Directors and senior management of Longyuan Power have made commitments respectively to ensure the Surviving Company's effective implementation of remedial measures to the immediate returns. For details of the dilution of the immediate returns and remedial measures to be taken of the Merger, please refer to Appendix VIII of this circular.

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM for consideration and approval.

6. Resolution on the Articles of Association (Draft) and its appendices applicable after the listing of A Shares of the Company

In order to further improve and strengthen the legal person governance structure, so that the Company meets the requirements of A share listed companies in all aspects of standardized governance, in accordance with the Company Law, the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》), the Governance Guidelines for Listed Companies (《上市公司治理準則》), Rules Governing the Listing of Stocks on Shenzhen Stock Exchange (《深圳證券交易所股票上市規則》) and other relevant laws, regulations and regulatory documents, on the basis of the existing Articles of Association, the Company has formulated the Articles of Association (Draft) of China Longyuan Power Group Corporation Limited* (the “**Articles of Association (Draft)**”) and its appendix, the Rules of Procedures of the Shareholders' General Meeting (Draft) of China Longyuan Power Group Corporation Limited*, the Rules of Procedures of the Board of Directors (Draft) of China Longyuan Power Group Corporation Limited* and the Rules of Procedures of the Supervisory Committee (Draft) of China Longyuan Power Group Corporation Limited* that will be applicable after the issuance and listing. Please refer to Appendix IX to this circular for the comparison tables of original and amended Articles of Association (Draft) and its appendix and the main provisions of the Company's existing system.

LETTER FROM THE BOARD

The revised Articles of Association and its appendix, upon approval by a resolution at the EGM, the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting, will be effective from the date of listing of A Shares of the Company on the main board of the SZSE.

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM and the Class Meetings for consideration and approval.

7. Resolution on the Administrative Measures for External Guarantees applicable after the listing of A Shares of the Company

In order to standardize the internal operation of the Company, so that the Company meets the requirements of A share listed companies in all aspects of daily operation and standardized governance, the Company intended to formulate the Administrative Measures for External Guarantees applicable after the listing of A Shares according to the Company Law and other laws, regulations, normative documents and relevant provisions of securities regulatory authorities on the governance of listed companies.

The Administrative Measures for External Guarantees was considered and approved at the EGM, which shall be implemented from the date when the Company's A Shares are listed on the main board of the SZSE. For details of the Administrative Measures for External Guarantees, please refer to Appendix X to this circular.

The above resolution has been considered and approved by the Board on 18 June 2021, and now is submitted to the Shareholders for consideration and approval at the EGM.

8. Resolution on authorization to the Board and its authorized persons to deal with matters relating to the Merger by the general meeting

In order to ensure the smooth progress of the matters relating to the Transaction, in accordance with the Company Law, the Securities Law and other laws and regulations as well as the Articles of Association, the Board proposed to the Shareholders' general meeting to authorize the Board of the Company (and agreed to the Board of the Company to authorize the chairman and its authorized persons) to handle all matters of the Transaction within the scope of relevant laws and regulations, including but not limited to:

- (i) Amending and adjusting as necessary the specific proposal of the Transaction (except for the matters that shall be re-voted at the Shareholders' general meeting of the Company according to relevant laws and regulations and the Articles of Association), and entering into related supplemental agreements (if necessary) according to

LETTER FROM THE BOARD

the requirements of relevant regulatory authorities or approval authorities for the Transaction and the actual situation of the Company under the principle of not exceeding the resolution of Shareholders' general meeting;

- (ii) As for the matters relating to the Transaction, under the principle of not exceeding the resolutions of the Shareholders' general meeting of the Company, handling the procedures of review, registration, filing, approval, consent and notification involved in the Transaction; preparing, signing, executing, modifying, submitting and completing all documents related to the Transaction (including but not limited to the agreements and declaration documents involved in the Transaction), and making corresponding supplements or adjustments to the declaration documents according to the requirements of relevant regulatory authorities or approval agencies; handling all information disclosure matters related to the Merger; making corresponding adjustments to the Issue Price and Conversion Ratio due to ex-right and ex-dividends activities of the Company's Shares occurring during the period from the Pricing Benchmark Date to the Conversion Date, and according to relevant laws and regulations or the regulations or requirements of the regulatory authorities, and handling related procedures;
- (iii) Determining and announcing the implementation plan of the Put Option of the Company's Dissenting Shareholders in the process of absorption and merger through Share Swap involved in the Transaction, and handling specific enforcement and implementation of related matters;
- (iv) Handling the registration and filing procedures of taxation, industry and commerce and other competent departments involved in the Transaction, and being responsible for applying for the business qualifications and licenses (if necessary) required for the Company's operations according to the changed business scope, as well as the registration procedures for transfer, change, etc. of assets, liabilities, business, contracts, qualifications, personnel and all other rights and obligations, including signing relevant legal documents;
- (v) Handling the specific enforcement and implementation of the protection plan of creditor's interest in the Transaction;
- (vi) Handling matters such as the registration of the Company's A Shares issued for the reason of the Transaction with the securities registration and settlement institution and the listing and trading on the SZSE;

LETTER FROM THE BOARD

(vii) Acting on behalf of the Company in all actions and matters that it considers relevant, necessary or appropriate to implement the Transaction.

The aforementioned authorization shall be valid within 12 months from the date of review and approval by the Shareholders' general meeting of the Company.

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM and the H Shareholders Class Meeting for consideration and approval.

9. Resolution in relation to the Specific Mandate to the Board to grant the additional A Shares issue at the general meeting and Class Meetings of the Company

The Transaction involves the Issuance of A Shares additionally by the Company to all Conversion Shareholders of Pingzhuang Energy in exchange for the A Shares of Pingzhuang Energy they hold at the Conversion Ratio. The Board will propose at the general meeting and the Class Meetings to grant an unconditional specific mandate to the Board. If the Transaction is materialised, the Board shall decide on and implement the issuance of not more than 345,574,165 A Shares by the Company as required under the Transaction, and it shall deal with at its sole discretion any and all matters which are necessary, expedient or appropriate for the Issuance of A Shares additionally, including but not limited to adjusting the price of proposed Issuance of A Shares and the number of shares to be issued in accordance with the relevant laws and regulations or the provisions or requirements of the relevant regulatory authorities, and handling the detailed matters concerning the issuance (including but not limited to issuing share certificates and stamping the securities seal of the Company on the share certificates), registration, transfer and listing of A Shares on the Main Board of the SZSE.

The specific mandate in relation to the Issuance of A Shares shall be effective for a period of 12 months from the date of consideration and approval at the general meeting and corresponding shareholders' class meeting of the Company.

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM and H Shareholders Class Meeting for consideration and approval.

LETTER FROM THE BOARD

10. Resolution on the Supplemental Undertaking Letter in relation to Non-Competition with China Longyuan Power Group Corporation Limited* entered into by CHN Energy* with effective conditions

10.1 *The Existing Non-Competition Agreement*

Reference is made to the prospectus of the Company dated 27 November 2009, which contains, amongst other things, the Non-Competition Agreement (the “**Non-Competition Agreement**”) entered into between the Company and China Guodian Corporation (“**Guodian**”, which was the controlling shareholder of the Company then) in July 2009, under which Guodian agreed not to, and to procure its subsidiaries (other than the Company (including its subsidiaries, the same below) and Guodian’s A share listed companies) not to, compete with the Company in the Company’s wind power business (other than Guodian’s few wind power business retained on the date of the execution of the Non-Competition Agreement) and granted to the Company options to acquire the retained businesses and any new business opportunities and pre-emptive rights to acquire Guodian’s interest in its retained businesses and certain future new business. The details are as follows:

- (i) **Options for New Business Opportunities:** if Guodian becomes aware of a business opportunity which directly or indirectly competes, or may compete, with the Company’s main business, Guodian will notify us in writing immediately upon becoming aware of such business opportunity and provide to us all information which is reasonably necessary for the Company to consider whether or not to engage in such business opportunity. Guodian is also obliged to use its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable, which the directors understand will be no less favorable than those terms first offered to Guodian. Guodian shall procure any of its subsidiaries (other than our Company) and associates to first offer to the Company any business opportunity which competes, or may compete with the Company’s main business. The independent non-executive directors of the Company will be responsible for reviewing and considering whether or not to take up such new business opportunity referred to by Guodian and such decision will be made by our independent non-executive directors.
- (ii) **Options for Acquisitions:** in relation to: (a) the retained businesses; and (b) any new business opportunity Guodian may obtain which competes, or may compete, directly or indirectly with the Company’s main business, Guodian has undertaken to grant the Company the option, pursuant to relevant laws and regulations, to purchase any equity interest, assets or other interests which form part of the retained businesses or new businesses as described above.

LETTER FROM THE BOARD

- (iii) **Pre-emptive Rights:** Guodian has undertaken that, if it intends to transfer, sell, lease or license or otherwise transfer or permit the use of any of the following interests to a third party: (a) Guodian's current wind power businesses; and/or (b) any new business opportunity of Guodian referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, the Company and has been retained by Guodian, which competes, or may lead to competition, directly or indirectly with the Company's main business, the Group shall have pre-emptive right over these interests which can be exercised by the Group at any time for so long as the Non-Competition Agreement remains effective. The independent non-executive directors of the Company will be responsible for reviewing and considering whether or not to exercise the pre-emptive rights and such decision will be made by our independent non-executive directors.

The scope of the Non-Competition Agreement is the wind power generation business, which is the Company's principal business in any geographical area within or outside the PRC. The Non-Competition Agreement specifies that the Company is also engaged in other renewable energy businesses in addition to its principal business of wind power generation and that the Company (including its subsidiaries) will continue to develop and explore renewable energy businesses other than wind power generation in accordance with its future development needs.

According to the Non-Competition Agreement, the retained businesses principally include: five wind farms; various coal power plants, including five coal power plants in Jiangsu; various other renewable energy power plants; and 53.42% equity interest in GD Power Development Co., Ltd. ("**GD Power**"). The A shares of GD Power are listed on the Shanghai Stock Exchange, it is principally engaged in the development and investment of coal power plants and hydro power plants. It also engages in wind power business and other renewable energy businesses.

Guodian has irrevocably undertaken in the Non-Competition Agreement that, other than the retained businesses, during the period of the Non-Competition Agreement, it will not, and will also procure that its subsidiaries (other than the Company) and associates do not, in or outside of the PRC, alone or with any other entity, in any form, directly or indirectly, engage in, assist or support a third party in the operation of, or participate in, any businesses that compete, or are likely to compete, with our wind power business (the foregoing restrictions do not apply to the holding of securities in a company that is engaged in a competing business and whose securities are listed on any stock exchange, provided that Guodian or its subsidiaries or its associates does not hold or control the voting rights in respect of 10% or more of the issued share capital of such company).

LETTER FROM THE BOARD

In July 2009 and November 2009, Guodian issued two further clarification documents to confirm its non-competition undertakings included in the Non-Competition Agreement, including, among other things, that:

- (i) the Company and the predecessor of the Company, CLEPG (China Longyuan Electric Power Group Corporation (龍源電力集團公司), a state-owned enterprise established in China, and the predecessor of the Company), were formed and operated as the platform for Guodian Group (Guodian and its subsidiaries (except the Group), the same as below) to develop renewable energy business which principally comprised of the wind power business;
- (ii) Guodian will support the development of the Group's wind power business on a priority basis by first offering to us to consider any new business opportunity relating to wind power business and will not give priority to Guodian Group (including GD Power) in the development of wind power business;
- (iii) the Group has the first right of refusal with respect to any wind power business opportunities of Guodian Group including any existing and potential wind power projects of Guodian, in accordance with the terms and conditions of the Non-Competition Agreement; and
- (iv) Guodian also confirmed certain matters relating to our operation of our coal power business and Guodian's compliance with the Non-Competition Agreement.

10.2 Background to the Issuance of Supplemental Undertaking in Respect of the Non-Competition Agreement

10.2.1 Background of the proposed absorption and merger of Pingzhuang Energy by the Company through share swap and the issuance and listing of A Shares

Upon the completion of the Transaction, the Company will become a A+H share listed company. In accordance with the PRC laws and regulations and the requirements of relevant regulatory authorities, solutions must be specified for the overlapping between the business of CHN Energy and that of the Group.

In view of the above background, taking into consideration the requirements of the listing of A Shares and the future development strategies of the Group, the Company and its controlling shareholder, CHN Energy, have intended to solve the problem of business overlap between the business of CHN Energy and the principal business of the Company by way of further issuance of the

LETTER FROM THE BOARD

Supplemental Undertaking to the Non-Competition Agreement by CHN Energy. The Non-Competition Agreement and the Supplemental Undertaking will comply with the regulatory requirements of the places for the listing of both A shares and H shares, and meet the actual business and future development need of the Group.

10.2.2 Background of the matters in respect of the potential disposal

According to the requirements under the Administrative Measures for Initial Public Offering and Listing, the issuer shall not be involved in the following circumstances: ... (II) having violated laws on industry and commerce, taxation, land, environmental protection, customs and other laws and administrative regulations, and received administrative punishment in the most recent 36 months, and the circumstance was serious.

Certain subsidiaries of the Company are involved in the occupation of basic farmland or ecological redline. The occupation of basic farmland or ecological redline without the obtaining of the compliance confirmation from relevant competent authorities may be regarded as serious illegal acts and irregularities. Therefore, the above requirements are not satisfied.

If, finally, the Target Companies are unable to obtain the compliance confirmation from relevant competent authorities or to solve the aforementioned defects of land use by other effective means, in order to meet the compliance requirements for the listing of A Shares of the Company, the Company may be involved in the matter of the potential disposal, pursuant to which, the Company intends to transfer the controlling stake in its certain wind power generation subsidiaries to CHN Energy. The disposal of above-mentioned Target Companies is subject to the approval by the securities regulatory authority of the place where the shares of the Company are listed and the procedures of consideration by the board of directors and shareholders' general meeting of Longyuan Power. Based on the above, in the Supplemental Undertaking, the matter of the potential disposal, amongst other things, will be agreed on.

LETTER FROM THE BOARD

10.3 Supplemental Undertaking to the Non-Competition Agreement

In addition to the Non-Competition Agreement which shall remain effective, the Supplemental Undertaking from the CHN Energy regarding non-competition of principal business between CHN Energy and Longyuan Power are as follows:

- 1 The wind power generation business within CHN Energy is to be integrated by Longyuan Power. As for the wind power generation business (the “**Surviving Wind Power Generation Business**”) held by CHN Energy or its subsidiaries (excluding Longyuan Power and its subsidiaries, the same below) as at the date of this Supplemental Undertaking, which directly or indirectly potentially overlapped with the principal business of Longyuan Power, CHN Energy undertakes that CHN Energy will inject the Surviving Wind Power Generation Business into Longyuan Power through various means such as asset restructuring, business adjustment and formation of joint ventures within three years upon completion of the Transaction, subject to compliance with relevant laws and regulations and relevant internal and external approval procedures which are required then, to steadily promote the integration of relevant business so as to resolve the potential business overlap. The Surviving Wind Power Generation Business assets to be injected into Longyuan Power shall comply with the conditions for listing stipulated in the laws and regulations of the PRC and relevant normative documents.
 - 1.1 In this regard, CHN Energy and its relevant subsidiaries will provide special description of assets of the Surviving Wind Power Generation Business held by them to Longyuan Power within four months following the end of each financial year upon completion of the Transaction, including whether the assets are eligible for injection, details of their financial information and other information necessary for consideration and valuation of asset injection by Longyuan Power.
 - 1.2 All independent non-executive directors of Longyuan Power will be responsible for reviewing and considering whether the assets of the Surviving Wind Power Generation Business meet the conditions for asset injection and whether to initiate the asset injection, and the decision will be made by all independent non-executive directors of Longyuan Power. Such asset injection shall also comply with the corporate governance and information disclosure procedures under applicable laws and regulations and securities regulatory rules, as applicable.

LETTER FROM THE BOARD

- 1.3 After CHN Energy and the relevant subsidiaries have issued to Longyuan Power the notice to inject assets or provided the special description referred to in Clause 1.1 above, Longyuan Power will report it to its independent non-executive directors within one week after receiving the notice or special description, for their consideration and assessment, and will reply to CHN Energy within 30 days after receiving such notice or special description.
- 1.4 Where transfer of state-owned assets is involved in the injection of assets of the Surviving Wind Power Generation Business, an appraisal on that shall be conducted in accordance with the statutory state-owned assets valuation method and an approval shall be obtained or filing shall be made in accordance with laws. The price for the injection of assets of the Surviving Wind Power Generation Business shall be determined based on the appraisal value made by a professional third-party valuation agency jointly appointed by CHN Energy and Longyuan Power, through mutual negotiation between CHN Energy and Longyuan Power in the manner and in accordance with the procedures required under the then applicable laws.
- 2 As for the overlapping between Longyuan Power's thermal power business and CHN Energy's, CHN Energy will, within three years upon completion of the Transaction, make comprehensive use of various means such as asset restructuring, business adjustment and formation of joint ventures to steadily promote the integration of relevant business so as to solve the problem of business overlap, subject to compliance with the relevant laws and regulations and relevant internal and external approval procedures at that time, and based on the principle of facilitating the development of the listed company and safeguarding the interests of shareholders, especially the minority shareholders.
- 3 In order to meet the compliance requirements for the listing of A shares of Longyuan Power, Longyuan Power may dispose of the controlling stake in its certain wind power generation subsidiaries (the "**Target Companies**") to CHN Energy (the "**Disposal**"). The disposal of above-mentioned Target Companies is subject to the approval by the securities regulatory authority of the place where the shares of Longyuan Power are listed and the procedures of consideration by the board of directors and shareholders' general meeting of Longyuan Power

LETTER FROM THE BOARD

(if applicable). If the corresponding consideration and approval procedures for the Disposal are completed and the Disposal has been implemented, the above-mentioned Target Companies, upon the completion of the Disposal, will be together taken as the Surviving Wind Power Generation Business referred to under the Supplemental Undertaking, and CHN Energy will fulfill relevant undertakings as agreed in Clause 1 of the Supplemental Undertaking.

The Supplemental Undertaking will not prejudice the legal effect of the Non-Competition Agreement. Should there be any discrepancy between the Supplemental Undertaking and the Non-Competition Agreement, the Supplemental Undertaking shall prevail; for matters not stipulated in the Supplemental Undertaking, the Non-Competition Agreement shall prevail. The Supplemental Undertaking will come into effect from the date of obtaining the approval from the securities regulatory authority of the place where the shares of Longyuan Power are listed, the approval from the competent decision-making authorities of CHN Energy and the approval from the shareholders' general meeting of Longyuan Power upon its consideration. If, finally, the Disposal mentioned in Clause 3 of the Supplemental Undertaking fails to be implemented, such clause will be void automatically, which will not prejudice the effect of the other clauses in the Supplemental Undertaking.

10.4 Target Companies Potentially to be Disposed of

Land without certificates involving ecological protection redline

The Target Companies with potential disposal involve land used by 11 wind power projects operated by 9 subsidiaries, there are the situations where part of the land is included in the ecological protection red line due to reasons such as the adjustment or redefining of the ecological protection red line during the construction process or upon the completion of the construction after the approval of the project, with a total area of 74,389 square meters, accounting for 0.24% of the total area of land used by Longyuan Power and its controlled subsidiaries, details of which are as follows:

No.	Names of Target Companies potentially to be disposed of	Project name
1	China Longyuan Power Group Anhui New Energy Development Co., Ltd. Xuancheng Branch (龍源電力集團安徽 新能源發展有限公司宣城分公司)	Baima Project in Xuancheng

LETTER FROM THE BOARD

No.	Names of Target Companies potentially to be disposed of	Project name
2	Longyuan Dingyuan Wind Power Generation Co., Ltd.	Nengren Temple Project
3		Dajinshan Project in Dingyuan
4	Longyuan Suzhou Wind Power Generation Co., Ltd.	Dalongshan Project
5		Xiangshan Project in Suzhou
6	Longyuan Le'an Wind Power Generation Co., Ltd.	Le'an Project
7	Longyuan Qixia Wind Power Generation Co., Ltd.(龍源棲霞風力發電有限公司)	Longyuan Qixia Tao Village Wind Power Project
8	Longyuan Lanxian Wind Power Generation Co., Ltd.(龍源嵐縣風力發電有限公司)	Lanxian Project
9	Tianjin Longyuan Wind Power Generation Co., Ltd.	Dagang Mapengkou Project
10	Guodian Longyuan Longchuan Wind Power Generation Co., Ltd.	Longchuan Shanmenqian Wind Power Project
11	Yanbian Longyuan Wind Power Generation Co., Ltd.	Helong Zhenfeng Project

The 11 pieces of land of 9 subsidiaries under Longyuan Power involving the ecological protection red line matters are actively applying for the certificate for regulatory adjustment of the ecological red line.

Land which occupies basic farmland without certificates

No.	Names of Target Companies potentially to be disposed of
1	Fujian Longyuan Wind Power Generation Company Limited
2	Guodian Shandong Longyuan Linqu Wind Power Generation Company Limited
3	Longyuan (Putian) Wind Power Company Limited

1 parcel of land which is used for the booster station of Qiulu Wind Farm by Fujian Longyuan Wind Power Generation Company Limited, 2 parcels of land which is used for a total of 15 draught fans of Wanyun Wind Farm and Shipanshan Wind Farm by

LETTER FROM THE BOARD

Longyuan (Putian) Wind Power Company Limited and 1 parcel of land which is used for 8 draught fans by Guodian Shandong Longyuan Linqu Wind Power Generation Company Limited involve the circumstance of occupying basic farmland. The area of the above-mentioned 4 parcels of land is 5,148 square meters in total, which represents 0.0163% of the land used by Longyuan Power.

10.5 Reasons for and Benefit of Issuance of Supplemental Undertaking

Against the backdrop of “peaking carbon emissions and achieving carbon neutral”, the new energy power generation industry will face fierce competition in business development. Under the Supplemental Undertaking, the overlapping wind power assets of CHN Energy will be injected into Longyuan Power in situations where the criteria are satisfied, which will further increase the installed capacity of Longyuan Power, and benefit Longyuan Power in seizing opportunities in the fierce competition in the future, maintaining its leading position in the new energy power generation industry and safeguarding the interests of Longyuan Power and its shareholders as a whole.

The arrangement to resolve the overlapping of the thermal power business under the Supplemental Undertaking is made mainly based on the requirements of the A Shares regulatory rules on avoiding horizontal competition and the future development strategy of CHN Energy. Thermal power business is not the principal business of Longyuan Power. As of 31 December 2020, the consolidated installed capacity of thermal power business of Longyuan Power was 1,875,000kW, accounting for a relatively small proportion.

The Target Companies with potential disposal expect that the scale of their installed capacity to be relatively small as compared with those of the Company, which will not have a material impact on Longyuan Power as a whole. At present, the Target Companies with potential disposal are all in normal operation, and the Company is also actively communicating with the competent authorities to reduce the impact of non-compliance. The Company is of the view that the non-compliance of the Target Companies with potential disposal will have insignificant impact on the overall business of the Company.

10.6 Listing Rules Implications

As at the date of this announcement, CHN Energy, being the direct controlling shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. As such, the issuance of Supplemental Undertaking to Non-Competition Agreement to the Company by CHN Energy constitutes a

LETTER FROM THE BOARD

connected transaction of the Company, and is subject to the announcement, annual reporting and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee of the Company comprising all independent non-executive directors has been established by the Company to advise the independent shareholders in respect of the Supplemental Undertaking. Gram Capital has been appointed as the Independent Financial Adviser to advise the independent board committee and independent shareholders in this regard.

The directors of the Company are of the view that the terms of the Supplemental Undertaking are fair and reasonable and in the interests of the Company and its shareholders as a whole. Mr. Liu Jinhuan, Mr. Yang Xiangbin² and Mr. Tian Shaolin, non-executive directors of the Company, are appointed by and hold positions in CHN Energy and have material interests in the arrangement under the Supplemental Undertaking. They have abstained from voting on the related Board resolution for the approval of the Supplemental Undertaking. Save as aforementioned persons, none of the other directors has a material interest in the Transaction.

As at the Latest Practicable Date, the Company has not entered into any agreement on the matter of potential disposal. If the Company enters into any relevant transaction agreement, it will comply with the requirements of Chapter 14 and Chapter 14A of the Listing Rules and perform corporate governance and information disclosure procedures accordingly.

The above resolution has been considered and approved by the Board on 18 June 2021 and is hereby proposed to the Shareholders at the EGM for consideration and approval.

III. EGM AND CLASS MEETINGS

The Company will convene the EGM, the Domestic Shareholders Class Meeting and the H Shareholders Class Meeting in sequence at 9:00 a.m. on Friday, 23 July 2021 at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People's Republic of China. Notices of the EGM and Class Meetings are set out in this circular.

In order to determine the holders of Shares who are eligible to attend and vote at the EGM and Class Meetings, the register of members of the Company will be closed from Tuesday, 20 July 2021 to Friday, 23 July 2021, both days inclusive. To be eligible to attend and vote at the EGM and Class Meetings, unregistered holders of Shares of the Company shall lodge relevant share transfer

² Mr. Yang Xiangbin has resigned as our Director on 29 June 2021.

LETTER FROM THE BOARD

documents with (for holders of H Shares) the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or (for holders of Domestic Shares) the Company's head office in the PRC for registration not later than 4:30 p.m. on Monday, 19 July 2021.

Shareholders who intend to appoint a proxy to attend the EGM and Class Meetings shall complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to Computershare Hong Kong Investor Services Limited and for holders of Domestic Shares, the form of proxy should be returned to the Company's head office in the PRC by hand or by post in any event not less than 24 hours before the time fixed for holding the EGM and the Class Meetings or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and the Class Meetings or at any other adjourned meeting.

IV. VOTING BY POLL AT EGM AND CLASS MEETINGS

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM and Class Meetings will therefore demand a poll for every resolution put to the vote of the EGM and Class Meetings pursuant to Article 81 of the Articles.

On a voting by poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorised representative) shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same manner.

Pursuant to Rules 2.15 and 14A.36 of the Listing Rules, in the event that any shareholder has a significant interest in a transaction or arrangement proposed for the consideration and approval at the general meeting, the shareholder shall abstain from voting on the relevant resolutions. Therefore, any connected persons, Shareholders and their associates who have significant interests in the relevant resolutions on the Transaction and the Supplemental Undertaking shall abstain from voting on the resolutions in relation to the Transaction and the Supplemental Undertaking at the EGM and the Class Meetings, with particulars as follows: (1) Resolution on absorption and merger of Pingzhuang Energy through Share Swap by the Company and disposal of material assets and purchase of assets through cash payment meeting the requirements for initial public offering and listing; (2) Resolution on absorption and merger of Pingzhuang Energy through Share Swap by the issuance of A Shares of the Company and disposal of material assets and purchase of assets through cash payment and proposal of related party transactions (to be voted separately); (3) Resolution on the Report of the Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets

LETTER FROM THE BOARD

and Purchase of Assets through Cash Payment and Proposal of Related Party Transactions (Draft) and its summary; (4) Resolution on entering into the Agreement on Absorption and Merger through Share Swap of China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. and its supplemental agreement with effective conditions; (5) Resolution on entering into the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. and its supplemental agreement with effective conditions;(6) Resolution on entering into the Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. and its supplemental agreement with effective conditions; (7) Resolution on entering into the Profit Compensation Agreement of the Company and Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power with effective conditions; (8) Resolution on the approval for the audit report related to the Transaction; (9) Resolution on the approval for the assessment report related to the Transaction; (10) Resolution on the independence of the valuation agency, the reasonableness of valuation assumptions, the relevance of the valuation methods and valuation purposes, and the fairness of valuation and pricing; (11) Resolution on the confirmation of the valuation report related to the Merger; (12) Resolution on the independence of the appraisal agency, the reasonableness of appraisal assumptions, the relevance of appraisal methods and appraisal purposes, and the fairness of appraisal and pricing; (13) Resolution on the dilution of immediate returns by the Transaction and proposed remedial measures; (14) Resolution on the confirmation of the related party transactions during the reporting period (the year 2018, 2019 and 2020); (15) Resolution on authorization to the Board and its authorized persons to deal with matters relating to the Transaction by the general meeting. (16) Resolution in relation to the Specific Mandate to the Board to grant the additional A Shares issue at the general meetings and Class Meetings; and (17) Resolution on the Supplemental Undertaking Letter in relation to Non-Competition with China Longyuan Power Group Corporation Limited* entered into by CHN Energy with effective conditions.

As at the Latest Practicable Date, CHN Energy, the controlling shareholder of the Company, directly holding 4,602,432,800 Domestic Shares of the Company and holding 93,927,200 Domestic Shares of the Company through its associate, Northeast Electric Power, and has significant interests in the relevant resolutions on the Transaction and the Supplemental Undertaking. Thus, CHN Energy and its associates, Northeast Electric Power, will abstain from voting on the resolutions in relation to the relevant resolutions on the Transaction and the Supplemental Undertaking at the EGM and the Class Meetings. The total number of Shares abstained from voting that are held by CHN Energy and its associates, Northeast Electric Power is 4,696,360,000 Shares, representing approximately 58.44% of the total issued share capital of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, apart from CHN Energy and its associates, Northeast Electric Power, there is no other Shareholders who have material interests in the Transaction, the Supplemental Undertaking or any other resolutions. Any Shareholder who holds Shares of the Company and Pingzhuang Energy at the same time shall abstain from voting on the relevant resolutions in relation the Transaction and the Supplemental Undertaking at the EGM and the Class Meetings.

Mr. Liu Jinhuan, Mr. Yang Xiangbin³ and Mr. Tian Shaolin, being the non-executive Directors of the Company, are appointed by and hold positions in CHN Energy and therefore have material interests in the relevant resolutions on the Transaction and the Supplemental Undertaking. They have abstained from voting on the relevant resolutions in relation to the Transaction and the Supplemental Undertaking at the Board meeting. Save as aforementioned persons, none of the other Directors has a material interest in the relevant resolutions on the Transaction and the Supplemental Undertaking.

V. RECOMMENDATION

The Board considers that all the resolutions set out in the Notices of EGM and Class Meetings for consideration and approval by the Shareholders are in the best interests of the Company and its Shareholders. As such, the Board recommends the Shareholders to vote in favour of the resolutions set out in the Notices of EGM and Class Meetings which are to be proposed at the EGM and Class Meetings.

By order of the Board

China Longyuan Power Group Corporation Limited*

Tang Jian

Executive Director and President

* *For identification purpose only*

³. Mr. Yang Xiangbin has resigned as our Director on 29 June 2021.



龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

8 July 2021

To the Independent Shareholders

Dear Sirs or Madams,

**CONNECTED TRANSACTIONS
ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH
SHARE SWAP, DISPOSAL OF MATERIAL ASSETS AND
PURCHASE OF ASSETS THROUGH CASH PAYMENT AND
PROFIT COMPENSATION AGREEMENT
ISSUANCE OF SUPPLEMENTAL UNDERTAKING BY
CONTROLLING SHAREHOLDERS**

We refer to the circular to all shareholders (the “**Circular**”) dated 8 July 2021 of the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on (1) whether the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment and their respective supplemental agreements, Profit Compensation Agreement and the plan for the Transaction and (2) Supplemental Undertaking issued by controlling shareholders (details set out in the Letter from the Board in the Circular) are fair and reasonable so far as the Independent Shareholders of the Company are concerned and are in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company on the same. Your attention is drawn to the Letter from Gram Capital set out in the Circular.

Having considered the information set out in the Letter from the Board as well as the major factors, reasons and opinion stated in the Letter from Gram Capital, we are of the view that (1) the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment and their respective supplemental agreements, Profit Compensation Agreement and the plan for the Transaction and (2) Supplemental Undertaking issued by controlling shareholders was entered into on normal commercial terms, the terms of which are fair and reasonable as far as the Independent Shareholders are concerned, and we believe that the Connected Transactions are in the interests of the Company and the Shareholders as a whole. Our view related to fairness and reasonableness is based on information, facts and circumstances currently prevailing.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we advise the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM and Class Meetings to approve (1) the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment and their respective supplemental agreements, Profit Compensation Agreement and the plan for the Transaction and (2) Supplemental Undertaking.

Yours faithfully,

Independent Board Committee

Zhang Songyi Meng Yan Han Dechang

Independent non-executive Directors

* *For identification purpose only*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction and the Supplemental Undertaking for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

8 July 2021

*To: The independent board committee and the independent shareholders of
China Longyuan Power Group Corporation Limited**

Dear Sir/Madam,

**(A) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO
ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH SHARE SWAP,
DISPOSAL OF MATERIAL ASSETS AND
PURCHASE OF ASSETS THROUGH CASH PAYMENT; AND
(B) ISSUANCE OF SUPPLEMENTAL UNDERTAKING TO NON-COMPETITION AGREEMENT
BY CONTROLLING SHAREHOLDER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction, and the Supplemental Undertaking details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 8 July 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Transaction

On 15 January 2021, the Company entered into the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment, respectively for the possible absorption and merger of Pingzhuang Energy through Share Swap and the material assets replacement, and on 18 June 2021, the Company further entered into, among other things, the Supplemental Agreements. The Transaction consists of three parts: Absorption and Merger through Share Swap, Assets Disposal and Purchase through Cash.

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The Merger, when fully implemented, will involve, among other things, the issuance of a total of 345,574,165 A Shares by the Company to all Conversion Shareholders of Pingzhuang Energy on the Registration Date of Implementation of the Merger, in exchange for the A Shares of Pingzhuang Energy held by them. The Conversion Ratio for the Merger is 1:0.3407, that is, each A Share of Pingzhuang Energy held by the Conversion Shareholders of Pingzhuang Energy can be converted for 0.3407 A Share to be newly issued by the Company. Upon completion of the Merger, Pingzhuang Energy will be delisted and ultimately disqualified as a legal person. The Company, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (excluding the Assets to be Disposed of).

Pingzhuang Energy will transfer the Assets to be Disposed of to Pingzhuang Coal Group, the consideration of which shall be paid by Pingzhuang Coal Group in cash. On the Closing Date of Assets to be Disposed of, the Assets to be Disposed of will be directly delivered to Pingzhuang Coal Group.

The Company will purchase the Assets to be Purchased from the Other Subsidiaries of CHN Energy, and the consideration of which shall be paid by the Surviving Company in cash. On the Closing Date of Assets to be Purchased, the Assets to be Purchased will be directly delivered to the Surviving Company or its subsidiaries.

With reference to the Board Letter, the Merger, the Disposal and the Purchase are inter-conditional on each other, failing any of which, the other two matters will not be implemented. As at the Latest Practicable Date, the ultimate de facto controller of the Company and Pingzhuang Energy is the SASAC of the State Council. Upon completion of the Merger, the ultimate de facto controller of the Surviving Company will remain the SASAC of the State Council, therefore, the Merger will not result in a change of the de facto controller.

With reference to the Board Letter, the Transaction constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under the Listing Rules.

The Supplemental Undertaking

On 18 June 2021, CHN Energy, a controlling shareholder of the Company, further issued the Supplemental Undertaking to Non-Competition Agreement to solve the problem of business overlap with the Company in the future.

With reference to the Board Letter, the issuance of Supplemental Undertaking to Non-Competition Agreement to the Company by CHN Energy constitutes a connected transaction of the Company, and is subject to the announcement, annual reporting and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The Independent Board Committee comprising Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Transaction and the Supplemental Undertaking are on normal commercial terms and are fair and reasonable; (ii) whether the Transaction and the Supplemental Undertaking are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transaction and the Supplemental Undertaking at the EGM and Class Meetings (as the case may be). We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to the Company's continuing connected transactions, details of which are set out in the Company's circular dated 14 December 2020. Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transaction and the Supplemental Undertaking. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

We have not made an independent evaluation or appraisal of the assets and liabilities of the Group or Pingzhuang Energy or CHN Energy and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation reports on the Assets to be Purchased prepared by China United Appraisal and the valuation report on the Assets to be Disposed of prepared by Zhong Ming Appraisal, the summaries of which are set out in Appendix II and III to the Circular respectively. Since we are not experts in the valuation of assets or business, we have relied solely upon the valuation reports for the valuation of the Assets to be Purchased and the Assets to be Disposed of as at the Valuation Benchmark Date.

The 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 the 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 the Circular or any statement therein misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Pingzhuang Energy, Pingzhuang Coal Group, CHN Energy or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction and/or the Supplemental Undertaking. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transaction and the Supplemental Undertaking, we have taken into consideration the following principal factors and reasons:

A. THE TRANSACTION

1. Background of the Transaction

1.1 Information on the Group

With reference to the Board Letter, the Company is a leading wind power generation company in the PRC, primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, the Company also operates other power projects such as coal power, solar power, tidal, biomass and geothermal energy. Meanwhile, the Company also provides consultation, repair and maintenance, training and other professional services to wind farms, as well as manufactures and sells power equipment used in the power grids, wind farms and coal power plants. The ultimate beneficial owner of the Company is CHN Energy.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2020 as extracted from the Company's annual report for the year ended 31 December 2020 (the "Company's 2020 Annual Report"):

	For the year ended 31 December 2020 <i>(audited)</i> RMB'000	For the year ended 31 December 2019 <i>(audited)</i> RMB'000	Year-on-year change %
Revenue	28,667,181	27,540,630	4.09
– Wind power	20,716,087	19,098,954	8.47
– Coal power	7,593,228	7,784,304	(2.45)
– Others	357,866	657,372	(45.56)
Profit attributable to equity holders of the Company	5,024,979	4,566,790	10.03

The Group recorded revenue of approximately RMB28.67 billion for the year ended 31 December 2020 ("FY2020"), representing an increase of approximately 4.09% as compared to that for the year ended 31 December 2019 ("FY2019"). With reference to the Company's 2020 Annual Report, such increase in revenue was mainly due to the increase in electricity sales and other revenue of wind power segment.

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For FY2020, the Group recorded profit attributable to equity holders of the Company of approximately RMB5.02 billion, representing an increase of approximately 10.03% as compared to that for FY2019. With reference to the Company's 2020 Annual Report, such increase in profit was mainly attributable to the increase in net profit of wind power segment.

With reference to the Company's 2020 Annual Report, the Group had net assets of approximately RMB66.45 billion as at 31 December 2020.

1.2 Information on CHN Energy

With reference to the Board Letter, as a state-owned enterprise established in accordance with the laws of the PRC, CHN Energy is the controlling shareholder of the Company, and operates eight business segments including coal, thermal power, new energy, hydropower, transportation, chemicals, environmental technologies and finance.

1.3 Information on Pingzhuang Energy

With reference to the Board Letter, Pingzhuang Energy is a joint stock limited company incorporated and validly existing under the laws of the PRC, whose shares are listed and traded on Shenzhen Stock Exchange with stock code 000780.SZ. Pingzhuang Energy is mainly engaged in the businesses of production, preparation, processing and sales (limited to operation by branches) of coal, sales of mine equipments, materials, accessories and disposal materials, catering services, accommodation and other businesses (the "**Pingzhuang Energy Business**"). As at the Latest Practicable Date, the total number of issued shares of Pingzhuang Energy was 1,014,306,324, among which, CHN Energy holds 61.42% of shares of Pingzhuang Energy through Pingzhuang Coal Group and is an indirect controlling shareholder of Pingzhuang Energy and the ultimate beneficial owner. Other than Pingzhuang Coal Group, all other shareholders of Pingzhuang Energy are independent third parties other than the Company and its connected persons.

LETTER FROM GRAM CAPITAL

Set out below are the financial information of Pingzhuang Energy for the two years ended 31 December 2020 as extracted from Pingzhuang Energy's annual report for FY2020 (the "Pingzhuang Energy's 2020 Annual Report"):

	For the year ended 31 December 2020 <i>(audited)</i> RMB'000	For the year ended 31 December 2019 <i>(audited)</i> RMB'000	Year-on-year change %
Operating income	1,841,660	2,153,673	(14.49)
– Coal mining and dressing	1,573,775	1,740,641	(9.59)
– Others	267,886	413,032	(35.14)
Net loss attributable to the shareholders of the company	(760,634)	(78,021)	874.91

Pingzhuang Energy recorded operating income of approximately RMB1.84 billion for FY2020, representing a decrease of approximately 14.49% as compared to that for FY2019. Revenue from both coal mining and dressing, and other businesses recorded decrease for FY2020 as compared to those for FY2019.

For FY2020, Pingzhuang Energy recorded net loss attributable to shareholders of the company of approximately RMB760.63 million, representing an increase of 874.91% as compared to that for FY2019. With reference to the Pingzhuang Energy's 2020 Annual Report, such increase in net loss was mainly due to (i) the recognition of impairment loss on Pingzhuang Energy's assets; (ii) the decrease in selling price and sales volume of coal; (iii) the decrease in government subsidy; and (iv) the increase in credit impairment.

With reference to the Pingzhuang Energy's 2020 Annual Report, Pingzhuang Energy had net assets of approximately RMB3.05 billion as at 31 December 2020.

The shareholding structure of Pingzhuang Energy is set out in the section headed "1.7.3 Information on Pingzhuang Energy" of the Board Letter.

1.4 Information on Other Subsidiaries of CHN Energy

With reference to the Board Letter, Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power, all incorporated pursuant to the laws of the PRC, are all wholly-owned subsidiaries of CHN Energy, and mainly engaged in development, investment and operation of wind power projects. CHN Energy is the ultimate beneficial owner of all its other subsidiaries.

1.5 Information on Pingzhuang Coal Group

With reference to the Board Letter, Pingzhuang Coal Group is a limited liability company incorporated and validly existing under the laws of the PRC, and it is mainly engaged in mining and sales of coal.

1.6 Information on the Assets to be Disposed of

With reference to the Board Letter, the Assets to be Disposed of represented all the assets and liabilities other than deferred income tax assets, deferred revenue and taxes payable of Pingzhuang Energy as at 31 December 2020. The specific scope is subject to the asset valuation scope as confirmed in the valuation report on the Assets to be Disposed of.

1.7 Information on Assets to be Purchased

With reference to the Board Letter, the Assets to be Purchased represented part of equity interests of subsidiaries engaging in new energy business to be purchased by the Company from the Other Subsidiaries of CHN Energy. The Assets to be Purchased comprised:

- (1) 100% equity interest in Northeast New Energy held by Northeast Electric Power;
- (2) 100% equity interest in Dingbian New Energy held by Shaanxi Electric Power;
- (3) 100% equity interest in Guangxi New Energy held by Guangxi Electric Power;
- (4) 100% equity interest in Yunnan New Energy by Yunnan Electric Power;
- (5) 100% equity interest in Gansu New Energy by Gansu Electric Power;
- (6) 100% equity interest in Tianjin Jieneng held by North China Electric Power;

LETTER FROM GRAM CAPITAL

- (7) 100% equity interest in Inner Mongolia New Energy held by North China Electric Power; and
- (8) 100% equity interest in Shanxi Jieneng held by North China Electric Power.

1.8 *Reasons for and benefits of the Transaction*

With reference to the Board Letter, the Transaction comprises three parts, the Merger, the Disposal and the Purchase, which are inter-conditional on each other. Upon completion of the Merger, Pingzhuang Energy will be delisted and disqualified as a legal person. The Company, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (other than the Assets to be Disposed of). The Company will apply for listing and trading of its original Domestic Shares and the A Shares to be issued for the Merger on the Main Board of the SZSE. Meanwhile, the Assets to be Disposed of will be directly delivered to Pingzhuang Coal Group, and the Assets to be Purchased will be directly delivered to the Company, the Surviving Company, or its subsidiaries, pursuant to the Assets Disposal Agreement and Agreement on Purchase of Assets through Cash Payment and their respective supplemental agreements.

The Company considered the following reasons for and benefits of the Transaction: (1) aligning with the national new energy development strategy, consolidating and enhancing the industry leading position and international competitiveness of the Company; (2) being conducive to broadening financing channels and enhancing competitive advantages of the Company; and (3) being conducive to reducing horizontal competition and realizing resource integration. Further details are set out in the section headed “1.5 Reasons for and Benefits of the Transaction” of the Board Letter.

With reference to the Company’s 2020 Annual Report, the period of the “Fourteenth Five-Year Plan” will be a key five years for China to implement the energy security strategy of “Four Revolutions and One Cooperation” in the energy sector (which pointed out the direction of China’s energy transformation) and achieve the goal of carbon emission by 2030. During this period of time, new energy will become the main part of incremental energy consumption, and the development of new energy will usher in major opportunities. We also noted from the Company’s 2020 Annual Report the Group’s objectives in 2021 include: (i) to grasp the development opportunity accurately, and further consolidate, optimize and expand main business of new energy; and (ii) to deepen reform continuously, and further elevate the management efficiency.

LETTER FROM GRAM CAPITAL

As mentioned above, upon completion of the Transaction, the Assets to be Purchased (which represented part of equity interests of subsidiaries engaging in new energy business) will be directly delivered to the Company, while the Assets to be Disposed of (which represented all the assets and liabilities other than deferred income tax assets, deferred revenue and taxes payable of Pingzhuang Energy that are used for the purpose of conducting the Pingzhuang Energy Business and are irrelevant to the Group's wind power business) will be sold. Accordingly, we are of the view that the Transaction is consistent with the Company's development objectives as mentioned in the Company's 2020 Annual Report (such as, to grasp the development opportunity accurately, and further consolidate, optimize and expand main business of new energy). Having also considered that upon completion of the Transaction, the Company will become dual listing and can conduct capital operation in both H share market and A share market, we are of the view that the Transaction is conducive to broaden financing channels of the Company.

Having considered the above, we consider that although the Transaction is not conducted in the ordinary and usual course of business of the Group, the Transaction is in the interests of the Company and the Shareholders as a whole.

1.9 Industry overview

Electricity consumption in PRC

Set out below are the electricity consumption in PRC during the five years ended 31 December 2020, being the latest five full-year statistics published by the China Electricity Council:

	2020	2019	2018	2017	2016
Electricity consumption (<i>billion kilowatt-hours</i>)	7,511	7,249	6,900	6,363	5,975

As shown in the table above, the electricity consumption in PRC recorded year-on-year increase during each of the year 2017, 2018, 2019 and 2020. The electricity consumption in PRC increased from approximately 5,975 billion kilowatt-hours ("kWh") in 2016 to approximately 7,511 billion kWh in 2020, representing a compounded annual growth rate of approximately 5.9%.

LETTER FROM GRAM CAPITAL

Electricity generation in PRC

Set out below are the clean energy (such as gas-fired power, hydropower, nuclear power and wind power) consumption (as a percentage of total energy consumption) during the five years ended 31 December 2020, being the latest five full-year statistics published by the National Bureau of Statistics of the PRC:

	2020	2019	2018	2017	2016
Clean energy consumption to total energy consumption	24.3%	23.4%	22.1%	20.8%	19.7%

As shown in the table above, clean energy consumption (as a percentage of total energy consumption) recorded year-on-year increase during each of the year 2017, 2018, 2019 and 2020. Such percentage increased from approximately 19.7% in 2016 to approximately 24.3% in 2020.

Set out below are the proportion of different types of electricity generation in the PRC during the five years ended 31 December 2020, being the latest five full-year statistics published by the China Electricity Council:

	2020	2019	2018	2017	2016
Hydropower	17.8%	17.8%	17.6%	18.6%	19.5%
Thermal power	67.9%	68.9%	70.4%	71.0%	71.8%
Nuclear power	4.8%	4.8%	4.2%	3.9%	3.5%
Wind power	6.1%	5.5%	5.2%	4.7%	4.0%
Solar power	3.4%	3.1%	2.5%	1.8%	1.1%

As shown in the table above, thermal power (which includes coal-fired power, gas-fired power, fuel oil-fired power and biomass power) is the largest contributor to the total electricity generation in the PRC from 2016 to 2020, despite the contribution decreased from approximately 71.8% in 2016 to approximately 67.9% in 2020. Hydropower is the second largest contributor to the total electricity generation in the PRC from 2016 to 2020, although its contribution also decreased from approximately 19.5% in 2016 to approximately 17.8% in 2020. The contribution from each of nuclear power, wind power and solar power increased from 2016 to 2020.

Having considered the statistics as highlighted above, we are of the view that prospect of the clean energy business is generally positive.

2. Principal terms of the Transaction

2.1 *The Merger*

On 15 January 2021, the Company entered into the Agreement on Absorption and Merger through Share Swap with Pingzhuang Energy in relation to the Merger. The Merger, when fully implemented, will involve, among other things, the issuance of a total of 345,574,165 A Shares by the Company to all Conversion Shareholders of Pingzhuang Energy on the Registration Date of Implementation of the Merger, in exchange for the A Shares of Pingzhuang Energy held by them. Upon completion of the Merger, Pingzhuang Energy will be delisted and disqualified as a legal person. The Company will apply for listing and trading of its original Domestic Shares and the A Shares to be issued for the Merger on the Main Board of the SZSE.

The targets of the Share Swap are all the Conversion Shareholders of Pingzhuang Energy whose name appears on the shareholders' register at the close of business of the Registration Date of Implementation of the Merger, that is, on the Registration Date of Implementation of the Merger, the shares of Pingzhuang Energy held by the shareholders of Pingzhuang Energy who have not declared, partially declared, have no right to declare or invalidly declared the exercise of the Cash Alternatives, and the shares of Pingzhuang Energy held by the Cash Alternative Providers for providing the Cash Alternative, will be entirely converted into A Shares to be issued by the Company for the Merger in accordance with the Conversion Ratio.

Detailed terms of the Merger are set out in the sections headed "1.1.1 Absorption and Merger" of the Board Letter.

2.1.2 *Conversion Price and Cash Alternative*

Conversion Price

The price of Cash Alternative of Dissenting Shareholders of Pingzhuang Energy of RMB3.50 is based on the average closing price of Pingzhuang Energy shares in the 20 trading days prior to the Pricing Benchmark Date. The Conversion Price of RMB3.85 is based on the aforesaid average closing price of RMB3.50, with a 10% premium rate.

LETTER FROM GRAM CAPITAL

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Pingzhuang Energy from the Pricing Benchmark Date to the date of the Share Swap or the date of the Cash Alternative Exercise Date (both days inclusive for both cases), the Conversion Price and price for Cash Alternative shall be adjusted accordingly. Under other circumstances, the Conversion Price will no longer be adjusted. The adjustment mechanism for the Conversion Price is set out in the Board Letter.

Cash Alternative

With reference to the Board Letter, CHN Energy will act as the Cash Alternative Providers of the Transaction. At the general meeting for consideration of the Transaction of Pingzhuang Energy, any shareholder of Pingzhuang Energy who had cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment and their supplemental agreements is entitled to request Cash Alternative Providers to purchase its shares in Pingzhuang Energy.

The Cash Alternative Providers will be determined and announced prior to the convening of the general meeting for consideration of the Transaction. After the purchase of shares of Pingzhuang Energy held by the dissenting shareholders requested by the dissenting shareholders, such dissenting shareholders shall not be entitled to claim the Cash Alternative against Pingzhuang Energy and/or other shareholders who cast effective assenting votes in respect of relevant resolutions of the plan for the Transaction.

The price for Cash Alternative of Dissenting Shareholders of Pingzhuang Energy is the average price in the 20 trading days before the Pricing Benchmark Date, i.e. RMB3.50 per share. If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Pingzhuang Energy from the Pricing Benchmark Date to the Cash Alternative Exercise Date (both days inclusive), the price for Cash Alternative shall be adjusted accordingly.

Details of the protection mechanism for the Dissenting Shareholders of Pingzhuang Energy are set out in the Board Letter.

LETTER FROM GRAM CAPITAL

2.1.3 Issue Price and Conversion Ratio

Issue Price

The initial Issue Price of A Shares of the Company is RMB11.42 per Share. On 28 May 2021, an annual general meeting was held by the Company, at which, the annual profit distribution plan for the year 2020 was considered and approved, pursuant to which, Shareholders whose names appear on the register of members of the Company on 7 June 2021 will be paid cash dividend of RMB0.1176 (tax inclusive) per Share. With reference to the Board Letter, according to the adjustment formula of the Issue Price, the Issue Price (being rounded to two decimal places) is RMB11.30 per Share.

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in the Company from the Pricing Benchmark Date to the Share Swap Exercise Date (both days inclusive), the above Issue Price shall be adjusted accordingly. Under other circumstances, the Issue Price will no longer be adjusted. Details of the adjustment mechanism for the Issue Price is set out in the Board Letter.

Conversion Ratio

With reference to the Board Letter, the calculation formula for Conversion Ratio is: Conversion Ratio = Conversion Price of A Shares of Pingzhuang Energy \div Issue Price of A Shares of the Company (calculation results are rounded to four decimal places). Conversion Ratio for the Merger is 1:0.3407, that is, each A Share of Pingzhuang Energy held by the Conversion Shareholders of Pingzhuang Energy can be converted for 0.3407 A Share to be issued by the Company. The Conversion Ratio for the Absorption and Merger through Share Swap will be adjusted based on the Issue Price after the profit distribution of the Company.

From the Pricing Benchmark Date to the Share Swap Exercise Date (both days inclusive), unless there occurs any ex-right or ex-dividend event such as cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in either of the Merger Parties or the circumstances that the Issue Price or the Conversion Price shall be adjusted according to the relevant laws, regulations and the requirements of regulatory authorities, the Conversion Ratio shall not be adjusted under any other circumstances.

LETTER FROM GRAM CAPITAL

As at the Latest Practicable Date, the total share capital of Pingzhuang Energy is 1,014,306,324 shares. Assuming that all shareholders of Pingzhuang Energy participate in the Share Swap, based on the Conversion Ratio, the total number of A Shares to be issued by the Company for the Merger is 345,574,165 shares.

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in either of the Merger Parties from the Pricing Benchmark Date to the date of the Share Swap (both days inclusive), the above number of shares to be issued under the Share Swap shall be adjusted accordingly.

2.1.4 Analysis on the Conversion Price, the Issue Price and the Cash Alternative

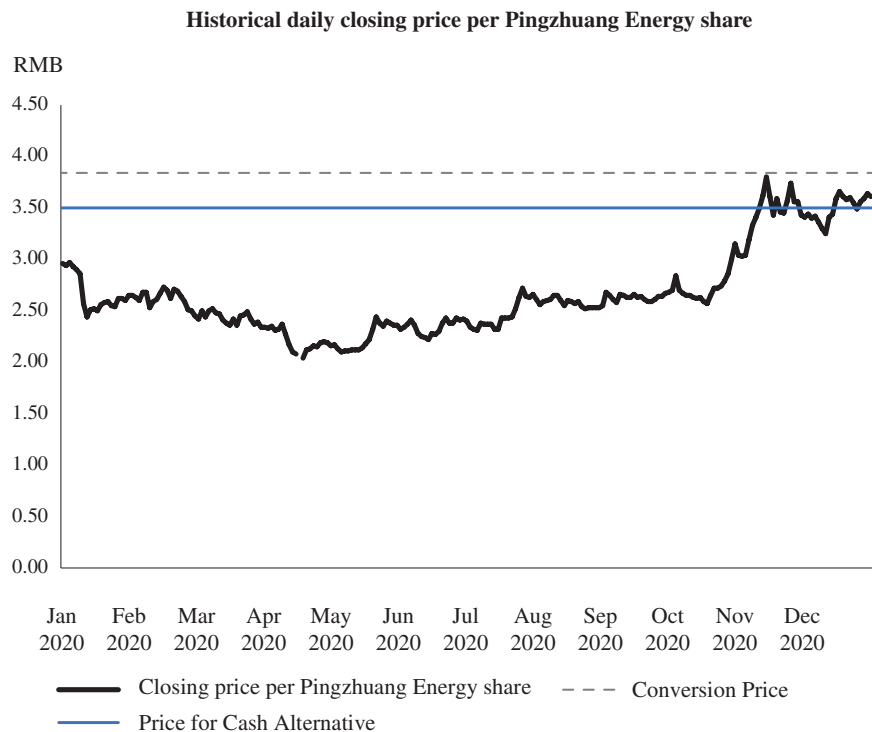
Trading price of Pingzhuang Energy shares

The Conversion Price of RMB3.85 per share represents:

- (i) a discount of approximately 34.08% to the closing price of RMB5.84 per Pingzhuang Energy share as quoted on the SZSE as at the Latest Practicable Date;
- (ii) a premium of approximately 6.51% over the closing price of RMB3.61 per Pingzhuang Energy share as quoted on the SZSE on 31 December 2020 (being the last trading date prior to the date of the Agreement on Absorption and Merger through Share Swap);
- (iii) a premium of approximately 7.46% over the average closing price of RMB3.58 per Pingzhuang Energy share as quoted on the SZSE for the five (5) consecutive trading days prior to the date of the Agreement on Absorption and Merger through Share Swap; and
- (iv) a premium of 10% over the average closing price of RMB3.50 per Pingzhuang Energy share as quoted on the SZSE for the twenty (20) consecutive trading days prior to the date of the Agreement on Absorption and Merger through Share Swap.

LETTER FROM GRAM CAPITAL

In order to assess the fairness and reasonableness of the Conversion Price, we reviewed the daily closing price of Pingzhuang Energy shares as quoted on the SZSE from 16 January 2020 up to and including 15 January 2021 (the “**Pingzhuang Energy Shares Review Period**”), being a period of one year prior to the date of the Agreement on Absorption and Merger through Share Swap, which is commonly adopted for analysis and the duration of such period (the number of trading days) is sufficient for us to perform a thorough analysis on the historical share price of Pingzhuang Energy. The comparison of daily closing price of Pingzhuang Energy shares and the Conversion Price is illustrated as follows:



Source: The cninfo website

Note: Trading in Pingzhuang Energy’s shares was halted with effect from 30 April 2020 and resumed on 6 May 2020, and halted with effect from 4 January 2021 and resumed on 18 January 2021 during the Pingzhuang Energy Shares Review Period.

During the Pingzhuang Energy Shares Review Period, the highest and lowest closing prices of the Pingzhuang Energy’s shares as quoted on the SZSE were RMB3.80 recorded on 19 November 2020 and RMB2.04 recorded on 6 May 2020 respectively.

LETTER FROM GRAM CAPITAL

The Conversion Price of RMB3.85 per share is higher than the closing prices of Pingzhuang Energy shares during the entire Pingzhuang Energy Shares Review Period; while the price for Cash Alternative of RMB3.50 per share is within the range of closing prices of Pingzhuang Energy shares during the Pingzhuang Energy Shares Review Period. With reference to the Board Letter, (i) the Conversion Price of RMB3.85 per share is based on the average price of RMB3.50 per share in the 20 trading days prior to the Pricing Benchmark Date, with a 10% premium rate (the “**Reference Date Premium**”); (ii) and the price for the Cash Alternative of RMB3.50 per share is based on the average price in the 20 trading days before the Pricing Benchmark Date.

Having considered the time and procedures required for listing of the A Shares by the Company, we understood from the Management that the Reference Date Premium compensates for the risks and uncertainties to be borne by the Conversion Shareholders of Pingzhuang Energy before the listing of the A Shares by the Company.

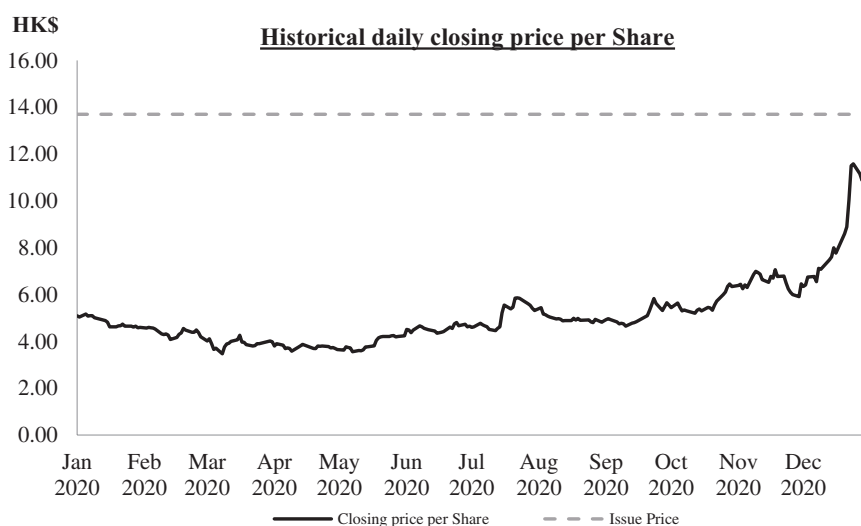
Trading price of the Company shares

The Issue Price of RMB11.30 (equivalent to HK\$13.56 based on the RMB:HK\$ exchange rate of 1:1.1996) represents:

- (i) a premium of approximately 2.26% to the closing price of HK\$13.26 per Company Share as quoted on the Hong Kong Stock Exchange as at the Latest Practicable Date;
- (ii) a premium of approximately 31.40% to the closing price of the Company Shares of HK\$10.32 on 15 January 2021, being the date of the Agreement on Absorption and Merger through Share Swap;
- (iii) a premium of approximately 24.04% over the average closing price of HK\$10.93 per Company Share as quoted on the Hong Kong Stock Exchange for the five (5) consecutive trading days prior to the date of the Agreement on Absorption and Merger through Share Swap; and
- (iv) a premium of approximately 53.38% over the average closing price of HK\$8.84 per Company Share as quoted on the Hong Kong Stock Exchange for the twenty (20) consecutive trading days prior to the date of the Agreement on Absorption and Merger through Share Swap.

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In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing price of the Company Shares as quoted on the Hong Kong Stock Exchange from 16 January 2020 up to and including 15 January 2021 (the “**Company Shares Review Period**”), being a period of one year prior to the date of the Agreement on Absorption and Merger through Share Swap, which is commonly adopted for analysis and the duration of such period (the number of trading days) is sufficient for us to perform a thorough analysis on the historical share price of the Company. The comparison of daily closing price of the Company Shares and the Issue Price is illustrated as follows:



Source: the Hong Kong Stock Exchange's website

Note: The Issue Price is based on RMB:HK\$ exchange rate of 1:1.1996.

During the Company Shares Review Period, the highest and lowest closing prices of the Company Shares as quoted on the Hong Kong Stock Exchange were HK\$11.60 recorded on 13 January 2021 and HK\$3.47 recorded on 23 March 2020 respectively.

The Issue Price is higher than the closing prices of the Company Shares during the entire Company Shares Review Period. The Issue Price represents (i) premium of approximately 31.40% to the closing price of the Company shares of HK\$10.32 on 15 January 2021, being the date of the Agreement on Absorption and Merger through Share Swap; and (ii) premium of approximately 16.90% to the highest closing price of Company shares of HK\$11.60 during the Company Shares Review Period.

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Trading multiples analysis of the Conversion Price

We noted that (i) trading multiples analysis of price to earnings ratio (“**PER**”) and price to book ratio (“**PBR**”) are commonly adopted valuation methods in the market; (ii) PER reflects the company’s share price to its earning per share, which implies the company’s profitability for each dollar invested; and (iii) PBR reflects the valuation of the assets held by the company by the market, as such, we are of the view that the use of PER and PBR for the purpose of trading multiples analysis are reasonable and do not deviate from common market practice.

As illustrated in the section above, Pingzhuang Energy recorded net loss attributable to the shareholders of the company for each of FY2019 and FY2020. Given that Pingzhuang Energy had been loss making for FY2019 and FY2020, we consider the PER analysis to be inapplicable. For this reason, in order to further assess the fairness and reasonableness of the Conversion Price, we performed the trading multiples analysis below which includes the PBR; and the price to sales ratio (“**PSR**”) instead.

We searched for A Shares listed companies on the SZSE and the Shanghai Stock Exchange which have similar lines of business as Pingzhuang Energy (i.e. deriving more than 50% of revenue from the production and sale of thermal coal) (the “**Conversion Price Comparable Companies**”). To the best of our knowledge and as far as we are aware of, we found 9 companies which met the said criteria and they are exhaustive.

Company name (Stock Code)	Principal business	PSR <i>(note 1)</i>	PBR <i>(note 2)</i>
Gansu Jingyuan Coal Industry and Electricity Power Co., Ltd (000552.SZ)	Mining and sale of coal	1.58	0.81
Zhengzhou Coal Industry and Electric Power Co., Ltd. (600121.SH)	Production and sale of coal, generation of electricity and sale of coal-related material and equipment	2.33	3.42
Henan Dayou Energy Co., Ltd. (600403.SH)	Mining, processing and distribution of coal	1.73	1.36

LETTER FROM GRAM CAPITAL

Company name (Stock Code)	Principal business	PSR <i>(note 1)</i>	PBR <i>(note 2)</i>
Shanghai Datun Energy Resources Co., Ltd. (600508.SH)	Mining, processing and sale of coal, railway transportation, coal-fired electricity generation, processing and sale of aluminium and aluminium alloy	0.87	0.64
Jinneng Holding Shanxi Coal Industry Co., Ltd. (601001.SH)	Production and sale of coal	0.79	1.22
China Shenhua Energy Company Limited (1088.HK & 601088.SH)	Production and sales of coal and power, railway, port and shipping transportation as well as coal-to-olefins businesses	1.54	1.04
Beijing Haohua Energy Resource Co., Ltd. (601101.SH)	Production and sale of coal and methanol, and railway transportation	0.82	0.67
Shaanxi Coal Industry Company Limited (601225.SH)	Mining, transportation and sale of coal and provision of production services	1.46	1.60
China Coal Xinji Energy Co., Ltd (601918.SH)	Coal mining and coal-fired electricity generation projects: sale of coal and electricity	0.78	1.10
	Maximum	2.33	3.42
	Minimum	0.78	0.64
	Average	1.32	1.32
	The Merger (based on the Conversion Price) <i>(note 3)</i>	1.81	1.08
	The Merger (based on the Cash Alternative) <i>(note 4)</i>	1.65	0.98

Source: The cninfo website

Notes:

- The PSRs of the Conversion Price Comparable Companies were calculated based on their respective then latest published audited revenue for the year, their respective closing prices as quoted on SZSE/the Shanghai Stock Exchange and total issued shares as at the date of Agreement on Absorption and Merger through Share Swap.

LETTER FROM GRAM CAPITAL

2. The PBRs of the Conversion Price Comparable Companies were calculated based on their respective then latest published net assets value attributable to the shareholders, their respective closing prices as quoted on SZSE/the Shanghai Stock Exchange and total issued shares as at the date of Agreement on Absorption and Merger through Share Swap.
3. The implied PSR is based on the Conversion Price, the then latest published audited revenue for the year of Pingzhuang Energy and total issued shares of Pingzhuang Energy as at the date of Agreement on Absorption and Merger through Share Swap; and the implied PBR is based on the Conversion Price, the then latest published net assets value attributable to the Pingzhuang Energy shareholders and total issued shares of Pingzhuang Energy as at the date of Agreement on Absorption and Merger through Share Swap.
4. The implied PSR is based on the price of Cash Alternative, the then latest published revenue for the year of Pingzhuang Energy and total issued shares of Pingzhuang Energy as at the date of Agreement on Absorption and Merger through Share Swap; while the implied PBR is based on the price of Cash Alternative, the unaudited net assets value attributable to the Pingzhuang Energy shareholders and total issued shares of Pingzhuang Energy as at the date of Agreement on Absorption and Merger through Share Swap.

From the table above, the PSRs of the Conversion Price Comparable Companies ranged from approximately 0.78 times to 2.33 times, with an average of approximately 1.32 times; while PBRs of the Conversion Price Comparable Companies ranged from approximately 0.64 times to 3.42 times, with an average of approximately 1.32 times.

The implied PSR of the Merger (based on the Conversion Price) is within the PSR range of the Conversion Price Comparable Companies, and is higher than the average PSR of the Conversion Price Comparable Companies. The implied PBR of the Merger (based on the Conversion Price) is within the PBR range of the Conversion Price Comparable Companies, and is lower than the average PBR of the Conversion Price Comparable Companies. We are of the view that the Conversion Price is not over-priced as compared to the Conversion Price Comparable Companies from PSR/PBR perspective.

The implied PSR of the Merger (based on the Cash Alternative) is within the PSR range of the Conversion Price Comparable Companies, and is higher than the average PSR of the Conversion Price Comparable Companies. The implied PBR of the Merger (based on the Cash Alternative) is within the PBR range of the Conversion Price Comparable Companies, and is lower than the average PBR of the Conversion Price Comparable Companies. We are of the view that the Cash Alternative is not over-priced as compared to the Conversion Price Comparable Companies from PSR/PBR perspective.

LETTER FROM GRAM CAPITAL

Trading multiples analysis of the Issue Price

As mentioned above, trading multiples analysis of PER and PBR is a commonly adopted valuation method in the market. For this reason, in order to further assess the fairness and reasonableness of the Issue Price, we performed the trading multiples analysis below which includes the PER and PBR.

In performing our PER and PBR analysis, we searched for A Shares listed companies on the SZSE and the Shanghai Stock Exchange which have similar lines of business as the Company (deriving more than 50% of revenue from the wind power business) (the “**Issue Price Comparable Companies**”). To the best of our knowledge and as far as we are aware of, we found 5 companies which met the said criteria and they are exhaustive.

Company name (Stock Code)	Principal business	PER <i>(note 1)</i>	PBR <i>(note 2)</i>
Ning Xia Yin Xing Energy Co., Ltd (000862.SZ)	Generation of wind power and photovoltaic electricity	94.95	1.04
Zhongmin Energy Co., Ltd. (600163.SH)	Investment, development and operate in wind power and photovoltaic power generation	41.97	1.90
CECEP Wind-Power Corporation (601016.SH)	Develops and constructs wind power projects	30.48	1.83
Ningxia Jiaze Renewables Corporation Limited (601619.SH)	Research and development, construction, operate in and management of wind power and photovoltaic generation	22.00	1.76
Jiangsu New Energy Development Co., Ltd. (603693.SH)	Investment, construction and operation of new energy project, including wind power, biomass power and photovoltaic power generation	28.79	1.51
	Maximum	94.95	1.90
	Minimum	22.00	1.04
	Average	43.64	1.61
	The issue of A Shares by the Company <i>(note 3)</i>	21.00	1.65

Source: The cninfo website

LETTER FROM GRAM CAPITAL

Notes:

1. The PERs of the Issue Price Comparable Companies were calculated based on their respective then latest published audited profit attributable to the shareholders for the year, their respective closing prices as quoted on SZSE/the Shanghai Stock Exchange and total issued shares as at the date of Agreement on Absorption and Merger through Share Swap.
2. The PBRs of the Issue Comparable Companies were calculated based on their respective then latest published net assets value attributable to the shareholders, their respective closing prices as quoted on SZSE/the Shanghai Stock Exchange and total issued shares as at the date of Agreement on Absorption and Merger through Share Swap.
3. The implied PER is based on the Issue Price, the then latest published audited profit attributable to the Shareholders for the year and total issued Shares as at the date of Agreement on Absorption and Merger through Share Swap; and the implied PBR is based on the Issue Price, the then latest published net assets value attributable to the Shareholders and total issued Shares as at the date of Agreement on Absorption and Merger through Share Swap.

From the table above, the PERs of the Issue Price Comparable Companies ranged from approximately 22.00 times to 94.95 times, with an average of approximately 43.64 times; while PBRs of the Issue Price Comparable Companies ranged from approximately 1.04 times to 1.90 times, with an average of approximately 1.61 times.

According to the table above, despite that the range of PERs of the Issue Price Comparable Companies was wide, the PERs of most of the Issue Price Comparable were close to the lower limit of the PERs range.

The implied PER of the issue of A Shares by the Company (based on the Issue Price) is slightly lower than the PER range of the Issue Price Comparable Companies. The implied PBR of the issue of A Shares by the Company (based on the Issue Price) is within the PBR range of the Issue Price Comparable Companies and is higher than the average PBR of the Issue Price Comparable Companies.

Our View

Having considered that (i) the Conversion Price of RMB3.85 per share is based on the average price of RMB3.50 per share in the 20 trading days before the Pricing Benchmark Date, with a 10% Reference Date Premium (which compensates for the risks and uncertainties to be borne by the Pingzhuang Energy Conversion Shareholders before the listing of the A Shares by the Company); and (ii) the Conversion Price is not over-priced as compared to the Conversion Price Comparable Companies from PSR/PBR perspective, we are of the view that the Conversion Price is fair and reasonable.

LETTER FROM GRAM CAPITAL

Having considered that (i) the price for Cash Alternative is within the range of closing prices of the Pingzhuang Energy shares during the Pingzhuang Energy Shares Review Period; and (ii) the Cash Alternative is not over-priced as compared to the Conversion Price Comparable Companies from PSR/PBR perspective, we are of the view that the price for Cash Alternative is fair and reasonable.

Having considered that:

- (i) the Issue Price is higher than the closing prices of the Company Shares as quoted on the Hong Kong Stock Exchange during the entire Company Shares Review Period;
- (ii) the Issue Price being within the PBR range of the Issue Price Comparable Companies indicated that it is not under-priced as compared to the Issue Price Comparable Companies from PBR perspective; and
- (iii) despite that the implied PER of the issue of A Shares by the Company (based on the Issue Price) is slightly lower than the PER range of the Issue Price Comparable Companies, we consider that the Issue Price being slightly lower than the PER range of the Issue price is acceptable after taking into account that (i) the implied PER of the issue of A Shares by the Company (based on the Issue Price) of approximately 21.00 times is not deviated from PER the range of the Issue Price Comparable Companies which has a low end of approximately 22.00 times; and (ii) the Issue Price of RMB11.30 (equivalent to approximately HK\$13.56) is higher than the closing prices of the Company Shares during the entire Company Shares Review Period,

we are of the view that the Issue Price is fair and reasonable.

LETTER FROM GRAM CAPITAL

2.1.5 Protection Mechanism for the Dissenting Shareholders of Longyuan Power

The Company will entitle the Dissenting Shareholders of Longyuan Power the Put Option. CHN Energy is the Put Option Provider in the Transaction. At the general meeting and corresponding shareholders' class meetings for consideration of the Transaction of the Company, any shareholder of the Company who had cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreements and supplemental agreements relating to the Transaction is entitled to request the Put Option Providers to purchase its shares in the Company at a fair price.

The Put Option Providers will be determined and announced prior to the convening of the general meeting for consideration of the Transaction. After the purchase of shares of the Company held by the dissenting shareholders at a fair price as requested by the dissenting shareholders, such dissenting shareholders shall not be entitled to claim the Put Option against the Company and/or other shareholders who cast effective assenting votes in respect of relevant resolutions of the plan for the Transaction.

The Dissenting Shareholders of Longyuan Power who exercise their Put Option may receive a cash consideration to be paid by the Put Option Providers at the price of the Put Option for each share of the Company that they have validly declared on the Put Option Exercise Date, and transfer the corresponding shares to the Put Option Providers. The Put Option Providers shall be assigned all the shares of the Company in respect of which the Dissenting Shareholders of the Company exercise their Put Option on the Put Option Exercise Date and pay cash consideration accordingly.

The detailed arrangements for the Put Option (including but not limited to the Put Option Exercise Date, the declaration, settlement and closing of the Put Option, etc.) will be determined by the Company and the Put Option Providers after negotiation and will be disclosed in accordance with the requirements of the laws, regulations and the Hong Kong Stock Exchange in a timely manner.

Details of the protection mechanism for Dissenting Shareholders of Longyuan Power are set out in the Board Letter.

LETTER FROM GRAM CAPITAL

Given that the Put Option provides an exit alternative for Dissenting Shareholders of Longyuan Power, we are of the view that the aforesaid Put Option would safeguard the interest of the Dissenting Shareholders of Longyuan Power.

2.1.6 Lock-up period arrangement

With reference to the Board Letter, CHN Energy, the controlling shareholder of the Company, undertake that:

- (1) Within 36 months from the date when the A Shares of the Company are listed and traded, CHN Energy shall not transfer or entrust to others to manage the issued shares of the Company directly or indirectly held by CHN Energy prior to the Absorption and Merger through Share Swap (excluding H Shares), nor shall the Company repurchase such shares. Within six months after the listing of A Shares of the Company, if the closing prices of A Shares of the Company for 20 consecutive trading days are lower than the Issue Price, or the closing price at the end of six months after the listing is lower than the Issue Price, CHN Energy undertakes that the lock-up period of the shares of the Company held by CHN Energy shall be automatically extended for six months.
- (2) If relevant laws, regulations and regulatory documents or securities regulatory authorities such as CSRC have other requirements on the lock-up period of shares, CHN Energy agrees to adjust the lock-up period of the shares of the Company (excluding H Shares) held by CHN Energy accordingly.
- (3) CHN Energy undertakes to assume and compensate all losses caused to the Company and its controlled entities due to violation of the above undertakings or relevant laws, regulations and regulatory documents.
- (4) If any of the following circumstances occurs after one year from the date of listing of the A Shares of the Company, the above article 1 of the undertaking may be waived to comply with upon the application of CHN Energy and with the consent of the SZSE: (i) both parties have actual control relationship or are under the control of the same controller; (ii) such other circumstances as determined by the SZSE.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, Northeast Electric Power (a wholly-owned subsidiary of CHN Energy), the shareholder of the Company, undertake that:

- (1) Within 36 months from the date on which the A Shares of the Company are listed and traded, Northeast Electric Power shall not transfer or entrust to others to manage the issued shares of the Company directly or indirectly held by Northeast Electric Power prior to the Absorption and Merger through Share Swap (excluding H Shares), nor shall the Company repurchase such shares. Within six months after the listing of A Shares of the Company, if the closing prices of A Shares of the Company for 20 consecutive trading days are lower than the Issue Price, or the closing price at the end of six months after the listing is lower than the Issue Price, Northeast Electric Power undertakes that the lock-up period of the shares of the Company held by Northeast Electric Power shall be automatically extended for six months.
- (2) If relevant laws, regulations and regulatory documents or other securities regulatory authorities such as CSRC have other requirements on the lock-up period of shares, Northeast Electric Power agrees to adjust the lock-up period of the shares of the Company (excluding H Shares) held by Northeast Electric Power accordingly.
- (3) Northeast Electric Power undertakes to assume and compensate for all losses caused to the Company and its controlled entities due to violation of the above undertakings or relevant laws, regulations and regulatory documents.
- (4) If any of the following circumstances occurs after one year from the date of listing of the A Shares of the Company, the above article 1 of the undertakings may be waived to comply with upon the application of Northeast Electric Power and with the consent of the SZSE: (i) there are actual control relationship between the parties or they are under the common control of a same controller; (ii) such other circumstances as determined by the SZSE.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, Pingzhuang Coal Group, the controlling shareholder of Pingzhuang Energy, undertakes that;

- (1) Within 36 months from the date when the A Shares of the Company are listed and traded, Pingzhuang Coal Group shall not transfer or entrust to others to manage the shares of the Company held by Pingzhuang Coal Group due to the Absorption and Merger through Share Swap, nor shall the Company repurchase such shares. Within six months after the listing of A Shares of the Company, if the closing prices of A Shares of the Company for 20 consecutive trading days are lower than the Issue Price, or the closing price at the end of six months after the listing is lower than the Issue Price, Pingzhuang Coal Group undertakes that the lock-up period of the shares of the Company held by Pingzhuang Coal Group shall be automatically extended for six months.
- (2) If relevant laws, regulations and regulatory documents or securities regulatory authorities such as CSRC have other requirements on the lock-up period of shares, Pingzhuang Coal Group agrees to adjust the lock-up period of the shares of the Company (excluding H Shares) held by Pingzhuang Coal Group accordingly.
- (3) Pingzhuang Coal Group undertakes to assume and compensate all losses caused to the Company and its controlled entities due to violation of the above undertakings or relevant laws, regulations and regulatory documents.
- (4) If any of the following circumstances occurs after one year from the date of listing of the A Shares of the Company, the above article 1 of the undertakings may be waived to comply with upon the application of Pingzhuang Coal Group and with the consent of the SZSE: (i) both parties have actual control relationship or are under the control of the same controller; (ii) such other circumstances as determined by the SZSE.

According to 《深圳證券交易所股票上市規則》(Rules Governing the Listing of Shares on SZSE*) (the “**SZSE Listing Rules**”), controlling shareholders and ultimate beneficial owners of listing applicant (who is applying for the initial public offering of its shares) should undertake not to transfer or entrust to others to manage the shares such shareholder directly or indirectly holds, nor shall the listing applicant repurchases the shares such shareholder directly or indirectly holds within 36 months from date when the A shares of the listing applicant having been listed and traded. The lock-up period arrangement is in compliance with relevant provisions of the SZSE Listing Rules for the listing of the Company’s A Shares on SZSE.

LETTER FROM GRAM CAPITAL

Having considered that (i) the duration of the lock-up period covers a period of 36 months, subject to adjustment and/or extension; (ii) CHN Energy and Northeast Electric Power undertake to assume and compensate for all losses caused to the Company and its controlled entities due to violation of the lock-up undertakings or relevant laws and regulations; and (iii) the lock-up period arrangement is in compliance with relevant provisions of the SZSE Listing Rules for the listing of the Company's A Shares on SZSE, we are of the view that the said lock-up period arrangement is in the interests of the Company and the Shareholders.

2.2 *The Disposal*

2.2.1 *Overview*

On 15 January 2021, the Company entered into the Assets Disposal Agreement for the material assets disposal. The seller of the Assets Disposal is Pingzhuang Energy, and the purchaser is Pingzhuang Coal Group. The receiving party of the cash consideration of the Assets to be Disposed of is the Company, the Surviving Company after the Merger.

With reference to the Board Letter, taking the appraisal results of the Assets to be Disposed of, as agreed among the parties involved in the Transaction of the Assets Disposal, the transaction price for the Assets to be Disposed of is RMB3,436,725,600, details of which are as follows:

Assets to be Disposed of	Appraisal Value (RMB)	Transaction Price (RMB)
1 All assets and liabilities of Pingzhuang Energy other than deferred income tax assets, taxes payable and deferred revenue	3,436,725,600	3,436,725,600

2.2.2 *Valuation of the Assets to be Disposed of (the "Disposal Valuation")*

According to the valuation report, the appraisal value of the Assets to be Disposed of as at the Valuation Benchmark Date was RMB3,436,725,600. The transaction price for the Assets to be Disposed of equals to their appraisal value.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of Zhong Ming Appraisal with Pingzhuang Energy; (ii) Zhong Ming Appraisal's qualification and experience in relation to the preparation of the valuation report; and (iii) the steps and due diligence measures taken by Zhong Ming Appraisal for conducting the Disposal Valuation. From the mandate letter and other relevant information provided by Zhong Ming Appraisal and based on our interview with them, we are satisfied with the terms of engagement of Zhong Ming Appraisal as well as their qualification and experience for preparation of the valuation report. Zhong Ming Appraisal also confirmed that they are independent to the Group, the Pingzhuang Coal Group and Pingzhuang Energy.

We also reviewed the valuation report and enquired into Zhong Ming Appraisal on the methodology adopted and the basis and assumptions adopted in arriving at the Disposal Valuation in order for us to understand the valuation report. Details of the assumptions are set out in the section headed "IX. Valuation Assumptions" of the summary of valuation report as contained in Appendix III to the Circular. We noted from the valuation report that the valuation report was prepared by Zhong Ming Appraisal in accordance with various requirements/standards, including 《資產評估基本準則》(Asset Evaluation Standards – Basic Standards*) as issued by the Ministry of Finance of the PRC. According to the 《資產評估基本準則》(Asset Evaluation Standards – Basic Standards*), (i) the fundamental valuation approaches of assets valuation include income approach, market approach and asset-based approach, and (ii) the valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation methodology.

In preparing the valuation report, Zhong Ming Appraisal selected the asset-based approach to arrive at the Disposal Valuation. With reference to the valuation report and as confirmed by Zhong Ming Appraisal, Zhong Ming Appraisal considered each of the fundamental valuation approaches and is of the view that:

- (i) Pingzhuang Energy was in loss position and recorded net operating cash outflow in recent years, and there was no evident sign of recovering for the operating conditions. Zhong Ming Appraisal was unable to reasonably estimate the future profitability and development trend of the company, and reasonably quantify the future income and risk. As such, the income approach was not applicable.

For our due diligence purpose, we reviewed Pingzhuang Energy's 2020 Annual Report and noted that for FY2020, Pingzhuang Energy recorded (i) net loss attributable to shareholders of the company of approximately RMB760.63 million (FY2019: RMB78.0 million); (ii) net operating cash outflow of approximately RMB147.7 million (FY2019: RMB221.7 million);

LETTER FROM GRAM CAPITAL

- (ii) The assets and liabilities as contained in Pingzhuang Energy's balance sheet as at the Valuation Benchmark Date were identifiable. Zhong Ming Appraisal could obtain necessary information to perform due diligence and assessment on Pingzhuang Energy's assets and liabilities. Therefore, the Disposal Valuation meets the requirements for asset-based approach.

For our due diligence purpose, we reviewed Pingzhuang Energy's 2020 Annual Report and noted that Pingzhuang Energy's auditor issued standard unqualified opinion on the financial statements of Pingzhuang Energy for FY2020; and

- (iii) It is difficult to quantify and adjust for the comparability of comparable listed companies and transaction cases with Pingzhuang Energy, and it is difficult to find sufficient number of similar/same type of comparable transaction cases. As such, market approach was not applicable in the Disposal Valuation.

For our due diligence purpose, we also searched through internet to identify similar transaction cases with Pingzhuang Energy. However, we could not find sufficient disposal cases with target company similar to Assets to be Disposal of during recent one year.

As confirmed by Zhong Ming Appraisal, the asset-based approach is one of the commonly adopted approaches for valuation of companies and is also consistent with normal market practice.

Having considered that (i) the valuation report was prepared by Zhong Ming Appraisal in accordance with various requirements/standards; (ii) Zhong Ming Appraisal also considered the income approach and market approach before concluding the use of asset-based approach; and (iii) the aforesaid reasons for not adopting market approach and income approach, we concur with Zhong Ming Appraisal on the adoption of asset-based approach and did not consider other approaches to assess the Disposal Valuation.

Under asset-based approach, Zhong Ming Appraisal categorised the Assets to be Disposed of into (1) current assets; (2) fixed assets; (3) construction in process; (4) intangible assets; (5) development expenditure; (6) long-term deferred expenses; (7) current liabilities; and (8) non-current liabilities.

LETTER FROM GRAM CAPITAL

The intangible assets of the Assets to be Disposed of involves four mining rights, including Fengshuigou mining rights, Laogongyingzi mining rights, Liujia mining rights and Xilutian mining rights. The mining rights included in the valuation scope of the Assets to be Disposed of were appraised by China United Appraisal. The appraisal values of RMB431,998,500 in aggregate (the “**Mining Rights Valuation**”) were concluded by China United Appraisal using income approach.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of China United Appraisal with Pingzhuang Energy; (ii) China United Appraisal’s qualification and experience in relation to the preparation of the valuation reports of the mining rights; and (iii) the steps and due diligence measures taken by China United Appraisal for conducting the Mining Rights Valuation. From the mandate letter and other relevant information provided by China United Appraisal and based on our interview with them, we are satisfied with the terms of engagement of China United Appraisal as well as their qualification and experience for preparation of the valuation report. China United Appraisal also confirmed that they are independent to the Group, Pingzhuang Coal Group and Pingzhuang Energy.

As further confirmed by China United Appraisal, the approach for the Mining Rights Valuation is in compliance with relevant PRC regulations and coal industry’s market practice.

As China United Appraisal adopted the income approach for the Mining Rights Valuation, in such case, it is stipulated under Rule 14.62 of the Listing Rules that the Company is required to obtain (i) a letter from its auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and containing their report; and (ii) a report from its financial advisers confirming that they are satisfied that the forecasts in such valuations have been made by the directors after due and careful enquiry, if no financial advisers have been appointed in connection with the transaction, the Company must provide a letter from the Board confirming they have made the forecast after due and careful enquiry. We consider that the above stipulation of the Listing Rules could safeguard the interest of the Shareholders and we noted that the Company has complied with the said requirements (see Appendix IV and Appendix V to the Circular).

LETTER FROM GRAM CAPITAL

According to the valuation report, the book value of the net assets of the Assets to be Disposed of is approximately RMB2,997.6 million as at the Valuation Benchmark Date, and the appraisal value is approximately RMB3,436.7 million, representing an appreciation of approximately RMB439.1 million. As such, for our due diligence purpose, we obtained the valuation breakdown of each type of assets and liabilities as categorised by Zhong Ming Appraisal and noted such appreciation was mainly attributed to:

- (i) an appreciation in fixed assets of approximately RMB527.4 million, mainly due to (a) the construction/acquisition of the relevant assets were completed in an early age and the reconstruction/replacement costs of these assets have increased substantially since then; and (b) majority of the fixed assets have been fully depreciated for accounting purposes, whereas such assets are still in use and have economic value;

Upon our request, we obtained a detailed breakdown of the fixed assets as at the Valuation Benchmark Date and noted that over 70% appreciation in fixed assets was due to the appreciation in buildings and machinery equipment. We also obtained lists showing all buildings and machinery equipment under the scope of valuation. We also noted that the book values of certain fixed assets (construction or acquisition of which were completed long ago) were nil.

In addition, we obtained the full replacement price and integrated newness rate of the buildings and machinery equipment. According to the Disposal Valuation report, the full replacement prices of buildings were determined by cost approach and the newness rates of buildings were calculated and determined based on the economic durability of the buildings, serviced life and remaining service life. We also obtained illustrations for three individual buildings and structures with all figures which Zhong Ming Appraisal adopted for the valuation of such individual buildings and structures. According to the formular as set out in the Disposal Valuation report (i.e. Reconstruction cost (replacement cost) = construction and installation cost (excluding tax) + upfront and other expenses (including tax) + cost of capital-upfront deductible value-added taxes), our calculated reconstruction cost of such individual buildings and structures were in line with the reconstruction cost of such individual buildings and structures as appraised by Zhong Ming Appraisal.

LETTER FROM GRAM CAPITAL

We also calculated the appraisal value of the individual buildings and machinery equipment (based on the full replacement price multiply by the integrated newness rate) and noted that our calculated value is in line with the value of such fixed assets as appraised by Zhong Ming Appraisal. Having considered that (i) majority of the fixed assets have been fully depreciated for accounting purposes, whereas such assets are still in use and have economic value; (ii) the appraisal value of the individual buildings and machinery equipment equals to the full replacement price times integrated newness rate; and (iii) over 70% appreciation in fixed assets was due to the appreciation in buildings and machinery equipment, we consider the reasons for the appreciation and the results of appraisal value to be acceptable;

- (ii) an appreciation in mining rights of approximately RMB75.9 million, which is concluded by China United Appraisal as aforementioned. As mentioned above, China United Appraisal adopted the income approach for the Mining Rights Valuation. Based on our research, we noted that income approach was widely adopted in the valuation of mining rights. In addition, we understood that (i) the projected income in respect of the mining rights was calculated by the remaining of coal reserve, annual production volume and estimated coal price (which was calculated based on historical average coal price); (ii) total production costs in normal production years included, among other things, mine environment restoration treatment costs; and (iii) discount rate was calculated by risk free rate (which is in line with the risk free rate as analysed in section headed “2.3.2 Valuation of the Assets to be Purchased” below) and return on risk (which comprised risk return rate in the exploration and development stage, industry risk return rate, financial operation risk return rate and individual risk return rate). Upon our request, we also obtained the aforementioned figures. Having considered that the Mining Rights Valuation was calculated by the sum of present value of net cash flow (i.e. projected cash inflow – projected cash outflow), we do not doubt the reasonableness of the assumptions and basis in the Mining Rights Valuation.

The appreciation in mining rights was calculated by the appraisal value minus the book value of the mining rights;

- (iii) an appreciation in current liabilities of approximately RMB254.5 million, mainly due to the outstanding payment of income from transfer of mining rights.

LETTER FROM GRAM CAPITAL

We understood from China United Appraisal that Pingzhuang Energy entered《內蒙古自治區採礦權出讓合同(出讓收益繳納)》(Inner Mongolia Autonomous Region Mining Right Assignment Contract (Income Transfer Payment)*) with 內蒙古自治區自然資源廳(Natural Resources Department of Inner Mongolia Autonomous Region*) in January 2021, pursuant to which approximately RMB298.0 million is payable in 13 instalments. The appreciation in current liabilities of approximately RMB254.5 million represented the present value of RMB298.0 million. For our due diligence purpose, we obtained the aforesaid contract and calculation for the present value for outstanding payment of income from transfer of mining rights as at the Valuation Benchmark Date; and

- (iv) a depreciation in non-current liabilities of approximately RMB61.7 million, mainly due to the cash outflow in respect of the geological and environmental restoration costs to be incurred in the future, that had already been considered in the Mining Rights Valuation. As mentioned in (ii) above, we noted geological and environmental restoration costs to be incurred in the future was included in the calculation of the Mining Rights Valuation. Accordingly, we consider the aforesaid depreciation to be reasonable.

We noted from Zhong Ming Appraisal that, Zhong Ming Appraisal had (i) conducted verification work (such as confirmation and random inspection) on the assets and liabilities in relation to the Assets to be Disposed of; (ii) made necessary due diligence on the operation and management status of the Assets to be Disposed of; (iii) verified the scope of the assets and liabilities to be included for valuation purpose; and (iv) verified the legal ownership of the assets and liabilities included in the Assets to be Disposed of. During our discussion with Zhong Ming Appraisal, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the valuation.

For further detailed terms of the Disposal, please refer to the sections headed “1.1.2 Details of the Transaction of the Assets Disposal” of the Board Letter.

Having considered that the transaction price equals to the appraisal value, we are of the opinion that the transaction consideration for the Disposal is fair and reasonable.

LETTER FROM GRAM CAPITAL

2.3 The Purchase

2.3.1 Overview

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment for the Purchase through Cash. The purchaser of the Purchase through Cash is the Company, and the sellers are the Other Subsidiaries of CHN Energy, namely, Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power.

With reference to the Board Letter, based on the appraisal value of the Assets to be Purchased and through friendly negotiations among the parties, it was determined that the total transaction price for the Assets to be Purchased in the Transaction is RMB5,774 million.

The appraisal value and transaction prices of the Assets to be Purchased are set out below:

Assets to be Purchased	Appraisal Value for 100% equity interests (RMB' million)	Transaction Price (RMB' million)
1 100% equity interest in Northeast New Energy	794	794
2 100% equity interest in Dingbian New Energy	816	816
3 100% equity interest in Guangxi New Energy	986	986
4 100% equity interest in Yunnan New Energy	752	752
5 100% equity interest in Gansu New Energy	442	442
6 100% equity interest in Tianjin Jieneng	600	600
7 100% equity interest in Inner Mongolia New Energy	791	791
8 100% equity interest in Shanxi Jieneng	593	593
Total	<u>5,774</u>	<u>5,774</u>

LETTER FROM GRAM CAPITAL

2.3.2 Valuation of the Assets to be Purchased (the “Purchase Valuation”)

According to the valuation reports, the appraisal value of the Assets to be Purchased as at the Valuation Benchmark Date was RMB5,774 million. The transaction price for the Assets to be Purchased equal to their appraisal value.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of China United Appraisal with the Company; (ii) China United Appraisal’s qualification and experience in relation to the preparation of the valuation reports; and (iii) the steps and due diligence measures taken by China United Appraisal for conducting the Purchase Valuation. From the mandate letter and other relevant information provided by China United Appraisal and based on our interview with them, we are satisfied with the terms of engagement of China United Appraisal as well as their qualification and experience for preparation of the valuation reports. China United Appraisal also confirmed that they are independent to the Group, the sellers and subject companies concerned of the Assets to be Purchased.

We also reviewed the valuation reports and enquired into China United Appraisal on the methodology adopted and the basis and assumptions adopted in arriving at the Purchase Valuation in order for us to understand the valuation reports. Details of the assumptions are set out in the section headed “IX. Valuation Assumptions” of the summary of valuation reports as contained in Appendix II to the Circular. We noted from the valuation reports that the valuation reports were prepared by China United Appraisal in accordance with various requirements/standards, including 《資產評估準則－基本準則》 (Asset Evaluation Standards – Basic Standards*) as issued by the Ministry of Finance of the PRC. According to the 《資產評估準則－基本準則》 (Asset Evaluation Standards – Basic Standards*), (i) the fundamental valuation approaches of assets valuation include income approach, market approach and asset-based approach, and (ii) the valuer should analyse the applicability of the three fundamental valuation approaches and select the valuation methodology.

LETTER FROM GRAM CAPITAL

In preparing the valuation reports, China United Appraisal selected the discount cash flow method under the income approach to arrive at the Purchase Valuation. With reference to the valuation reports and as confirmed by China United Appraisal, China United Appraisal considered each of the fundamental valuation approaches and we understood that:

- (i) There are insufficient number of comparable listed companies of similar scale, and transaction cases information is not publicly available. It is impossible to assess the valuation through trading multiples analysis. As such, market approach was not used in the valuation.

For our due diligence purpose, we also searched through internet to identify similar transaction cases with the Assets to be Purchased. However, we could not find sufficient acquisition cases with target company similar to Assets to be Purchased during recent one year;

- (ii) The financial information of the Assets to be Purchased, data and information of assets replacement costs was readily available. Therefore, the Purchase Valuation meets the requirements for asset-based approach.

For our due diligence purpose, we obtained the financial statements of the Assets to be Purchased and noted that the scope and the book value of the assets and liabilities are consistent with those set out in the Purchase Valuation; and

- (iii) The subject companies have foreseeable operating ability and profitability in the future period. Therefore, the valuation meets the requirements for income approach.

For our due diligence purpose, we obtained the forecast operating income and profit of the subject companies. We noted that a comfort letter was issued by the Company's financial adviser regarding profit forecast.

Given that the electricity generation amount and electricity price of the wind power plants are generally certain, future income can be better estimated. Despite that the asset-based approach can reflect the market value of the equity interest from the asset replacement perspective, China United Appraisal considered that the income approach can more fairly represent the equity interest as at the Valuation Base Date than the asset-based approach.

LETTER FROM GRAM CAPITAL

Having considered that (i) the valuation reports were prepared by China United Appraisal in accordance with various requirements/standards; (ii) China United Appraisal considered the fundamental valuation approaches before rejecting the use of market approach; and (iii) the aforementioned rationale of China United Appraisal in selecting income approach over asset-based approach despite both approaches are applicable to the Purchase Valuation, we are of the view that the adoption of income approach for the Purchase Valuation is fair and reasonable. China United Appraisal also confirmed that the income approach is one of the commonly adopted approaches for valuation of companies and is also consistent with normal market practice.

Having considered that (i) the valuation reports were prepared by China United Appraisal in accordance with various requirements/standards; (ii) China United Appraisal also considered the market approach and asset-based approach before concluding the use of income approach; and (iii) the aforesaid reasons for not adopting market approach and asset-based approach, we concur with the Valuer on the adoption of income approach and did not consider other approaches to assess the valuation.

As China United Appraisal adopted income approach to appraise in the valuation of the Assets to be Purchased, in such case, it is stipulated under Rule 14.62 of the Listing Rules that the Company is required to obtain (i) a letter from its auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and containing their report; and (ii) a report from its financial advisers confirming that they are satisfied that the forecasts in such valuations have been made by the Directors after due and careful enquiry, if no financial advisers have been appointed in connection with the transaction, the Company must provide a letter from the Board confirming they have made the forecast after due and careful enquiry. We consider that the above stipulation of the Listing Rules could safeguard the interest of the Shareholders and we noted that the Company has complied with the said requirements (see Appendix IV and Appendix V to the Circular).

We understood that appraisal values of the Assets to be Purchased were arrived by first estimating the value of operating assets of each Assets to be Purchased by adopting the income approach and then adding value of all the long-term equity investments of Assets to be Purchased (i.e. enterprises being controlled by or invested by the Assets to be Purchased) (if any) and adjusting non-

LETTER FROM GRAM CAPITAL

operating or surplus assets/liabilities and interest-bearing debt on the Valuation Base Date. Upon our enquiry, we also understood from China United Appraisal that:

- (i) as the Assets to be Purchased are principally engaged in the new energy sector (namely, the generation of wind power through the operation in wind farms), the financial projections of the Assets to be Purchased were forecasted based on the expected remaining useful lives of the wind farms operate by the Assets to be Purchased.

As confirmed by the Directors, given the useful lives of wind farms are generally 20 years from the date of its grid-connection, the forecasted period for each of the Assets to be Purchased is consistent with the expected remaining useful lives. We reviewed the forecasted period of the Assets to be Purchased and noted the forecasted period is consistent with such assumption;

- (ii) operating income were forecasted based on (a) the capacity of the wind farms; (b) the expected utilisation hours of wind power generating units, (c) expected grid-connected power volume (in terms of kWh); and (d) the expected government subsidy in respect of the generation of wind power,

For our due diligence purpose, we obtained and reviewed historical data in respect of each of the Assets to be Purchased and noted from the valuation that (1) the capacity of the wind farms for the forecasted period is in line with the existing capacity; and (2) the expected utilisation hours of wind power generating units; expected grid-connected power volume (in terms of kWh); and the expected government subsidy in respect of the generation of wind power are determined with reference to the historical average data;

- (iii) operating expenditures including staff costs, depreciation and amortisation, repair and maintenance and other expenses, were forecasted based on the comprehensive consideration of historical amount of incurred by the Assets to be Purchased and 《中國國電集團公司風電機組分等級類型成本費用定額標準》(2016版) (China Guodian Group Wind Turbine Component Grade Type Cost Rating Standard*).

For our due diligence purpose, we obtained and reviewed the historical data in respect of each of the Assets to be Purchased and noted from the Purchase Valuation that the total cost for each wind-power generated is similar to historical level throughout the forecasted period; and

LETTER FROM GRAM CAPITAL

- (iv) the discount rates (i.e. weighted average cost of capital) applied to the valuation ranged from 7.74% to 8.13%.

We noted that China United Appraisal used the Capital Asset Pricing Model (“CAPM”) to assess the cost of equity for Assets to be Purchased. In arriving at the cost of equity, China United Appraisal took into account a number of factors including (i) risk-free interest rate; (ii) market risk premium; (iii) β ; (iv) characteristic risk factor.

For our due diligence purpose, we conducted following works:

- searched through internet and noted that the CAPM technique is widely accepted for the purpose of estimating required rate of return on equity;
- searched on the website of China Central Depository & Clearing Co., Ltd. (“CCDC”) and noted that the risk-free rates adopted by China United Appraisal were in line with the interest rates of government bonds as published on the website of CCDC;
- obtained the list of comparable companies used for the calculation of re-levered beta.

We also searched for beta of the selected comparable companies through Wind Financial Terminal (Note: Based on the website of Wind, Wind was founded in 1994. As the market leader in PRC financial information services industry, Wind is dedicated to providing accurate and real-time information, as well as sophisticated communication platforms for financial professionals) and noted that the beta adopted by China United Appraisal was in line with those as extracted from Wind Financial Terminal; and

- China United Appraisal adopted 7.2% – 7.5% as market risk premium.

In arriving at the cost of debt, China United Appraisal determined cost of debt based on the above-five-year loan prime rate published by the National Interbank Funding Center authorized by the People’s Bank of China. The cost of debt was the above-five-year loan prime rate (pre-tax).

Having considered the aforementioned and during our discussion with China United Appraisal, we have not identified any major factor which caused us to doubt the reasonableness of the assumption used in the Purchase Valuation.

LETTER FROM GRAM CAPITAL

Having considered that the transaction prices equal to the appraisal value, we are of the opinion that the transaction price for the Purchase is fair and reasonable.

For further detailed terms of the Purchase, please refer to the sections headed “1.1.3 Details of the Transaction of the Purchase through Cash” of the Board Letter.

In conclusion, we consider that the terms of the Transaction are on normal commercial terms and are fair and reasonable.

2.3.3. Performance Commitment and Compensation involved in the Purchase

With reference to the Board Letter, on 18 June 2021, the Company entered into Profit Compensation Agreements with each of Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power (individually or collectively, the “**Performance Undertaker(s)**”), pursuant to which during the performance compensation period, being the year during which the Purchase is completed and the following two accounting years, each of the Performance Undertakers, being the counterparties for the Purchase of each of the respective Valuation Adjustment Targets (being the Assets to be Purchased with the exclusion of Guodian Jieneng Jinke (Shanxi) Co., Ltd., a controlling subsidiary of Shanxi Jieneng), have provided commitment to the Company on the net profit attributable to the shareholders of the parent company after deduction of non-recurring profit or loss of the Valuation Adjustment Targets for each of the accounting year during the performance compensation period to be no less than the committed net profit, as follows:

Counterparty of the Assets to be Purchased	Committed net profit for the year 2021 (RMB'000)	Committed net profit for the year 2022 (RMB'000)	Committed net profit for the year 2023 (RMB'000)	Committed net profit for the year 2024 (RMB'000)
Northeast Electric Power	91,277.7	88,822.9	92,051.6	88,942.9
Shaanxi Electric Power	83,537.7	109,143.4	106,424.8	114,295.5
Guangxi Electric Power	203,572.9	229,000.1	238,202.0	234,019.2
Yunnan Electric Power	158,547.9	157,024.7	130,177.8	106,586.7
Gansu Electric Power	24,249.6	29,100.8	39,584.1	47,435.6
North China Electric Power	138,736.0	135,645.3	141,150.1	139,714.7

Note: If the Purchase is not completed by 31 December 2021, the performance compensation period shall be adjusted to 2022, 2023 and 2024.

LETTER FROM GRAM CAPITAL

If the amount of the actual net profit of any of the Valuation Adjustment Targets in any accounting year during the performance commitment period is lower than the amount of the committed net profit of the respective Valuation Adjustment Targets for the respective accounting years, compensation amount payable by the respective counterparty of the Assets to be Purchased is calculated as follows:

Compensation amount payable for a year = (the cumulative committed net profit of the Valuation Adjustment Targets as at the end of the year – the cumulative actual net profit of the Valuation Adjustment Targets as at the end of the year) ÷ the cumulative committed net profit of the Valuation Adjustment Targets during the performance commitment period × the transaction consideration of the Valuation Adjustment Targets – the cumulative amount compensated

Furthermore, the Company shall conduct an impairment test on the Valuation Adjustment Targets within four months after the expiry of the performance commitment period, if the closing impairment amount of a Valuation Adjustment Target is greater than the total cumulative cash compensated, the counterparty of the Assets to be Purchased shall make additional compensation to the Company in cash. The amount of the additional compensation is: the closing impairment amount of the Valuation Adjustment Target – the total cumulative cash compensated.

Details of the arrangements under the Profit Compensation Agreements are set out in the section headed “2. Resolution on entering into Profit Compensation Agreement with effective condition” of the Board Letter.

For our due diligence purpose, we noted from 《上市公司重大資產重組管理辦法》(Measures for Administration of Material Asset Reorganisation of Listed Companies*) and 《上市公司監管法律法規常見問題與解答修訂匯編》(FAQ on Regulatory Laws and Regulations for Listed Companies*, the “FAQ”) as published by CSRC on 18 September 2015, among other things, the counterparty to the acquisition transaction (as vendor and being the connected person of A share listed companies (as purchaser)) should enter into profit forecast compensation agreement with A share listed companies (as purchaser) for the purpose of the provision of profit compensation for the differences between the actual net profit and the forecast net profit for the three years after the completion of the acquisition transaction, when the approach which is based on future income being adopted for the valuation. We also noted that that the calculation for “compensation amount payable for a year” and the impairment test arrangement is in compliance with the requirements as contained in the FAQ.

LETTER FROM GRAM CAPITAL

In light of that (i) the Profit Compensation Arrangements are intended to mitigate the risks of profit shortfall or assets impairment during the Performance Compensation Period for the Company; (ii) there are no liabilities for the Company in terms of the performance compensation; and (iii) the calculation for “compensation amount payable for a year” and the impairment test arrangement is in compliance with the requirements as contained in the FAQ, we are of the view that the terms of the Profit Compensation Agreements are fair and reasonable.

3. Possible dilution effect on the shareholding interests of the existing public Shareholders

With reference to the shareholding table in the section headed “Impact of the Merger on Shareholding Structure of the Company” of the Board Letter, the shareholding interests of the public H Shareholders would be diluted by approximately 1.71 percentage point upon the completion of the Transaction and taking no consideration of the impact of the exercise of the Put Option and the Cash Alternative. In this regard, taking into account (i) the reasons for and benefits of the Transaction; and (ii) the terms of the Transaction being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public H Shareholders after the Transaction is justifiable.

4. Possible financial effects of the Transaction

With reference to the Company’s 2020 Annual Report, the audited consolidated net assets value of the Group was approximately RMB66.45 billion as at 31 December 2020. As confirmed by the Directors, the Transaction would increase the consolidated net assets value of the Group.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Transaction.

RECOMMENDATION ON THE TRANSACTION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Transaction are on normal commercial terms and are fair and reasonable; and (ii) although the Transaction is not conducted in the ordinary and usual course of business of the Group, and the Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM and Class Meetings to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

B. THE SUPPLEMENTAL UNDERTAKING

1. Background of the Supplemental Undertaking

1.1 Information on the Non-Competition Agreement

In connection with the reorganization arrangements undergone by the Group in preparation for the listing of the Company's H Shares on the Hong Kong Stock Exchange, the Company entered into the Non-Competition Agreement with China Guodian Corporation ("**Guodian**", now known as CHN Energy) on 30 July 2009. Under the agreement, Guodian agreed not to, and to procure its subsidiaries (other than the Company (including its subsidiaries, the same below) and Guodian's A share listed companies) not to, compete with the Company in the Company's wind power business (other than Guodian's few wind power business retained on the date of the execution of the Non-Competition Agreement) and granted to the Company options to acquire the retained businesses and any new business opportunities and pre-emptive rights to acquire Guodian's interest in its retained businesses and certain future new business. In July 2009 and November 2009, Guodian issued two further clarification documents to confirm its non-competition undertakings included in the Non-Competition Agreement. Details of the Non-Competition Undertaking and the clarification documents are set out under the section headed "10.1 The Existing Non-Competition Agreement" of the Board Letter.

1.2 Supplemental Undertaking to the Non-Competition Agreement

In addition to the Non-Competition Agreement which shall remain effective, the Supplemental Undertaking from the CHN Energy regarding non-competition of principal business between CHN Energy and the Company are as follows:

1. The wind power generation business within CHN Energy is to be integrated by the Company. As for the wind power generation business (the "**Surviving Wind Power Generation Business**") held by CHN Energy or its subsidiaries (excluding Company and its subsidiaries, the same below) as at the date of the Supplemental Undertaking, which directly or indirectly potentially overlapped with the principal business of the Company, CHN Energy undertakes that CHN Energy will inject the Surviving Wind Power Generation Business into the Company through various means such as asset restructuring, business adjustment and formation of joint ventures within three years upon completion of the Transaction, subject to compliance with relevant laws and regulations and relevant internal and external approval procedures which are required then, to steadily promote the integration of relevant business so as to resolve the

LETTER FROM GRAM CAPITAL

potential business overlap. The Surviving Wind Power Generation Business assets to be injected into the Company shall comply with the conditions for listing stipulated in the laws and regulations of the PRC and relevant normative documents.

- 1.1. In this regard, CHN Energy and its relevant subsidiaries will provide special description of assets of the Surviving Wind Power Generation Business held by them to the Company within four months following the end of each financial year upon completion of the Transaction, including whether the assets are eligible for injection, details of their financial information and other information necessary for consideration and valuation of asset injection by the Company.
- 1.2. All independent non-executive directors of the Company will be responsible for reviewing and considering whether the assets of the Surviving Wind Power Generation Business meet the conditions for asset injection and whether to initiate the asset injection, and the decision will be made by all independent non-executive directors of the Company. Such asset injection shall also comply with the corporate governance and information disclosure procedures under applicable laws and regulations and securities regulatory rules, as applicable.
- 1.3. After CHN Energy and the relevant subsidiaries have issued to the Company the notice to inject assets or provided the special description referred to in Clause 1.1 above, the Company will report it to its independent non-executive directors within one week after receiving the notice or special description, for their consideration and assessment, and will reply to CHN Energy within 30 days after receiving such notice or special description.
- 1.4. Where transfer of state-owned assets is involved in the injection of assets of the Surviving Wind Power Generation Business, an appraisal on that shall be conducted in accordance with the statutory state-owned assets valuation method and an approval shall be obtained or filing shall be made in accordance with laws. The price for the injection of assets of the Surviving Wind Power Generation Business shall be determined based on the appraisal value made by a professional third-party valuation agency jointly appointed by CHN Energy and the Company, through mutual negotiation between CHN Energy and the Company in the manner and in accordance with the procedures required under the then applicable laws.

LETTER FROM GRAM CAPITAL

2. As for the overlapping between the Company's thermal power business and CHN Energy's, CHN Energy will, within three years upon completion of the Transaction, make comprehensive use of various means such as asset restructuring, business adjustment and formation of joint ventures to steadily promote the integration of relevant business so as to solve the problem of business overlap, subject to compliance with the relevant laws and regulations and relevant internal and external approval procedures at that time, and based on the principle of facilitating the development of the listed company and safeguarding the interests of shareholders, especially the minority shareholders.

3. In order to meet the compliance requirements for the listing of A Shares of the Company, the Company may dispose of the controlling stake in its certain wind power generation subsidiaries (the "**Certain Subsidiaries**") to CHN Energy (the "**Certain Subsidiaries Disposal**"). The disposal of abovementioned Certain Subsidiaries is subject to the approval by the securities regulatory authority of the place where the shares of the Company are listed and the procedures of consideration by the board of directors and shareholders' general meeting of the Company (if applicable). If the corresponding consideration and approval procedures for the Certain Subsidiaries Disposal are completed and the Certain Subsidiaries Disposal has been implemented, the above-mentioned Certain Subsidiaries, upon the completion of the Certain Subsidiaries Disposal, will be together taken as the Surviving Wind Power Generation Business referred to under the Supplemental Undertaking, and CHN Energy will fulfil relevant undertakings as agreed in Clause 1 of the Supplemental Undertaking.

The Supplemental Undertaking will not prejudice the legal effect of the Non-Competition Agreement. Should there be any discrepancy between the Supplemental Undertaking and the Non-Competition Agreement, the Supplemental Undertaking shall prevail; for matters not stipulated in the Supplemental Undertaking, the Non-Competition Agreement shall prevail. The Supplemental Undertaking will come into effect from the date of obtaining the approval from the securities regulatory authority of the place where the shares of the Company are listed, the approval from the competent decision-making authorities of CHN Energy and the approval from the shareholders' general meeting of the Company upon its consideration. If, finally, the Certain Subsidiaries Disposal mentioned in Clause 3 of the Supplemental Undertaking fails to be implemented, such clause will be void automatically, which will not prejudice the effect of the other clauses in the Supplemental Undertaking.

1.3 Reasons for and benefits of the Supplemental Undertaking

Clause 1 of the Supplemental Undertaking

With reference to the Board Letter, against the backdrop of “peaking carbon emissions and achieving carbon neutral”, the new energy power generation industry will face fierce competition in business development. Under the Supplemental Undertaking, the overlapping wind power assets of CHN Energy will be injected into the Company in situations where the criteria are satisfied, which will further increase the installed capacity of the Company, and benefit the Company in seizing opportunities in the fierce competition in the future, maintaining its leading position in the new energy power generation industry and safeguarding the interests of the Company and its shareholders as a whole.

As mentioned above, with reference to the Company’s 2020 Annual Report, the period of the “Fourteenth Five-Year Plan” will be a key five years for China to implement the energy security strategy of “Four Revolutions and One Cooperation” in the energy sector (which pointed out the direction of China’s energy transformation) and achieve the goal of carbon emission by 2030. During this period of time, new energy will become the main part of incremental energy consumption, and the development of new energy will usher in major opportunities. We also noted from the Company’s 2020 Annual Report that the Group’s objectives in 2021 include: (i) to grasp the development opportunity accurately, and further consolidate, optimize and expand main business of new energy; and (ii) to deepen reform continuously, and further elevate the management efficiency.

Clause 2 of the Supplemental Undertaking

With reference to the Board Letter, thermal power business is not the principal business of the Company.

According to the Company’s 2020 Annual Report, as at the end of 2020, the consolidated installed capacity of the Company was 24,681 MW, of which the consolidated installed capacity of wind power was 22,303 MW, consolidated installed capacity of coal power was 1,875MW, and consolidated installed capacity of other renewable energy was 250MW. We also noted from the Company’s previous annual reports that consolidated installed capacity of coal power remained at 1,875 MW since 2008.

LETTER FROM GRAM CAPITAL

In addition, according to the Board Letter, the arrangement to resolve the overlapping of the thermal power business under the Supplemental Undertaking is made mainly based on the requirements of the A Shares regulatory rules on avoiding horizontal competition and the future development strategy of CHN Energy.

Clause 3 of the Supplemental Undertaking

Upon the completion of the Transaction, the Company will become a A+H share listed company. In accordance with the PRC laws and regulations and the requirements of relevant regulatory authorities, solutions must be specified for the overlapping between the business of CHN Energy and that of the Group.

With reference to the Board Letter, according to the requirements under the Administrative Measures for Initial Public Offering and Listing, the issuer shall not be involved in the following circumstances, among other things, having violated laws on industry and commerce, taxation, land, environmental protection, customs and other laws and administrative regulations, and received administrative punishment in the most recent 36 months, and the circumstance was serious. (the “**A Shares Listing Requirement**”)

We understood from the Company that certain subsidiaries of the Company are involved in the occupation of basic farmland or ecological redline. The occupation of basic farmland or ecological redline without the obtaining of the compliance confirmation from relevant competent authorities may be regarded as serious illegal acts and irregularities.

If, finally, the Certain Subsidiaries are unable to obtain the compliance confirmation from relevant competent authorities or to solve the aforementioned defects of land use by other effective means, in order to meet the compliance requirements for the listing of A Shares of the Company, the Company may be involved in the matter of the potential disposal, pursuant to which, the Company intends to transfer the controlling stake in its certain wind power generation subsidiaries to CHN Energy.

The Clause 3 of the Supplemental Undertaking is allowed the possible proceeding of the Certain Subsidiaries Disposal but without CHN Energy’s breach of Non-competition Undertaking (as supplemented by the Supplemental Undertaking).

LETTER FROM GRAM CAPITAL

Having considered the following factors, including:

- (i) in accordance with the PRC laws and regulations and the requirements of relevant regulatory authorities, solutions must be specified for the overlapping between the business of CHN Energy and that of the Group;
- (ii) the Company may be involved in the matter of the potential disposal (i.e. the Certain Subsidiaries Disposal) if, finally, the Certain Subsidiaries are unable to obtain the compliance confirmation from relevant competent authorities or to solve the aforementioned defects of land use by other effective means;
- (iii) the purpose of (ii) above is to meet the compliance requirements for the listing of A Shares of the Company and the A Shares Listing Requirement as mentioned above;
- (iv) reasons for and benefits of the Transaction as mentioned above,

we consider the Certain Subsidiaries Disposal is in the interest of the Shareholders as a whole.

In addition, according to the Supplemental Undertaking, if the corresponding consideration and approval procedures for the Certain Subsidiaries Disposal are completed and the Certain Subsidiaries Disposal has been implemented, the above-mentioned Certain Subsidiaries, upon the completion of the Certain Subsidiaries Disposal, will be together taken as the Surviving Wind Power Generation Business referred to under the Supplemental Undertaking, and CHN Energy will fulfil relevant undertakings as agreed in Clause 1 of the Supplemental Undertaking.

Having considered that, subject to the Supplemental Undertaking being effective,

- (i) Clause 1 of the Supplemental Undertaking allows the Company have a right to obtain Surviving Wind Power Generation Business from CHN Energy, being the principal businesses of the Group and prospects of the clean energy business (including wind power) is generally positive;
- (ii) Clause 2 of the Supplemental Undertaking allows to resolve the overlapping of the thermal power business, the arrangement of which is made mainly based on the requirements of the A Shares regulatory rules on avoiding horizontal competition and the future development strategy of CHN Energy;

LETTER FROM GRAM CAPITAL

- (iii) Clause 3 of the Supplemental Undertaking is allowed the possible proceeding of the Certain Subsidiaries Disposal but without CHN Energy's breach of Non-competition Undertaking (as supplemented by the Supplemental Undertaking),

we consider that although the Supplemental Undertaking is not in the ordinary and usual course of business of the Group, the Supplemental Undertaking is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION ON THE SUPPLEMENTAL UNDERTAKING

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Supplemental Undertaking are on normal commercial terms and are fair and reasonable; and (ii) although the Supplemental Undertaking is not conducted in the ordinary and usual course of business of the Group, the Supplemental Undertaking is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Supplemental Undertaking and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

** For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the directors of the issuer 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 issuer. 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 this circular or any statement herein misleading.

2. DISCLOSURE OF INTERESTS AND CONFIRMATIONS

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had an interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations. As at the Latest Practicable Date:

- (a) none of the Directors, supervisors or chief executives of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provision of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers;
- (b) the Company has not granted its Directors, supervisors, chief executives or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities;
- (c) apart from Mr. Liu Jinhuan, Mr. Tian Shaolin and Mr. Tang Chaoxiong, Directors of the Company, who are deemed by the Listing Rules as connected Directors, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2020, being the date to which the latest published audited annual financial statements of the Company were made up, and which was subsisting as at the date of this circular and significant in relation to the business of the Group;

- (d) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2020 (being the date to which the latest published audited annual financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group;
- (e) save as disclosed in the section “Interest of Directors in Competing Business” of the Appendix I of this circular, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder);
- (f) the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2020 (the date to which the latest published audited annual financial statements of the Company were made up); and
- (g) none of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Position in the Company	Other Interests
Mr. Liu Jinhuan	Non-executive Director	General manager assistant of CHN Energy
Mr. Tian Shaolin	Non-executive Director	The first-level business director of the Party Group Inspection Office of CHN Energy
Mr. Tang Chaoxiong	Non-executive Director	Director of capital operation department of CHN Energy

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as known to the Directors, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Class of Share	Capacity	Percentage in		
			Number of Shares/ Underlying Shares Held (Share)	the Relevant Class of Share Capital (Note 1) (%)	Percentage in the Total Share Capital (Note 1) (%)
CHN Energy	Domestic shares	Beneficial owner and interest of corporation controlled by substantial Shareholders	4,696,360,000 (Note 2) (Long position)	100	58.44
Wellington Management Group LLP	H shares	Investment manager	431,204,213 (Note 3) (Long position)	12.91	5.37
Wellington Management Group LLP	H shares	Investment manager	86,508 (Note 4) (Short position)	0.00	0.00
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	336,339,030 (Note 5) (Long position)	10.07	4.19
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	7,725,000 (Note 6) (Short position)	0.23	0.01
JPMorgan Chase & Co.	H shares	Interest of corporation controlled by substantial Shareholders, investment manager and approved lending agent	200,201,213 (Note 7) (Long position)	5.99	2.49
JPMorgan Chase & Co.	H shares	Interest of corporation controlled by substantial Shareholders	41,725,908 (Note 8) (Short position)	1.24	0.52
JPMorgan Chase & Co.	H shares	Approved lending agent	153,425,551 (Shares in a lending pool)	4.59	1.91

Name of Shareholder	Class of Share	Capacity	Percentage in		
			Number of Shares/ Underlying Shares Held (Share)	the Relevant Class of Share Capital (Note 1) (%)	Percentage in the Total Share Capital (Note 1) (%)
The Bank of New York Mellon Corporation	H shares	Interest of corporation controlled by substantial Shareholders	231,835,357 (Note 9) (Long position)	6.94	2.88
The Bank of New York Mellon Corporation	H shares	Approved lending agent	212,568,237 (Shares in a lending pool)	6.36	2.65
Citigroup Inc.	H shares	Person having a security interest in shares, interests of corporation controlled by substantial Shareholders and approved lending agent	308,808,540 (Note 10) (Long position)	9.24	3.84
Citigroup Inc	H shares	Interest of corporation controlled by substantial Shareholders	12,846,783 (Note 11) (Short position)	0.38	0.16
Citigroup Inc	H shares	Approved lending agent	291,778,388 (Shares in a lending pool)	8.73	3.63
Brown Brothers Harriman &Co.	H shares	Agent	239,298,521 (Long position)	7.16	2.98
Brown Brothers Harriman &Co.	H shares	Agent	239,298,521 (Shares in a lending pool)	7.16	2.98
Lazard Asset Management LLC	H shares	Investment manager	167,217,247 (Long position)	5.01	2.08

Notes:

1. The percentage is based on the issued number of relevant class of shares/total issued shares of the Company as at the Latest Practicable Date.
2. Among these 4,696,360,000 domestic shares, 4,602,432,800 domestic shares were directly held by CHN Energy while the remaining 93,927,200 shares were held by CHN Energy Northeast Electric Power Co., Ltd. (國家能源集團東北電力有限公司), a subsidiary of CHN Energy. Accordingly, CHN Energy was deemed as the owner of the equity interests held by CHN Energy Northeast Electric Power Co., Ltd. (國家能源集團東北電力有限公司).

3. Among these 431,204,213 H shares, 423,866,904 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP; 7,337,309 H shares were held by Wellington Management International Ltd., an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
4. Among these 86,508 H shares, 84,437 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 1,925 H shares were held by Wellington Management International Ltd., an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 146 H shares were held by Wellington Management Hong Kong Ltd., an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.
5. Among these 336,339,030 H shares, 1,075,100 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 3,862,266 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 32,747,693 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 118,180,000 H shares were held by BlackRock Fund Advisors, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 5,366,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 11,249,458 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 362,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,279,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 2,411,516 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 6,369,482 H shares were held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 69,502,386 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 52,114,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 12,224,995 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 17,263,636 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 2,102,498 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 213,000 H shares were held by BlackRock (Singapore) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 16,000 H shares were held by BlackRock Asset Management Schweiz AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc.. Accordingly, BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
6. Among these 7,725,000 H shares, 138,000 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 6,277,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 826,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 12,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect wholly-owned subsidiary of BlackRock, Inc., 472,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc.. Accordingly, BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

7. Among these 200,201,213 H shares, 99,000 H shares was held by JPMorgan Asset Management (Taiwan) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 178,432 H shares were held by J.P. Morgan AG, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 45,000 H shares were held by J.P. Morgan Securities LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 153,425,551 H shares were held by JPMORGAN CHASE BANK, N.A. - LONDON BRANCH, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 212,000 H shares were held by J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 1 H share was held by J.P. Morgan Structured Products B.V., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 46,241,229 H share was held by J.P. MORGAN SECURITIES PLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
8. Among these 41,725,908 H shares, 45,000 H shares was held by J.P. Morgan Securities LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 4 H shares were held by J.P. Morgan Structured Products B.V., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 41,680,904 H shares were held by J.P. MORGAN SECURITIES PLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co.. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.
9. These 231,835,357 H shares were held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation. Accordingly, The Bank of New York Mellon Corporation was deemed as the owner of the H share equity interests held by its aforesaid subsidiary.
10. Among these 308,808,540 H shares, 291,966,388 H shares were held by Citibank, N.A., an indirect wholly-owned subsidiary of Citigroup Inc., 1,000,000 H shares were held by Citigroup Global Markets Hong Kong Limited, an indirect wholly-owned subsidiary of Citigroup Inc., 66,000 H shares were held by Citigroup Global Markets Inc., an indirect wholly-owned subsidiary of Citigroup Inc., 1,179,928 H shares were held by Citigroup Global Markets Funding Luxembourg S.C.A., an indirect non-wholly-owned subsidiary of Citigroup Inc., 14,596,224 H shares were held by Citigroup Global Markets Limited, an indirect non-wholly-owned subsidiary of Citigroup Inc.. Accordingly, Citigroup Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
11. Among these 12,846,783 H shares, 188,000 H shares were held by Citibank, N.A., an indirect wholly-owned subsidiary of Citigroup Inc., 1,182,439 H shares were held by Citigroup Global Markets Hong Kong Limited, an indirect wholly-owned subsidiary of Citigroup Inc., 1,179,928 H shares were held by Citigroup Global Markets Funding Luxembourg S.C.A., an indirect non-wholly-owned subsidiary of Citigroup Inc., 10,296,416 H shares were held by Citigroup Global Markets Limited, an indirect non-wholly-owned subsidiary of Citigroup Inc.. Accordingly, Citigroup Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

5. SERVICE AGREEMENTS

The Company has entered into service agreements with all of its Directors and supervisors. None of the Directors or supervisors has entered into or proposed to enter into any service agreements with the Company which cannot be terminated by the Company within one year without any compensation (other than the statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Company were made up.

7. QUALIFICATION OF EXPERT AND CONSENT

The following are the qualifications of the expert who has provided opinion or advice contained in this circular:

Name (collectively referred to as the “Experts”)	Qualification
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO of Hong Kong
Zhong Ming Appraisal	the valuation agency to the Assets to be Disposed of, a qualified PRC valuer
China United Appraisal	the valuation agency to the mining rights of the Assets to be Disposed of and the Assets to be Purchased, a qualified PRC valuer
EY	the auditor of the Company, Certified Public Accountants and Registered Public Interest Entity Auditor
CLSA	the financial adviser of the Company, a licensed corporation under the Securities and Futures Ordinance to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance

- (a) As at the Latest Practicable Date, the Experts did not hold any interest in the share capital of any member of the Group, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (b) As at the Latest Practicable Date, the Experts had given and had not withdrawn its written consents to the issue of this circular with inclusion of its letter, as the case may be, and references to its name included herein in the form and context in which it appears.
- (c) As at the Latest Practicable Date, the Experts did not have any interest in any assets which had been, since 31 December 2020 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. OTHER INFORMATION

- (a) The joint company secretaries of the Company are Mr. Jia Nansong and Ms. Chan Sau Ling.
- (b) The registered office of the Company is at Room 2006, 20/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the PRC.
- (c) H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 54/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong from the date of this circular up to and including the date of the EGM and Class Meetings:

- (a) the Letter from the Board, full text of which is set out on pages 1 to 111 of this circular;
- (b) the Letter from the Independent Board Committee, full text of which is set out on page 112 to 113 of this circular;
- (c) the Letter from Gram Capital, full text of which is set out on pages 114 to 164 of this circular;
- (d) Agreement on Absorption and Merger through Share Swap of China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. and its supplemental agreement;
- (e) Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. and its supplemental agreement;
- (f) Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. and its supplemental agreement;
- (g) Profit Compensation Agreement; and
- (h) the Supplemental Undertaking Letter in relation to Non-Competition with China Longyuan Power Group Corporation Limited by China Energy Investment Corporation Limited.

**ASSET VALUATION REPORT ON THE PROJECT OF
PROPOSED ACQUISITION BY CHINA LONGYUAN POWER GROUP
CORPORATION LIMITED* OF 100% EQUITY INTEREST IN
GUODIAN NORTHEAST NEW ENERGY DEVELOPMENT CO., LTD.*
HELD BY CHN ENERGY NORTHEAST ELECTRIC POWER CO., LTD.
ZHONG LIAN PING BAO ZI [2021] NO. 1470**

To China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd.,

As engaged by the Company, China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) has appraised the market value of all shareholders' equity interest in Guodian Northeast New Energy Development Co., Ltd.* (國電東北新能源發展有限公司) involved in the economic behavior of the proposed acquisition by China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) of 100% equity interest in Guodian Northeast New Energy Development Co., Ltd.* held by CHN Energy Northeast Electric Power Co., Ltd. as at 31 December 2020, the Valuation Benchmark Date, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with the requirements of the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

I. CLIENTS, PROPERTY RIGHT HOLDER, APPRAISED ENTITY AND OTHER USERS OF VALUATION REPORT

For the purpose of the asset valuation, China Longyuan Power Group Corporation Limited* is one of the clients, CHN Energy Northeast Electric Power Co., Ltd. is another client and property right holder, and Guodian Northeast New Energy Development Co., Ltd.* is the appraised entity.

(I) Overview of One of the Clients

Name: China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”)

Registered address: Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street,
Xicheng District, Beijing

Legal representative: Jia Yanbing

Registered capital: RMB8,036,389,000

Economic nature: joint stock limited company (listed, state-controlled)

Date of establishment: 27 January 1993

Term of operation: no fixed term

Unified social credit code: 911100001000127624

1. Corporate profile

Founded in 1993, China Longyuan Power Group Corporation Limited* was originally affiliated to the National Energy Administration and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of Hong Kong. Longyuan Power is a large-scale comprehensive power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2020, the consolidated installed capacity of the Company was 24,681 MW, of which the consolidated installed capacity of wind power was 22,303 MW.

2. Business scope

Business scope: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and achievements transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; wind power generation, energy-saving technology, technology development for other new energy, and project investment management; import and export business; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs; sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, general merchandise, automobile parts, vehicles designated for power systems and leasing office. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(II) Overview of Another Client and Property Right Holder

Name: CHN Energy Northeast Electric Power Co., Ltd. (“**CHN Energy Northeast**”)

Registered address: No. 586 Shenshui Road, Shenhe District, Shenyang City

Legal representative: Zhu Wendong (祝文東)

Registered capital: RMB4,545,610,000

Economic nature: limited liability company (wholly owned by a legal person that is not invested in or controlled by a natural person)

Date of establishment: 15 December 2006

Term of operation: 15 December 2006 to 15 December 2036

Unified social credit code: 91210000794845178D

Business scope: development, investment, construction and management of projects of power supplies, heat sources, power distribution networks, new energy vehicle charging facilities and water resources; production and sales of electricity and heat; business management services, construction, supervision, bidding and tendering, maintenance and technical consultation of power equipment and supporting facilities; import and export of goods and technologies; research and development of power-related communications and environmental protection technology, comprehensive energy-saving technology and power scientific technology, and technical consultation; contract energy management. (For projects subject to approval pursuant to the laws, operating activities shall commence upon receipt of the approval from relevant authorities.)

(III) Overview of the Appraised Entity

Name of enterprise: Guodian Northeast New Energy Development Co., Ltd.* (“**Northeast New Energy**”)

Domicile of enterprise: No. 586 Shenshui Road, Shenhe District, Shenyang City, Liaoning Province

Legal representative: Li Yugang (李玉剛)

Registered capital: RMB417,540,000

Type of company: limited liability company (wholly owned by a legal person that is invested in or controlled by a natural person)

Date of establishment: 30 March 2010

Term of operation: no fixed term

Unified social credit code: 91210000552582694M

1. Corporate profile

Guodian Northeast New Energy Development Co., Ltd.* is mainly engaged in wind power generation. The company currently operates wind power station projects with a total installed capacity of 97.5 MW, among which, the Beisijia power station has an installed capacity of 49.5 MW and the Taojiagou power station has an installed capacity of 48 MW.

For the Beisijia project, Guodian Northeast New Energy Development Co., Ltd.* has obtained the registration certificate (Liao Fa Gai Energy [2009] No. 1029) (《遼發改能源[2009]1029號》) in October 2009, and it was connected to the grid for power generation in March 2011. Guodian Northeast New Energy Development Co., Ltd.* has entered into the Power Purchase and Sale Contract with State Grid Liaoning Electric Power Supply Co., Ltd. in respect of the Beisijia power generation project.

For the Taojiagou project, Guodian Northeast New Energy Development Co., Ltd.* has obtained the registration certificate (Liao Fa Gai Energy [2011] No. 1974) (《遼發改能源[2011]1974號》) in December 2011, and it was connected to the grid for power generation in September 2012. Guodian Northeast New Energy Development Co., Ltd.* has entered into the Power Purchase and Sale Contract with State Grid Liaoning Electric Power Supply Co., Ltd. in respect of the Taojiagou power generation project.

2. Business scope

Development of and investment in wind power generation, hydropower generation, biomass power generation, solar power plants and other new energy projects, and corresponding enterprise construction, production and operation management, and operation and maintenance of power generation equipment; purchase and sale of electricity, contract energy management, and consultation on comprehensive energy conservation and energy consumption; development, investment, construction, operation and management of power distribution network; construction and management of new energy vehicle charging facilities. (For projects subject to approval pursuant to the laws, operating activities shall commence upon receipt of the approval from relevant authorities.)

3. Capital contribution of Shareholder

As of the Valuation Benchmark Date, the paid-up capital of Guodian Northeast New Energy Development Co., Ltd.* was RMB417,540,000. The name of Shareholder, amount of capital contribution and proportion of capital contribution are as follows:

**Name of Shareholder, amount of capital contribution and
proportion of capital contribution**

No.	Name of Shareholder	Subscription amount (RMB0'000)	Amount of capital contribution (RMB0'000)	Proportion of capital Contribution %
1	CHN Energy Northeast Electric Power Co., Ltd.	41,754	41,754	100%
Total		<u>41,754</u>	<u>41,754</u>	<u>100%</u>

4. Principle business

Guodian Northeast New Energy Development Co., Ltd.* is mainly engaged in wind power generation. The company currently operates wind power station projects with a total installed capacity of 97.5 MW, among which, the Beisijia power station has an installed capacity of 49.5 MW and the Taojiagou power station has an installed capacity of 48 MW.

5. Financial position, operating status and cash flow status of Northeast New Energy

As disclosed in the audited statements of Northeast New Energy, as at 31 December 2020, the Valuation Benchmark Date, total assets, total liabilities and total shareholders' equity amounted to RMB1,252,026,100, RMB654,325,400 and RMB597,700,700, respectively; for 2020, it realized operating revenue of RMB102,430,800 and net profit of RMB77,859,400; for 2020, net increase in cash and cash equivalents was RMB-319,600 and balance of cash and cash equivalents as at the end of the period was RMB0. The audited financial position, operating status and cash

flow status of the company for the past three years and as at the benchmark date are as follows:

Assets, liabilities and financial position of Northeast New Energy

Unit: RMB0'000

Item	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Total assets	125,426.64	135,642.84	148,526.07	125,202.61
Liabilities	76,316.60	81,475.20	91,853.39	65,432.54
Total shareholders' equity	49,110.05	54,167.64	56,672.68	59,770.07
	2017	2018	2019	2020
Operating revenue	10,140.35	10,842.28	10,094.22	10,243.08
Total profit	5,192.25	10,870.60	9,558.97	7,785.94
Net profit	4,372.31	9,444.28	9,165.07	7,785.94
	2017	2018	2019	2020
Net cash flows generated from operating activities	26,790.48	-2,487.36	3,411.60	45,684.12
Net cash flows generated from investing activities	-7,033.01	3,069.36	767.39	-126.25
Net cash flows generated from financing activities	-18,448.33	-581.27	-4,166.23	-45,589.83
Net increase in cash and cash equivalents	1,309.14	0.73	12.76	-31.96
Audit opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion
Number of audit report	Zhong Huan Liao Shen Zi [2018] No. 0014 (眾環遼審字 [2018]0014號)	Tian Zhi Ye Zi [2021] No. 26637 (天職業字 [2021]26637號)	Tian Zhi Ye Zi [2021] No. 26637 (天職業字 [2021]26637號)	Tian Zhi Ye Zi [2021] No. 26637 (天職業字 [2021]26637號)
Audit institution	Mazars Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)

6. General information on the investees

The entities involved in the long-term equity investment in this valuation are four Grade-4 companies, namely Ji'an Changchuan Hydro-Power Co., Ltd., Guodian Shuangliao New Energy Co., Ltd., Fuxin Julong Lake Wind Power Co., Ltd., Fuxin Huashun Wind Power Co., Ltd., among which 4 controlled investees are included in the consolidated statement, details of the long-term equity investments are as follows:

Book value of long-term equity investment*Unit: RMB*

No.	Name of investee	Shareholding percentage %	Cost of investment	Book value
Consolidated Entity				
1	Ji'an Changchuan Hydro-Power Co., Ltd.	95%	28,500,000.00	28,500,000.00
2	Guodian Shuangliao New Energy Co., Ltd.	74.3%	42,840,000.00	42,840,000.00
3	Fuxin Julong Lake Wind Power Co., Ltd.	60%	216,419,110.44	216,419,110.44
4	Fuxin Huashun Wind Power Co., Ltd.	51%	121,922,297.94	121,922,297.94
Total			381,181,408.38	381,181,408.38

(IV) Relationship between the clients and the appraised entity

China Longyuan Power Group Corporation Limited*, the client, CHN Energy Northeast Electric Power Co., Ltd., the client and the property right holder, and Guodian Northeast New Energy Development Co., Ltd., the appraised entity, are all subordinate units of China Energy Investment Corporation Limited, and they are related entities.

(V) The clients and other users of the valuation report stipulated in the assets valuation entrustment contract

The users of this valuation report shall be the clients.

Unless otherwise stipulated by the national laws and regulations, any agency or individual without confirmation from the valuation agency and the clients shall not become a user of this valuation report by virtue of the access to this report.

II. PURPOSE OF VALUATION

Pursuant to the Minutes of the Party Committee of CHN Energy Northeast Electric Power Co., Ltd. (14 January 2021), China Longyuan Power Group Corporation Limited* intends to acquire 100% equity interest in Guodian Northeast New Energy Development Co., Ltd.* held by CHN Energy Northeast Electric Power Co., Ltd.

The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Guodian Northeast New Energy Development Co., Ltd.* on the Valuation Benchmark Date, and to provide value reference for China Longyuan Power Group Corporation Limited* in its proposed acquisition of 100% equity interest in Guodian Northeast New Energy Development Co., Ltd.* held by CHN Energy Northeast Electric Power Co., Ltd.

III. APPRAISAL TARGET AND SCOPE OF VALUATION

(I) Appraisal target and scope of valuation

The appraisal target is the total shareholders' equity value of Guodian Northeast New Energy Development Co., Ltd.

The scope of valuation covers all assets and liabilities of Guodian Northeast New Energy Development Co., Ltd.

(II) The type and carrying amount of the valued assets

As at the Valuation Benchmark Date, Guodian Northeast New Energy Development Co., Ltd.* had assets with a total book value of RMB1,252,026,100, total liabilities of RMB654,325,400 and net assets of RMB597,700,700, including specifically, current assets of RMB438,491,200; non-current assets of RMB813,534,900; current liabilities of RMB453,125,400; non-current liabilities of RMB201,200,000.

The above asset and liability data are extracted from the balance sheet of Guodian Northeast New Energy Development Co., Ltd.* as of 31 December 2020. The appraisal target and scope of the valuation are the same as those involved in the economic behaviour. The book value has been audited and a standard unqualified audit report has been issued thereon.

The physical assets as reported by the enterprise subject to valuation include buildings (structures), machines and equipments, which have the following types and features:

1. Buildings (structures)

(1) Buildings

Including the central control building, warehouse, oil depot, reactive power compensation room and 35KV power distribution room, which are distributed in the wind farm in Taojiagou Village, Beisijia Township, Beipiao, Chaoyang City, Liaoning.

(2) Structures

Being distributed in the wind power installation area in Taojiagou Village, Beisijia Township, Beipiao, Chaoyang City, Liaoning, mainly consisting of the cable trench, the roads inside the booster station, the emergency oil pools, the drainage system of the station area, the fence and the gate.

2. Equipment

(1) Machines and equipments

The machines and equipments mainly include wind turbines of UP82-1500, wind turbine towers of 65MTC3A, box-type transformers, 660KV main transformers, integrated circuits, wind power component arrays, 35KV integrated circuits, 35KV main switchgear, 35KV AC high-voltage switchgear, 35KV power cables, power station monitoring systems, remote monitoring systems, polysilicon stands and other wind power generation equipment.

(2) *Vehicles*

The transportation equipment include vehicles for production and office use such as Volkswagen brand SVW72010EJ car, Jeep Compass IJ4NF4FB compact off-road passenger car, Great Wall off-road vehicle CC646DKM29 compact passenger car and Harvard brand CC64665UM28B compact passenger car, etc.

(3) *Electronic equipment*

Electronic equipment include various kinds of office equipment such as computers, air conditioners, data dispatching network equipment, printers, copying machines, etc., which are located in the office areas of the company. There are various specifications of general equipment, and some equipment with the same name have a wide range of prices due to their different specifications.

Under the management of equipment department, the equipment of the company is regularly repaired, well maintained and in a good working condition.

(III) The intangible assets recorded in or off the book of the enterprise

- As of 31 December 2020, the Valuation Benchmark Date, the intangible assets as reported by the enterprise included the land use rights of 6 parcels of land and other 8 intangible assets (mainly financial software and file systems) recorded in the book, the details of which are as follows:

No.	Certificate No. of land use rights/real estate ownership		Acquisition method	Area (m ²)	Location	Use of land	Acquisition date	Pledged or not
	Right holder							
1	Bei Piao Guo Yong [2011] No. 11241	Guodian Beipiao Wind Power Generation Co., Ltd.	Transfer	39,923.00	Taojiagou Village and Wangzengdian Village, Beisijia Township	Public facilities	2011/12/1	NO
2	Bei Piao Guo Yong [2011] No. 11242	Guodian Beipiao Wind Power Generation Co., Ltd.	Transfer	15,418.00	Taojiagou Village, Beisijia Township	Public facilities	2011/12/1	NO
3	Bei Piao Guo Yong [2011] No. 11243	Guodian Beipiao Wind Power Generation Co., Ltd.	Transfer	522.00	Beisijia Village, Taojiagou Village and Wangzengdian Village, Beisijia Township	Public facilities	2011/12/1	NO

No.	Certificate No. of land use rights/real estate ownership		Acquisition method	Area (m ²)	Location	Use of land	Acquisition date	Pledged or not
	Right holder							
4	Bei Piao Guo Yong [2011] No.11244	Guodian Beipiao Wind Power Generation Co., Ltd.	Transfer	15,337.00	Wangzengdian Village, Beisijia Township	Public facilities	2011/12/1	NO
5	Bei Piao Guo Yong [2011] No. 11245	Guodian Beipiao Wind Power Generation Co., Ltd.	Transfer	19,285.00	Taojiagou Village, Beisijia Township	Public facilities	2011/12/1	NO
6	Bei Piao Guo Yong [2014] No. 140744	Guodian Chaoyang New Energy Co., Ltd.	Transfer	99,419.00	Beisijia Township	For placement of new energy facilities	2014/8/11	NO

The 6 parcels of land within the scope of valuation have a total area of 189,904.00 square meters, and the compensation costs for the occupation of the land use rights of the 6 parcels of land have been allocated to fixed assets such as buildings, structures and equipment.

2. *Intangible asset recorded off the book*

The unrecorded intangible asset within the scope of the enterprise's reporting is 1 patent for invention for a DC pitch system fault snapshot system for wind turbines and its monitoring method (under substantial examination), the details of which are as follows:

	Content or name	Date of application	Application number	Category/category number
1	DC pitch system fault snapshot system for wind turbines and its monitoring method	2020-08-16	CN111911363A	Invention Patent (under substantial examination)

(IV) Types and quantities of off-balance-sheet assets as reported by the enterprise

As of 31 December 2020, the Valuation Benchmark Date, the off-balance-sheet asset within the scope of reporting by the appraised entity was 1 patent for invention (under substantial examination). Please refer to “III. APPRAISAL TARGET AND SCOPE OF VALUATION – (III) The intangible assets recorded in or off the book of the enterprise” in the Valuation Report for details.

(V) The conclusion drawn from the reports issued by other entities in relation to the type, quantities and carrying amount of assets

The carrying amounts of the assets and liabilities as at the Valuation Benchmark Date as set out in the valuation report are the audited results stated in the Special Audit Report and Financial Statements in relation to the Appraised Entity issued by Baker Tilly China Certified Public Accountants LLP (Tian Zhi Ye Zi [2021] No. 26637) (covering the years 2018–2020) on 15 April 2021. Save for this, no reports from other agencies have been cited.

IV. TYPE OF VALUE AND ITS DEFINITION

For the purpose of the valuation, the type of value of the valuation subject is determined to be the market value.

The market value is defined as the estimated price of the appraisal target in a normal and arm’s length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

V. VALUATION BENCHMARK DATE

The benchmark date of the asset valuation under this project is 31 December 2020.

The benchmark date is determined by the clients upon taking account of the assets scale, workload, expected time required, compliance and other factors of the appraised entity.

VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly include basis of economic behaviour, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination and other references used in the valuation and estimation, details of which are as follows:

(I) Basis of economic behaviour

1. Minutes of the Party Committee Meeting of CHN Energy Northeast Electric Power Co., Ltd. (14 January 2021);

(II) Basis of laws and regulations

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (published at the 21st meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
5. Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (first amendment to the Decision of the State Council on Revision to Certain Administrative Regulations, promulgated by Decree No.714 of the State Council of the People's Republic of China on 23 April 2019);

6. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
7. General Rules of Loans (《貸款通則》) (the People's Bank of China);
8. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
9. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Supervision and Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式、加強資產評估監督管理工作的意見》)(國辦發[2001]102號));
10. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》)(國資委產權[2006]274號));
11. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》)(國資產權[2009]941號));
12. Notice on the Issuance of Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment (Guo Zi Ban Fa [1992] No.36) (《關於印發〈國有資產評估管理辦法實行細則〉的通知》)(國資辦發[1992]36號));
13. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council) (《國有資產評估管理辦法》)(國務院令第91號));
14. Interim Regulations for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, Revision of Decree No. 588 of the State Council) (《企業國有資產監督管理暫行條例》)(國務院令第378號，國務院令第588號修訂));
15. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》)(國資委令32號));

16. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC of the State Council) (《企業國有資產評估管理暫行辦法》(國務院國資委令第12號));
17. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
18. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
19. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (《資產評估行業財政監督管理辦法》(中華人民共和國財政部令第86號));
20. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協議轉讓有關事項的通知》(國資發產權[2010]11號));
21. Administrative Measures for the Material Asset Reorganisation of Listed Companies (CSRC Decree No. 109 and CSRC Decree No. 127) (《上市公司重大資產重組管理辦法》(證監會令第109號，證監會令第127號));
22. Other laws, regulations and rules related to the valuation.

(III) Basis of valuation standards

1. Standards for Asset Valuation – Basic Standards (Cai Qi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);

6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
10. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
12. Practicing Standards for Asset Valuation –Valuation Methodology (Zhong Ping Xie [2019] No. 35);
13. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
14. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);
15. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
16. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);
17. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
18. Guiding Opinions No. 6 for Asset Valuation Expert –Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Zhong Ping Xie [2015] No. 67);

19. Guiding Opinions No. 8 for Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39);
20. Guiding Opinions No. 10 for Asset Valuation Expert – Reasonable Performance of Asset Valuation Procedures amid the COVID-19 Pandemic (Zhong Ping Xie [2020] No. 6);
21. Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

(IV) Basis of asset ownership

1. Motor Vehicle Driving Permit;
2. Property Ownership Certificate, State-owned Land Use Certificate, Real Estate Title Certificate and related affirmation of property rights;
3. Patent certificates and related affirmation of property rights;
4. Contracts or certificates for purchase of significant assets;
5. Other references.

(V) Basis of price determination

1. Decision of the State Council on Repealing the Provisional Regulations on Business Tax of the People's Republic of China and Amending the Provisional Regulations on Value Added Tax of the People's Republic of China (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) (Decree No. 691 of the State Council of the People's Republic of China on 19 November 2017);
2. Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019);

3. Regulations for Grading and Classification of Urban Land (GB/T18507–2014);
4. Loan prime rate (LPR) announcement authorized to be published by the National Interbank Funding Centre on 21 December 2020;
5. ZOL (中關村在線), PConline (太平洋電腦網);
6. Autohome (汽車之家網);
7. Landvalue (中國地價監測網);
8. Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (Energy Industry Standard of the People's Republic of China NB/T31011–2019);
9. Estimated Quota of Onshore Wind Farm Projects (NBT 31010–2019);
10. Quota for Property Construction and Decoration Project in Liaoning Province (2017), Cost Standards for Construction Project in Liaoning Province for 2017, Quota for General Installation Project, and Prices of Materials for Construction Project in Liaoning Province (December 2020);
11. Comprehensive Land Price for Land Acquisition Area in Chaoyang City (Chao Zheng Fa [2015] No. 60);
12. Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426);
13. The audit results of the special audit report and financial statements of the appraised entity (covering the years 2018 to 2020) issued by Baker Tilly International Certified Public Accountants (Special General Partnership) on 15 April 2021 (Tian Zhi Ye Zi [2021] No. 26637);
14. Information on future earnings estimations provided by the clients and other relevant parties in accordance with the law;
15. Other references.

(VI) Other references

1. Enterprise Accounting Standards – Basic Standards (Order No. 33 of the Ministry of Finance);
2. Enterprise Accounting Standards – Application Guide (Cai Kuai [2006] No. 18);
3. 38 specific standards including Enterprise Accounting Standards No. 1 – Inventories (Cai Kuai [2006] No. 3);
4. Asset Valuation Common Data and Parameter Manual (Machinery Industry Press, 2011 Edition);
5. 2020 Report on the Evaluation of the Performance of Listed Companies in China;
6. Wind Information Financial Terminal;
7. Investment Valuation (written by [US] Damodaran, translated by [Canada] Lin Qian, Tsinghua University Press);
8. Valuation: Measuring and Managing the Value of Companies (Fourth Edition) (written by [US] Tim • Koller, et al., translated by Wei Ping and Zhu Xiaolong, Electronic Industry Press);
9. Letter of request for quotation for equipment;
10. Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition);
11. Other references.

VII. VALUATION METHODS**Introduction of the Income Approach****1. Overview**

According to the relevant regulations of state administration authorities of the PRC, the Practice Standards for Asset Appraisal-Enterprise Value as well as international and domestic appraisal practices for similar transactions, the valuer decided to estimate the equity capital value of the appraised entity by using the discounted cash flow (DCF) method based on the income approach.

The DCF method is a method to appraise the asset value by discounting the expected future net cash flows of the enterprise to a present value. The basic principle of this method aims to obtain the appraisal value by estimating the expected future net cash flows of the assets and converting them into a present value by applying an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundation and conditions for continuous operation, the correlation between operation and income is relatively stable, and the future income and risks are predictable and quantifiable. The greatest difficulty in using the DCF method lies in the forecast of expected future cash flows (EFCFs) as well as the objectivity and reliability of data collection and processing. When the forecast of EFCFs is relatively objective and fair, and the discount rate is relatively reasonable, the valuation results will be adequately objective.

2. Basic Valuation Considerations

According to the due diligence findings, the asset composition and characteristics of principal business of the appraised entity, the equity capital value was estimated based on the separate accounting statements of the appraised entity in this valuation. The basic considerations of the valuation are as follows:

- (1) For assets and principal business included in the statements, the expected income (net cash flows) is estimated according to the changing trends of historical operating conditions in recent years and business types respectively, and is discounted to obtain the value of operating assets;

- (2) Current assets (liabilities), such as surplus capital, other receivables, accounts payable, interest payable, dividend payable and other payables existing as at the benchmark date, which are included in the scope of the statements but not taken into account in the estimations of expected income (net cash flows), and non-current assets (liabilities), such as idle equipment, real estates and construction in progress without booking income, are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their values are measured separately;
- (3) The enterprise value of the appraised entity is obtained by summing up the values of the aforesaid assets and liabilities, and the total shareholders' equity value of the appraised entity is obtained after deducting the value of interest-paying debts.

3. Valuation Model

(1) Basic Model

The basic model for this valuation is:

$$E = B - D \quad (1)$$

Wherein:

E: Total shareholders' equity value of the appraised entity;

B: Enterprise value of the appraised entity;

$$B = P + I + C \quad (2)$$

P: Value of operating assets of the appraised entity;

$$P = \sum_{i=1}^n [R_i \times (1 + r)^{-i}] + p_n \times (1 + r)^{-n} \quad (3)$$

Wherein:

R_i : Expected income of the appraised entity in Year i in the future (free cash flows);

P_n : Consideration of the recoverable value of related assets including working capital, fixed assets and intangible assets at the end of the operating period;

r : Discount rate;

n : Future operating period of the appraised entity;

C : Value of surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

$$C = C_1 + C_2 \quad (4)$$

C_1 : Value of current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

C_2 : Value of non-current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

D : Value of interest-bearing debts of the appraised entity;

I : Long-term equity investment value of the appraised entity;

(2) *Income Indicator*

In this valuation, the free cash flows of the appraised entity are used as the income indicator of its operating assets, which is basically defined as:

$$R = \text{Net profit} + \text{Depreciation and amortization} + \text{Interest on interest-bearing debts after tax} - \text{Additional capital} \quad (5)$$

The free cash flows in the future operating period are estimated based on the operational history of the appraised entity and the future market development and others. The free cash flows in the future operating period are discounted and summed up to calculate the value of operating assets of the enterprise.

(3) *Discount Rate*

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital (WACC) model:

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

w_d : Debt ratio of the appraised entity;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

w_e : Equity ratio of the appraised entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of the appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1 - t) \times \frac{D}{E}\right) \quad (10)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t) \times \frac{D_i}{E_i}} \quad (11)$$

β_i : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

Wherein:

K: Expected average risk value of stock market in the future, for which it normally assumes that $K=1$;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The whole valuation was carried out in four stages:

(I) Preparation

1. In early January 2021, the valuation agency entered into the site for the preparation of preliminary work;
2. In early January 2021, the clients convened the intermediary coordination meeting for the project, and all parties concerned reached consensus on the purpose of this valuation, Valuation Benchmark Date and valuation scope through negotiation, and formulated the work plan for this valuation of assets.

(II) On-site Valuation

The on-site valuation conducted by the project team was from early January 2021 to mid-March 2021. The main tasks were as follows:

1. The appraisers cooperated with the enterprise to inspect the assets and complete the statements of asset valuation and declaration. Members of the valuation project team obtained a detailed understanding of the appraised assets, arranged the asset valuation work, assisted the enterprise with declaration of the appraised assets, and collected the necessary documents for the valuation of the assets.

2. Listened to the introduction given by relevant personnel of the clients and the appraised entity on the overall situation of the enterprise, together with the history and current status of the appraised assets, so as to understand the financial system, operating conditions and technical status of fixed assets of the enterprise.
3. Reviewed and identified the statements of assets inspection, valuation and declaration provided by the enterprise, made reconciliation to relevant financial records related to the enterprise and collaborated with the enterprise to make adjustment to the identified problems.
4. Verified the fixed asset by way of random check based on the statements of asset inspection, valuation and declaration, and carried out random stock-taking on the physical inventory assets in the current assets.
5. Reviewed and collected the title certificates of the appraised assets.
6. Determined specific valuation method for each category of appraised assets based on their actual conditions and characteristics.
7. Reviewed technical information, final accounts and completion and acceptance information for major equipment; collected price information on general equipment mainly through market research and inquiries of relevant data; collected relevant information on the management system, maintenance, alteration, expansion of buildings and structures.
8. Verified ownership documents provided by the enterprise.
9. Conducted random correspondence checks on the deposit and loan banks and dealers of the appraised entity, and visited important dealers.
10. Made preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of inspection and verification.
11. According to the profit forecast data declared by the enterprise, inquired the main business, product effect, gross profit, market distribution channels, related party transactions of enterprises in the same industry and field. Through due diligence and interviews with senior management, understood the position and market share of enterprise's products in the industry as well as the cost and expense of enterprise, and analyzed the future development trend of the enterprise.

(III) Valuation Summarization

In late March 2021, we checked the declaration contents provided by the appraised entity, and adjusted, amended and improved such valuation results where necessary.

(IV) Report Submission

An asset valuation report was drafted based on the above processes, and opinions were exchanged with the clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation agency, and then the final asset valuation report was issued.

IX. VALUATION ASSUMPTIONS

The appraisers followed the following assumptions in this valuation:

(I) General Assumptions**1. Transaction Assumption**

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. *Going Concern Assumption*

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operation entity, can continue to operate in accordance with the business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain the ability of continuous operation, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously based on their current purpose, method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates of the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfill their responsibilities in the future operating period, and it will continue to operate on the basis of the operation and management model as at the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly on the current basis, and will continue its change trends in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.

6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the acquisition and utilisation methods of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. According to the “Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (passed at the seventh meeting of the Standing Committee of the 13th National People’s Congress on 29 December 2018), “under Article 27, the following income of an enterprise may be subject to the exemption or reduction of enterprise income tax: (II) the income gained from investment and operation of public infrastructure projects supported by the state;” the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Conservation Projects (《財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》) (Caishui [2012] No. 10), “the income of an enterprise gained from engaging in the investment and operation of public infrastructure projects approved before 31 December 2007 that meet the requirements of the Catalogue of Public Infrastructure Projects Eligible for Enterprise Income Tax Preferential Treatment (《公共基礎設施項目企業所得稅優惠目錄》) and the income gained from engaging in the environmental protection, energy saving and water conservation projects approved before 31 December 2007 that meet the requirements of the Catalogue of Environmental Protection, Energy Saving and Water Conservation Projects Eligible for Enterprise Income Tax Preferential Treatment (《環境保護、節能節水項目企業所得稅優惠目錄》), are entitled to the preferential exemption or reduction of enterprise income tax for the remaining years from 1 January 2008 in a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption (the “**3+3 tax holiday**”) calculated in accordance with the provisions of the new tax law commencing from the tax year in which the first production and operation income is obtained from the project”. As the new wind power projects are included in the Catalogue of Public Infrastructure Projects Eligible for Enterprise Income Tax Preferential Treatment, both the Beisijia Power Station and the Taojiagou Power Station of Guodian Northeast New Energy Development Co., Ltd.* have already enjoyed the preferential policy of “3+3 tax holiday” and will no longer enjoy upon expiry.

9. Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Value Added Tax Policies for Wind Power Generation (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (CaiShui [2015] No. 74), “taxpayers who sell their self-produced power products using wind power are entitled to an immediate 50% refund of the VAT from 1 July 2015.”, it is assumed that the wind power projects will continue to enjoy an immediate 50% refund of the VAT in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable by the appraised entity in previous years will be fully recovered by 2022, and the recovery of the state subsidies after 2022 will be deferred for two years.
11. According to the power purchase and sale contract of wind farms signed in June 2020 between State Grid Liaoning Electric Power Supply Co., Ltd. and Guodian Northeast New Energy Development Co., Ltd.*, in relation to Beisijia Power Station Project with an installed capacity of 49.5 MW and Taojiagou Power Station Project with an installed capacity of 48 MW, it is agreed in the contract that the on-grid tariff of wind power of Beisijia Power Station and Taojiagou Power Station is RMB0.62/kWh (tax inclusive), subject to the approval by the competent government price authorities or in accordance with the regulations of the competent government price authorities. In particular, the settlement price of Guodian Northeast New Energy Development Co., Ltd.* as the seller, which is the benchmark tariff of electricity generated by coal-fired power generating units approved or confirmed by the competent government price authorities, plus provincial subsidies, is RMB0.62/kWh (tax inclusive) for Beisijia and Taojiagou. The renewable energy subsidy is RMB0.2451/kWh (tax inclusive) for Beisijia and Taojiagou. The term of the contract is from 1 January 2020 to 31 December 2020, and it is assumed that the contract will be renewed upon expiry in this valuation.
12. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflows of the appraised entity represent average inflows and its cash outflows represent average outflows.

When conditions stated above change, valuation results will generally become invalid.

X. CONCLUSION OF VALUATION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality, science and objectivity, we carried out the statutory and necessary procedures for asset valuation. After implementation of the valuation procedures such as checking and verification, field survey, market research and confirmation, assessment and estimation, based on the judgment of the clients and the enterprise management on the future development trend and business planning, and on the premise of the implementation of business collaboration, management collaboration, financial collaboration, milestone events, etc., the total shareholders' equity value of Guodian Northeast New Energy Development Co., Ltd.* was valued by income approach on the benchmark date of 31 December 2020. The conclusions were as follows:

(I) Valuation conclusion of the income method and analysis on the reasons for changes in valuation**1. Valuation conclusion of the income method**

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow method (DCF) was used to assess the estimated value of the total shareholders' equity of Guodian Northeast New Energy Development Co., Ltd.* (國電東北新能源發展有限公司). As of the Valuation Benchmark Date of 31 December 2020, the book value of owners' equities of Guodian Northeast New Energy Development Co., Ltd.* was RMB597,700,700, and the appraisal value was RMB794,000,000, with an appreciation of RMB196,299,300 or 32.84%.

2. Analysis on the reasons for changes in valuation

The valuation expresses an appreciation of RMB196,299,300 or an appreciation rate of 32.84% in the appraisal value of the total shareholders' equities of Guodian Northeast New Energy Development Co., Ltd.* by using the income method. The changes and reasons were mainly due to the stable operation of the currently operated projects including Beisijia Power Station and Taojiagou Power Station since grid-connected power generation. At the same time, Beisijia Power Station and Taojiagou Power Station had entered into the renewable energy subsidy catalogues, the trade receivables were collected in a timely manner and overall profitability of the enterprise was relatively sound than the assets size.

(II) Analysis on the valuation results and the final valuation conclusion**1. Analysis of difference between the valuation results**

In the valuation, the value of all shareholders' equity calculated with the income method was RMB794,000,000, which was RMB42,026,900 or 5.59% higher than that of RMB751,973,100 calculated with the asset-based method. The main reasons for the difference between the results from the two valuation methods are as follows:

- (1) In the asset-based method, the replacement cost of assets is adopted as the value standard, reflecting the socially necessary labour consumed in the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually varies with the national economy;
- (2) In the income method, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets.

Given the above, there is a difference between the results from the two valuation methods.

2. Selection of valuation results

The asset-based method differs from the income method in term of valuation perspectives and paths. In the asset-based method, reacquisition of assets is considered, reflecting the replacement value of existing assets of an enterprise. In the income method, future profitability of the enterprise is considered, reflecting the comprehensive profitability of various assets of the enterprise.

Since the power generation and electricity price of wind power stations can be basically determined, the future revenue can be better predicted. As the cost structure of wind power projects is simple, various indicators can basically be better measured. Operating costs can be estimated more reliably. Although the asset-based method objectively reflects the market value of owners' equity of an enterprise from the perspective of asset construction, we are of the view that when revenues and costs in the income method can be predicted more reasonably and when future uncertainties are small or can be estimated normally, the income method can reflect the value of all shareholders' equity as at the benchmark date in a more objective and reasonable way, compared with the valuation results of the asset-based method.

In conclusion, we were of the view that the valuation results of the income method could better reflect all shareholders' equities of Guodian Northeast New Energy Development Co., Ltd.*, thus the valuation results of the income method were taken as the final conclusion of the valuation. The value of all shareholders' equities of Guodian Northeast New Energy Development Co., Ltd.* arrived thereafter was RMB794,000,000 as at the Valuation Benchmark Date.

3. Consideration of the impact of right of control and liquidity on the value of the appraisal target

Neither had the report taken into account the premium that may incur due to the right of control, nor the impact of the liquidity on the value of the appraisal target.

XI. NOTES ON SPECIAL MATTERS

(I) Defects of property rights

(1) Houses and buildings

As at the Valuation Benchmark Date, there were a total of six houses with defects of property rights in the houses and buildings reported by the appraised entity, which have no relevant property ownership certificates.

**Schedule of Major Production Buildings without
Property Ownership Certificates**

No.	Building Name	Structure	Year and Month of Completion	Unit of Measurement	Area (m ²)
1	Warehouse (Chaoyang)	Framework structure	Taojiagou Village, Beisijia Township	m ²	48
2	Central control towers (Beipiao)	Framework structure	Taojiagou Village, Beisijia Township	m ²	1,385.39
3	Oil depot (Beipiao)	Brick concrete (roof colorful steel plate)	Taojiagou Village, Beisijia Township	m ²	202
4	Reactive power compensation device room (Beipiao)	Framework structure	Taojiagou Village, Beisijia Township	m ²	99.36
5	35kv electricity distribution room (Beipiao)	Framework structure	Taojiagou Village, Beisijia Township	m ²	255.33
6	Diesel generator room	Brick concrete (roof colorful steel plate)	Taojiagou Village, Beisijia Township	m ²	18.07
Total					2,008.15

As at 28 April 2021, the appraised enterprise has applied for the property ownership certificates for properties without property ownership certificates.

(2) **Land use right**

As of the Valuation Benchmark Date of 31 December 2020, there were a total of six land with defects of property rights in the land use rights declared by the appraised entity, which have inconsistencies between the obligee on the certificates and the actual user. Details of which are set out as below:

**Schedule of the Inconsistencies between the Obligee on the
Certificate and the Actual User**

No.	Land use right certificate No.	Land location	Nature of land	Obligee on the certificate	Actual user
1	Beipiao Guo Yong [2011] No. 11241	Tao jiagou Village and Wangzengdian Village, Beisijia Township	allocated	Guodian Beipiao Wind Power Generation Co., Ltd.	Guodian Northeast New Energy Development Co., Ltd.*
2	Beipiao Guo Yong [2011] No. 11242	Taojiagou Village, Beisijia Township	allocated	Guodian Beipiao Wind Power Generation Co., Ltd.	Guodian Northeast New Energy Development Co., Ltd.*
3	Beipiao Guo Yong [2011] No. 11243	Beisijia Village, Taojiagou Village and Wangzengdian Village, Beisijia Township	allocated	Guodian Beipiao Wind Power Generation Co., Ltd.	Guodian Northeast New Energy Development Co., Ltd.*

No.	Land use right certificate No.	Land location	Nature of land	Obligee on the certificate	Actual user
4	Beipiao Guo Yong [2011] No. 11244	Wangzengdian Village, Beisijia Township	allocated	Guodian Beipiao Wind Power Generation Co., Ltd.	Guodian Northeast New Energy Development Co., Ltd.*
5	Beipiao Guo Yong [2011] No. 11245	Taojiagou Village, Beisijia Township	allocated	Guodian Beipiao Wind Power Generation Co., Ltd.	Guodian Northeast New Energy Development Co., Ltd.*
6	Beipiao Guo Yong [2011] No. 140744	Beisijia Township	allocated	Guodian Chaoyang New Energy Co., Ltd	Guodian Northeast New Energy Development Co., Ltd.*

As at 28 April 2021, the appraised enterprise has changed the right holders contained in the certificates of land use rights, and all the above right holders contained in the certificates of land use rights have been changed to Chaoyang Branch of Guodian Northeast New Energy Development Co., Ltd.*

(II) Pledge and guarantee

As of the Valuation Benchmark Date, there is no pledge and guarantee found in the report.

(III) Uncertainties including unresolved matters and legal disputes

Ji'an Changchuan Hydroelectric Power Co., Ltd.* (集安長川水力發電有限公司), a long-term investment entity included in the scope of this valuation, was forced to suspend the Wenyue (Changchuan) Hydropower Power Generation Project invested by it due to the approval issue of the project. In August 2012, given that the State Grid Corporation submitted to the National Development and Reform Commission and the Ministry of Foreign Affairs to adjust the administrative authority in the development and construction of the China-North Korea Boundary River at the national level, which increased the difficulty in the approval of the project, North Korea has more variables in the implementation of the contract, and the project development right has been actually controlled by the State Grid Corporation, thus after a comprehensive weighing of the regional production and operation work and the specific management relationship with the State Grid Corporation, the Company had to decide to withdraw from the development of Wenyue project.

According to relevant requirements on the disposal of inefficient and invalid assets by the group company, Northeast Company has listed Wenyue (Changchuan) Project of China-North Korea as a liquidation and cancellation unit in 2015. In October 2017, the original 7 official employees of Ji'an Changchuan Hydroelectric Power Co. Ltd. completed the diversion and resettlement work, and the bank accounts and social security accounts have been closed. The approval of business license accounts closing and filing of industrial and commercial deregistration have been prepared, and the Company is now actively seeking for the support from the local court to carry out bankruptcy liquidation.

In 2011, Ji'an Changchuan Hydropower Co., Ltd. and Sinohydro Northeast Survey, Design and Research Institute Co., Ltd. entered into the Contract for Survey and Design of Wenyue Hydropower Station on the China-North Korea Boundary River (Initial Design, Bidding and Technical-construction Drawing Design Stage), pursuant to which, the survey and design fee was RMB41,980,000, and the survey and design fee during the initial design stage accounted for 55.5% of the total value of the contract, that is RMB23,298,900; 85% of which was completed as at 27 September 2012, that is RMB19,804,000; as at the Valuation Benchmark Date, the survey and design fee of RMB5,000,000 has been paid and the outstanding survey and design fee was RMB14,804,000. We hereby draw the attention of the clients and the users of the report to the above matters.

(IV) Significant subsequent events

1. As at 31 December 2020, Guodian Northeast New Energy Development Co., Ltd.* holds 74.32% equity interests in Shuangliao New Energy Wind Power Generation Co., Ltd.* (雙遼新能源風力發電有限公司), a long-term investment entity. As Shuangliao Electric Power Industry Co. Ltd.* (雙遼電力實業有限責任公司), a shareholder of Guodian Shuangliao New Energy Wind Power Generation Co., Ltd.*, paid a supplementary capital of RMB26,360,000 on 25 January 2021 after the benchmark date, resulting in the equity interests held by Guodian Northeast New Energy Development Co., Ltd.* in Guodian Shuangliao New Energy Wind Power Generation Co., Ltd.* changed from 74.32% to 51%.
2. As at 28 April 2021, the appraised enterprise has applied for the property ownership certificates.

(V) Other matters required to be explained

1. As at the date of the valuation report, the COVID-19 pandemic is still ongoing. While forecasting the profit of this valuation, we could not accurately forecast how long the pandemic will last or the extent of its eventual impact. Thus, the conclusion of this valuation report is achieved based on the assumption that no other force majeure and unforeseeable factors will cause material adverse effects on the Company, the pandemic can be well controlled in the near future, and the national/global economy can quickly resume normal operation.
2. The premium and discount arising from factors such as the right of control and minority interests were not considered in this valuation when it involved the converting of certain equities.
3. The legal liability of the valuer and the valuation agency was to exercise professional judgement and express professional opinions on the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve making any judgement by the valuer and the valuation agency on the economic activities corresponding to such valuation purpose, and nor undertake the responsibility of decision-making by relevant parties. Thus the valuation conclusion shall not be deemed as a guarantee of the realizable price of the appraisal target.
4. The valuation, to a great extent, relies on the related information provided by the clients and the appraised entity. Accordingly, the valuation is on the basis that documents relating to economic activity and assets ownership, certificates, accounting documents and other relevant legal documents provided by the clients and the appraised entity are true and lawful.
5. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and completeness of the information provided.
6. The relevant title documents of ownership rights and related information involved in the valuation report are provided by the appraised entity. The clients and the appraised entity bear legal liability for the authenticity and legality of the information provided.

7. During the valuation process, for inspections of the equipments, properties and land, due to the restraints of the testing methods and the fact that some equipments were in operation, this task was mainly done by exterior observation by the appraisers and results of the latest checks provided by the appraised enterprise as well as the enquiries to the relevant operators.
8. The valuation conclusion is based on the accurate judgement on the macro-economy and industry development trend in the future, and the effective implementation of its business plans by the enterprise. In the event that there are changes in economic environment and obstacles in industry development, the clients and the current management fail to take effective measures in a timely manner to make adjustments to the implementation of the plans, so as to meet the implementation of existing business plans, the profit forecast data may change significantly, resulting in the invalidity of the valuation conclusion. We would like to draw attention of the clients and the users of the report to the above matters.
9. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach used in this valuation report. The valuer has carried out the necessary investigation, analysis and judgement on the profit forecast of the appraised entity. After a number of discussions with the management of the appraised entity and its substantial shareholders and the subsequent further revision and improvement by the appraised entity, the valuation agency adopted the relevant data of the profit forecast provided by the appraised entity. Using the profit forecast of the appraised entity by the valuation agency does not guarantee the future profitability of the appraised entity.
10. If, for an effective period after the Valuation Benchmark Date, there is a change in the quantity of assets or standard of valuation, it should be dealt with in accordance with the following principles:
 - (1) When there is a change in the quantity of assets, the amount of the assets should be adjusted according to the original valuation method;
 - (2) When there is a change in the standard of assets' prices which has a significant impact on the asset valuation results, the clients should promptly engage a qualified assets valuation agency to re-determine the appraisal value;
 - (3) In the event of any change in the quantity of assets or the standard of price after the Valuation Benchmark Date, the clients should give full consideration to the actual value of the assets and make corresponding adjustments.

11. According to the disclosure in the document of the supplementary notice on relevant matters under the Several Opinions on Promoting the Healthy Development of Nonaqueous Renewable Energy Power Generation (Cai Jian [2020] No. 426), “For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, any power generated in excess of the eligible full life cycle subsidies will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions. For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, the wind power and PV power generation projects which have connected to the grid for 20 years, and biomass power generation projects which have connected to the grid for 15 years, whether they had reached to the full life cycle subsidies or not, will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions”. Among the wind power projects entrusted for valuation, the vast majority of wind farms are entitled to continue to generate electricity within 2 to10 years of the remaining life period after enjoying the full life cycle subsidies. Such power generation will no longer be subsidized by the central government, but can participate in green certificate transactions and carbon transactions according to the policy. As there are great uncertainties in the market and price of green certificate transactions and carbon transactions after the benchmark date, thus the income brought by green certificate transactions and carbon transactions to wind farms was not considered in this valuation. Attention of relevant users of the report shall be drawn to that.

**ASSET VALUATION REPORT ON THE PROJECT OF
PROPOSED ACQUISITION BY CHINA LONGYUAN POWER GROUP
CORPORATION LIMITED* OF 100% EQUITY INTEREST IN
GUONENG DINGBIAN NEW ENERGY CO., LTD.*
HELD BY CHN ENERGY SHAANXI ELECTRIC POWER CO., LTD.
ZHONG LIAN PING BAO ZI [2021] NO. 1469**

To CHN Energy Shaanxi Electric Power Co., Ltd. and China Longyuan Power Group Corporation Limited*,

As engaged by the Company, China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) has appraised the market value of all shareholders' equity interest in Guoneng Dingbian New Energy Co., Ltd.* (國能定邊新能源有限公司) involved in the economic behaviour of the proposed acquisition by China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) of 100% equity interest in Guoneng Dingbian New Energy Co., Ltd.* held by CHN Energy Shaanxi Electric Power Co., Ltd. as at 31 December 2020, the Valuation Benchmark Date, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with the requirements of the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

I. CLIENTS, APPRAISED ENTITY AND OTHER USERS OF VALUATION REPORT

For the purpose of the asset valuation, China Longyuan Power Group Corporation Limited* and CHN Energy Shaanxi Electric Power Co., Ltd. are the clients, and Guoneng Dingbian New Energy Co., Ltd.* is the appraised entity.

(I) Overview of One of the Clients

Name: China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”)

Registered address: Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing

Legal representative: Jia Yanbing

Registered capital: RMB8,036,389,000

Economic nature: joint stock limited company (listed, state-controlled)

Date of establishment: 27 January 1993

Term of operation: no fixed term

Unified social credit code: 911100001000127624

1. Corporate profile

Founded in 1993, China Longyuan Power Group Corporation Limited* was originally affiliated to the National Energy Administration and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of Hong Kong. Longyuan Power is a large-scale comprehensive power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2019, the consolidated installed capacity of the Company was 22,157 MW, of which the consolidated installed capacity of wind power was 20,032 MW.

2. Business scope

Business scope: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and achievements transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; wind power generation, energy-saving technology, technology development for other new energy, and project investment management; import and export business; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs; sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, general merchandise, automobile parts, vehicles designated for power systems and leasing office. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(II) Overview of Another Client

Name: CHN Energy Shaanxi Electric Power Co., Ltd. (“**CHN Energy Shaanxi**”)

Registered address: Building 2, Huading International, 31 Keji Sixth Road, High-tech Zone,
Xi’an City, Shaanxi Province

Legal representative: Yang Shangqian (楊尚謙)

Registered capital: RMB3,415,906,600

Economic nature: limited liability company (wholly owned by a legal person that is not
invested in or controlled by a natural person)

Date of establishment: 29 July 2010

Term of operation: no fixed term

Unified social credit code: 91610000559379373B

Business scope: development, investment (only with self-owned assets), construction, operation and management of power supply, heat source, heating network, water resources and new energy resources; organization of production and sales of power (heat), power plant waste and its comprehensive utilization products; complete sets of power equipment and its auxiliary, engineering construction and supervision, bidding agency, material distribution, equipment maintenance, scientific and technological development and other power-related businesses; house leasing and property management; foreign trade and circulation operation, international cooperation and foreign project contracting; power-related communication, information, environmental protection and electric power scientific research, technology development, intermediary services and consulting services. (For projects subject to approval pursuant to the laws, operating activities shall commence upon receipt of the approval from relevant authorities.)

(III) Overview of the Appraised Entity

Name of enterprise: Guoneng Dingbian New Energy Co., Ltd.* (“**Dingbian New Energy**”)

Domicile of enterprise: Fanshigou Village, Zhuanjing Town, Dingbian County, Yulin City,
Shaanxi Province

Legal representative: Bao Ding (包鼎)

Registered capital: RMB176,500,000

Type of company: limited liability company (wholly owned by a legal person that is not
invested in or controlled by a natural person)

Date of establishment: 16 October 2014

Term of operation: 16 October 2014 to 29 March 2037

Unified social credit code: 916108253057555513

1. *Historical development*

Guoneng Dingbian New Energy Co., Ltd.* (the “**company**”) hereafter, a wholly-owned company by a legal person, was established by Guodian Shaanxi Electric Power Co. Ltd.* (國電陝西電力有限公司), with the registered place at Fanshigou Village, Zhuanjing Town, Dingbian County, Yulin City, Shaanxi Province. The company was established by Guodian Shaanxi Electric Power Co. Ltd.*, the shareholder, on 27 June 2014 upon the approval (Guodian Ji Ren [2014] No. 240) (國電集人[2014]240號), and was registered with the Industrial and Commercial Bureau of Dingbian County, Shaanxi Province on 16 October 2014, with the headquarters located in Xi’an City, Shaanxi Province. Its parent company is Guodian Shaanxi Electric Power Co. Ltd.*, and its group headquarters (ultimate parent company) is China Energy Investment Corporation Limited (國家能源投資集團有限責任公司). Its registered capital was increased from RMB4 million to RMB120 million, RMB130 million, RMB140 million and RMB176.5 million on 27 June 2017, 6 December 2017, 12 April 2018 and 23 January 2019, respectively. On 17 December 2020, the shareholder changed from Guodian Shaanxi Electric Power Co. Ltd.* to CHN Energy Shaanxi Electric Power Co., Ltd., and its own name was changed from Guodian Dingbian New Energy Co., Ltd.* to Guoneng Dingbian New Energy Co., Ltd.*

2. *Corporate profile*

The company currently has two wind farms in operation and one wind power project under construction, namely Zuozhuang 100 MW wind farm, Xinzhuang 100 MW wind farm and Chenliang 49.6 MW wind power project under construction.

Zuozhuang 100 MW wind farm, consisting of Huangwan 50 MW wind power project and Shengliang 50 MW wind power project, was constructed by Guoneng Dingbian New Energy Co., Ltd.* The projects are located within Zhuanjing Town, Dingbian County, Shaanxi Province, with the altitude of the farm area between 1600 m to 1850 m above sea level. They were designed to have a total of 50 sets (each project with 25 sets) of UP2000–115S low-temperature wind turbines installed, which were manufactured by Guodian United Power Technology Co., Ltd.. 25.6 km of roads within the farm have been newly repaired, 23.8 km of existing roads have been reconstructed, and about 40 km of new 35 kV collection lines have been erected. A 110 kV booster station has been build and a 100 MVA master substation has been installed in aggregate for the two wind power projects, which have been connected to the Dingbian 330 kV Haotan Confluence Station that has been put into operation through a self-built 110kV transmission line of about 16.7 km. For the Huangwan project and the Shengliang project, approvals and replies were obtained from the

Shaanxi Provincial Development and Reform Commission in December 2013, the commencement decision was passed by China Guodian Corporation in August 2015, the filing of commencement was completed with the Northwest China Energy Regulatory Bureau of National Energy Administration in October, and the evaluation of commencement was passed by Guodian Shaanxi Electric Power Co. Ltd.* and construction was officially commenced in November. It was officially transferred to commercial operation in April 2017.

Located in Zhuanjing Town and Anbian Town, Dingbian County, Shaanxi Province, Xinzhuang 100 MW wind farm project was constructed by Guoneng Dingbian New Energy Co., Ltd.*, with an altitude of about 1700 m. With a total installed capacity of 100,000 kW, Xinzhuang wind farm was designed to have 50 sets of UP2000-121S low-temperature wind turbines installed, which were manufactured by Guodian United Power and connected to the Xinzhuang 110 kV booster station through four loops of 35 kV collection lines within the farm, and have one 100MVA master substation installed, which was connected to the Zuozhuang booster station (Huangwan Shengliang booster station), which has been put into operation, through one loop of 110 kV outgoing line of about 12 km. For the Xinzhuang wind power project, approvals and replies were obtained from the Shaanxi Provincial Development and Reform Commission in December 2015, the commencement decision was passed by CHN Energy in April 2018, the evaluation of commencement was passed by Guodian Shaanxi Electric Power Co. Ltd.* in August, and construction was officially commenced on 31 August. It was officially transferred to commercial operation in March 2020.

Located in Dingbian County, Yulin City, Shaanxi Province, the Chenliang 49.6 MW wind power project under construction has an actual installed capacity of 49.6 MW, consisting of: 12 sets of wind power generation turbines with a single unit capacity of 2 MW and a hub height of 80 m and 8 sets of wind power generation turbines with a single unit capacity of 3.2 MW and a hub height of 100 m. New roads have been constructed and two loops of new 35 kV collection lines have been erected within the farm. The project was expanded with a newly built 110 kV booster station, in the field reserved for which, a 100 MVA master substation, a 35 kV power distribution room and buildings and structures required for production and life were constructed, which have expanded Chenliang wind farm project and connected to the Zuozhuang 110 kV booster station through the newly built 110 kV Xinzhuang-Zuozhuang line and further connected to the Luqu 330 kV booster station through the 110 kV Zuozhuang-Luqu line. In this way, the outgoing spacing from the Luqu to the Zuozhuang 110 kV booster station would be adjusted from the master substation 3# to the master substation 1# to be constructed. The Luqu master substation 1# would be expanded

with a 110 kV outgoing spacing. For the Chenliang wind power project, approvals were obtained from the Shaanxi Provincial Development and Reform Commission in December 2016, the investment decision was passed by CHN Energy in January 2020, and the evaluation of commencement was passed by Guodian Shaanxi Electric Power Co. Ltd.* and construction was officially commenced in May 2020.

3. *Business scope*

Development, construction and operation of wind, solar, new energy projects and clean energy projects; power station operation management; organizing production and sales of electricity; comprehensive utilization of wind power resources and external investments (For projects subject to approval pursuant to the laws, operating activities shall commence upon receipt of the approval from relevant authorities).

4. *Capital contribution of Shareholder*

As of the Valuation Benchmark Date, the paid-in capital of Dingbian New Energy Co., Ltd.* was RMB283,500,000. The name of Shareholder, amount of capital contribution and proportion of capital contribution are as follows:

**Name of Shareholder, amount of capital contribution
and proportion of capital contribution**

No.	Name of Shareholder	Registers capital (RMB0'000)	Paid-in capital (RMB0'000)	Proportion of capital contribution %
1	CHN Energy Shaanxi Electric Power Co., Ltd.	17,650.00	28,350.00	100%
Total		<u>17,650.00</u>	<u>28,350.00</u>	<u>100%</u>

Note: the difference between the registered capital and the paid-in capital is due to that the change of industrial and commercial registration was not completed in a timely manner.

5. Principle business

Guoneng Dingbian New Energy Co., Ltd.* is mainly engaged in wind power generation. The company currently operates wind power station projects with a total installed capacity of 249.6MW, among which, Zuozhuang Huangwan Power Station has an installed capacity of 50MW; Zuozhuang Shengliang Power Station has an installed capacity of 50MW; Xinzhuang Power Station has an installed capacity of 100MW; and Chenliang Power Station has an installed capacity of 49.6MW.

6. Financial position, operating status and cash flow status of Dingbian New Energy

As disclosed in the audited statements of Dingbian New Energy, as at 31 December 2020, the Valuation Benchmark Date, total assets, total liabilities and net assets amounted to RMB2,149,380,300, RMB1,740,542,100 and RMB408,838,200, respectively; for 2020, it realized operating revenue of RMB219,350,600 and net profit of RMB88,353,700; for 2020, net increase in cash and cash equivalents was RMB36,749,100 and balance of cash and cash equivalents as at the end of the period was RMB48,090,200. The audited financial position, operating status and cash flow status of the company for the past three years and as at the benchmark date are as follows:

Assets, liabilities and financial position of Dingbian New Energy*Unit: RMB0'000*

Item	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Total assets	83,787.96	98,139.64	148,647.20	214,938.03
Liabilities	64,922.95	77,573.74	116,598.75	174,054.21
Total shareholders' equity	18,865.01	20,565.89	32,048.45	40,883.82
Item	2017	2018	2019	2020
Operating revenue	10,629.25	9,006.02	11,641.57	21,935.06
Total profit	5,865.01	2,348.25	2,923.32	9,221.68
Net profit	5,865.01	2,329.39	2,879.01	8,835.37

Item	2017	2018	2019	2020
Net cash flows generated from operating activities	5,347.63	3,755.43	4,329.26	6,149.77
Net cash flows generated from investing activities	-24,860.54	-10,922.77	-44,695.67	-49,537.93
Net cash flows generated from financing activities	19,958.13	7,368.52	39,036.98	47,063.08
Net increase in cash and cash equivalents	445.22	201.17	-1,329.44	3,674.91
Audit opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion
Number of audit report	Zhong Huan Shen Zi [2018] No. 021518 (眾環審字 [2018] 021518號)	Tian Zhi Ye Zi [2021] No. 26206 (天職業字 [2021] 26206號)	Tian Zhi Ye Zi [2021] No. 26206 (天職業字 [2021] 26206號)	Tian Zhi Ye Zi [2021] No. 26206 (天職業字 [2021] 26206號)
Audit institution	Mazars Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)

(IV) Relationship between the clients and the appraised entity

China Longyuan Power Group Corporation Limited* and CHN Energy Shaanxi Electric Power Co., Ltd., both are the clients, and Guoneng Dingbian New Energy Co., Ltd., the appraised entity, are all subordinate units of China Energy Investment Corporation Limited, and they are related entities.

(V) The clients and other users of the valuation report under the assets valuation entrustment contract

The users of this valuation report shall be the clients.

Unless otherwise stipulated by the national laws and regulations, any agency or individual without confirmation from the valuation agency and the clients shall not become a user of this valuation report by virtue of the access to this report.

II. PURPOSE OF VALUATION

Pursuant to the Resolution concerning office meeting of the general manager of CHN Energy Shaanxi Electric Power Co., Ltd., China Longyuan Power Group Corporation Limited* intends to acquire 100% equity interest in Guoneng Dingbian New Energy Co., Ltd.* held by CHN Energy Shaanxi Electric Power Co., Ltd.

The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Guoneng Dingbian New Energy Co., Ltd.* on the Valuation Benchmark Date, and to provide value reference for China Longyuan Power Group Corporation Limited* in its proposed acquisition of 100% equity interest in Guoneng Dingbian New Energy Co., Ltd.* held by CHN Energy Shaanxi Electric Power Co., Ltd.

III. APPRAISAL TARGET AND SCOPE OF VALUATION**(I) Appraisal target and scope of valuation**

The appraisal target is the total shareholders' equity value of Guoneng Dingbian New Energy Co., Ltd.*

The scope of valuation covers all assets and liabilities of Guoneng Dingbian New Energy Co., Ltd.*

(II) The type and carrying amount of the valued assets

As at the Valuation Benchmark Date, Guoneng Dingbian New Energy Co., Ltd.* had assets with a total carrying amount of RMB2,149,380,300, total liabilities of RMB1,740,542,100 and net assets of RMB408,838,200, including specifically, current assets of RMB543,140,800; non-current assets of RMB1,606,239,500; current liabilities of RMB464,770,300; non-current liabilities of RMB1,275,771,800.

The above asset and liability data are extracted from the balance sheet of Guoneng Dingbian New Energy Co., Ltd.* as of 31 December 2020. The appraisal target to be valued and scope of the valuation are the same as those involved in the economic behaviour. The book value has been audited and a standard unqualified audit report has been issued thereon.

The physical assets included in the scope of valuation reported by the enterprise include buildings (structures) and machinery equipment. The physical asset types and characteristics are as follows:

1. Inventories assets

Inventories include materials in transit and raw materials, including hydraulic torque spanners, special hydraulic pumps, variable pitch system spare parts kits, inverter system spare parts kits, composite lithium grease, carbon brushes, machine-side power modules, etc., which are stored in the warehouse of Dingbian New Energy without overstock and scrapping. Among them, the materials in transit occurred during the construction of Zuozhuang Wind Farm, and certain assets had not yet arrived as of the Valuation Benchmark Date.

2. Buildings (structures)

(1) Buildings

Including the production complex building, fire protection water pump room, SVG room, 35kV power distribution equipment room and electronic room, fire protection equipment room and certain houses and buildings provisionally assessed for the Xin Zhuang Wind Farm, which are distributed in Zhuanjing Town and Anbian Town, Dingbian County, Shaanxi Province.

(2) Structures

Being distributed in the wind farm area of Guoneng Dingbian New Energy Co., Ltd.* in Dingbian County, mainly consisting of drainage ditches, cable trenches, access roads, wind farm area fences, gates, drainage pipes, water pools, etc.

3. Equipment*(1) Machines and equipment*

The machines and equipment mainly include wind turbines, blades, towers, transformers and the ancillary equipment for wind power generation.

(2) Vehicles

The transportation equipment include vehicles for production and office use such as four Nissan engineering vehicle small ordinary passenger cars ZN6495HBG5, one Guangqi Honda Accord 2.4 sedan car HG7240A (ACCOR), one Passat SVW7183SJD sedan car, one Dongfeng Citroen DC7207DT sedan car and three Nissan ZN1035UCK6 light ordinary trucks.

(3) Electronic equipment

Electronic equipment include various kinds of office equipment such as computers, air conditioners, data dispatching network equipment, printers, copying machines, etc., which are located in the office areas of the company.

Under the unified management of equipment department, the equipment of the company is regularly repaired, well maintained and in a normal working condition.

4. *Construction in progress*

Xinzhuang 100MW Wind Power Project is the final construction work after the pre-transfer into fixed assets of Xinzhuang Wind Farm.

Chenliang 50MW Wind Power Project, with an actual installed capacity of 49.6MW, comprises 12 wind power generation units with the single-unit capacity of 2MW and the hub height of 80m; and 8 wind power generation units with the single-unit capacity of 3.2MW and the hub height of 100m. The estimated annual on-grid power is 128,839,000 kWh and the annual equivalent full load hours are 2,526 hours (according to the feasibility study report on Chenliang). The book value of the construction in progress represents all expenses incurred in the construction, including expenses for civil engineering, equipment purchase, equipment installation engineering, land acquisition, preliminary engineering, construction management during the preparatory period, capitalized interest during the preparatory period, etc. The overall construction of the project commenced in May 2020 and obtained approval document of Shaanxi Provincial Development and Reform Commission in January 2019 for the “Notice of Extension of Approval of Shaanxi Provincial Development and Reform Commission on Guodian Dingbian New Energy Dingbian Chenliang Wind Farm Project” (Shaan Fa Gai New Energy [2019] No. 45) (《陝西省發展和改革委員會關於國電定邊新能源定邊陳梁風電場工程項目延期核准的通知》(陝發改新能源[2019]45號)), which was commenced construction in May 2020 and expected to be completed for official operation in April 2021.

Zuozhuang Technical Transformation Project is the technical transformation project of Zuozhuang project. The main content of the technical transformation is to implement transformation on resistance in high pressure and high frequency of the wind turbines of Zuozhuang Wind Farm, with an estimated budget of RMB4.91 million, which was paid in full by the Valuation Benchmark Date. It was expected to be started in March 2021 and completed in May 2021.

Upfront expenses of the preliminary project of Chenliang Phase II include the preliminary survey expenses. The project has been verified to be at the initial stage and will be carried out normally at a later stage.

(III) The intangible assets recorded in or off the book of the enterprise

1. As of 31 December 2020, the Valuation Benchmark Date, the intangible assets as reported by the enterprise included the land use rights of 103 parcels of land and other 34 intangible assets owned by the appraised entity recorded in the book, the details of which are as follows:

(1) Land use rights

No.	Land use rights/real estate ownership certificate No.	Book value (RMB0'000)	Right holder	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
1	Shaan (2020) Dingbian County Real Estate Title No. 00079	2,156.49	Guoneng Dingbian New Energy Co., Ltd.	Industrial	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
2	Shaan (2020) Dingbian County Real Estate Title No. 00078		Guoneng Dingbian New Energy Co., Ltd.	Industrial	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
3	Shaan (2020) Dingbian County Real Estate Title No. 00077		Guoneng Dingbian New Energy Co., Ltd.	Industrial	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
4	Shaan (2020) Dingbian County Real Estate Title No. 00076		Guoneng Dingbian New Energy Co., Ltd.	Industrial	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
5	Shaan (2020) Dingbian County Real Estate Title No. 00075		Guoneng Dingbian New Energy Co., Ltd.	Industrial	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
6	Shaan (2020) Dingbian County Real Estate Title No. 00142		Guoneng Dingbian New Energy Co., Ltd.	Industrial	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
7	Shaan (2020) Dingbian County Real Estate Title No. 00141		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
8	Shaan (2020) Dingbian County Real Estate Title No. 00140		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
9	Shaan (2020) Dingbian County Real Estate Title No. 00139		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
10	Shaan (2020) Dingbian County Real Estate Title No. 00138		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
11	Shaan (2020) Dingbian County Real Estate Title No. 00137		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
12	Shaan (2020) Dingbian County Real Estate Title No. 00136		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
13	Shaan (2020) Dingbian County Real Estate Title No. 00135		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
14	Shaan (2020) Dingbian County Real Estate Title No. 00144		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No

APPENDIX II
**SUMMARY OF VALUATION REPORT
ON ASSETS TO BE PURCHASED**

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
15	Shaan (2020) Dingbian County Real Estate Title No. 00160		Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
16	Shaan (2020) Dingbian County Real Estate Title No. 00159		Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
17	Shaan (2020) Dingbian County Real Estate Title No. 00158		Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
18	Shaan (2020) Dingbian County Real Estate Title No. 00157		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
19	Shaan (2020) Dingbian County Real Estate Title No. 00155		Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
20	Shaan (2020) Dingbian County Real Estate Title No. 00153		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
21	Shaan (2020) Dingbian County Real Estate Title No. 00126		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
22	Shaan (2020) Dingbian County Real Estate Title No. 00148		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
23	Shaan (2020) Dingbian County Real Estate Title No. 00156		Guoneng Dingbian New Energy Co., Ltd.	352.00	Qiaowa Village, Youfangzhuang Township, Dingbian County	Public facilities	None	No
24	Shaan (2020) Dingbian County Real Estate Title No. 00154		Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No

APPENDIX II

**SUMMARY OF VALUATION REPORT
ON ASSETS TO BE PURCHASED**

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
25	Shaan (2020) Dingbian County Real Estate Title No. 04065	933.93	Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
26	Shaan (2020) Dingbian County Real Estate Title No. 04064		Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
27	Shaan (2020) Dingbian County Real Estate Title No. 04062		Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
28	Shaan (2020) Dingbian County Real Estate Title No. 04063		Guoneng Dingbian New Energy Co., Ltd.	352.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
29	Shaan (2020) Dingbian County Real Estate Title No. 04061		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
30	Shaan (2020) Dingbian County Real Estate Title No. 04077		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
31	Shaan (2020) Dingbian County Real Estate Title No. 04076		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
32	Shaan (2020) Dingbian County Real Estate Title No. 04075		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
33	Shaan (2020) Dingbian County Real Estate Title No. 04074		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
34	Shaan (2020) Dingbian County Real Estate Title No. 04073		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
35	Shaan (2020) Dingbian County Real Estate Title No. 04097		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
36	Shaan (2020) Dingbian County Real Estate Title No. 00008		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
37	Shaan (2020) Dingbian County Real Estate Title No. 00007		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
38	Shaan (2020) Dingbian County Real Estate Title No. 00006		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
39	Shaan (2020) Dingbian County Real Estate Title No. 00005		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
40	Shaan (2020) Dingbian County Real Estate Title No. 00004		Guoneng Dingbian New Energy Co., Ltd.	352.00	Heyaoxian Village, Yangjing Town, Dingbian County	Public facilities	None	No
41	Shaan (2020) Dingbian County Real Estate Title No. 00035		Guoneng Dingbian New Energy Co., Ltd.	352.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
42	Shaan (2020) Dingbian County Real Estate Title No. 00034		Guoneng Dingbian New Energy Co., Ltd.	352.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
43	Shaan (2020) Dingbian County Real Estate Title No. 00033		Guoneng Dingbian New Energy Co., Ltd.	352.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
44	Shaan (2020) Dingbian County Real Estate Title No. 00032		Guoneng Dingbian New Energy Co., Ltd.	352.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
45	Shaan (2020) Dingbian County Real Estate Title No. 00030		Guoneng Dingbian New Energy Co., Ltd.	352.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
46	Shaan (2020) Dingbian County Real Estate Title No. 00025		Guoneng Dingbian New Energy Co., Ltd.	352.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
47	Shaan (2020) Dingbian County Real Estate Title No. 00024		Guoneng Dingbian New Energy Co., Ltd.	352.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
48	Shaan (2020) Dingbian County Real Estate Title No. 00023		Guoneng Dingbian New Energy Co., Ltd.	352.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
49	Shaan (2020) Dingbian County Real Estate Title No. 00022		Guoneng Dingbian New Energy Co., Ltd.	5,699.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
50	Shaan (2021) Dingbian County Real Estate Title No. 00718		Guoneng Dingbian New Energy Co., Ltd.	320.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
51	Shaan (2021) Dingbian County Real Estate Title No. 00717		Guoneng Dingbian New Energy Co., Ltd.	320.00	Zuozhuang Village, Zhuanjing Town, Dingbian County	Public facilities	None	No
52	Shaan (2021) Dingbian County Real Estate Title No. 00716		Guoneng Dingbian New Energy Co., Ltd.	320.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
53	Shaan (2021) Dingbian County Real Estate Title No. 00715		Guoneng Dingbian New Energy Co., Ltd.	320.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
54	Shaan (2021) Dingbian County Real Estate Title No. 00714		Guoneng Dingbian New Energy Co., Ltd.	320.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
55	Shaan (2021) Dingbian County Real Estate Title No. 00713		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
56	Shaan (2021) Dingbian County Real Estate Title No. 00654		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
57	Shaan (2021) Dingbian County Real Estate Title No. 00712		Guoneng Dingbian New Energy Co., Ltd.	320.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
58	Shaan (2021) Dingbian County Real Estate Title No. 00711		Guoneng Dingbian New Energy Co., Ltd.	320.00	Huangwan Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
59	Shaan (2021) Dingbian County Real Estate Title No. 00710		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
60	Shaan (2021) Dingbian County Real Estate Title No. 00709		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
61	Shaan (2021) Dingbian County Real Estate Title No. 00708		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
62	Shaan (2021) Dingbian County Real Estate Title No. 00706		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
63	Shaan (2021) Dingbian County Real Estate Title No. 00707		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
64	Shaan (2021) Dingbian County Real Estate Title No. 00705		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
65	Shaan (2021) Dingbian County Real Estate Title No. 00704		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
66	Shaan (2021) Dingbian County Real Estate Title No. 00703		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
67	Shaan (2021) Dingbian County Real Estate Title No. 00700		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
68	Shaan (2021) Dingbian County Real Estate Title No. 00701		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
69	Shaan (2021) Dingbian County Real Estate Title No. 00702		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
70	Shaan (2021) Dingbian County Real Estate Title No. 00699		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
71	Shaan (2021) Dingbian County Real Estate Title No. 00698		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
72	Shaan (2021) Dingbian County Real Estate Title No. 00697		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
73	Shaan (2021) Dingbian County Real Estate Title No. 00696		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
74	Shaan (2021) Dingbian County Real Estate Title No. 00695		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
75	Shaan (2021) Dingbian County Real Estate Title No. 00694		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
76	Shaan (2021) Dingbian County Real Estate Title No. 00693		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
77	Shaan (2021) Dingbian County Real Estate Title No. 00692		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
78	Shaan (2021) Dingbian County Real Estate Title No. 00691		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
79	Shaan (2021) Dingbian County Real Estate Title No. 00690		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
80	Shaan (2021) Dingbian County Real Estate Title No. 00741		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
81	Shaan (2021) Dingbian County Real Estate Title No. 00740		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
82	Shaan (2021) Dingbian County Real Estate Title No. 00739		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
83	Shaan (2021) Dingbian County Real Estate Title No. 00738		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
84	Shaan (2021) Dingbian County Real Estate Title No. 00737		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
85	Shaan (2021) Dingbian County Real Estate Title No. 00734		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
86	Shaan (2021) Dingbian County Real Estate Title No. 00736		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
87	Shaan (2021) Dingbian County Real Estate Title No. 00735		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
88	Shaan (2021) Dingbian County Real Estate Title No. 00733		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
89	Shaan (2021) Dingbian County Real Estate Title No. 00732		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
90	Shaan (2021) Dingbian County Real Estate Title No. 00731		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
91	Shaan (2021) Dingbian County Real Estate Title No. 00730		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
92	Shaan (2021) Dingbian County Real Estate Title No. 00729		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No
93	Shaan (2021) Dingbian County Real Estate Title No. 00728		Guoneng Dingbian New Energy Co., Ltd.	320.00	Niuchangqu Village, Zhuanjing Township, Dingbian County	Public facilities	None	No

No.	Land use	Book value (RMB0'000)	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
	rights/real estate ownership certificate No.							
94	Shaan (2021) Dingbian County Real Estate Title No. 00724		Guoneng Dingbian New Energy Co., Ltd.	320.00	Niuchangqu Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
95	Shaan (2021) Dingbian County Real Estate Title No. 00727		Guoneng Dingbian New Energy Co., Ltd.	320.00	Niuchangqu Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
96	Shaan (2021) Dingbian County Real Estate Title No. 00726		Guoneng Dingbian New Energy Co., Ltd.	320.00	Niuchangqu Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
97	Shaan (2021) Dingbian County Real Estate Title No. 00725		Guoneng Dingbian New Energy Co., Ltd.	320.00	Niuchangqu Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
98	Shaan (2021) Dingbian County Real Estate Title No. 00746		Guoneng Dingbian New Energy Co., Ltd.	320.00	Niuchangqu Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
99	Shaan (2021) Dingbian County Real Estate Title No. 00744		Guoneng Dingbian New Energy Co., Ltd.	320.00	Fanshigou Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
100	Shaan (2021) Dingbian County Real Estate Title No. 00749		Guoneng Dingbian New Energy Co., Ltd.	320.00	Niuchangqu Village, Zhuanjing Township, Dingbian County	Public facilities	None	No
101	Shaan (2021) Dingbian County Real Estate Title No. 00748		Guoneng Dingbian New Energy Co., Ltd.	320.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No

No.	Land use rights/real estate ownership certificate No.	Book value (RMB0'000)	Right holder	Nature of land	Area (m ²)	Location	Use of land	Expiration date	Pledged or not
103	Shaan (2021) Dingbian County Real Estate Title No. 00745	Guoneng Dingbian New Energy Co., Ltd.	Industrial	13,054.00	Baixingzhuang Village, Anbian Township, Dingbian County	Public facilities	None	No	

The 103 land parcels included in this valuation have a total area of 52,609.00 m², a total book value of RMB30,904,124.36 and an original book value of RMB34,329,587.60, and all related costs for the land parcels have been settled or accounted for as land payables.

(2) *Intangible assets – others*

There are 34 other intangible assets, including Financial System Software, Infrastructure Internal Control Information System, 2MW Double-fed Wind Driven Generator Unit Control System Software V1.0–2 and Local Monitoring and Data Acquisition System for Wind Driven Generator. The particulars are set out as follows:

No.	Content or name	Acquisition date	Legal/estimated lifetime	Type/category	Original book value	Book value before audit
1	Financial Information System	2016/12/23	10	software	424,528.30	208,726.24
2	Infrastructure Internal Control Information System	2017/12/19	10	software	377,358.49	185,534.76
3	Infrastructure Financial Internal Control System (Shengliang)	2017/12/28	10	software	377,358.49	223,270.57
4	Xinzhuang Infrastructure Financial Internal Control Information System	2019/11/17	5	software	495,283.02	189,858.44

No.	Content or name	Acquisition date	Legal/ estimated lifetime	Type/ category	Original book value	Book value before audit
5	Intelligent Tax Cloud Invoice Inspection and Certification Management System	2019/1/17	5	software	34,188.03	13,105.42
6	2MW Double-fed Wind Driven Generator Unit Control System Software V1.0-2	2019/1/17	10	software	239,316.24	71,485.60
7	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-1	2019/1/17	10	software	4,273.50	3,418.83
8	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-2	2019/1/17	10	software	4,273.50	3,418.83
9	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-3	2019/1/17	10	software	4,273.61	3,418.92
10	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-4	2019/1/17	10	software	4,273.50	3,418.83
11	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-5	2019/1/17	10	software	4,273.50	3,418.83
12	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-6	2019/1/17	10	software	4,273.50	3,418.83

No.	Content or name	Acquisition date	Legal/ estimated lifetime	Type/ category	Original book value	Book value before audit
13	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-7	2019/1/17	10	software	4,273.50	3,418.83
14	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-8	2019/1/17	10	software	4,273.50	3,418.83
15	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-9	2019/1/17	10	software	4,273.50	3,418.83
16	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-10	2019/1/17	10	software	4,273.50	3,418.83
17	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-11	2019/1/17	10	software	4,273.50	3,418.83
18	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-12	2019/1/17	10	software	4,273.50	3,418.83
19	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-13	2019/1/17	10	software	4,273.50	3,418.83

No.	Content or name	Acquisition date	Legal/ estimated lifetime	Type/ category	Original book value	Book value before audit
20	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-14	2019/1/17	10	software	4,273.50	3,418.83
21	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-15	2019/1/17	10	software	4,273.50	3,418.83
22	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-16	2019/1/17	10	software	4,273.50	3,418.83
23	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-17	2019/1/17	10	software	4,273.50	3,418.83
24	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-18	2019/1/17	10	software	4,273.50	3,418.83
25	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-19	2019/1/17	10	software	4,273.50	3,418.83
26	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-20	2019/1/17	10	software	4,273.50	3,418.83

No.	Content or name	Acquisition date	Legal/ estimated lifetime	Type/ category	Original book value	Book value before audit
27	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-21	2019/1/17	10	software	4,273.50	3,418.83
28	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-22	2019/1/17	10	software	4,273.50	3,418.83
29	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-23	2019/1/17	10	software	4,273.50	3,418.83
30	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-24	2019/1/17	20	software	4,273.50	3,643.75
31	Local Monitoring and Data Acquisition System for Wind Driven Generator [abbreviation: HMI System] V1.0-25	2019/1/17	20	software	4,273.50	3,643.75
32	Central Monitoring and Data Acquisition System for Wind Farms [abbreviation: SCADA] V1.0	2019/1/17	10	software	213,675.21	170,940.13
33	Remote Monitoring System for Wind Farms V1.0	2019/1/17	10	software	85,470.09	68,376.08
34	Supporting Control System for Wind Turbine (annual review and adjustment)	2019/1/17	20	software	-	-71,485.60

2. Intangible assets not recorded off the book

As of 31 December 2020, the Valuation Benchmark Date, the intangible assets recorded off the book have not fallen in the scope of the enterprise's reporting.

(IV) Types and quantities of off-balance-sheet assets as reported by the enterprise

As of 31 December 2020, the Valuation Benchmark Date, no off-balance sheet asset within the scope of reporting by the appraised entity was found.

(V) The conclusion drawn from the reports issued by other entities in relation to the type, quantities and carrying amount of assets

The carrying amounts of the assets and liabilities as at the Valuation Benchmark Date as set out in the valuation report are the audited results stated in the Special Audit Report and Financial Statements in relation to the Appraised Entity issued by Baker Tilly China Certified Public Accountants LLP (Tian Zhi Ye Zi [2021] No. 26206) (covering the years 2018–2020) on 15 April 2021. Save for this, no reports from other agencies have been cited.

IV. TYPE OF VALUE AND ITS DEFINITION

For the purpose of the valuation, the type of value of the valuation is determined to be the market value.

The market value is defined as the estimated price of the appraisal target in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

V. VALUATION BENCHMARK DATE

The benchmark date of the asset valuation under this project is 31 December 2020.

The benchmark date is determined by the clients upon taking account of the assets scale, workload, expected time required, compliance and other factors of the appraised entity.

VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly include basis of economic behaviour, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination and other references used in the valuation and estimation, details of which are as follows:

(I) Basis of economic behaviour

1. Resolution concerning office meeting of the general manager of CHN Energy Shaanxi Electric Power Co., Ltd. (《國家能源集團陝西電力有限公司總經理辦公會決議》)

(II) Basis of laws and regulations

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (published at the 21st meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Administrative Measures for Major Assets Restructuring of Listed Companies (CSRC Decree No. 109 and Revision of CSRC Decree No. 127 (《上市公司重大資產重組管理辦法》(證監會令第109號, 證監會令第127號修改));
5. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (Revision passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
6. Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (first amendment to the Decision of the State Council on Revision to Certain Administrative Regulations, promulgated by Decree No.714 of the State Council of the People's Republic of China on 23 April 2019);

7. Provisional Regulations of Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (State Council Decree No. 691)(國務院令第691號);
8. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Ministry of Finance and State Administration of Taxation Decree No.50) (《中華人民共和國增值稅暫行條例實施細則》(財政部、國家稅務總局令第50號));
9. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
10. General Rules of Loans (《貸款通則》) (the People's Bank of China);
11. Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法) (passed at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
12. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
13. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Supervision and Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式、加強資產評估監督管理工作的意見》(國辦發[2001]102號));
14. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
15. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));
16. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council) (《國有資產評估管理辦法》(國務院令第91號));

17. Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment (Guo Zi Ban Fa [1992] No.36) (《國有資產評估管理辦法實行細則》(國資辦發[1992]第36號));
18. Interim Regulations for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, Revision of Decree No. 588 of the State Council) (《企業國有資產監督管理暫行條例》(國務院令第378號，國務院令第588號修訂));
19. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》(國資委令32號));
20. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC of the State Council) (《企業國有資產評估管理暫行辦法》(國務院國資委令第12號));
21. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
22. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
23. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (《資產評估行業財政監督管理辦法》(中華人民共和國財政部令第86號));
24. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協議轉讓有關事項的通知》(國資發產權[2010]11號));
25. Other laws, regulations and rules related to the valuation.

(III) Basis of valuation standards

1. Standards for Asset Valuation – Basic Standards (Cai Qi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
10. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
12. Practicing Standards for Asset Valuation – Valuation Methodology (Zhong Ping Xie [2019] No. 35);

13. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
14. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);
15. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
16. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);
17. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
18. Guiding Opinions No. 6 for Asset Valuation Expert – Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Zhong Ping Xie [2015] No. 67);
19. Guiding Opinions No. 8 for Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39);
20. Guiding Opinions No. 10 for Asset Valuation Expert – Reasonable Performance of Asset Valuation Procedures amid the COVID-19 Pandemic (Zhong Ping Xie [2020] No. 6);
21. Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

(IV) Basis of asset ownership

1. Motor Vehicle Driving Permit;
2. Property Ownership Certificate, State-owned Land Use Certificate, Real Estate Title Certificate and related affirmation of property rights;
3. Patent certificates and related affirmation of property rights;
4. Contracts or certificates for purchase of significant assets;
5. Other references.

(V) Basis of price determination

1. Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program by Replacing Business Tax with VAT (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號));
2. Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019);
3. 2020 Price Information Inquiry System for Mechanical and Electrical Products (Institute of Machinery Industry Information) (《2020機電產品價格信息查詢系統》(機械工業信息研究院));
4. Code for Real Estate Appraisal (《房地產估價規範》) (GB/T50291–2015);
5. Regulations for Grading and Classification of Urban Land (GB/T18507–2014);
6. Loan prime rate (LPR) announcement authorized to be published by the National Interbank Funding Centre on 21 December 2020;
7. ZOL (中關村在線);
8. PConline (太平洋電腦網);
9. Autohome (汽車之家網);
10. Landvalue (中國地價監測網);
11. Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (Energy Industry Standard of the People's Republic of China NB/T31011–2019);
12. Estimated Quota of Onshore Wind Farm Projects(Energy Industry Standard of the People's Republic of China NBT 31010–2019);

13. Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426);
14. Catalogue of Industries Encouraged to Develop in the Western Region (2020 Edition) (Decree No. 40 of the National Development and Reform Commission of the People's Republic of China);
15. Other references.

(VI) Other references

1. Enterprise Accounting Standards – Basic Standards (Order No. 33 of the Ministry of Finance);
2. Enterprise Accounting Standards – Application Guide (Cai Kuai [2006] No. 18);
3. 38 specific standards including Enterprise Accounting Standards No. 1 – Inventories (Cai Kuai [2006] No. 3);
4. Asset Valuation Common Data and Parameter Manual (Machinery Industry Press, 2011 Edition);
5. 2020 Report on the Evaluation of the Performance of Listed Companies in China;
6. Wind Information Financial Terminal;
7. Investment Valuation (written by [US] Damodaran, translated by [Canada] Lin Qian, Tsinghua University Press);
8. Valuation: Measuring and Managing the Value of Companies (Fourth Edition) (written by [US] Tim • Koller, et al., translated by Wei Ping and Zhu Xiaolong, Electronic Industry Press);
9. Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition);
10. Other references.

VII. VALUATION METHODS**Introduction of the Income Approach****1. Overview**

According to the relevant regulations of state administration authorities of the PRC, the Standards for Asset Appraisal-Enterprise Value as well as international and domestic appraisal practices for similar transactions, the valuer decided to estimate the equity capital value of the appraised entity by using the discounted cash flow (DCF) method based on the income approach.

The DCF method is a method to appraise the asset value by discounting the expected future net cash flows of the enterprise to a present value. The basic principle of this method aims to obtain the appraisal value by estimating the expected future net cash flows of the assets and converting them into a present value by applying an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundation and conditions for continuous operation, the correlation between operation and income is relatively stable, and the future income and risks are predictable and quantifiable. The greatest difficulty in using the DCF method lies in the forecast of expected future cash flows (EFCFs) as well as the objectivity and reliability of data collection and processing. When the forecast of EFCFs is relatively objective and fair, and the discount rate is relatively reasonable, the valuation results will be adequately objective.

2. Basic Valuation Considerations

According to the due diligence findings, the asset composition and characteristics of principal business of the appraised entity, the equity capital value was estimated based on the separate accounting statements of the appraised entity in this valuation. The basic considerations of the valuation are as follows:

- (1) For assets and principal business included in the statements, the expected income (net cash flows) is estimated according to the changing trends of historical operating conditions in recent years and business types respectively, and is discounted to obtain the value of operating assets;

- (2) Current assets (liabilities), such as surplus capital, other receivables, accounts payable, interest payable, dividend payable and other payables existing as at the benchmark date, which are included in the scope of the statements but not taken into account in the estimations of expected income (net cash flows), and non-current assets (liabilities), such as idle equipment, real estates and construction in progress without booking income, are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their values are measured separately;
- (3) The enterprise value of the appraised entity is obtained by summing up the values of the aforesaid assets and liabilities, and the total shareholders' equity value of the appraised entity is obtained after deducting the value of interest-paying debts.

3. Valuation Model

(1) Basic Model

The basic model for this valuation is:

$$E = B - D \quad (1)$$

Wherein:

E: Total shareholders' equity value of the appraised entity;

B: Enterprise value of the appraised entity;

D: Value of interest-bearing debts of appraised entity;

$$B = P + I + C \quad (2)$$

P: Value of operating assets of appraised entity;

$$P = \sum_{i=1}^n [R_i \times (1 + r)^{-i}] + p_n \times (1 + r)^{-n} \quad (3)$$

Wherein:

R_i: Expected income of the appraised entity in Year i in the future (free cash flows);

P_n: Consideration of the recoverable value of related assets including working capital, fixed assets and intangible assets at the end of the operating period;

r: Discount rate;

n: Future operating period of the appraised entity;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

$$C = C_1 + C_2 \quad (4)$$

C₁: Value of current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

C₂: Value of non-current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

I: Long-term equity investment value of the appraised entity;

(2) *Income Indicator*

In this valuation, the free cash flows of the appraised entity are used as the income indicator of its operating assets, which is basically defined as:

$$R = \text{Net profit} + \text{Depreciation and amortization} + \text{Interest on interest-bearing debts after tax} - \text{Additional capital} \quad (5)$$

The free cash flows in the future operating period are estimated based on the operational history of the appraised entity and the future market development and others. The free cash flows in the future operating period are discounted and summed up to calculate the value of operating assets of the enterprise.

(3) *Discount Rate*

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital (WACC) model:

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

w_d : Debt ratio of the appraised entity;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

w_e : Equity ratio of the appraised entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1 - t) \times \frac{D}{E}\right) \quad (10)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t) \times \frac{D_i}{E_i}} \quad (11)$$

β_t : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

Wherein:

K: Expected average risk value of stock market in the future, for which it normally assumes that K=1;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The whole valuation was carried out in four stages:

(I) Preparation

1. In early January 2021, the valuation agency entered into the site for the preparation of preliminary work;
2. In early January 2021, the clients convened the intermediary coordination meeting for the project, and all parties concerned reached consensus on the purpose of this valuation, Valuation Benchmark Date and valuation scope through negotiation, and formulated the work plan for this valuation of assets.

(II) On-site Valuation

The on-site valuation conducted by the project team was from early January 2021 to mid-March 2021. The main tasks were as follows:

1. The appraisers cooperated with the enterprise to inspect the assets and complete the statements of asset valuation and declaration. Members of the valuation project team obtained a detailed understanding of the appraised assets, arranged the asset valuation work, assisted the enterprise with declaration of the appraised assets, and collected the necessary documents for the valuation of the assets.
2. Listened to the introduction given by relevant personnel of the clients and the appraised entity on the overall situation of the enterprise, together with the history and current status of the appraised assets, so as to understand the financial system, operating conditions and technical status of fixed assets of the enterprise.
3. Reviewed and identified the statements of assets inspection, valuation and declaration provided by the enterprise, made reconciliation to relevant financial records related to the enterprise and collaborated with the enterprise to make adjustment to the identified problems.
4. Verified the fixed asset by way of random check based on the statements of asset inspection, valuation and declaration, and carried out random stock-taking on the physical inventory assets in the current assets.
5. Reviewed and collected the title certificates of the appraised assets.
6. Determined specific valuation method for each category of appraised assets based on their actual conditions and characteristics.
7. Reviewed technical information, final accounts and completion and acceptance information for major equipment; collected price information on general equipment mainly through market research and inquiries of relevant data; collected relevant information on the management system, maintenance, alteration, expansion of buildings and structures.
8. Verified ownership documents provided by the enterprise.
9. Conducted random correspondence checks on the deposit and loan banks and dealers of the appraised entity, and visited important dealers.

10. Made preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of inspection and verification.

11. According to the profit forecast data declared by the enterprise, inquired the main business, product effect, gross profit, market distribution channels, related party transactions of enterprises in the same industry and field. Through due diligence and interviews with senior management, understood the position and market share of enterprise's products in the industry as well as the cost and expense of enterprise, and analyzed the future development trend of the enterprise.

(III) Valuation Summarization Stage

In late March 2021, the application content provided by the appraised entity shall be verified, and necessary adjustments, modifications and improvements shall be made to the evaluation results.

(IV) Report Submission

An asset valuation report was drafted based on the above processes, and opinions were exchanged with the clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation agency, and then the final asset valuation report was issued.

IX. VALUATION ASSUMPTIONS

The appraisers followed the following assumptions in this valuation:

(I) General Assumptions

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operation entity, can continue to operate in accordance with the business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain the ability of continuous operation, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously based on their current purpose, method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates for the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.

5. The expenses of the appraised entity in the future operating period will not change significantly as compared to that at current stage, and will continue with the same change trends as that in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment, the grid-connected wind power projects are entitled to enjoy the preferential policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years. Namely, Zuozhuang Power Station turned to commercial operation in April 2017, and the period during which it can enjoy the preferential income tax policy of “3+3 tax holiday” will expire in December 2022; Xinzhuang Power Station turned to commercial operation in March 2020, and the period during which it can enjoy the preferential income tax policy of “3+3 tax holiday” will expire in December 2025; Chenliang Power Station was expected to be connected to the grid in April 2021, and the period during which it can enjoy the preferential income tax policy of “3+3 tax holiday” will expire in December 2026. According to the Catalogue of Industries Encouraged to Develop in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.
9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value Added Tax Policies for Wind Power Generation (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (Cai Shui [2015] No. 74), “Taxpayers who sell their self-generated power products produced through wind power are entitled to 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy 50% VAT refund in this valuation.

10. It is assumed that the state subsidies on electricity tariff receivable for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years.
11. According to power purchase and sale contract entered into between State Grid Shaanxi Electric Power Company and Guoneng Dingbian New Energy Co., Ltd.* in December 2016 in relation to the Zuozhuang Wind Farm Project (including Huangwan Wind Farm with an installed capacity of 50 MW and Shengliang Wind Farm with an installed capacity of 50 MW) and the power purchase and sale contract entered into between State Grid Shaanxi Electric Power Company and Guoneng Dingbian New Energy Co., Ltd.* in December 2019 in relation to the Xinzhuang Wind Farm Project, it is agreed in the contracts that the on-grid tariff for the wind farm generating units shall be implemented at the electricity price approved by the competent price authority of the government, subject to the provisions of relevant policies and documents. According to the Notice of Shaanxi Provincial Price Bureau on Relevant Issues Concerning the Provincial On-grid Tariff Management (Shan Jia Shang Fa [2017] No. 67) (《陝西省物價局關於省內上網電價管理有關問題的通知》(陝價商發[2017]67號)) and the Notice of the National Development and Reform Commission regarding the Improvement of the Policy on On-grid Tariff for Wind Power (Fa Gai Jia Ge [2009] No. 1906) (《國家發展改革委員會關於完善風力發電上網電價政策的通知》(發改價格[2009]1906號)), the on-grid tariff for Xinzhuang Wind Farm and Zuozhuang Wind Farm is RMB0.61/kWh (tax inclusive), in particular, from 1 July 2018, the benchmark on-grid tariff has been adjusted to RMB0.3345/kWh (tax inclusive), and the subsidy for renewable energy is RMB0.2655/kWh (tax inclusive). It is assumed that the contracts will be renewed upon expiry in this valuation.
12. Chenliang Wind Farm Project, an appraised entity, has been approved and recorded in January 2019, and is expected to be connected to the grid entirely on 1 April 2021. According to the Notice of the National Development and Reform Commission regarding the Improvement of the Policy on On-grid Tariff for Wind Power (Fa Gai Jia Ge [2019] No. 882) (《國家發展改革委員會關於完善風力發電上網電價政策的通知》(發改價格[2019]882號)), the State will no longer grant subsidy to the on-shore wind power projects which had been approved during the period from 1 January 2019 to the end of 2020 but failed to complete grid connection before the end of 2021. In this valuation, it is assumed that Chenliang Project will complete grid connection for power generation on 1 April 2021 as scheduled, and the tariff for it after the completion of grid connection shall refer to the benchmark on-grid tariff of Phases I and II Wind Farm, i.e., RMB0.3345/kWh (tax inclusive) and this project is entitled to the subsidy for renewable energy at a rate of RMB0.2755/kWh (tax inclusive).

13. According to the notice issued by the National Development and Reform Commission and the National Energy Administration on 30 October 2018 to publish the Action Plan on Clean Energy Consumption (2018–2020) (《清潔能源消納行動計劃(2018–2020)》), the specific objectives included: to ensure that the national average wind power utilization rate reach international advanced level (striving to attain a level of around 95%) and keep the curtailment rate of wind power at a reasonable level (striving to stabilize it at around 5%) by 2020, and to ensure the utilization hours of each wind power station reach feasible utilization hours by 2026, taking into account various factors such as the utilization hours for each year during the reporting period and the trend of market demand, based on the communication with the production and operation department of the appraised entity and its historical power generation, assuming there exists wind power curtailment and constraints and the curtailment rate for each wind power station will drop year by year in future years as compared to that in 2020.
14. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

When conditions stated above change, valuation results will generally become invalid.

X. CONCLUSION OF VALUATION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality, science and objectivity, we carried out the statutory and necessary procedures for asset valuation. After implementation of the valuation procedures such as checking and verification, field survey, market research and confirmation, assessment and estimation, based on the judgment of the clients and the enterprise management on the future development trend and business planning, and on the premise of the implementation of business collaboration, management collaboration, financial collaboration, milestone events, etc., the total shareholders' equity value of Guoneng Dingbian New Energy Development Co., Ltd.* was valued by income approach on the benchmark date of 31 December 2020. The conclusions were as follows:

(I) **Valuation conclusion of the income method and analysis on the reasons for changes in valuation**

1. Valuation conclusion of the income method

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow method (DCF) was used to assess the estimated value of the total shareholders' equity. As of the Valuation Benchmark Date of 31 December 2020, the book value of owners' equities of Guoneng Dingbian New Energy Co., Ltd.* was RMB408,838,200, and the appraisal value was RMB816,000,000, with an appreciation of RMB407,161,800 or 99.59%.

2. Analysis on the reasons for changes in valuation

The valuation expresses an appreciation of RMB407,161,800 or an appreciation rate of 99.59% in the appraisal value of the total shareholders' equities of Guoneng Dingbian New Energy Co., Ltd.* by using the income method. The changes and reasons were mainly due to the stable operation of the currently operated projects including Zuozhuang Power Station and Xinzhuang Power Station since grid-connected power generation. At the same time, Zuozhuang Power Station and Xinzhuang Power Station had entered into the renewable energy subsidy catalogue, the trade receivables were collected in a timely manner and overall profitability of the enterprise was relatively sound than the assets size.

(II) **Analysis on the valuation results and the final valuation conclusion**

1. Analysis of difference between the valuation results

In the valuation, the value of all shareholders' equity calculated with the income method was RMB816,000,000, which was RMB535,770,800 or 191.19% higher than that of RMB280,229,200 calculated with the asset-based method. The main reasons for the difference between the results from the two valuation methods are as follows:

- (1) In the asset-based method, the replacement cost of assets is adopted as the value standard, reflecting the socially necessary labour consumed in the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually varies with the national economy;

- (2) In the income method, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets.

Given the above, there is a difference between the results from the two valuation methods.

2. Selection of valuation results

The asset-based method differs from the income method in term of valuation perspectives and paths. In the asset-based method, reacquisition of assets is considered, reflecting the replacement value of existing assets of an enterprise. In the income method, future profitability of the enterprise is considered, reflecting the comprehensive profitability of various assets of the enterprise.

With the development of the domestic wind power equipment manufacturing industry and the competition in international wind power equipment in recent years, investment cost of wind power per watt has been decreasing year by year. By 2021 after the Valuation Benchmark Date, the investment cost of wind power has dropped to a level that grid parity can be realized without national subsidies. At the same time, with the year-by-year decline in national subsidies for new energy, there exist significant differences in subsidies for wind power projects in different periods. The asset-based method reflects the change in the investment cost as at the benchmark date from the perspective of replacement of wind power generation enterprises, but fails to reflect the impact of government subsidies on the value of the enterprises. Therefore, the asset-based approach cannot reasonably reflect the market value of such wind power generation enterprises.

Since the power generation and electricity price of wind power stations can be basically determined, the future revenue can be better predicted. As the cost structure of wind power projects is simple, various indicators can basically be better measured. Operating costs can be estimated more reliably. We are of the view that when revenues and costs in the income method can be predicted more reasonably and when future uncertainties are small or can be estimated normally, the income method can reflect the value of all shareholders' equity as at the benchmark date in a more objective and reasonable way, compared with the valuation results of the asset-based method.

In conclusion, we were of the view that the valuation results of the income method could better reflect all shareholders' equities of Guoneng Dingbian New Energy Co., Ltd.*, thus the valuation results of the income method were taken as the final conclusion of the valuation. The value of all shareholders' equities of Guoneng Dingbian New Energy Co., Ltd.* arrived thereafter was RMB816,000,000 as at the Valuation Benchmark Date.

XI. NOTES ON SPECIAL MATTERS

(I) Defects of property rights

(1) Houses and buildings

As at the Valuation Benchmark Date, there were a total of seven houses with defects of property rights in the houses and buildings reported by the appraised entity, which have no relevant property ownership certificates.

Schedule of Major Production Buildings without Property Ownership Certificates

No.	Location	Usage	Area (m ²)
1	Zuozhuang Village, Zhuanjing Town, Dingbian County	Production complex building – Huangwan	385.56
2	Zuozhuang Village, Zhuanjing Town, Dingbian County	Fire pump room – Huangwan	37.72
3	Zuozhuang Village, Zhuanjing Town, Dingbian County	SVG room – Huangwan	105.3
4	Zuozhuang Village, Zhuanjing Town, Dingbian County	35kV electricity distribution equipment room and electronic room – Huangwan	310.35
5	Zuozhuang Village, Zhuanjing Town, Dingbian County	Fire extinguishing equipment room – Huangwan	5.12
6	Sanluqu Village, Yangjing Town, Dingbian County	Dingbian culvert 330KV booster station (allocation) – Shengliang	

No.	Location	Usage	Area (m ²)
7	Baixingzhuang Village, Anbian Town, Dingbian County	Booster station housing construction (temporary valuation for Xinzhuang)	
7-1	Baixingzhuang Village, Anbian Town, Dingbian County	Power distribution building	799
7-2	Baixingzhuang Village, Anbian Town, Dingbian County	SVG room	122
7-3	Baixingzhuang Village, Anbian Town, Dingbian County	Complex building (Xinzhuang)	2850
7-4	Baixingzhuang Village, Anbian Town, Dingbian County	Fire pump room	126
7-5	Baixingzhuang Village, Anbian Town, Dingbian County	Warehouse	129.6

For the above properties without property ownership certificates, the appraised entity undertook the assets belong to it, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency. For such assets, the enterprise personnel used the area determined by on-site actual measurement as the acceptance and settlement have not yet been made. The enterprise declared areas according to on-site measurement, and the appraiser appraised the areas declared by the enterprise after the random checks and verifications. If the area is inconsistent with the declared area when the enterprise applies for relevant property ownership certificates in the future, the valuation results shall be adjusted according to the area specified in the property ownership certificates.

(2) Land

As at the Valuation Benchmark Date, there were a total of two parcels of land with defects of property rights in the land reported by the appraised entity, which have no relevant property ownership certificates.

No.	Company name	Location of the land	Land area (<i>m</i> ²)	Use of land	Notes
1	Guoneng Dingbian New Energy Co., Ltd.* (國能定邊新能源有限公司)	Baixinzhuang Village, Anbian Town, Dingbian County, Shaanxi Province (Xinzhuang wind farm) (陝西省定邊縣安邊鎮白新莊村(新莊風電場))	640	Production	Having obtained the approval for accessibility to certificate (辦證無障礙證明) issued by the competent land authorities
2	Guoneng Dingbian New Energy Co., Ltd.* (國能定邊新能源有限公司)	Niuchangqu Village, Zhuanjing Town, Dingbian County, Shaanxi Province (Chenliang wind power projects under construction) (陝西省定邊縣磚井鎮牛長渠村(陳梁在建風電項目))	8,250	Production	Having obtained the approval for accessibility to certificate (辦證無障礙證明) issued by the competent land authorities
Total			<u>8,890.00</u>		

For the above land without property ownership certificates, the appraised entity undertook the assets belong to it, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency. For such assets, the enterprise personnel used the area determined by on-site actual measurement as the acceptance and settlement have not yet been made. The enterprise declared areas according to on-site measurement, and the appraiser appraised the areas declared by the enterprise after the random checks and verifications. If the area is inconsistent with the declared area when the enterprise applies for relevant property ownership certificates in the future, the valuation results shall be adjusted according to the area specified in the property ownership certificates.

(3) Vehicles

As at the Valuation Benchmark Date, there were a total of three vehicles with defects of property rights in the vehicles declared by the appraised entity, which have inconsistencies between the obligee on the certificates and the actual user of the vehicles.

Schedule of the Inconsistencies between the Obligee on the Certificate and the Actual User of the Vehicles

No.	Vehicle registration number	Vehicle name and specification and model	Obligee on the certificate	Actual user
1	Shaan A03WR7	Honda Accord 2.4, small car, HG7240A (ACCOR)	Guodian Shaanxi Electric Power Co., Ltd.	Guoneng Dingbian New Energy Co., Ltd.
2	Shaan A9Q9E1	Small car, Passat SVW7183SJD	Guodian Shaanxi Electric Power Co., Ltd.	Guoneng Dingbian New Energy Co., Ltd.
3	Shaan A37WR5	Small car, Citroen DC7207DT	Guodian Shaanxi Electric Power Co., Ltd.	Guoneng Dingbian New Energy Co., Ltd.

As at the Valuation Benchmark Date, the obligee and the vehicle registration number of Vehicle No. 2 Shaan A9Q9E1 were changed. The vehicle registration number was changed to Shaan KF681Q. The obligee on the certificate was changed from Guodian Shaanxi Electric Power Co., Ltd. to Guoneng Dingbian New Energy Co., Ltd., and there were no defects of property rights.

The obligee and the vehicle registration number of Vehicle No. 3 Shaan A37WR5 were changed. The vehicle registration number was changed to Shaan KF381P. The obligee on the certificate was changed from Guodian Shaanxi Electric Power Co., Ltd. to Guoneng Dingbian New Energy Co., Ltd., and there were no defects of property rights.

For the above vehicles with the inconsistencies between the obligee on the certificate and the actual user, Guodian Shaanxi Electric Power Co., Ltd., the obligee on the certificate, has undertaken that the above vehicles belong to the appraised entity and any possible disputes arising from the ownership of such part of assets have no relationship with the valuation agency.

(II) Pledge and guarantee

Long-term borrowings

After checking, as at the Valuation Benchmark Date, Guoneng Dingbian New Energy Co., Ltd. still had long-term bank borrowings of RMB1,275.7718 million, in which, RMB281 million was borrowed from China Development Bank Co., Ltd., Shaanxi Province Branch; RMB176.8718 million was borrowed from Agricultural Bank of China Limited, Xi'an Xishaomen Sub-branch; RMB255 million was borrowed from Industrial and Commercial Bank of China, Xi'an Dongdajie Sub-branch; RMB272.90 million was borrowed from Bank of Communications, Xi'an High-tech Industrial Development Zone Sub-branch; and RMB290,000,000 was borrowed from Postal Savings Bank of China Co., Ltd., Yulin Branch.

In particular, in order to guarantee the performance of such borrowing from Industrial and Commercial Bank of China, Xi'an Dongdajie Sub-branch, Guoneng Dingbian New Energy Co., Ltd. provided a pledge guarantee for the above debts with all trade receivables and interests under the tariff collection rights of Guoneng Shaanxi Dingbian Shengliang 50 MW Wind Power Project. In order to guarantee the performance of such borrowing from China Development Bank Co., Ltd., Shaanxi Province Branch, Guoneng Dingbian New Energy Co., Ltd. provided a pledge guarantee for the above debts with the tariff collection rights and all incomes thereunder from Dingbian Xinzhuang 100 MW Wind Power Project (poverty alleviation and development) of Guoneng Dingbian New Energy Co., Ltd. upon the completion of construction based on the collection rights or income rights and other relevant interests in proportion to the loan. The pledges, mortgages and guarantees undertaken by the enterprise as well as the impact of the possible additional price due to the special transaction method on the valuation conclusion were not taken into consideration in the valuation.

(III) Uncertainties including unresolved matters and legal disputes

There is no unresolved matters and legal disputes in this valuation.

(IV) Significant subsequent events

The allocation decision was obtained for the land of Xinzhuang Wind Farm in April 2020, but the land use rights certificate was not obtained as at the Valuation Benchmark Date. However, as at the date of the valuation report, the Xinzhuang Wind Farm obtained the land use rights certificate.

(V) Other matters required to be explained

1. As at the date of the valuation report, the COVID-19 pandemic is still ongoing. While forecasting the profit of this valuation, we could not accurately forecast how long the pandemic will last or the extent of its eventual impact. Thus, the conclusion of this valuation report is achieved based on the assumption that no other force majeure and unforeseeable factors will cause material adverse effects on the Company, the pandemic can be well controlled in the near future, and the national/global economy can quickly resume normal operation.
2. The intangible assets not recorded in the declaration of the enterprise is a patent for the invention of a detection and protection method for start-up phase sequence applying to triphase SVG (under application); Since the patent is still in the application stage and uncertainties exist in whether the patent can be obtained in the future, this valuation does not consider its impact on the valuation conclusion.
3. Materials in transit were mainly the raw materials in transit and others ordered by the appraised entity in 2018. Through checking the relevant purchase information and understanding from the enterprise, the appraisers found that part of the raw materials from this purchase were still in transit and not delivered in the warehouse and transferred to the inventory raw materials. In light of the long time span, the difficulties in external confirmation and other factors, the appraisers were unable to conduct further verification, and thus, the valuation was presented at the carrying amount.
4. On 5 February 2019, as Dingbian New Energy illegally occupied 0.528 mu of land in the village of Heyaoxian Village (賀嶸先村), Yangjing Town, Dingbian County in November 2015 for the construction of the 50MW wind power project of Guodian Shanxi Dingbian Huangwan (國電陝西定邊黃灣50MW風電工程項目), which violated Article 43 and Article 44 of the Land Administration Law of the People's Republic of China, the Bureau of Land Resources of Dingbian County issued the Decision of Administrative Penalty (Ding Guo Tu Zi Fa [2019] No. 63), confiscated one new wind turbine base on the land in compliance with the planning but illegally occupied by

Dingbian New Energy, and imposed a fine of RMB15 per square meter on Dingbian New Energy, totaling RMB5,280. Such amount of penalty was a relatively low amount within the discretion of the relevant authorities. As the wind turbine was in normal operation and the electricity generated was being settled normally from the time of the incident to the date of the valuation report, the enterprise was not aware of how the issue would be handled and therefore the impact of the seized wind turbine base on the valuation was not considered in this valuation.

5. The legal liability of the valuer and the valuation agency was to exercise professional judgement and express professional opinions on the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve making any judgement by the valuer and the valuation agency on the economic activities corresponding to such valuation purpose, and nor undertake the responsibility of decision-making by relevant parties. Thus the valuation conclusion shall not be deemed as a guarantee of the realizable price of the appraisal target.
6. The valuation, to a great extent, relies on the related information provided by the clients and the appraised entity. Accordingly, the valuation is on the basis that documents relating to economic activity and assets ownership, certificates, accounting documents and other relevant legal documents provided by the clients and the appraised entity are true and lawful.
7. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the appraised entity. The clients and the appraised entity bear legal liability for the authenticity and completeness of the information provided.
8. The relevant title documents of ownership rights and related information involved in the valuation report are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and legality of the information provided.
9. During the valuation process, for inspections of the equipments, properties and land, due to the restraints of the testing methods and the fact that some equipments were in operation, this task was mainly done by exterior observation by the appraisers and results of the latest checks provided by the appraised enterprise as well as the enquiries to the relevant operators.

10. The valuation conclusion is based on the accurate judgement on the macro-economy and industry development trend in the future, and the effective implementation of its business plans by the enterprise. In the event that there are changes in economic environment and obstacles in industry development, the clients and the current management fail to take effective measures in a timely manner to make adjustments to the implementation of the plans, so as to meet the implementation of existing business plans, the profit forecast data may change significantly, resulting in the invalidity of the valuation conclusion. We would like to draw attention of the clients and the users of the report to the above matters.

11. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach used in this valuation report. The valuer has carried out the necessary investigation, analysis and judgement on the profit forecast of the appraised entity. After a number of discussions with the management of the appraised entity and its substantial shareholders and the subsequent further revision and improvement by the appraised entity, the valuation agency adopted the relevant data of the profit forecast provided by the appraised entity. Using the profit forecast of the appraised entity by the valuation agency does not guarantee the future profitability of the appraised entity.

12. If, for an effective period after the Valuation Benchmark Date, there is a change in the quantity of assets or standard of valuation, it should be dealt with in accordance with the following principles:
 - (1) When there is a change in the quantity of assets, the amount of the assets should be adjusted according to the original valuation method;

 - (2) When there is a change in the standard of assets' prices which has a significant impact on the asset valuation results, the clients should promptly engage a qualified assets valuation agency to re-determine the appraisal value;

 - (3) In the event of any change in the quantity of assets or the standard of price after the Valuation Benchmark Date, the clients should give full consideration to the actual value of the assets and make corresponding adjustments.

13. According to the disclosure in the document of the supplementary notice on relevant matters under the Several Opinions on Promoting the Healthy Development of Non-aqueous Renewable Energy Power Generation (Cai Jian [2020] No. 426), “For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, any power generated in excess of the eligible full life cycle subsidies will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions. For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, the wind power and PV power generation projects which have connected to the grid for 20 years, and biomass power generation projects which have connected to the grid for 15 years, whether they had reached to the full life cycle subsidies or not, will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions.” Among the wind power projects entrusted for valuation, the vast majority of wind farms are entitled to continue to generate electricity within 2 to 10 years of the remaining life period after enjoying the full life cycle subsidies. Such power generation will no longer be subsidized by the central government, but can participate in green certificate transactions after the green certificate was issued according to the policy; the CDM transactions can only be conducted after being considered and approved by the National Development and Reform Commission. As there are uncertainties in the factors of the above administrative approval and the great uncertainties in the market and price of green certificate transactions and CDM transactions after the benchmark date, thus the income brought by green certificate transactions and CDM transactions to wind farms was not considered in this valuation. Attention of relevant users of the report shall be drawn to that.

**ASSET VALUATION REPORT ON THE PROJECT OF
PROPOSED ACQUISITION BY CHINA LONGYUAN POWER GROUP
CORPORATION LIMITED* OF 100% EQUITY INTEREST IN
GUANGXI GUONENG ENERGY DEVELOPMENT CO., LTD.*
HELD BY CHN ENERGY GUANGXI ELECTRIC POWER CO., LTD.
ZHONG LIAN PING BAO ZI [2021] NO. 1472**

To China Longyuan Power Group Corporation Limited* and CHN Energy Guangxi Electric Power Co., Ltd.*,

As engaged by the Company, China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) has appraised the market value of all shareholders' equity interest in Guangxi Guoneng Energy Development Co., Ltd.* (廣西國能能源發展有限公司) involved in the economic behaviour of the proposed acquisition by China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) of 100% equity interest in Guangxi Guoneng Energy Development Co., Ltd.* held by CHN Energy Guangxi Electric Power Co., Ltd. as at 31 December 2020, the Valuation Benchmark Date, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with the requirements of the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

I. CLIENTS, PROPERTY RIGHT HOLDER, APPRAISED ENTITY AND OTHER USERS OF VALUATION REPORT

For the purpose of the asset valuation, China Longyuan Power Group Corporation Limited*, China Energy Investment Corporation Limited are clients, CHN Energy Guangxi Electric Power Co., Ltd. is another client and property right holder, and Guangxi Guoneng Energy Development Co., Ltd.* is the appraised entity.

(I) Overview of One of the Clients

Name: China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”)
Registered address: Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing
Legal representative: Jia Yanbing
Registered capital: RMB8,036,389,000
Economic nature: joint stock limited company (listed, state-controlled)
Date of establishment: 27 January 1993
Term of operation: no fixed term
Unified social credit code: 911100001000127624

1. Corporate profile

Founded in 1993, China Longyuan Power Group Corporation Limited* was originally affiliated to the National Energy Administration and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of Hong Kong. Longyuan Power is a large-scale comprehensive power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2019, the consolidated installed capacity of the Company was 22,157 MW, of which the consolidated installed capacity of wind power was 20,032 MW.

2. Business scope

Business scope: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and achievements transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; wind power generation, energy-saving technology, technology development for other new energy, and project investment management; import and export business; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs; sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, general merchandise, automobile parts, vehicles designated for power systems and leasing office. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(II) Overview of Another Client and Property Right Holder

Name: CHN Energy Guangxi Electric Power Co., Ltd. (“**CHN Energy Guangxi**”)

Registered address: Buildings D9-D10, Phase I of China – ASEAN Science and Technology
Business Incubation Base, No.1 Headquarters Road, High-tech Zone,
Nanning City

Legal representative: Liu Hongrong (劉宏榮)

Registered capital: RMB1,414,182,800

Economic nature: limited liability company (wholly owned by a legal person that is not
invested in or controlled by a natural person)

Date of establishment: 13 December 2007

Term of operation: 27 February 2014 to 26 February 2044

Unified social credit code: 914500000927396377

Business scope: investment and management of power plants, electricity (heat) production, coal, power generation equipment, new energy, transportation, high and new technology, environmental protection industry and land development; power technology development, technology transfer, technology services; information consulting; import and export trade; sales of power generation ancillary products; property services; property leasing; equipment and real estate leasing; power distribution network construction and management, electricity utilization business consulting, sales of electricity and heat supply services. (For projects subject to approval pursuant to the laws, operating activities shall commence upon receipt of the approval from relevant authorities.)

(III) Overview of the Appraised Entity

Name of enterprise: Guangxi Guoneng Energy Development Co., Ltd.* (“**Guangxi New Energy**”)

Domicile of enterprise: Building D9, Phase I of China – ASEAN Science and Technology
Business Incubation Base, No.1 Headquarters Road, High-tech Zone,
Nanning City

Legal representative: Wu Yinglong (吳應龍)

Registered capital: RMB158,450,000

Type of company: limited liability company (wholly owned by a legal person that is not
invested in or controlled by a natural person)

Date of establishment: 14 August 2012

Term of operation up to: 13 August 2042

Unified social credit code: 91450000052708975F

1. Historical development

Guangxi New Energy was established in August 2012 and is mainly engaged in wind power generation projects. In August 2014, its registered capital was changed from RMB20.6 million to RMB58.45 million; in February 2015, its registered capital was changed from RMB58.45 million to RMB88.45 million; in August 2017, its registered capital was changed from RMB88.45 million to RMB138.45 million; in March 2018, its registered capital was changed from RMB138.45 million to RMB158.45 million; in August 2020, its investor was changed from Guodian Guangxi Power Co., Ltd. (國電廣西電力有限公司) to CHN Energy Guangxi Electric Power Co., Ltd.

2. Corporate profile

Guangxi Guoneng Energy Development Co., Ltd.* is mainly engaged in wind power generation. The company currently operates Baihuashan wind farm project with a total installed capacity of 80 MW, including a total of 32 wind turbines, each with an installed capacity of 2.5 MW.

For the Baihuashan wind farm project, Guangxi Guoneng Energy Development Co., Ltd.* has obtained the registration certificate (Gui Fa Gai Energy [2017] No. 747) (《桂發改能源[2017]747號》) in June 2017. The first wind turbine of the project was connected to the grid for power generation in October 2020 and all wind turbines were connected to the grid for power generation and put into trial operation before the end of December 2020 and were put into commercial power generation in February 2021. Guodian Guangxi New Energy Development Co., Ltd.* has entered into the Power Purchase and Sale Contract with Guangxi Power Grid Co., Ltd. in respect of the Baihuashan power generation project.

3. Business scope

Development of, investment in, and construction, operation and management of new technologies for wind energy, solar energy, distributed energy, ocean energy, bioenergy, geothermal energy, photoelectricity integration, energy materials and photovoltaic illuminants; sales of power equipment and materials; technical services and technical consultation for new energy business; investment in the development and utilization of ecological tourism resources. (For projects subject to approval pursuant to the laws, operating activities shall commence upon receipt of the approval from relevant authorities.)

4. Principle business

Guangxi Guoneng Energy Development Co., Ltd.* is mainly engaged in wind power generation.

5. Financial position, operating status and cash flow status of Guangxi New Energy

As disclosed in the audited statements, as at 31 December 2020, the Valuation Benchmark Date, total assets, total liabilities and total shareholders' equity amounted to RMB1,460,417,500, RMB1,176,735,800 and RMB283,681,700, respectively; for 2020, it realized operating revenue of RMB0.00 and net profit of RMB54,968,000; for 2020, net increase in cash and cash equivalents was RMB-69,303,300 and balance of cash and cash equivalents as at the end of the period was RMB29,495,600. The audited financial position, operating status and cash flow status of the company for the past three years and as at the benchmark date are as follows:

Assets, liabilities and financial position of Guangxi New Energy*Unit: RMB0'000*

Item	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Total assets	38,863.58	65,684.12	75,171.51	146,041.75
Liabilities	23,125.98	39,776.33	52,300.13	117,673.58
Total shareholders' equity	15,737.60	25,907.79	22,871.38	28,368.17
	2017	2018	2019	2020
Operating revenue	0.00	0.00	0.00	0.00
Total profit	-666.61	10,170.19	7,107.19	5,496.80
Net profit	-666.61	10,170.19	7,107.19	5,496.80

	2017	2018	2019	2020
Net cash flows generated from operating activities	-5,308.19	-2,229.16	-4,462.71	-1,839.66
Net cash flows generated from investing activities	-5,908.62	-7,893.26	-1,847.97	-62,235.83
Net cash flows generated from financing activities	11,217.27	15,518.68	10,724.19	57,145.16
Net increase in cash and cash equivalents	4,602.59	5,396.27	4,413.51	-6,930.33
Audit opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion
Number of audit report	Zhong Huan Shen Zi [2018] No. 021841 (眾環審字 [2018]021841號)	Tian Zhi Ye Zi [2021] No. 26138 (天職業字 [2021]26138號)	Tian Zhi Ye Zi [2021] No. 26138 (天職業字 [2021]26138號)	Tian Zhi Ye Zi [2021] No. 26138 (天職業字 [2021]26138號)
Audit institution	Mazars Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)

6. General information on the investees

The book value of the long-term equity investment involved in this valuation was RMB624,611,653.33 without provision for impairment and the net carrying amount was RMB624,611,653.33. A total of four entities are involved in the long-term equity investment, all of which are nominally and effectively owned subsidiaries. Details are as follows:

Unit: RMB

No.	Name of investee (full name)	Shareholding percentage	Book value
1	Guodian North Investment Guanyang Wind Power Co., Ltd. (國電北投灌陽風電有限公司)	51%	103,581,000.00
2	Guodian Youneng Quanzhou Wind Power Co., Ltd. (國電優能全州風電有限公司)	97%	308,433,333.33
3	Guodian Youneng Gongcheng Wind Power Co., Ltd. (國電優能恭城風電有限公司)	97%	186,197,320.00
4	Guodian Youneng Yulin Wind Power Co., Ltd. (國電優能玉林風電有限公司)	60%	26,400,000.00
Total			<u>624,611,653.33</u>
Less: provision for impairment of long-term equity investments (net)			<u>624,611,653.33</u>

(IV) Relationship between the clients and the appraised entity

China Longyuan Power Group Corporation Limited*, the client, CHN Energy Guangxi Electric Power Co., Ltd., the client and the property right holder, and Guangxi Guoneng Energy Development Co., Ltd., the appraised entity, are all subordinate units of China Energy Investment Corporation Limited, and they are related entities.

(V) The clients and other users of the valuation report under the assets valuation entrustment contract

The users of this valuation report shall be the clients and parties concerned with the economic behaviour.

Unless otherwise stipulated by the national laws and regulations, any agency or individual without confirmation from the valuation agency and the clients shall not become a user of this valuation report by virtue of the access to this report.

II. PURPOSE OF VALUATION

Pursuant to the Resolution on Transfer of 100% Equity Interest in Guodian Guangxi New Energy Development Co., Ltd.* by CHN Energy Guangxi Electric Power Co., Ltd., on 11 January 2021, the CHN Energy Guangxi Electric Power Co., Ltd. made the following resolution at the first office meeting in 2021: through the unified arrangement of the group company, CHN Energy Guangxi agreed to transfer its 100% equity interest in Guangxi Guoneng Energy Development Co., Ltd.* to China Longyuan Power Group Corporation Limited* by agreement.

The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Guangxi Guoneng Energy Development Co., Ltd.* on the Valuation Benchmark Date, and to provide value reference for China Longyuan Power Group Corporation Limited* in its proposed acquisition of 100% equity interest in Guangxi Guoneng Energy Development Co., Ltd.* held by CHN Energy Guangxi Electric Power Co., Ltd.

III. APPRAISAL TARGET AND SCOPE OF VALUATION**(I) Appraisal target and scope of valuation**

The appraisal target is the total equity attributable to the shareholders of Guangxi Guoneng Energy Development Co., Ltd.

The scope of valuation covers all assets and liabilities of Guangxi Guoneng Energy Development Co., Ltd.

(II) The type and carrying amount of the valued assets

As at the Valuation Benchmark Date, Guangxi Guoneng Energy Development Co., Ltd.* had assets with a total carrying amount of RMB1,460,417,500, total liabilities of RMB1,176,735,800 and net assets of RMB283,681,700, including specifically, current assets of RMB305,527,400; non-current assets of RMB1,154,890,100; current liabilities of RMB156,423,800; non-current liabilities of RMB1,020,312,000.

The above asset and liability data are extracted from the balance sheet of Guangxi Guoneng New Energy Development Co., Ltd.* as of 31 December 2020. The appraisal target and scope of the valuation are the same as those involved in the economic behaviour. The book value has been audited and a standard unqualified audit report has been issued thereon.

The physical assets as reported by the enterprise subject to valuation are machines and equipment, which have the following types and features:

1. Equipment**(1) Vehicles**

There are two vehicles in total, including a Volkswagen brand SVW71810HJ small-size sedan and a Jiangxi Isuzu brand JXW1031CSG light and multi-purpose truck, which are in normal use at the benchmark date and are qualified in annual inspection.

(2) Electronic equipment

There are 287 items of electronic equipment in total, including various types of computers, air conditioners, printers, copiers and other equipment for office use, which are distributed in each office area of the enterprise. Such electronic equipment assessed are in normal use at the benchmark date.

2. *Construction in progress*

Construction in progress mainly refers to Guigang Baihuashan wind power project (80 MW) in progress of Guodian Guangxi, which includes: the proposed installation of 32 wind power generating units with an installed capacity of 2.5 MW each, totaling 80 MW installed capacity. The combined correction factor of the wind farm project (excluding the correction for wake effect) is 0.736, and the average wake effect is 3.08%. According to the calculation, the theoretical annual power generation capacity of the project is 311.258 GWh, and the theoretical power generation capacity is 301.771 GWh after discount by the wake effect, based on which the annual on-grid power of the wind farm is calculated to be 222,104,100 kWh, and the average on-grid power for each unit is 6,940,700 kWh. The annual equivalent load hours of the wind farm is calculated to be 2,776.3h with a capacity factor of 0.317. (According to the preliminary design report of Guigang Baihuashan wind farm project of Guodian Guangxi). The book value of the construction in progress represents all costs incurred for the project, including civil construction, equipment purchase costs, equipment installation, land acquisition costs, preliminary engineering costs, construction and management costs during the construction period, and capitalized interest during the construction period.

The overall project construction of Guigang Baihuashan wind power project (80MW) of Guodian Guangxi obtained the Approval of Development and Reform Commission of Guangxi Zhuang Autonomous Region on the Approval of Guigang Baihuashan Wind Power Project (《廣西壯族自治區發展和改革委員會關於貴港白花山風電場工程核准的批覆》) (Gui Fa Gai Energy [2017] No. 747 (桂發改能源[2017]747號)) in June 2016, but due to the fact that it would take some time to complete the procedures for the approval of use of forest land, approval of construction land, and the relevant documents during the construction period, the project applied to the Development and Reform Bureau of Gangbei District, Guigang City, Guangxi Zhuang Autonomous Region for a one-year extension of the approval period in April 2019. In September 2019, the construction of Guigang Baihuashan wind power project commenced, and the first unit was connected to the grid and put into trial operation in October 2020. All units were connected to the grid for commercial power generation in February 2020.

(III) The intangible assets recorded in or off the book of the enterprise**1. *The intangible assets recorded in the book***

As of 31 December 2020, the Valuation Benchmark Date, the intangible assets recorded in the book as reported by the enterprise included the other 10 intangible assets owned by appraised entity (mainly 10 software and systems):

2. *Intangible assets recorded off the book*

The intangible assets recorded off the book have not fallen in the scope of the enterprise's reporting.

(IV) Types and quantities of off-balance-sheet assets as reported by the enterprise

As of 31 December 2020, the Valuation Benchmark Date, no off-balance-sheet asset within the scope of reporting by the appraised entity was found.

(V) The conclusion drawn from the reports issued by other entities in relation to the type, quantities and carrying amount of assets

The carrying amounts of the assets and liabilities as at the Valuation Benchmark Date as set out in the valuation report are the audited results stated in the Special Audit Report and Financial Statements in relation to the Appraised Entity issued by Baker Tilly China Certified Public Accountants LLP (Tian Zhi Ye Zi [2021] No. 26138) (covering the years 2018–2020) on 15 April 2021. Save for this, no reports from other agencies have been cited.

IV. TYPE OF VALUE AND ITS DEFINITION

For the purpose of the valuation, the type of value of the valuation is determined to be the market value.

The market value is defined as the estimated price of the appraisal target in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

V. VALUATION BENCHMARK DATE

The benchmark date of the asset valuation under this project is 31 December 2020.

The benchmark date is determined by the clients upon taking account of the assets scale, workload, expected time required, compliance and other factors of the appraised entity.

VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly include basis of economic behaviour, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination and other references used in the valuation and estimation, details of which are as follows:

(I) Basis of economic behaviour

1. Resolution on Transfer of 100% Equity Interest in Guodian Guangxi New Energy Development Co., Ltd.* by CHN Energy Guangxi Electric Power Co., Ltd. (the first office meeting of CHN Energy Guangxi Electric Power Co., Ltd. in 2021);

(II) Basis of laws and regulations

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (published at the 21st meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Administrative Measures for Major Assets Restructuring of Listed Companies (CSRC Decree No. 109 and Revision of CSRC Decree No. 127) (《上市公司重大資產重組管理辦法》(證監會令第109號，證監會令第127號修改));
5. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (Revision passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);

6. Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (first amendment to the Decision of the State Council on Revision to Certain Administrative Regulations, promulgated by Decree No.714 of the State Council of the People's Republic of China on 23 April 2019);
7. Provisional Regulations of Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (State Council Decree No. 691) (國務院令第691號);
8. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Ministry of Finance and State Administration of Taxation Decree No.50) (《中華人民共和國增值稅暫行條例實施細則》(財政部、國家稅務總局令第50號));
9. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
10. General Rules of Loans (《貸款通則》) (the People's Bank of China);
11. Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法) (passed at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
12. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
13. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Supervision and Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式、加強資產評估監督管理工作的意見》(國辦發[2001]102號));
14. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
15. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));

16. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council) (《國有資產評估管理辦法》(國務院令第91號));
17. Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法) (passed at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
18. Interim Regulations for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, Revision of Decree No. 588 of the State Council) (《企業國有資產監督管理暫行條例》(國務院令第378號，國務院令第588號修訂));
19. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》(國資委令32號));
20. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC of the State Council) (《企業國有資產評估管理暫行辦法》(國務院國資委令第12號));
21. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
22. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
23. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (《資產評估行業財政監督管理辦法》(中華人民共和國財政部令第86號));
24. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協議轉讓有關事項的通知》(國資發產權[2010]11號));
25. Other laws, regulations and rules related to the valuation.

(III) Basis of valuation standards

1. Standards for Asset Valuation – Basic Standards (Cai Qi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
10. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
11. Practicing Standards for Asset Valuation – Valuation Methodology (Zhong Ping Xie [2019] No. 35);
12. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
13. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);

14. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
15. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
16. Guiding Opinions No. 6 for Asset Valuation Expert –Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Zhong Ping Xie [2015] No. 67);
17. Guiding Opinions No. 8 for Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39);
18. Guiding Opinions No. 10 for Asset Valuation Expert – Reasonable Performance of Asset Valuation Procedures amid the COVID-19 Pandemic (Zhong Ping Xie [2020] No. 6);
19. Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

(IV) Basis of asset ownership

1. Motor Vehicle Driving Permit;
2. Property Ownership Certificate, State-owned Land Use Certificate, Real Estate Title Certificate and related affirmation of property rights;
3. Patent certificates and related affirmation of property rights;
4. Contracts or certificates for purchase of significant assets;
5. Other references.

(V) Basis of price determination

1. Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program by Replacing Business Tax with VAT (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號));

2. Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019);
3. 2020 Price Information Inquiry System for Mechanical and Electrical Products (Institute of Machinery Industry Information) (《2020機電產品價格信息查詢系統》(機械工業信息研究院));
4. Code for Real Estate Appraisal (《房地產估價規範》) (GB/T50291–2015);
5. Regulations for Grading and Classification of Urban Land (GB/T18507–2014);
6. Loan prime rate (LPR) announcement authorized to be published by the National Interbank Funding Centre on 21 December 2020;
7. ZOL (中關村在線);
8. PConline (太平洋電腦網);
9. Autohome (汽車之家網);
10. Landvalue (中國地價監測網);
11. Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (Energy Industry Standard of the People’s Republic of China NB/T31011–2019);
12. Estimated Quota of Onshore Wind Farm Projects (Energy Industry Standard of the People’s Republic of China NBT 31010–2019);
13. Catalogue of Industries Encouraged to Develop in the Western Region (2020 Edition) (Decree No. 40 of the National Development and Reform Commission of the People’s Republic of China).

(VI) Other references

1. Enterprise Accounting Standards – Basic Standards (Order No. 33 of the Ministry of Finance);
2. Enterprise Accounting Standards – Application Guide (Cai Kuai [2006] No. 18);
3. 38 specific standards including Enterprise Accounting Standards No. 1 – Inventories (Cai Kuai [2006] No. 3);
4. Asset Valuation Common Data and Parameter Manual (Machinery Industry Press, 2011 edition);
5. 2020 Report on the Evaluation of the Performance of Listed Companies in China;
6. Wind Information Financial Terminal;
7. Investment Valuation (written by [US] Damodaran, translated by [Canada] Lin Qian, Tsinghua University Press);
8. Valuation: Measuring and Managing the Value of Companies (Fourth Edition) (written by [US] Tim • Koller, et al., translated by Wei Ping and Zhu Xiaolong, Electronic Industry Press);
9. Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition);
10. Other references.

VII. VALUATION METHODS**Introduction of the Income Approach****1. Overview**

According to the relevant regulations of state administration authorities of the PRC, the Practice Standards for Asset Appraisal-Enterprise Value as well as international and domestic appraisal practices for similar transactions, the valuer decided to estimate the equity capital value of the appraised entity by using the discounted cash flow (DCF) method based on the income approach.

The DCF method is a method to appraise the asset value by discounting the expected future net cash flows of the enterprise to a present value. The basic principle of this method aims to obtain the appraisal value by estimating the expected future net cash flows of the assets and converting them into a present value by applying an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundation and conditions for continuous operation, the correlation between operation and income is relatively stable, and the future income and risks are predictable and quantifiable. The greatest difficulty in using the DCF method lies in the forecast of expected future cash flows (EFCFs) as well as the objectivity and reliability of data collection and processing. When the forecast of EFCFs is relatively objective and fair, and the discount rate is relatively reasonable, the valuation results will be adequately objective.

2. *Basic Valuation Considerations*

According to the due diligence findings, the asset composition and characteristics of principal business of the appraised entity, the equity capital value was estimated based on the separate accounting statements of the appraised entity in this valuation. The basic considerations of the valuation are as follows:

- (1) For assets and principal business included in the statements, the expected income (net cash flows) is estimated according to the changing trends of historical operating conditions in recent years and business types respectively, and is discounted to obtain the value of operating assets;
- (2) Current assets (liabilities), such as surplus capital, other receivables, accounts payable, interest payable, dividend payable and other payables existing as at the benchmark date, which are included in the scope of the statements but not taken into account in the estimations of expected income (net cash flows), and non-current assets (liabilities), such as idle equipment, real estates and construction in progress without booking income, are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their values are measured separately;
- (3) The enterprise value of the appraised entity is obtained by summing up the values of the aforesaid assets and liabilities, and the total shareholders' equity value of the appraised entity is obtained after deducting the value of interest-paying debts.

3. Valuation Model*(1) Basic Model*

The basic model for this valuation is:

$$E = B - D \quad (1)$$

Wherein:

E: Total shareholders' equity value of the appraised entity;

B: Enterprise value of the appraised entity;

D: Interest-bearing debts of the appraised entity;

$$B = P + I + C \quad (2)$$

P: Value of operating assets of the appraised entity;

$$P = \sum_{i=1}^n [R_i \times (1 + r)^{-i}] + p_n \times (1 + r)^{-n} \quad (3)$$

Wherein:

P_n: Consideration of the recoverable value of related assets including working capital, fixed assets and intangible assets at the end of the operating period;

R_i: Expected income of the appraised entity in Year i in the future (free cash flows);

r: Discount rate;

n: Future operating period of the appraised entity;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

$$C = C_1 + C_2 \quad (4)$$

C₁: Value of current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

C₂: Value of non-current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

D: Value of interest-bearing debts of the appraised entity;

I: Long-term equity investment value of the appraised entity;

(2) *Income Indicator*

In this valuation, the free cash flows of the appraised entity are used as the income indicator of its operating assets, which is basically defined as:

$$R = \text{Net profit} + \text{Depreciation and amortization} + \text{Interest on interest-bearing debts after tax} - \text{Additional capital} \quad (5)$$

The free cash flows in the future operating period are estimated based on the operational history of the appraised entity and the future market development and others. The free cash flows in the future operating period are discounted and summed up to calculate the value of operating assets of the enterprise.

(3) *Discount Rate*

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital (WACC) model:

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

w_d : Debt ratio of the appraised entity;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

w_e : Equity ratio of the appraised entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of the appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1 - t) \times \frac{D}{E}\right) \quad (10)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t) \times \frac{D_i}{E_i}} \quad (11)$$

β_t : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

Wherein:

K : Expected average risk value of stock market in the future, for which it normally assumes that $K=1$;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The whole valuation was carried out in four stages:

(I) Preparation

1. In early January 2021, the valuation agency entered into the site for the preparation of preliminary work;
2. In early January 2021, the clients convened the intermediary coordination meeting for the project, and all parties concerned reached consensus on the purpose of this valuation, Valuation Benchmark Date and valuation scope through negotiation, and formulated the work plan for this valuation of assets.

(II) On-site Valuation

The on-site valuation conducted by the project team was from early January 2021 to mid-March 2021. The main tasks were as follows:

1. The appraisers cooperated with the enterprise to inspect the assets and complete the statements of asset valuation and declaration. Members of the valuation project team obtained a detailed understanding of the appraised assets, arranged the asset valuation work, assisted the enterprise with declaration of the appraised assets, and collected the necessary documents for the valuation of the assets.
2. Listened to the introduction given by relevant personnel of the clients and the appraised entity on the overall situation of the enterprise, together with the history and current status of the appraised assets, so as to understand the financial system, operating conditions and technical status of fixed assets of the enterprise.
3. Reviewed and identified the statements of assets inspection, valuation and declaration provided by the enterprise, made reconciliation to relevant financial records related to the enterprise and collaborated with the enterprise to make adjustment to the identified problems.
4. Verified the fixed asset by way of random check based on the statements of asset inspection, valuation and declaration.
5. Reviewed and collected the title certificates of the appraised assets.

6. Determined specific valuation method for each category of appraised assets based on their actual conditions and characteristics.
7. Reviewed technical information, final accounts and completion and acceptance information for major equipment; collected price information on general equipment mainly through market research and inquiries of relevant data; collected relevant information on the management system, maintenance, alteration, expansion of buildings and structures.
8. Verified ownership documents provided by the enterprise.
9. Conducted random correspondence checks on the deposit and loan banks and dealers of the appraised entity, and visited important dealers.
10. Made preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of inspection and verification.
11. According to the profit forecast data declared by the enterprise, inquired the main business, product effect, gross profit, market distribution channels, related party transactions of enterprises in the same industry and field. Through due diligence and interviews with senior management, understood the position and market share of enterprise's products in the industry as well as the cost and expense of enterprise, and analyzed the future development trend of the enterprise.

(III) Valuation Summarization

In late March 2021, we checked the declaration contents provided by the appraised entity, and adjusted, amended and improved such valuation results where necessary.

(IV) Report Submission

An asset valuation report was drafted based on the above processes, and opinions were exchanged with the clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation agency, and then the final asset valuation report was issued.

IX. VALUATION ASSUMPTIONS

The appraisers followed the following assumptions in this valuation:

(I) General Assumptions**1. Transaction Assumption**

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operation entity, can continue to operate in accordance with the business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain the ability of continuous operation, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously based on their current purpose, method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates of the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfill their responsibilities in the future operating period, and it will continue to operate on the basis of the operation and management model as at the benchmark date.
4. The main business, the composition of revenue and costs, as well as the sales strategies and cost control of the appraised entity in the future operating period will be basically consistent with the forecasts by the enterprise in its feasibility study and the projections by its management, without significant changes.
5. In the future operating period, the expenses of the appraised entity will not differ greatly from the forecasts in the feasibility study and the projections by its management. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the acquisition and utilisation methods of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. According to the “Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (passed at the seventh meeting of the Standing Committee of the 13th National People’s Congress on 29 December 2018), “under Article 27, the following income of an enterprise may be subject to the exemption or reduction of enterprise income tax: (II) the income gained from investment and operation of public infrastructure projects supported by the state;” the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure Projects and

Environmental Protection, Energy Saving and Water Conservation Projects (《財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》) (Caishui [2012] No. 10), “the income of an enterprise gained from engaging in the investment and operation of public infrastructure projects approved before 31 December 2007 that meet the requirements of the Catalogue of Public Infrastructure Projects Eligible for Enterprise Income Tax Preferential Treatment (《公共基礎設施項目企業所得稅優惠目錄》) and the income gained from engaging in the environmental protection, energy saving and water conservation projects approved before 31 December 2007 that meet the requirements of the Catalogue of Environmental Protection, Energy Saving and Water Conservation Projects Eligible for Enterprise Income Tax Preferential Treatment (《環境保護、節能節水項目企業所得稅優惠目錄》), are entitled to the preferential exemption or reduction of enterprise income tax for the remaining years from 1 January 2008 in a “3+3 tax holiday” calculated in accordance with the provisions of the new tax law commencing from the tax year in which the first production and operation income is obtained from the project”.

As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠錄》), the grid-connected wind power projects are entitled to enjoy the preferential policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years. In other words, Baihuashan Wind Power Station was connected to the grid entirely in February 2021, and the period during which it can enjoy such preferential income tax policy will expire in 2026. According to the Catalogue of Industries Encouraged to Develop in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.

9. Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Value Added Tax Policies for Wind Power Generation (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (CaiShui [2015] No. 74), “taxpayers who sell their self-produced power products using wind power are entitled to an immediate 50% refund of the VAT from 1 July 2015.”, it is assumed that the wind power projects will continue to enjoy an immediate 50% refund of the VAT in this valuation.
10. With reference to the recovery of state subsidies on electricity tariff for subsidiaries of the appraised entity in past years, it is assumed that the recovery period for state subsidies for electricity tariff receivable for 2021 and subsequent years will be two years.
11. According to the power purchase and sale contract entered into between Guangxi Power Grid Company Limited* and Guangxi Guoneng Energy Development Co., Ltd., Guigang Branch* in August 2020 in relation to Baihuashan Wind Farm Project (with an installed capacity of 80MW), it was agreed in the contract that the on-grid tariff for the wind farm generating units will be implemented at the tariff approved by the competent price authorities of the government, subject to relevant policies and documents. According to the Notice on the Adjustment of the Benchmark On-Grid Tariff for Onshore Wind Power from Photovoltaic Power Generation (Fa Gai Jia Ge [2016] No. 2729) (《關於調整光伏發電陸上風電標桿上網電價的通知》(發改價格[2016]2729號)) issued by the National Development and Reform Commission, and the Notice of the Price Bureau of Guangxi Zhuang Autonomous Region on Matters relating to the Reasonable Adjustment to the Tariff Structure (Gui Jia Ge [2017] No. 34) (《廣西壯族自治區物價局關於合理調整電價結構有關事項的通知》(桂價格[2017]34號)), the on-grid tariff for Baihuashan Wind Farm is RMB0.57/kWh (tax inclusive), in particular, the benchmark on-grid tariff has been adjusted to RMB0.4207/kWh (tax inclusive) and the subsidy for renewable energy is RMB0.1493/kWh (tax inclusive), from 1 July 2017. The term of the power purchase and sale contract is from 5 August 2020 to 31 December 2020 and it is assumed that the contract has been renewed upon expiry.
12. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflows of the appraised entity represent average inflows and its cash outflows represent average outflows.

When conditions stated above change, valuation results will generally become invalid.

X. CONCLUSION OF VALUATION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality, science and objectivity, we carried out the statutory and necessary procedures for asset valuation. After implementation of the valuation procedures such as checking and verification, field survey, market research and confirmation, assessment and estimation, based on the judgment of the clients and the enterprise management on the future development trend and business planning, and the total shareholders' equity value of Guangxi Guoneng Energy Development Co., Ltd.* was evaluated by income approach on the benchmark date of 31 December 2020. The conclusions were as follows:

(I) Valuation conclusion by income method

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow method (DCF) was used to assess the estimated value of the total shareholders' equity of Guangxi Guoneng Energy Development Co., Ltd.* (廣西國能能源發展有限公司). As of the Valuation Benchmark Date of 31 December 2020, the book value of owners' equities of Guangxi Guoneng Energy Development Co., Ltd.* was RMB283,681,700, and the appraisal value was RMB986,000,000, with an appreciation of RMB702,318,300 or 247.57%.

(II) Analysis on the valuation results and the final valuation conclusion**1. Analysis of difference between the valuation results**

In the valuation, the value of all shareholders' equity calculated with the income method was RMB986,000,000, which was RMB904,984,000 or 1,117.04% higher than that of RMB81,016,000 calculated with the asset-based method. The main reasons for the difference between the results from the two valuation methods are as follows:

- (1) In the asset-based method, the replacement cost of assets is adopted as the value standard, reflecting the socially necessary labour consumed in the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually varies with the national economy;
- (2) In the income method, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets.

Given the above, there is a difference between the results from the two valuation methods.

2. *Selection of valuation results*

The asset-based method differs from the income method in term of valuation perspectives and paths. In the asset-based method, reacquisition of assets is considered, reflecting the replacement value of existing assets of an enterprise. In the income method, future profitability of the enterprise is considered, reflecting the comprehensive profitability of various assets of the enterprise.

Since the power generation and electricity price of wind power stations can be basically determined, the future revenue can be better predicted. As the cost structure of wind power projects is simple, various indicators can basically be better measured. Operating costs can be estimated more reliably. Although the asset-based method objectively reflects the market value of owners' equity of an enterprise from the perspective of asset construction, we are of the view that when revenues and costs in the income method can be predicted more reasonably and when future uncertainties are small or can be estimated normally, the income method can reflect the value of all shareholders' equity as at the benchmark date in a more objective and reasonable way, compared with the valuation results of the asset-based method.

In conclusion, we were of the view that the valuation results of the income method could better reflect all shareholders' equities of Guangxi Guoneng Energy Development Co., Ltd.*, thus the valuation results of the income method were taken as the final conclusion of the valuation. The value of all shareholders' equities of Guangxi Guoneng Energy Development Co., Ltd.* arrived thereafter was RMB986,000,000 as at the benchmark date.

3. *Changes in valuation conclusion as compared to book value and reasons*

The valuation results as compared to the book value was changed after the valuation report adopts the income approach to appraise the value of the total shareholders' equity of Guangxi Guoneng Energy Development Co., Ltd.*. The changes and reasons are due to that the expected future overall profitability of the currently operating project, Guigang Baihuashan Power Station, is better than the size of the assets and to the valuation appreciation of the long-term equity investment.

4. *Consideration of the impact of right of control and liquidity on the value of the appraisal target*

Neither had the report taken into account the premium that may incur due to the right of control, nor the impact of the liquidity on the value of the appraisal target.

XI. NOTES ON SPECIAL MATTERS

(I) Defects of property rights

As at the Valuation Benchmark Date, there were no defects of property rights in the assets reported by the appraised entity.

(II) Pledge and guarantee

Long-term borrowings

Upon inspection, as at the Valuation Benchmark Date, Guangxi Guoneng Energy Development Co., Ltd.* had borrowings due to banks and institutions of RMB1,020,312,000.00, including RMB600,000,000.00 of long-term borrowings due to Shenhua Finance Co., Ltd.* (神華財務有限公司), RMB15,000,000.00 of long-term borrowings due to CHN Energy Guangxi Electric Power Co., Ltd., RMB223,400,000.00 of long-term borrowings due to Guigang Branch of Industrial and Commercial Bank of China, RMB171,912,000.00 of long-term borrowings due to Nanning Youai Sub-branch of Agricultural Bank of China, and RMB10,000,000.00 of long-term borrowings due to Guigang Branch of China Postal Savings Bank. (The above includes non-current liabilities due within one year)

Among them, the long-term borrowings due to Nanning Youai Sub-branch of Agricultural Bank of China have a term of 15 years and are guaranteed as follows: the borrower may provide credit guarantee during the construction period and pledge tariff collection rights as guarantee during the operation period. Nanning Youai Sub-branch of Agricultural Bank of China shall be the first or tied for first ranking and the credit terms of Nanning Youai Sub-branch of Agricultural Bank of China shall not be less favourable than the terms for similar business of comparable peers.

The long-term borrowings due to Guigang Branch of China Postal Savings Bank have a term of 15 years and are guaranteed as follows: Guigang Branch of Guangxi Guoneng Energy Development Co., Ltd.*, the pledgor, shall pledge the tariff collection rights of the Baihuashan Wind Farm Project in Guigang to the lender as a guarantee.

The valuation did not consider the impact on the valuation conclusion by pledges, mortgages and guarantee matters undertaken by the enterprise, and the possible additional price to be paid in special transactions.

(III) Uncertainties including unresolved matters and legal disputes

There is no pending legal dispute involved in this valuation.

(IV) Significant subsequent events

On 9 February 2021, the Natural Resources Bureau in Jiangyong County issued the Decision of Administrative Penalty to Guodian Youneng Gongcheng Wind Power Co., Ltd. (國電優能恭城風電有限公司), a subsidiary of the appraised entity, pursuant to which, the company was imposed an administrative penalty due to its illegal occupation of agricultural land by the three turbines No. 36#, No. 37# and No. 38# of the Yuanshishan Wind Power Project and was required to restore the original appearance of the illegally occupied land. On 26 April 2021, the Government of Jiangyong County agreed with Gongcheng Wind Power to dismantle the wind turbines at the province-level natural reserve in Yuankou, Jiangyong. At present, Gongcheng Wind Power has formulated a plan for dismantling, which has clarified the dismantling task on a monthly basis. It is expected to complete all the rectification tasks in November of this year.

This valuation has taken into account the impact of the event on the valuation conclusion, mainly including impact on the installed capacity and the generating capacity of the project.

(V) Other matters required to be explained

1. As at the date of the valuation report, the COVID-19 pandemic is still ongoing. While forecasting the profit of this valuation, we could not accurately forecast how long the pandemic will last or the extent of its eventual impact. Thus, the conclusion of this valuation report is achieved based on the assumption that no other force majeure and unforeseeable factors will cause material adverse effects on the Company, the pandemic can be well controlled in the near future, and the national/global economy can quickly resume normal operation.
2. The premium and discount arising from factors such as the right of control and minority interests were not considered in this valuation when it involved the converting of certain equities.

3. The legal liability of the valuer and the valuation agency was to exercise professional judgement and express professional opinions on the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve making any judgement by the valuer and the valuation agency on the economic activities corresponding to such valuation purpose, and nor undertake the responsibility of decision-making by relevant parties. Thus the valuation conclusion shall not be deemed as a guarantee of the realizable price of the appraisal target.
4. The valuation, to a great extent, relies on the related information provided by the clients and the appraised entity. Accordingly, the valuation is on the basis that documents relating to economic activity and assets ownership, certificates, accounting documents and other relevant legal documents provided by the clients and the appraised entity are true and lawful.
5. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and completeness of the information provided.
6. The relevant title documents of ownership rights and related information involved in the valuation report are provided by the appraised entity. The clients and the appraised entity bear legal liability for the authenticity and legality of the information provided.
7. During the valuation process, for inspections of the equipments, properties and land, due to the restraints of the testing methods and the fact that some equipments were in operation, this task was mainly done by exterior observation by the appraisers and results of the latest checks provided by the appraised enterprise as well as the enquiries to the relevant operators.
8. The valuation conclusion is based on the accurate judgement on the macro-economy and industry development trend in the future, and the effective implementation of its business plans by the enterprise. In the event that there are changes in economic environment and obstacles in industry development, the clients and the current management fail to take effective measures in a timely manner to make adjustments to the implementation of the plans, so as to meet the implementation of existing business plans, the profit forecast data may change significantly, resulting in the invalidity of the valuation conclusion. We would like to draw attention of the clients and the users of the report to the above matters.

9. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach used in this valuation report. The valuer has carried out the necessary investigation, analysis and judgement on the profit forecast of the appraised entity. After a number of discussions with the management of the appraised entity and its substantial shareholders and the subsequent further revision and improvement by the appraised entity, the valuation agency adopted the relevant data of the profit forecast provided by the appraised entity. Using the profit forecast of the appraised entity by the valuation agency does not guarantee the future profitability of the appraised entity.
10. If, for an effective period after the Valuation Benchmark Date, there is a change in the quantity of assets or standard of valuation, it should be dealt with in accordance with the following principles:
- (1) When there is a change in the quantity of assets, the amount of the assets should be adjusted according to the original valuation method;
 - (2) When there is a change in the standard of assets' prices which has a significant impact on the asset valuation results, the clients should promptly engage a qualified assets valuation agency to re-determine the appraisal value;
 - (3) In the event of any change in the quantity of assets or the standard of price after the Valuation Benchmark Date, the clients should give full consideration to the actual value of the assets and make corresponding adjustments.
11. The Qingshankou Project (青山口項目) constructed and operated by Guodian Youneng Quanzhou Wind Power Co., Ltd.* (國電優能全州風電有限公司), a subsidiary of Guangxi Guoneng Energy Development Co., Ltd.*, was approved and recorded in April 2018, with the first unit being connected to the grid for trial operation in December 2020. According to the Notice of the National Development and Reform Commission regarding the Improvement of the Policy on On-grid Tariff for Wind Power (Fa Gai Jia Ge [2019] No. 882) (《國家發展改革委員會關於完善風力發電上網電價政策的通知》(發改價格[2019]882號)), the State will no longer grant subsidy to the on-shore wind power projects which had been approved before the end of 2018 but failed to complete grid connection before the end of 2020. In this valuation, it is assumed that the tariff for Qingshankou Project after the completion of grid connection shall refer to the benchmark on-grid tariff of Phases I and II Wind Farm, i.e., RMB0.4207/kWh (tax inclusive) and this project is entitled to the subsidy for renewable energy. The valuation results shall be adjusted if the subsidy for renewable energy is not available for the project in the future.

12. According to the disclosure in the document of the supplementary notice on relevant matters under the Several Opinions on Promoting the Healthy Development of Nonaqueous Renewable Energy Power Generation (Cai Jian [2020] No. 426), “For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, any power generated in excess of the eligible full life cycle subsidies will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions. For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, the wind power and PV power generation projects which have connected to the grid for 20 years, and biomass power generation projects which have connected to the grid for 15 years, whether they had reached to the full life cycle subsidies or not, will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions”. Among the wind power projects entrusted for valuation, the vast majority of wind farms are entitled to continue to generate electricity within 2 to 10 years of the remaining life period after enjoying the full life cycle subsidies. Such power generation will no longer be subsidized by the central government, but can participate in green certificate transactions after the green certificate was issued according to the policy; the CDM transactions can only be conducted after being considered and approved by the National Development and Reform Commission. In view of the uncertainties of the above administrative approval and the great uncertainties in the market and price of green certificate transactions and CDM transactions after the benchmark date, thus the income brought by green certificate transactions and CDM transactions to wind farms was not considered in this valuation. Attention of relevant users of the report shall be drawn to that.

**ASSET VALUATION REPORT ON THE PROJECT OF
PROPOSED ACQUISITION BY CHINA LONGYUAN POWER GROUP
CORPORATION LIMITED* OF 100% EQUITY INTEREST IN
GUONENG YUNNAN NEW ENERGY CO., LTD.*
HELD BY CHN ENERGY YUNNAN ELECTRIC POWER CO., LTD.
ZHONG LIAN PING BAO ZI [2021] NO. 1474**

To CHN Energy Yunnan Electric Power Co., Ltd. and China Longyuan Power Group Corporation Limited*,

As engaged by the Company and CHN Energy Yunnan Electric Power Co., Ltd., China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) has appraised the market value of all shareholders' equity interest in Guoneng Yunnan New Energy Co., Ltd.* (國能雲南新能源有限公司) involved in the economic behavior of the proposed acquisition by China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) of 100% equity interest in Guoneng Yunnan New Energy Co., Ltd.* held by CHN Energy Yunnan Electric Power Co., Ltd. as at 31 December 2020, the Valuation Benchmark Date, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

I. CLIENTS, PROPERTY RIGHT HOLDER, APPRAISED ENTITY AND OTHER USERS OF VALUATION REPORT

One of the clients of the asset valuation is China Longyuan Power Group Corporation Limited*. CHN Energy Yunnan Electric Power Co., Ltd. is another client and property right holder, and Guoneng Yunnan New Energy Co., Ltd.* is the appraised entity.

(I) Overview of One of the Clients

Name: China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”)

Registered address: Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing

Legal representative: Jia Yanbing

Registered capital: RMB8,036,389,000

Economic nature: joint stock limited company (listed, state-controlled)

Date of establishment: 27 January 1993

Term of operation: no fixed term

Unified social credit code: 911100001000127624

1. Corporate profile

Founded in 1993, China Longyuan Power Group Corporation Limited* was originally affiliated to the National Energy Administration and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of Hong Kong. Longyuan Power is a large-scale comprehensive power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2019, the consolidated installed capacity of the Company was 22,157 MW, of which the consolidated installed capacity of wind power was 20,032 MW.

2. Business scope

Business scope: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and achievements transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; wind power generation, energy-saving technology, technology development for other new energy, and project investment management; import and export business; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs; sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, general merchandise, automobile parts, vehicles designated for power systems and leasing office. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(II) Overview of Another Client and Property Right Holder

Name: CHN Energy Yunnan Electric Power Co., Ltd. (“**CHN Energy Yunnan**”)
Registered address: 9/F, Building B, Block A1, Yinhai Yinghuayu Garden, Guangfu Road,
Kunming City, Yunnan Province
Legal representative: Han Hongcai (韓宏才)
Registered capital: RMB2,206,307,447
Economic nature: limited liability company (wholly owned by a legal person)
Date of establishment: 12 January 2009
Term of operation up to: 12 January 2039
Unified social credit code: 91530000683668500W

Business scope: engaged in the development, investment and construction of power, heat and water resources and the management of the invested projects; power-related businesses such as complete sets of electricity equipment, supporting equipment, tender and bidding, materials distribution, equipment testing and technology development; real estate, property management and investment businesses; international cooperation, external engineering contracting and labor cooperation businesses; power-related businesses such as communications, information, environmental protection, and power scientific research, technology development, intermediary services and consulting services. (For projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities).

(III) Overview of the Appraised Entity

Name of enterprise: Guoneng Yunnan New Energy Development Co., Ltd.* (“**Yunnan New Energy**”)
Domicile of enterprise: No. 505, 5/F, Building B, Block A1, Yinhai Yinghuayu Garden,
Guangfu Road, Guandu District, Kunming City, Yunnan Province
Legal representative: Han Hongcai (韓宏才)
Registered capital: RMB335,657,400
Economic nature: limited liability company (wholly owned by a legal person)
Date of establishment: 8 October 2010
Term of operation up to: 7 October 2040
Unified social credit code: 915301115631500459

1. Development history

Guoneng Yunnan New Energy Co., Ltd.* (“**Yunnan New Energy**”) is a wholly-owned subsidiary of CHN Energy Yunnan Electric Power Co., Ltd. established on 8 October 2010. It was established to execute the development strategy of China Guoneng Corporation to lead the transformation of the enterprise guided by new energy, promote the development of new clean energy of China Guoneng Corporation in Yunnan, optimize the power supply structure of the Company and accelerate the development of new energy projects of the Company. Registered capital of Yunnan New Energy: RMB335,657,400. It has two branches, namely Guoneng Yunnan New Energy Co., Ltd.* Yuanmou Branch and Guoneng Yunnan New Energy Co., Ltd.* Xundian Branch.

2. Corporate profile

Yunnan New Energy is mainly responsible for the early stage development work of new energy projects in Yunnan. The business scope of Yunnan New Energy includes the development of wind power, solar photovoltaic, solar thermal power and geothermal energy; the development of equipment installation, debugging and maintenance and others. It has two branches, namely Guoneng Yunnan New Energy Co., Ltd.* Yuanmou Branch and Guoneng Yunnan New Energy Co., Ltd.* Xundian Branch. At present, Yunnan New Energy has set up a total of 10 functional departments, namely: General Manager Department and Legal Affairs Department, Human Resources Department, Finance and Property Department, Planning and Development Department, Production Technology Department, Marketing and Economic Operation Department, Party-masses Work Department, Safety and Environmental Protection Supervision Department, Engineering Construction Department and Centralized Control Center.

Up to now, Yunnan New Energy is operating 4 wind power projects in total, including Leiyingshan Wind Power Project in Yuanmou, Qingshuihai Wind Power Project in Xundian, Heimajing Wind Power Project and Haiyangshao Wind Power Project in Xundian, with a total installed capacity of 198,000 kW. The basic information of the wind power projects in operation is as follows:

In Leiyingshan Wind Farm in Yuanmou (49.5MW), the first wind turbine was connected to the grid for power generation on 7 January 2012, all wind turbines were connected to the grid for power generation on 29 March and the 240-hour trial operation was completed on 2 June 2012. The total dynamic investment in feasibility study of the project was RMB546,562,500.

In Qingshuihai Wind Farm in Xundian (49.5MW), the first wind turbine was connected to the grid on 1 March 2012, all wind turbines were connected to the grid for power generation on 28 May 2012, and the 240-hour trial operation was completed on 19 July 2012; the total dynamic investment of the project was RMB563,040,600.

In Heimajing Wind Farm in Yuanmou (49.5MW), the first wind turbine was connected to the grid for power generation and put into operation on 5 December 2012, and the project was completed and put into operation at the end of March 2013. The total dynamic investment in feasibility study of the project was RMB453,411,600.

In Haiyangshao Wind Power Project in Xundian (49.5MW), the first wind turbine was connected to the grid for power generation and put into operation on 21 June 2015, and the project was completed and put into operation at the end of December 2015. The total dynamic investment in feasibility study of the project was RMB421,978,200.

3. *Business scope*

Power projects design and construction; project investment; technological research, development, utilization of new energy projects and technology transfer; development and research of environmental protection and power scientific technologies and consulting services; domestic trading, goods and materials supply and sales; tendering and bidding agency; installment and repairment of power equipment and general machinery and equipment; the following operating items are only allowed to be operated by its branches: power generation utilizing wind energy, thermal energy and solar energy.

As of the Valuation Benchmark Date, the paid-in capital of Yunnan New Energy is RMB335,657,400. The name of Shareholder, the amount of capital contribution and the proportion of capital contribution are as follows:

**Name of Shareholder, the amount of capital contribution
and the proportion of capital contribution**

No.	Name of shareholder	Registers capital (RMB0'000)	Amount of capital contribution (RMB0'000)	Proportion of capital contribution %
1	CHN Energy Yunnan Electric Power Co., Ltd.	33,565.7	33,565.7	100%
Total				<u>100%</u>

5. Principle business

Guoneng Yunnan New Energy Co., Ltd.* is mainly engaged in wind power generation. The company currently operates wind power station projects with a total installed capacity of 198 MW, among which, Leiyingshan Power Station in Yuanmou has an installed capacity of 49.5MW; Heimajing Power Station in Yuanmou has an installed capacity of 49.5MW; Qingshuihai Power Station in Xundian has an installed capacity of 49.5MW; and Haiyangshao Power Station in Xundian has an installed capacity of 49.5MW.

6. Financial position, operating status and cash flow status of Guoneng Yunnan New Energy Co., Ltd.* (國能雲南新能源有限公司)

As disclosed in the audited statements of Guoneng Yunnan New Energy Co., Ltd.*, as at 31 December 2020, the Valuation Benchmark Date, Guoneng Yunnan New Energy Co., Ltd.* had assets with a total carrying amount of RMB1,414,169,300, total liabilities of RMB886,310,600 and net assets of RMB527,858,700, including specifically, current assets of RMB404,292,900; non-current assets of RMB1,009,876,400; current liabilities of RMB521,491,500; non-current liabilities of RMB364,819,100. The audited financial position, operating status and cash flow status of the company for the past three years and as at the benchmark date are as follows:

Assets, liabilities and financial position of Guoneng Yunnan New Energy Co., Ltd.*

Unit: RMB0'000

Item	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Total assets	136,034.83	152,866.26	136,854.20	141,416.93
Liabilities	90,653.53	107,185.96	88,362.83	88,631.06
Total shareholders' equity	45,381.30	45,680.30	48,491.37	52,785.87
	2017	2018	2019	2020
Operating revenue	22,410.40	23,709.04	26,877.66	28,340.32
Total profit	9,057.50	10,312.41	13,062.54	17,112.84
Net profit	8,640.98	7,442.97	10,077.12	13,337.11

	2017	2018	2019	2020
Net cash flows generated from operating activities	15,944.16	8,690.44	9,991.06	17,658.83
Net cash flows generated from investing activities	-4,113.59	-4,814.33	-756.75	-910.99
Net cash flows generated from financing activities	-14,045.36	8,065.09	-21,244.08	-14,336.96
Net increase in cash and cash equivalents	-2,214.78	11,941.20	-12,009.77	2,411.06
Audit opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion
Number of audit report	Zhong Huan Shen Zi [2018] No. 022318 (眾環審字 [2018]022318號)	Tian Zhi Ye Zi [2021] No. 33666 (天職業字 [2021]33666號)	Tian Zhi Ye Zi [2021] No. 33666 (天職業字 [2021]33666號)	Tian Zhi Ye Zi [2021] No. 33666 (天職業字 [2021]33666號)
Audit institution	Mazars Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)

(IV) Relationship between the clients and the appraised entity

China Longyuan Power Group Corporation Limited*, one of the clients, CHN Energy Yunnan Electric Power Co., Ltd., another client and the property right holder, and Guoneng Yunnan New Energy Co., Ltd.*, the appraised entity, are all subordinate units of China Energy Investment Corporation Limited, and they are related entities.

(V) The clients and other users of the valuation report under the assets valuation entrustment contract

The users of this valuation report shall be the clients, and the parties related to the economic behavior.

Unless otherwise stipulated by the national laws and regulations, any agency or individual without confirmation from the valuation agency and the clients shall not become a user of this valuation report by virtue of the access to this report.

II. PURPOSE OF VALUATION

Pursuant to the Minutes of the General Manager Office Meeting of CHN Energy Yunnan Electric Power Co., Ltd. (CHN Energy Yun Hui Ji (2021) No.5) (《國家能源集團雲南電力有限公司總經理辦公會會議紀要》國家能源雲會紀(2021)5號), and the Office Meeting made the following resolution on 15 January 2021: China Longyuan Power Group Corporation Limited* intends to acquire 100% equity interest in Guoneng Yunnan New Energy Co., Ltd.* held by CHN Energy Yunnan Electric Power Co., Ltd.

The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Guoneng Yunnan New Energy Co., Ltd.* on the Valuation Benchmark Date, and to provide value reference for China Longyuan Power Group Corporation Limited* in its proposed acquisition of 100% equity interest in Guoneng Yunnan New Energy Co., Ltd.* held by CHN Energy Yunnan Electric Power Co., Ltd.*

III. APPRAISAL TARGET AND SCOPE OF VALUATION

(I) Appraisal target and scope of valuation

The appraisal target is the value of the total equity attributable to the shareholders of Guoneng Yunnan New Energy Co., Ltd.*

The scope of valuation covers all assets and relevant liabilities of Guoneng Yunnan New Energy Co., Ltd.*

(II) The type and carrying amount of the valued assets

As at the Valuation Benchmark Date, Guoneng Yunnan New Energy Co., Ltd.* had assets with a total carrying amount of RMB1,414,169,300, total liabilities of RMB886,310,600 and net assets of RMB527,858,700, including specifically, current assets of RMB404,292,900; non-current assets of RMB1,009,876,400; current liabilities of RMB521,491,500; non-current liabilities of RMB364,819,100.

The above asset and liability data are extracted from the balance sheet of Guoneng Yunnan New Energy Co., Ltd.* as of 31 December 2020. The appraisal target and scope of the valuation are the same as those involved in the economic behaviour. The book value has been audited and a standard unqualified audit report has been issued thereon.

The physical assets as reported by the enterprise subject to valuation amount to RMB1,011,876,800, representing 71.55% of the total assets, which include inventories, buildings (structures), equipment and construction in process. The physical assets have the following types and features:

1. Inventories assets

All inventories are raw materials, including materials such as UPS power supplies, circuit breakers, O-shaped sealing rings and Tin-plated copper cable lug\DT-240mm², which are placed in the warehouse of each branch without overstock and scrapping.

2. Buildings (structures)**(1) Buildings**

Including commercial and residential properties, production plants, management and office buildings, non-production plants, etc., which are distributed in Shangju Yayuan Community (居雅苑小區) beside Yuexiu Road, Rende Town, Xundian County, Henghe Village and Haiyangshao Village (橫河村海洋哨), Liushao Township, Xundian County, Kunming City, Dashuijing Village Committee (大水井村委), Liangshan Township, Yuanmou County, Yunnan Province and Huize county.

(2) *Structures*

Being distributed in Henghe Village, Liushao Township, Xundian County, Kunming City and the wind power installation area (風電鋪設區), Caojia Village, Dashuijing Village Committee, Liangshan Township, Yuanmou County, Yunnan Province, which are mainly booster station farms, access roads, wind farm area fences, etc.

3. *Equipment*

(1) *Machines and equipment*

The machines and equipment mainly include wind turbine towers, wind turbine primary generators, climbing-free devices, integrated circuits, power cables, integrated automatic system equipment, wind power component arrays, 35KV integrated circuits, polysilicon stands and other wind power generation supporting equipment, which are mainly distributed in four wind farms, namely, Leiyingshan (雷應山) and Heimajing (黑馬井) in Yuanmou, and Haiyangshao (海洋哨) and Qingshuihai (清水海) in Xundian.

(2) *Vehicles*

The transportation equipment include vehicles for production and office use such as Great Wall brand multi-purpose truck CC1030QS20B – light ordinary truck, Toyota brand Prado 4000 (SCT6493E4) compact SUV passenger car, car – Passat brand SVW7183SJD – car, Toyota Prado (SCT6493E4) – compact passenger car, Buick GL8 (SGX6521ATA) – compact passenger car, Dongfeng 2.5T (2N6493HBX) – compact passenger car, etc.

(3) *Electronic equipment*

Electronic equipment includes various kinds of office equipment such as computers, air conditioners, data dispatching network equipment, printers, copying machines, etc., which are located in the office areas of the company. There are various specifications of general equipment, and some equipment with the same name have a wide range of prices due to their different specifications.

Under the management of equipment department, the equipment of the company is regularly repaired, well maintained and in a good working condition.

4. Construction in progress

The construction in progress is mainly the costs incurred in the earlier stage, which mainly includes Yunnan Agang Wind Farm Project, Yuanmou Matoudi Photovoltaic Project, Longhaigu Wind Farm Project, Jiguanshan Wind Farm Project, Yuanmou Huatong Wind Farm Project, Yuanmou Gongchashan Wind Farm Project, Yongsheng Songping Wind Farm Project, Yangzonghai Wind Farm Project, Lijiang Huaping Wind Farm Project, Funing Lida Wind Farm Project, Bailashan Wind Farm Project, Henghe Wind Farm Project, Xiaolongtan Wind Farm Project, New Energy Earlier Stage Wind Power Project, Luoping Wind Power Phase II Project, wind power project in Qujing Area and Wenshan Project.

(III) The intangible assets recorded in or off the book of the enterprise**1. Intangible assets recorded in the book**

As of 31 December 2020, the Valuation Benchmark Date, six items of software purchased by the enterprise were recorded in the book of the appraised entity and included in the scope of this valuation, with a total book value of RMB771,490.82. Details of the software are as follows:

No.	Content or name	Acquisition date	Legal/estimated lifetime	Type/category	Original book value	Book value
1	Power Monitoring System for Qingshuihai Wind Farm	2019/12/30	10	software	167,544.81	149,394.12
2	Power Monitoring System for Haiyangshao Wind Farm	2019/12/30	10	software	167,544.81	149,394.15
3	Network Security and Data Backup Construction for Haiyangshao Wind Farm	2016/12/1	10	software	474,311.41	86,957.13
4	Power Monitoring System for Leiyingshan Wind Farm (Leiyingshan)	2019/12/30	10	software	167,544.81	149,394.12
5	Power Monitoring System for Heimajing Wind Farm (Heimajing)	2019/12/30	10	software	167,544.81	149,394.14
6	Network Security and Data Backup Construction for Heimajing Wind Farm	2016/12/1	10	software	474,311.41	86,957.16

2. Intangible assets not recorded in the book

As of 31 December 2020, the Valuation Benchmark Date, the intangible assets as reported by the enterprise but not recorded in the book included the use rights of 123 parcels of land owned by the appraised entity, with a total area of 77,281.81 square meters. The type of all land use rights listed on the certificate was transfer, and those parcels of land were for public facilities use, urban residential use, commercial services use and town single residential use. In particular, two parcels of land was for booster station, covering a total area of 36,902.53 square meters; 116 parcels of land were for wind turbines, with a total area of 39,933.25 square meters, and five parcels of land were for other commercial services and residential use, with a total area of 446.03 square meters. For details, please refer to the Asset Valuation Declaration Form – Intangible Assets – Land (《資產評估申報表–無形資產–土地》). The total book value was RMB0, and all the land related expenses have been settled. The land assets have not been recorded in the book because the enterprise temporarily estimated and classified such amounts to the fixed assets when it make reclassification to fixed assets.

(IV) Types and quantities of off-balance-sheet assets as reported by the enterprise

As of 31 December 2020, the Valuation Benchmark Date, there is no off-balance-sheet asset of the appraised entity.

(V) The conclusion drawn from the reports issued by other entities in relation to the type, quantities and carrying amount of assets

The carrying amounts of the assets and liabilities as at the Valuation Benchmark Date as set out in the valuation report are the audited results stated in the Special Audit Report and Financial Statements in relation to the Appraised Entity issued by Baker Tilly China Certified Public Accountants LLP (Tian Zhi Ye Zi [2021] No. 33666) (covering the years 2018–2020) on 15 April 2021. Save for this, no reports from other agencies have been cited.

IV. TYPE OF VALUE AND ITS DEFINITION

For the purpose of the valuation, the type of value of the valuation is determined to be the market value.

The market value is defined as the estimated price of the appraisal target in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

V. VALUATION BENCHMARK DATE

The benchmark date of the asset valuation under this project is 31 December 2020.

The benchmark date is determined by the clients upon taking account of the assets scale, workload, expected time required, compliance and other factors of the appraised entity.

VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly include basis of economic behaviour, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination and other references used in the valuation and estimation, details of which are as follows:

(I) Basis of economic behaviour

1. Minutes of the General Manager Office Meeting of CHN Energy Yunnan Electric Power Co., Ltd. (CHN Energy Yun Hui Ji (2021) No.5) (《國家能源集團雲南電力有限公司總經理辦公會會議紀要》國家能源雲會紀(2021)5號).

(II) Basis of laws and regulations

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (published at the 21st meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Administrative Measures for Major Assets Restructuring of Listed Companies (CSRC Decree No. 109 and Revision of CSRC Decree No. 127 (《上市公司重大資產重組管理辦法》(證監會令第109號，證監會令第127號修改));

5. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (Revision passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
6. Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (first amendment to the Decision of the State Council on Revision to Certain Administrative Regulations, promulgated by Decree No. 714 of the State Council of the People's Republic of China on 23 April 2019);
7. Provisional Regulations of Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (State Council Decree No. 691) (國務院令第691號);
8. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Ministry of Finance and State Administration of Taxation Decree No.50) (《中華人民共和國增值稅暫行條例實施細則》(財政部、國家稅務總局令第50號));
9. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
10. General Rules of Loans (《貸款通則》) (the People's Bank of China);
11. Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
12. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
13. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Supervision and Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式加強資產評估監督管理工作的意見》(國辦發[2001]102號));

14. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
15. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));
16. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council) (《國有資產評估管理辦法》(國務院令第91號));
17. Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment (Guo Zi Ban Fa [1992] No.36) (《國有資產評估管理辦法實行細則》(國資辦發[1992]第36號));
18. Interim Regulations for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, Revision of Decree No. 588 of the State Council) (《企業國有資產監督管理暫行條例》(國務院令第378號，國務院令第588號修訂));
19. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》(國資委令32號));
20. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC of the State Council) (《企業國有資產評估管理暫行辦法》(國務院國資委令第12號));
21. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
22. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
23. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (《資產評估行業財政監督管理辦法》(中華人民共和國財政部令第86號));

24. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協議轉讓有關事項的通知》(國資發產權[2010]11號));
25. Other laws, regulations and rules related to the valuation.

(III) Basis of valuation standards

1. Standards for Asset Valuation – Basic Standards (Cai Qi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
10. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);

12. Practicing Standards for Asset Valuation –Valuation Methodology (Zhong Ping Xie [2019] No. 35);
13. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
14. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);
15. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
16. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
17. Guiding Opinions No. 6 for Asset Valuation Expert –Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Zhong Ping Xie [2015] No. 67);
18. Guiding Opinions No. 8 for Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39);
19. Guiding Opinions No. 10 for Asset Valuation Expert – Reasonable Performance of Asset Valuation Procedures amid the COVID-19 Pandemic (Zhong Ping Xie [2020] No. 6);
20. Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

(IV) Basis of asset ownership

1. Motor Vehicle Driving Permit;
2. Property Ownership Certificate, State-owned Land Use Certificate, Real Estate Title Certificate and related affirmation of property rights;
3. Contracts or certificates for purchase of significant assets;
4. Other references.

(V) Basis of price determination

1. Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program by Replacing Business Tax with VAT (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號));
2. Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019);
3. 2020 Price Inquiry System for Mechanical and Electrical Products (Machinery Industry Information Research Institute) (《2020機電產品價格信息查詢系統》(機械工業信息研究院));
4. Code for Real Estate Appraisal (《房地產估價規範》) (GB/T50291–2015);
5. Regulations for Grading and Classification of Urban Land (GB/T18507–2014);
6. Loan prime rate (LPR) announcement authorized to be published by the National Interbank Funding Centre on 21 December 2020;
7. ZOL (中關村在線),
8. PConline (太平洋電腦網);
9. Autohome (汽車之家網);
10. Landvalue (中國地價監測網);
11. Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (Energy Industry Standard of the People's Republic of China NB/T31011–2019);
12. Estimated Quota of Onshore Wind Farm Projects (Energy Industry Standard of the People's Republic of China NBT31010–2019);

13. Consumption Quota for Construction and Decoration Project in Yunnan Province (2013), Consumption Quota for General Installation in Yunnan Province (2013), Cost Calculation Basis for Construction Project in Yunnan Province (2013), and Information on Project Cost in Yunnan Province (Issue 6, 2020) adopted for price information;
14. The audit reports of the special audit report and financial statements (covering the years 2018 to 2020) issued by Baker Tilly International Certified Public Accountants (Special General Partnership) (Tian Zhi Ye Zi [2021] No. 33666);
15. Information on future earnings estimations provided by the clients and other relevant parties in accordance with the law;
16. Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426);
17. Other references.

(VI) Other references

1. Enterprise Accounting Standards – Basic Standards (Order No. 33 of the Ministry of Finance);
2. Enterprise Accounting Standards – Application Guide (Cai Kuai [2006] No. 18);
3. 38 specific standards including Enterprise Accounting Standards No. 1 – Inventories (Cai Kuai [2006] No. 3);
4. Asset Valuation Common Data and Parameter Manual (Machinery Industry Press, 2011 Edition);
5. 2020 Report on the Evaluation of the Performance of Listed Companies in China;
6. Wind Information Financial Terminal;
7. Investment Valuation ([US] written by Damodaran, [Canada] translated by Lin Qian, Tsinghua University Press);

8. Valuation: Measuring and Managing the Value of Companies (Fourth Edition) (written by [US] Tim • Koller, et al., translated by Wei Ping and Zhu Xiaolong, Electronic Industry Press);
9. Letter of request for quotation for equipment;
10. Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition);
11. Other references.

VII. VALUATION METHODS

Introduction of the Income Approach

1. Overview

According to the relevant regulations of state administration authorities of the PRC, the Standards for Asset Appraisal – Enterprise Value as well as international and domestic appraisal practices for similar transactions, the valuer decided to estimate the equity capital value of the appraised entity by using the discounted cash flow (DCF) method based on the income approach.

The DCF method is a method to appraise the asset value by discounting the expected future net cash flows of the enterprise to a present value. The basic principle of this method aims to obtain the appraisal value by estimating the expected future net cash flows of the assets and converting them into a present value by applying an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundation and conditions for continuous operation, the correlation between operation and income is relatively stable, and the future income and risks are predictable and quantifiable. The greatest difficulty in using the DCF method lies in the forecast of expected future cash flows (EFCFs) as well as the objectivity and reliability of data collection and processing. When the forecast of EFCFs is relatively objective and fair, and the discount rate is relatively reasonable, the valuation results will be adequately objective.

2. *Basic Valuation Considerations*

According to the due diligence findings, the asset composition and characteristics of principal business of the appraised entity, the equity capital value was estimated based on the separate accounting statements of the appraised entity in this valuation. The basic considerations of the valuation are as follows:

- (1) For assets and principal business included in the statements, the expected income (net cash flows) is estimated according to the changing trends of historical operating conditions in recent years and business types respectively, and is discounted to obtain the value of operating assets;
- (2) Current assets (liabilities), such as surplus capital, other receivables, accounts payable, interest payable, dividend payable and other payables existing as at the benchmark date, which are included in the scope of the statements but not taken into account in the estimations of expected income (net cash flows), and non-current assets (liabilities), such as idle equipment, real estates and construction in progress without booking income, are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their values are measured separately;
- (3) The enterprise value of the appraised entity is obtained by summing up the values of the aforesaid assets and liabilities, and the total shareholders' equity value of the appraised entity is obtained after deducting the value of interest-paying debts.

3. *Valuation Model*

(1) *Basic Model*

The basic model for this valuation is:

$$E = B - D \tag{1}$$

Wherein:

E: Total shareholders' equity value of the appraised entity;

B: Enterprise value of the appraised entity;

D: Value of interest-bearing debts of the appraised entity;

$$B = P + I + C \quad (2)$$

P: Value of operating assets of the appraised entity;

$$P = \sum_{i=1}^n [R_i \times (1 + r)^{-i}] + p_n \times (1 + r)^{-n} \quad (3)$$

Wherein:

R_i: Expected income of the appraised entity in Year i in the future (free cash flows);

P_n: Consideration of the recoverable value of related assets including working capital, fixed assets and intangible assets at the end of the operating period;

r: Discount rate;

n: Future operating period of the appraised entity;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

$$C = C_1 + C_2 \quad (4)$$

C₁: Value of current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

C₂: Value of non-current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

I: Long-term equity investment value of the appraised entity. As disclosed in the audited balance sheet, there was no amount of the long-term equity investment recorded in the book of the appraised entity, i.e., I=RMB0;

(2) *Income Indicator*

In this valuation, the free cash flows of the appraised entity are used as the income indicator of its operating assets, which is basically defined as:

$$R = \text{Net profit} + \text{Depreciation and amortization} + \text{Interest on interest-bearing debts after tax} - \text{Additional capital} \quad (5)$$

The free cash flows in the future operating period are estimated based on the operational history of the appraised entity and the future market development and others. The free cash flows in the future operating period are discounted and summed up to calculate the value of operating assets of the enterprise.

(3) *Discount Rate*

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital (WACC) model:

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

w_d : Debt ratio of the appraised entity;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

w_e : Equity ratio of the appraised entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of the appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1 - t) \times \frac{D}{E}\right) \quad (10)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t) \times \frac{D_i}{E_i}} \quad (11)$$

β_t : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

Wherein:

K : Expected average risk value of stock market in the future, for which it normally assumes that $K=1$;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The whole valuation was carried out in four stages:

(I) Preparation

1. In early January 2020, the valuation agency entered into the site for the preparation of preliminary work;
2. In early January 2020, the clients convened the intermediary coordination meeting for the project, and all parties concerned reached consensus on the purpose of this valuation, Valuation Benchmark Date and valuation scope through negotiation, and formulated the work plan for this valuation of assets.

(II) On-site Valuation

The on-site valuation conducted by the project team was from early January 2021 to mid-March 2021. The main tasks were as follows:

1. The appraisers cooperated with the enterprise to inspect the assets and complete the statements of asset valuation and declaration. Members of the valuation project team obtained a detailed understanding of the appraised assets, arranged the asset valuation work, assisted the enterprise with declaration of the appraised assets, and collected the necessary documents for the valuation of the assets.
2. Listened to the introduction given by relevant personnel of the clients and the appraised entity on the overall situation of the enterprise, together with the history and current status of the appraised assets, so as to understand the financial system, operating conditions and technical status of fixed assets of the enterprise.
3. Reviewed and identified the statements of assets inspection, valuation and declaration provided by the enterprise, made reconciliation to relevant financial records related to the enterprise and collaborated with the enterprise to make adjustment to the identified problems.
4. Verified the fixed asset by way of random check based on the statements of asset inspection, valuation and declaration, and carried out random stock-taking on the physical inventory assets in the current assets.

5. Reviewed and collected the title certificates of the appraised assets.
6. Determined specific valuation method for each category of appraised assets based on their actual conditions and characteristics.
7. Reviewed technical information, final accounts and completion and acceptance information for major equipment; collected price information on general equipment mainly through market research and inquiries of relevant data; collected relevant information on the management system, maintenance, alteration, expansion of buildings and structures.
8. Verified ownership documents provided by the enterprise.
9. Conducted random correspondence checks on the deposit and loan banks and dealers of the appraised entity, and visited important dealers.
10. Made preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of inspection and verification.
11. According to the profit forecast data declared by the enterprise, inquired the main business, product effect, gross profit, market distribution channels, related party transactions of enterprises in the same industry and field. Through due diligence and interviews with senior management, understood the position and market share of enterprise's products in the industry as well as the cost and expense of enterprise, and analyzed the future development trend of the enterprise.

(III) Valuation Summarization

In late March 2021, we checked the declaration contents provided by the appraised entity, and adjusted, amended and improved such valuation results where necessary.

(IV) Report Submission

An asset valuation report was drafted based on the above processes, and opinions were exchanged with the clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation agency, and then the final asset valuation report was issued.

IX. VALUATION ASSUMPTIONS

The appraisers followed the following assumptions in this valuation:

(I) General Assumptions**1. Transaction Assumption**

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption of the Enterprise

The going concern assumption of the Enterprise is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operation entity, can continue to operate in accordance with the business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain the ability of continuous operation, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously based on their current purpose, method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates of the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfill their responsibilities in the future operating period, and it will continue to operate on the basis of the operation and management model as at the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly on the current basis, and will continue its change trends in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the acquisition and utilisation methods of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.

8. As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment, the grid-connected wind power projects are entitled to enjoy the preferential policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and will no longer enjoy it upon expiry of such six years, namely, Leiyingshan Power Station in Yuanmou was connected to the grid for power generation in January 2012, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in January 2017; namely, Heimajing Power Station in Yuanmou was connected to the grid for power generation in December 2012, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in December 2017; namely, Qingshuihai Power Station in Xundian was connected to the grid for power generation in March 2012, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in March 2017; namely, Haiyangshao Power Station in Xundian was connected to the grid for power generation in June 2015, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in June 2020. According to the Catalogue of Industries Encouraged to Develop in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.
9. Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Value Added Tax Policies for Wind Power Generation (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (Cai Shui [2015] No. 74), “taxpayers who sell their self-produced power products using wind power are entitled to an immediate 50% refund of the VAT from 1 July 2015.”, it is assumed that the wind power projects will continue to enjoy an immediate 50% refund of the VAT in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable for previous years will be fully recovered in 2022, and the recovery period for state subsidies for electricity tariff receivable for 2022 and subsequent years will be two years.
11. In this valuation, the capital expenditure related to the acquisition of certificates of land use rights by the appraised entity has been taken into account, and it was assumed that the land premium estimated by the appraised entity was reasonable.

12. From 2016, in order to lower the price of electricity for general industrial and commercial consumption and promote the marketization of the tariff in Yunnan Province, Energy Administration of Yunnan Province and Yunnan Development and Reform Commission have promulgated the Market-oriented Plan for Electricity Transaction (《電力市場化交易方案》), pursuant to which, it is determined that market-oriented electricity transactions shall be commenced among power generation enterprises, power sales companies, power grid enterprises, power users, power transaction agencies, power dispatching agencies and others and it is agreed that the prices for direct power transactions shall be determined among market entities through independent negotiation and centralized competition and other market-oriented ways and no interference from third parties shall be allowed; the trading price for transfer transaction by contract shall be the original trading price for the transferred electricity by contract. Market-oriented pricing will be adopted, with the ease of the control over pricing by the government, for priority power generation within the province of Yunnan and cross-provinces and cross-regions power generation under framework agreements. In order to ensure orderly competition and market stability, bilaterally-negotiated transactions are not subject to pricing restriction. Considering the relationship between the supply and the demand, minimum and maximum price limits are specified for direct electricity transactions which are conducted by way of centralized competition such as continued listing and independent listing for sale, with the minimum price limit being RMB0.15/kWh and the maximum price limit being RMB0.42/kWh. Grid enterprises are responsible for the confirmation of the actual electricity transacted by market entities during a certain transaction period and provide the trading center with actual electricity transaction amount of power plants and electricity consumers during such trading period (monthly or daily) on a regular basis. Power plants charge electricity fees for actual on-grid electricity production during trading periods, and electricity consumers or electricity selling companies are billed for actual electricity consumption during trading periods. Electricity bills are calculated daily and settled monthly.

As a market player, Guoneng Yunnan New Energy Co. , Ltd.* commenced market-oriented-tariff power transactions in 2017 and price for its electricity product in accordance with the Implementation Plan for Market-oriented Power Transaction in Yunnan (《雲南電力市場化交易實施方案》) each year. As such, from 2017 onwards, Leiyingshan Power Station, Heimajing Power Station, Qingshuihai Power Station and Haiyangshao Power Station no longer implement the benchmark electricity tariff but adopt market-orientation tariff pricing, and the tariff subsidy is RMB0.2842/kWh (tax inclusive). It is assumed that the electricity tariff is all market-oriented during the revenue period in this valuation.

13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflows of the appraised entity represent average inflows and its cash outflows represent average outflows.

When conditions stated above change, valuation results will generally become invalid.

X. CONCLUSION OF VALUATION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality, scientificity and objectivity, we carried out the statutory and necessary procedures for asset valuation. After implementation of the valuation procedures such as checking and verification, field survey, market research and confirmation, assessment and estimation, based on the judgment of the clients and the enterprise management on the future development trend and business planning, and on the premise of the implementation of business collaboration, management collaboration, financial collaboration, milestone events, etc., the total shareholders' equity value of Guoneng Yunnan New Energy Co., Ltd.* was valued by income approach on the benchmark date of 31 December 2020. The conclusions were as follows:

(I) Valuation conclusion of the income method and analysis on the reasons for changes in valuation

1. Valuation conclusion of the income method

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow method (DCF) was used to assess the estimated value of the total shareholders' equity. As of the Valuation Benchmark Date of 31 December 2020, the book value of owners' equities of Guoneng Yunnan New Energy Co., Ltd.* was RMB527,858,700, and the appraisal value was RMB752 million, with an appreciation of RMB224,141,300 or 42.46%.

2. Analysis on the reasons for changes in valuation

The valuation expresses an appreciation of RMB224,141,300 or an appreciation rate of 42.46% in the appraisal value of the total shareholders' equities of Guoneng Yunnan New Energy Co., Ltd.* by using the income method. The changes and reasons were mainly due to the stable operation of the currently operated projects including Leiyingshan Power Station in Yuanmou, Heimajing Power Station in Yuanmou, Qingshuihai Power Station in Xundian and Haiyangshao Power Station in Xundian since grid-connected power generation. At the same time, Leiyingshan Power Station in Yuanmou, Heimajing Power Station in Yuanmou, Qingshuihai Power Station in Xundian and Haiyangshao Power Station in Xundian had entered into the renewable energy subsidy catalogues, the trade receivables were collected in a timely manner and overall profitability of the enterprise was relatively sound than the assets size.

(II) Analysis on the valuation results and the final valuation conclusion**1. Analysis of difference between the valuation results**

In the valuation, the value of all shareholders' equity calculated with the income method was RMB752,000,000, which was RMB397,639,200 or 112.21% higher than that of RMB354,360,800 calculated with the asset-based method. The main reasons for the difference between the results from the two valuation methods are as follows:

- (1) In the asset-based method, the replacement cost of assets is adopted as the value standard, reflecting the socially necessary labour consumed in the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually varies with the national economy;
- (2) In the income method, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets.

Given the above, there is a difference between the results from the two valuation methods.

2. Selection of valuation results

The asset-based method differs from the income method in term of valuation perspectives and paths. In the asset-based method, reacquisition of assets is considered, reflecting the replacement value of existing assets of an enterprise. In the income method, future profitability of the enterprise is considered, reflecting the comprehensive profitability of various assets of the enterprise.

Since the power generation and electricity price of wind power stations can be basically determined, the future revenue can be better predicted. As the cost structure of wind power projects is simple, various indicators can basically be better measured. Operating costs can be estimated more reliably. Although the asset-based method objectively reflects the market value of owners' equity of an enterprise from the perspective of asset construction, we are of the view that when revenues and costs in the income method can be predicted more reasonably and when future uncertainties are small or can be estimated normally, the income method can reflect the value of all shareholders' equity as at the benchmark date in a more objective and reasonable way, compared with the valuation results of the asset-based method.

In conclusion, we were of the view that the valuation results of the income method could better reflect all shareholders' equities of Guoneng Yunnan New Energy Co., Ltd.*, thus the valuation results of the income method were taken as the final conclusion of the valuation. The value of all shareholders' equities of Guoneng Yunnan New Energy Co., Ltd.* arrived thereafter was RMB752,000,000 as at the Valuation Benchmark Date.

3. Changes in the comparison of valuation conclusions and carrying value and reasons

Upon valuation on the total shareholders' equities of Guoneng Yunnan New Energy Co., Ltd.* by using the income method as set out in this valuation report, the valuation results differed from the book values. The changes and reasons were mainly due to the stable operation of the currently operated projects including four wind farms since grid-connected power generation. At the same time, these four wind farms had entered into the renewable energy subsidy catalogues, the trade receivables were collected in a timely manner and overall profitability of the enterprise was relatively sound than the assets size.

4. Consideration of the impact of right of control and liquidity on the value of the appraisal target

Neither had the report taken into account the premium that may incur due to the right of control, nor the impact of the liquidity on the value of the appraisal target.

XI. NOTES ON SPECIAL MATTERS

(I) Defects of property rights

As at the Valuation Benchmark Date, the houses and buildings reported by the appraised entity with defects included the booster station houses in Xundian County, booster station houses in Leiyingshan and the five sets of commercial and residential properties in Huize County (corresponding to items 6–11 of houses and buildings breakdown as set out in the cost approach table, respectively), and 5 parcels of land where the wind turbine stands are situated at Haiyangshao wind farm, which have no relevant property ownership certificates.

Statements of houses and buildings without ownership certificates

No.	Name	Area	Structure	Note
1	Booster stations and other buildings in Xundian County (尋甸縣升壓站各項建築)	2,378	Office buildings, land for booster stations	Having obtained the approval for accessibility to certificate (辦證無障礙證明) issued by the competent authorities
2	Booster stations and other buildings in Yuanmou County (元謀縣升壓站各項建築)	2,218	Office buildings, land for booster stations	Having obtained the approval for accessibility to certificate (辦證無障礙證明) issued by the competent authorities
3	Five sets of properties, Building F, Group A, Longjin Garden, Tongbao Road, Huize County (會澤縣通寶路龍錦花園第A組團第F棟5套房產)	664.85	Office space for the hydropower plant project under planning around the waters of the Niulan River within the boundaries of Huize County (會澤縣境內牛欄江水域水電廠項目)	Having obtained the approval for accessibility to certificate (辦證無障礙證明) issued by the competent authorities
Total		<u>5,260.85</u>		

For the above properties without property ownership certificates, the appraised entity undertook the assets belong to it, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency. For such assets, the enterprise personnel used the area determined by on-site actual measurement as the acceptance and settlement have not yet been made. The enterprise declared areas according to on-site measurement, and the appraiser appraised the areas declared by the enterprise after the random checks and verifications.

Regarding the five parcels of land where the wind turbine stands are situated for which no application for real estate certificates for the wind turbine stands had been made, the appraised entity explained that there were discrepancies between the actual coordinates of the wind turbine stands and that reported for approval, but the procedures were underway. The appraised entity undertook the above assets belong to it. The valuation has not taken into consideration the impact of the above assets not having real estate certificates on the valuation results, and any disputes that may arise from the ownership of these assets have nothing to do with the valuation agency. If the area is inconsistent with the declared area when the enterprise applies for relevant property ownership certificates in the future, the valuation results shall be adjusted according to the area specified in the property ownership certificates.

(II) Pledge and guarantee

(1) *Short-term borrowings*

Upon checking, Guoneng Yunnan New Energy Co., Ltd.* still had short-term borrowings of RMB350.3863 million as of Valuation Benchmark Date, of which RMB300 million was a short-term loan with a term of less than 1 year borrowed from Guodian Finance Co., Ltd. by Guoneng Yunnan New Energy Co., Ltd. with a term of 1 year; of which RMB50 million was short-term borrowings with a term of less than 1 year borrowed from China Construction Bank Corporation Kunming Chengnan Sub-branch by Guoneng Yunnan New Energy Co., Ltd. with a term of 1 year; of which RMB386,300 represented the upward audit adjustment for interest payable.

The short-term borrowings borrowed by Guoneng Yunnan New Energy Co., Ltd. from Guodian Finance Co., Ltd. are borrowings on credit; and the short-term borrowings borrowed by Guoneng Yunnan New Energy Co., Ltd. from China Construction Bank Corporation Kunming Chengnan Sub-branch are borrowings on credit and pledge of charging rights.

The appraisal does not take into consideration the impact of any pledge or mortgage assumed in the financing matters mentioned above, or any additional price that may be paid as a result of the use of special transaction ways on the valuation conclusion.

(2) *Long-term borrowings*

Upon checking, Guoneng Yunnan New Energy Co., Ltd.* still had bank borrowings of RMB286.8175 million as of the Valuation Benchmark Date, of which RMB33.5 million was a long-term loan with a term of more than 1 year borrowed from China Construction Bank Corporation Kunming Chengnan Sub-branch by Guoneng Yunnan New Energy Co., Ltd.* with a term of ten years and a principal of RMB365.0 million. As of the Valuation Benchmark Date, the appraised entity has repaid RMB331.5 million and the remaining amount of the loan on the books is RMB33.5 million; of which RMB53,837,500 was long-term borrowings with a term of more than 1 year borrowed from China Construction Bank Corporation Kunming Chengnan Sub-branch by Guoneng Yunnan New Energy Co., Ltd. with a term of ten years and the remaining amount of the loan on the books is RMB53,837,500; of which RMB30 million was long-term borrowings with a term of more than 1 year borrowed from China Construction Bank Corporation Kunming Chengnan Sub-branch by Guoneng Yunnan New Energy Co., Ltd. with a term of ten years plus one month and the remaining amount of the loan on the books is RMB30 million; of which RMB54.23 million was long-term borrowings with a term of more than 1 year borrowed from China Construction Bank Corporation Kunming Chengnan Sub-branch by Guoneng Yunnan New Energy Co., Ltd. with a term of eleven years and the remaining amount of the loan on the books is RMB54.23 million; of which RMB115.25 million was long-term borrowings with a term of more than 1 year borrowed from Industrial and Commercial Bank of China Limited Kunming Xishi District Sub-branch by Guoneng Yunnan New Energy Co., Ltd.* with a term of fifteen years, and the remaining amount of the loan on the books is RMB115.25 million;

The fixed asset loan contract entered into between Guoneng Yunnan New Energy Co., Ltd.* and China Construction Bank Corporation Kunming Chengnan Sub-branch was guaranteed by means of trade receivables – tariff collection rights; the fixed asset loan contract entered into between Guoneng Yunnan New Energy Co., Ltd.* and Industrial and Commercial Bank of China Limited Kunming Xishi District Sub-branch was guaranteed by means of trade receivables – tariff collection rights.

The appraisal does not take into consideration the impact of any pledge, mortgage or guarantee assumed by the enterprise, or any additional price that may be paid as a result of the use of special transaction ways on the valuation conclusion.

(3) Long-term payables

Guoneng Yunnan New Energy Co., Ltd.* secured RMB110 million from CMB Financial Leasing Co., Ltd. in 2019 with the wind power equipment of Xundian Qingshuihai power plant. As at the Valuation Benchmark Date, the appraised entity had paid the principal amount of RMB32,431,700 under the finance lease contract, with the remaining balance in the amount of RMB77,568,300.

The financing lease contract entered into between Guoneng Yunnan New Energy Co., Ltd.* and CMB Financial Leasing Co., Ltd. was guaranteed by means as follows: provision of pledge guarantee in respect of trade receivables by Guoneng Yunnan New Energy Co., Ltd. for all debts under the financing lease.

The appraisal does not take into consideration the impact of any pledge or mortgage assumed in the financing matters mentioned above, or any additional price that may be paid as a result of the use of special transaction ways on the valuation conclusion.

(4) Non-current liabilities due within one year

Guoneng Yunnan New Energy Co., Ltd.* secured RMB100 million from Moutai (Shanghai) Financial Leasing Co., Ltd. in 2016 with the Yuanmou Heimajing power plant. As at the Valuation Benchmark Date, the appraised entity had paid the principal of RMB67,551,900 under the finance lease contract, with the remaining balance in the amount of RMB32,448,100. The interest payable for long-term borrowings is RMB1,005,200. The appraisal does not take into consideration the impact of any pledge or mortgage assumed in the financing matters mentioned above, or any additional price that may be paid as a result of the use of special transaction ways on the valuation conclusion.

(5) Provision of guarantees

Guoneng Yunnan New Energy Co., Ltd.* provided a guarantee for Guoneng Qiaojia New Energy Co., Ltd.* by way of undertaking joint and several liability. The type of guarantee is loan guarantee with a guarantee amount of RMB154,770,339.30, with the commencement date of the guarantee being 25 May 2016 and the end date of the guarantee being 25 May 2025.

The appraisal does not take into consideration the impact of any pledge, mortgage and guarantee assumed by the enterprise, or any additional price that may be paid as a result of the use of special transaction ways on the valuation conclusion.

(III) Uncertainties including unresolved matters and legal disputes

No outstanding legal disputes were found involved during this valuation.

(IV) Significant subsequent events

No significant events that may affect the valuation conclusion was found during this valuation.

(V) Other matters required to be explained

1. As at the date of the valuation report, the COVID-19 pandemic is still ongoing. While forecasting the profit of this valuation, we could not accurately forecast how long the pandemic will last or the extent of its eventual impact. Thus, the conclusion of this valuation report is achieved based on the assumption that no other force majeure and unforeseeable factors will cause material adverse effects on the Company, the pandemic can be well controlled in the near future, and the national/global economy can quickly resume normal operation.
2. The premium and discount arising from factors such as the right of control and minority interests were not considered in this valuation when it involved the converting of certain equities.
3. The legal liability of the valuer and the valuation agency was to exercise professional judgement and express professional opinions on the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve making any judgement by the valuer and the valuation agency on the economic activities corresponding to such valuation purpose, and nor undertake the responsibility of decision-making by relevant parties. Thus the valuation conclusion shall not be deemed as a guarantee of the realizable price of the appraisal target.
4. The valuation, to a great extent, relies on the related information provided by the clients and the appraised entity. Accordingly, the valuation is on the basis that documents relating to economic activity and assets ownership, certificates, accounting documents and other relevant legal documents provided by the clients and the appraised entity are true and lawful.

5. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and completeness of the information provided.
6. The relevant title documents of ownership rights and related information involved in the valuation report are provided by the appraised entity. The clients and the appraised entity bear legal liability for the authenticity and legality of the information provided.
7. During the valuation process, for inspections of the equipments, properties and land, due to the restraints of the testing methods and the fact that some equipments were in operation, this task was mainly done by exterior observation by the appraisers and results of the latest checks provided by the appraised enterprise as well as the enquiries to the relevant operators.
8. The valuation conclusion is based on the accurate judgement on the macro-economy and industry development trend in the future, and the effective implementation of its business plans by the enterprise. In the event that there are changes in economic environment and obstacles in industry development, the clients and the current management fail to take effective measures in a timely manner to make adjustments to the implementation of the plans, so as to meet the implementation of existing business plans, the profit forecast data may change significantly, resulting in the invalidity of the valuation conclusion. We would like to draw attention of the clients and the users of the report to the above matters.
9. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach used in this valuation report. The valuer has carried out the necessary investigation, analysis and judgement on the profit forecast of the appraised entity. After a number of discussions with the management of the appraised entity and its substantial shareholders and the subsequent further revision and improvement by the appraised entity, the valuation agency adopted the relevant data of the profit forecast provided by the appraised entity. Using the profit forecast of the appraised entity by the valuation agency does not guarantee the future profitability of the appraised entity.

10. If, for an effective period after the Valuation Benchmark Date, there is a change in the quantity of assets or standard of asset price, it should be dealt with in accordance with the following principles:
 - (1) When there is a change in the quantity of assets, the amount of the assets should be adjusted according to the original valuation method;
 - (2) When there is a change in the standard of assets' prices which has a significant impact on the asset valuation results, the clients should promptly engage a qualified assets valuation agency to re-determine the appraisal value;
 - (3) In the event of any change in the quantity of assets or the standard of price after the Valuation Benchmark Date, the clients should give full consideration to the actual value of the assets and make corresponding adjustments.

11. According to the disclosure in the document of the supplementary notice on relevant matters under the Several Opinions on Promoting the Healthy Development of Nonaqueous Renewable Energy Power Generation (Cai Jian [2020] No. 426), "For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No. 5 Document, any power generated in excess of the eligible full life cycle subsidies will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions. For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No. 5 Document, the wind power and PV power generation projects which have connected to the grid for 20 years, and biomass power generation projects which have connected to the grid for 15 years, whether they had reached to the full life cycle subsidies or not, will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions". Among the wind power projects entrusted for valuation, the vast majority of wind farms are entitled to continue to generate electricity within 2 to 10 years of the remaining life period after enjoying the full life cycle subsidies. Such power generation will no longer be subsidized by the central government, but can participate in green certificate transactions after the green certificate was issued according to the policy; the CDM transactions can only be conducted after being considered and approved by the National Development and Reform Commission. In view of the uncertainties of the above administrative approval and the great uncertainties in the market and price of green certificate transactions and CDM transactions after the benchmark date, thus the income brought by green certificate transactions and CDM transactions to wind farms was not considered in this valuation. Attention of relevant users of the report shall be drawn to that.

**ASSET VALUATION REPORT ON THE PROJECT OF
PROPOSED ACQUISITION BY CHINA LONGYUAN POWER
GROUP CORPORATION LIMITED* OF 100% EQUITY
INTEREST IN GUODIAN GANSU NEW ENERGY CO., LTD.*
HELD BY CHN ENERGY GANSU ELECTRIC POWER CO., LTD.
ZHONG LIAN PING BAO ZI [2021] NO. 1471**

To CHN Energy Gansu Electric Power Co., Ltd. and China Longyuan Power Group Corporation Limited*,

As engaged by the Company, China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) has appraised the market value of all shareholders' equity interest in Guodian Gansu New Energy Co., Ltd.* (國電甘肅新能源有限公司) involved in the economic behaviour of the proposed acquisition by China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) of 100% equity interest in Guodian Gansu New Energy Co., Ltd.* held by CHN Energy Gansu Electric Power Co., Ltd. as at 31 December 2020, the Valuation Benchmark Date, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

I. CLIENTS, APPRAISED ENTITY AND OTHER USERS OF VALUATION REPORT

For the purpose of the asset valuation, China Longyuan Power Group Corporation Limited* and CHN Energy Gansu Electric Power Co., Ltd. are the clients, and Guodian Gansu New Energy Co., Ltd.* is the appraised entity.

(I) Overview of One of the Clients

Name: China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”)

Registered address: Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing

Legal representative: Jia Yanbing

Registered capital: RMB8,036,389,000

Economic nature: joint stock limited company (listed, state-controlled)

Date of establishment: 27 January 1993

Term of operation: no fixed term

Unified social credit code: 911100001000127624

1. Corporate profile

Founded in 1993, China Longyuan Power Group Corporation Limited* was originally affiliated to the National Energy Administration and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of Hong Kong. Longyuan Power is a large-scale comprehensive power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2019, the consolidated installed capacity of the Company was 22,157 MW, of which the consolidated installed capacity of wind power was 20,032 MW.

2. Business scope

Business scope: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and achievements transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; wind power generation, energy-saving technology, technology development for other new energy, and project investment management; import and export business; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs; sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, general merchandise, automobile parts, vehicles designated for power systems and leasing office. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(II) Overview of Another Client

Name: CHN Energy Gansu Electric Power Co., Ltd. (“**CHN Energy Gansu**”)

Registered address: Tianqing International Business Building, No. 588 Yannan Road,
Chengguan District, Lanzhou City, Gansu Province

Legal representative: Fu Jianbin (付建斌)

Registered capital: RMB919,150,500

Economic nature: one-person limited liability company

Date of establishment: 6 January 2010

Term of operation up to: 5 January 2040

Unified social credit code: 916200006956397662

Business scope: engagement in development, construction, operation and management of power supplies, heat sources, heating networks, coal and water resources; organization of production and sales of power (heat), power station waste and its comprehensive utilization products; complete sets of power equipment and its auxiliary, engineering construction and supervision, bidding agency, material distribution, equipment maintenance, scientific and technological development and other power-related businesses; engagement in property management and other business; carrying out import and export of goods, overseas project contracting and other business; engagement in power-related communications, information, environmental protection, scientific research, technological development, intermediary services, consultation service and other business. (For projects subject to approval pursuant to the laws, operation shall commence upon receipt of the approval from relevant authorities.)

(III) Overview of the Appraised Entity

Name of enterprise: Guodian Gansu New Energy Co., Ltd.* (“**Gansu New Energy**”)

Domicile of enterprise: Complex Building, Anbei No.4 Wind Farm, Guazhou County,
Jiuquan City, Gansu Province

Legal representative: Pang Xin (龐欣)

Registered capital: RMB252,985,301

Type of company: one-person limited liability company

Date of establishment: 19 February 2014

Term of operation: 19 February 2014 to 18 February 2049

Unified social credit code: 91620922091179121U

1. Historical development

Formerly known as Guodian Jiuquan Wind Power Co., Ltd., Guodian Gansu New Energy Co., Ltd.* was established on 19 February 2014, with a registered capital of RMB15 million and Guodian Gansu Power Co., Ltd. (國電甘肅電力有限公司) as its shareholder; on 18 December 2014, the company was renamed Guodian Gansu New Energy Co., Ltd.*; on 6 May 2019, the registered capital was increased to RMB252,985,000 and the shareholder was changed to CHN Energy Gansu Electric Power Co., Ltd. The registered address is Guazhou County, Jiuquan City, Gansu Province, and the actual office address is No. 143 Jiayuguan East Road, Chengguan District, Lanzhou City, Gansu Province.

2. Corporate profile

For the Anbei No. 4 project, Guodian Gansu New Energy Co., Ltd.* has obtained the registration certificate (Fa Gai Energy [2012] No. 371) (《發改能源[2012]371號》) in September 2012, and it was connected to the grid for power generation in December 2014. Guodian Gansu New Energy Co., Ltd.* has entered into the Power Purchase and Sale Contract with State Grid Gansu Electric Power Company in respect of the Anbei power generation No. 4 project. The company has 134 wind turbines, with a total installed capacity of 201 MW.

Within the scope of the company, there are three levels of management (with CHN Energy as Level 1), three levels of corporation (with CHN Energy as Level 1), one management unit and one corporate enterprise (including the company), and the affiliated enterprises are distributed in Gansu Province (municipalities and autonomous regions). In particular, there is one enterprise, of which the main sector is wind power, falls into the scope of three types of abnormal operations.

3. Business scope

Development, production and operation of wind power generation, solar power generation, distributed energy, hydroelectric generation, thermal power generation and related products.

4. Capital contribution of Shareholder

As of the Valuation Benchmark Date, the paid-in capital of Gansu New Energy Co., Ltd.* is RMB264,234,500. The name of Shareholder, amount of capital contribution and proportion of capital contribution are as follows:

**Name of Shareholder, amount of capital contribution
and proportion of capital contribution**

No.	Name of shareholder	Registers capital (RMB0'000)	Paid-in capital (RMB0'000)	Proportion of capital contribution %
1	CHN Energy Gansu Electric Power Co., Ltd.	25,298.53	26,423.45	100%
Total		<u>25,298.53</u>	<u>26,423.45</u>	<u>100%</u>

Note: the difference between the registered capital and the paid-in capital is due to that the change of industrial and commercial registration was not completed in a timely manner.

5. Principle business

Guodian Gansu New Energy Co., Ltd.* is mainly engaged in wind power generation. Currently, the company mainly operates Anbei Wind Farm No. 4 Area B with a total installed capacity of 201 MW.

6. Financial position, operating status and cash flow status of Gansu New Energy

As disclosed in the audited statements of Gansu New Energy, as at 31 December 2020, the Valuation Benchmark Date, total assets, total liabilities and net assets amounted to RMB1,121,069,300, RMB842,058,600 and RMB279,010,700, respectively; for 2020, it realized operating revenue of RMB137,585,900 and net profit of RMB11,017,000; for 2020, net increase in cash and cash equivalents was RMB892,700 and balance of cash and cash equivalents as at the end of the period was RMB31,370,700. The audited financial position, operating status and cash flow status of the company for the past three years and as at the benchmark date are as follows:

Assets, liabilities and financial position of Gansu New Energy*Unit: RMB0'000*

Item	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Total assets	127,418.32	124,683.64	117,964.53	112,106.93
Liabilities	104,208.71	99,330.32	91,165.17	84,205.86
Total shareholders' equity	23,209.61	25,353.32	26,799.37	27,901.07

Item	2017	2018	2019	2020
Operating revenue	11,499.93	14,539.42	14,433.68	13,758.59
Total profit	-323.67	2,143.10	1,473.16	1,301.03
Net profit	-323.67	2,143.10	1,446.05	1,101.70

Item	2017	2018	2019	2020
Net cash flows generated from operating activities	15761.65	2524.72	8354.22	11526.86
Net cash flows generated from investing activities	-5455.23	42.10	-551.59	-2241.97
Net cash flows generated from financing activities	932.04	-7972.19	-11554.40	-9195.61
Net increase in cash and cash equivalents	11238.46	-5405.37	-3751.77	89.27
Audit opinion	Standard unqualified opinion		Standard unqualified opinion	
Number of audit report	Zhong Huan Shen Zi [2018] No. 020120 (眾環審字 [2018]020120號)		Tian Zhi Ye Zi [2021] No. 26079 (天職業字 [2021]26079號)	
Audit institution	Mazars Certified Public Accountants (Special General Partnership)		Baker Tilly International Certified Public Accountants (Special General Partnership)	

(IV) Relationship between the clients and the appraised entity

China Longyuan Power Group Corporation Limited* and CHN Energy Gansu Electric Power Co., Ltd., the clients, and Guodian Gansu New Energy Co., Ltd., the appraised entity, are all subordinate units of China Energy Investment Corporation Limited, and they are related entities.

(V) The clients and other users of the valuation report under the assets valuation entrustment contract

The users of this valuation report shall be the clients.

Unless otherwise stipulated by the national laws and regulations, any agency or individual without confirmation from the valuation agency and the clients shall not become a user of this valuation report by virtue of the access to this report.

II. PURPOSE OF VALUATION

Pursuant to the Minutes of the General Manager Office Meeting of CHN Energy Gansu Electric Power Co., Ltd. (Issue 2), China Longyuan Power Group Corporation Limited* intends to acquire 100% equity interest in Guodian Gansu New Energy Co., Ltd.* held by CHN Energy Gansu Electric Power Co., Ltd.

The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Guodian Gansu New Energy Co., Ltd.* on the Valuation Benchmark Date, and to provide value reference for China Longyuan Power Group Corporation Limited* in its proposed acquisition of 100% equity interest in Guodian Gansu New Energy Co., Ltd.* held by CHN Energy Gansu Electric Power Co., Ltd.

III. APPRAISAL TARGET AND SCOPE OF VALUATION**(I) Appraisal target and scope of valuation**

The appraisal target is the value of the total equity of the shareholders of Guodian Gansu New Energy Co., Ltd.

The scope of valuation covers all assets and liabilities of Guodian Gansu New Energy Co., Ltd.

(II) The type and carrying amount of the valued assets

As at the Valuation Benchmark Date, Guodian Gansu New Energy Co., Ltd.* had assets with a total carrying amount of RMB1,121,069,300, total liabilities of RMB842,058,600 and net assets of RMB279,010,700, including specifically, current assets of RMB291,666,900, non-current assets of RMB829,402,400; current liabilities of RMB56,816,300, non-current liabilities of RMB785,242,300.

The above asset and liability data are extracted from the balance sheet of Guodian Gansu New Energy Co., Ltd.* as of 31 December 2020. The appraisal target and scope of the valuation are the same as those involved in the economic behaviour. The book value has been audited and a standard unqualified audit report has been issued thereon.

The physical assets as reported by the enterprise subject to valuation include buildings (structures), machines and equipment, which have the following types and features:

1. Buildings (structures)

(1) Buildings

Buildings include the 35 kV equipment room (1), 35 kV equipment room (2), power equipment room for the plant, secondary protective relaying room and accumulator room, complex building, fire pumping room, pump station, dormitory buildings and spare parts warehouse, which are distributed in the office area of Anbei No.4 Wind Farm of Gansu New Energy Co., Ltd., Guazhou County, Jiuquan City.

(2) Structures

Structures are distributed in the office area and wind farm of Anbei No.4 Wind Farm of Gansu New Energy Co., Ltd., Guazhou County, Jiuquan City, which are mainly the booster station yard, approach road, fence and gate of the wind farm area, parking lot, pool, etc.

2. Equipment

(1) Machine and Equipment

Machine and equipment mainly includes wind turbines, blades, towers, transformers and their supporting equipment for wind power generation.

(2) Vehicles

Vehicles are production and office vehicles such as Great Wall CC1031PA25, JMC Ford Transit JX6581T-M4, Haval CC6461KM2K, Volkswagen FV7187BBDBG, Nissan ZN1035U5K5 and Ford JX6491PA6.

(3) *Electronic equipment*

Electronic equipment includes various kinds of office equipment such as computers, air conditioners, data dispatching network equipment, printers, copying machines, etc., which are located in the office areas of the company. There are various specifications of general equipment, and some equipment with the same name have a wide range of prices due to their different specifications.

Under the management of equipment department, the equipment of the company is regularly repaired, well maintained and in a good working condition.

(III) **The intangible assets recorded in or off the book of the enterprise**

1. As of 31 December 2020, the Valuation Benchmark Date, the intangible assets as reported by the enterprise and recorded in the book included the land use rights of 2 parcels of land and other 11 intangible assets in possession of the appraised entity, the details of which are as follows:

(1) *Land use rights*

No.	Certificate No. of land use rights/real estate ownership	Book value (RMB'0,000)	Acquisition method	Nature of land	Area (m ²)	Location	Use of land	Expiry date	Pledged or not
1	Gua Guo Yong (2015) No.1013 (瓜國用 (2015)第1013號)	970.49	Guodian Gansu New Energy Co., Ltd.*	Bidding invitation, auction or listing	Construction land	414,717.00	Area B, Anbei No. 4 Wind Farm	Industry 28 December 2064	No
2	Gua Guo Yong (2015) No.1014 (瓜國用 (2015)第1014號)		Guodian Gansu New Energy Co., Ltd.	Bidding invitation, auction or listing	Construction land	33,275.10	330 Booster Station in Areas A, B and C, Anbei No. 4 Wind Farm, Guazhou County	Industry 11 January 2064	No

The 2 parcels of land included in the scope of this valuation have a total area of 447,992.10 square meters, total book value of RMB9,704,900 and original book value of RMB10,922,400. All land related expenses have been settled or recorded as land payables.

(2) *Intangible Assets – Others*

There are 11 other intangible assets, including software for the financial system, office system, Jiuquan wind farm equipment health management system, archives management, etc. The details are set out as following:

No.	Content or name	Acquisition date	Statuary/ expected lifetime	Type/ category	Original book value	Book value before audit
1	Yuanguang financial information system	1 December 2014	10	Software	256,410.26	100,427.46
2	Yuanguang capital system	1 December 2014	10	Software	42,735.04	16,738.14
3	Human resource system	1 February 2015	10	Software	3,500.00	1,452.44
4	Archives software	21 October 2015	10	Software	117,948.72	56,837.44
5	Collaborative office system software	1 December 2015	10	Software	51,282.05	25,568.81
6	ZWCAD platform design software	11 October 2016	10	Software	1,435.90	836.02
7	Sangfor firewall software V8.0	30 December 2019	5	Software	49,203.54	38,542.77
8	Defect management information system	30 December 2019	10	Software	223,088.49	198,920.57
9	Jiuquan wind farm equipment health management system	31 December 2020	10	Software	1,594,339.63	1,581,053.47
10	High-precision power prediction for wind farms	31 December 2020	10	Software	217,874.26	216,058.64
11	Market electricity trading “speed priority” software	31 December 2020	10	Software	100,000.00	99,166.67

2. Intangible assets off the book

As of 31 December 2020, the Valuation Benchmark Date, there was no intangible asset that are not recorded in the book within the scope of reporting by the enterprise.

(IV) Types and quantities of off-balance-sheet assets as reported by the enterprise

As of 31 December 2020, the Valuation Benchmark Date, there was no off-balance-sheet asset within the scope of reporting by the appraised entity.

(V) The conclusion drawn from the reports issued by other entities in relation to the type, quantities and carrying amount of assets

The carrying amounts of the assets and liabilities as at the benchmark date as set out in the valuation report are the audited results stated in the Special Audit Report and Financial Statements in relation to the Appraised Entity issued by Baker Tilly China Certified Public Accountants LLP (Tian Zhi Ye Zi [2021] No. 26079) (covering the period 2018-2020) on 15 April 2021. Save for this, no reports from other agencies have been cited.

IV. TYPE OF VALUE AND ITS DEFINITION

For the purpose of the valuation, the type of value of the valuation subject is determined to be the market value.

The market value is defined as the estimated price of the appraisal target in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

V. VALUATION BENCHMARK DATE

The benchmark date of the asset valuation under this project is 31 December 2020.

The benchmark date is determined by the clients upon taking account of the assets scale, workload, expected time required, compliance and other factors of the appraised entity.

VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly include basis of economic behaviour, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination and other references used in the valuation and estimation, details of which are as follows:

(I) Basis of economic behaviour

1. Minutes of the General Manager Office Meeting of CHN Energy Gansu Electric Power Co., Ltd. (Issue 2).

(II) Basis of laws and regulations

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (published at the 21st meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Administrative Measures for the Material Asset Reorganisation of Listed Companies (CSRC Decree No. 109 and amended by CSRC Decree No. 127) (《上市公司重大資產重組管理辦法》(證監會令 第109號, 證監會令 第127號修改));
5. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (amendments passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
6. Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (first amendment to the Decision of the State Council on Revision to Certain Administrative Regulations, promulgated by Decree No. 714 of the State Council of the People's Republic of China on 23 April 2019);

7. Provisional Regulations of Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (State Council Decree No. 691) (國務院令第691號);
8. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Ministry of Finance and State Administration of Taxation Decree No. 50) (《中華人民共和國增值稅暫行條例實施細則》(財政部、國家稅務總局令第50號));
9. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
10. General Rules of Loans (《貸款通則》) (the People's Bank of China);
11. Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法) (passed at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
12. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
13. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Supervision and Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式加強資產評估監督管理工作的意見》(國辦發[2001]102號));
14. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
15. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));
16. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council) (《國有資產評估管理辦法》(國務院令第91號));

17. Implementation of the Administrative Measures for State-owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36) (《國有資產評估管理辦法實行細則》(國資辦發[1992]36號));
18. Interim Regulations for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, Revision of Decree No. 588 of the State Council) (《企業國有資產監督管理暫行條例》(國務院令第378號，國務院令第588號修訂));
19. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》(國資委令32號));
20. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC of the State Council) (《企業國有資產評估管理暫行辦法》(國務院國資委令第12號));
21. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
22. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
23. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (《資產評估行業財政監督管理辦法》(中華人民共和國財政部令第86號));
24. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協議轉讓有關事項的通知》(國資發產權[2010]11號));
25. Other laws, regulations and rules related to the valuation.

(III) Basis of valuation standards

1. Standards for Asset Valuation – Basic Standards (Cai Qi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
10. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
12. Practicing Standards for Asset Valuation – Valuation Methodology (Zhong Ping Xie [2019] No. 35);
13. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

14. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);
15. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
16. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);
17. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
18. Guiding Opinions No. 6 for Asset Valuation Expert – Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Zhong Ping Xie [2015] No. 67);
19. Guiding Opinions No. 8 for Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39);
20. Guiding Opinions No. 10 for Asset Valuation Expert – Reasonable Performance of Asset Valuation Procedures amid the COVID-19 Pandemic (Zhong Ping Xie [2020] No. 6);
21. Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

(IV) Basis of asset ownership

1. Motor Vehicle Driving Permit;
2. Property Ownership Certificate, State-owned Land Use Certificate, Real Estate Title Certificate and related affirmation of property rights;
3. Patent certificates and related affirmation of property rights;
4. Contracts or certificates for purchase of significant assets;
5. Other references.

(V) Basis of price determination

1. Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value Added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36);
2. Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019);
3. 2020 Price Information Inquiry System for Mechanical and Electrical Products (Institute of Machinery Industry Information) (《2020機電產品價格信息查詢系統》(機械工業信息研究院));
4. Standards for the Appraisal of Real Estate (GB/T50291-2015);
5. Regulations for Grading and Classification of Urban Land (GB/T18507-2014);
6. Loan prime rate (LPR) announcement authorized to be published by the National Interbank Funding Centre on 21 December 2020;
7. ZOL (中關村在線);
8. PConline (太平洋電腦網);
9. Autohome (汽車之家網);
10. Landvalue (中國地價監測網);
11. Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (Energy Industry Standard of the People's Republic of China NB/T31011-2019);
12. Estimated Quota of Onshore Wind Farm Projects (Energy Industry Standard of the People's Republic of China NBT 31010-2019);
13. Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426);

14. Catalogue of Industries Encouraged to Develop in the Western Region (2020 Edition) (Decree No. 40 of the National Development and Reform Commission of the People's Republic of China);
15. Other references.

(VI) Other references

1. Enterprise Accounting Standards – Basic Standards (Order No. 33 of the Ministry of Finance);
2. Enterprise Accounting Standards – Application Guide (Cai Kuai [2006] No. 18);
3. 38 specific standards including Enterprise Accounting Standards No. 1 – Inventories (Cai Kuai [2006] No. 3);
4. Asset Valuation Common Data and Parameter Manual (Machinery Industry Press, 2011 edition);
5. 2020 Report on the Evaluation of the Performance of Listed Companies in China;
6. Wind Information Financial Terminal;
7. Investment Valuation (written by [US] Damodaran, translated by [Canada] Lin Qian, Tsinghua University Press);
8. Valuation: Measuring and Managing the Value of Companies (Fourth Edition) (written by [US] Tim • Koller, et al., translated by Wei Ping and Zhu Xiaolong, Electronic Industry Press);
9. Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition);
10. Other references.

VII. VALUATION METHODS**Introduction of the Income Approach****1. Overview**

According to the relevant regulations of state administration authorities of the PRC, the Practice Standards for Asset Appraisal – Enterprise Value as well as international and domestic appraisal practices for similar transactions, the valuer decided to estimate the equity capital value of the appraised entity by using the discounted cash flow (DCF) method based on the income approach.

The DCF method is a method to appraise the asset value by discounting the expected future net cash flows of the enterprise to a present value. The basic principle of this method aims to obtain the appraisal value by estimating the expected future net cash flows of the assets and converting them into a present value by applying an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundation and conditions for continuous operation, the correlation between operation and income is relatively stable, and the future income and risks are predictable and quantifiable. The greatest difficulty in using the DCF method lies in the forecast of expected future cash flows (EFCFs) as well as the objectivity and reliability of data collection and processing. When the forecast of EFCFs is relatively objective and fair, and the discount rate is relatively reasonable, the valuation results will be adequately objective.

2. Basic Valuation Considerations

According to the due diligence findings, the asset composition and characteristics of principal business of the appraised entity, the equity capital value was estimated based on the separate accounting statements of the appraised entity in this valuation. The basic considerations of the valuation are as follows:

- (1) For assets and principal business included in the statements, the expected income (net cash flows) is estimated according to the changing trends of historical operating conditions in recent years and business types respectively, and is discounted to obtain the value of operating assets;

- (2) Current assets (liabilities), such as surplus capital, other receivables, accounts payable, interest payable, dividend payable and other payables existing as at the benchmark date, which are included in the scope of the statements but not taken into account in the estimations of expected income (net cash flows), and non-current assets (liabilities), such as idle equipment, real estates and construction in progress without booking income, are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their values are measured separately;
- (3) The enterprise value of the appraised entity is obtained by summing up the values of the aforesaid assets and liabilities, and the total shareholders' equity value of the appraised entity is obtained after deducting the value of interest-paying debts.

3. Valuation Model

(1) *Basic Model*

The basic model for this valuation is:

$$E = B - D \tag{1}$$

Wherein:

E: Total shareholders' equity value of the appraised entity;

B: Enterprise value of the appraised entity;

$$B = P + I + C \tag{2}$$

P: Value of operating assets of the appraised entity;

$$P = \sum_{i=1}^n [R_i \times (1 + r)^{-i}] + p_n \times (1 + r)^{-n} \tag{3}$$

Wherein:

R_i : Expected income of the appraised entity in Year i in the future (free cash flows);

P_n : Consideration of the recoverable value of related assets including working capital, fixed assets and intangible assets at the end of the operating period;

r : Discount rate;

n : Future operating period of the appraised entity;

C : Value of surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

$$C = C_1 + C_2 \quad (4)$$

C_1 : Value of current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

C_2 : Value of non-current surplus or non-operating assets (liabilities) of the appraised entity existing as at the appraisal date;

D : Value of interest-bearing debts of the appraised entity;

I : Long-term equity investment value of the appraised entity;

(2) *Income Indicator*

In this valuation, the free cash flows of the appraised entity are used as the income indicator of its operating assets, which is basically defined as:

$$R = \text{Net profit} + \text{Depreciation and amortization} + \text{Interest on interest-bearing debts after tax} - \text{Additional capital} \quad (5)$$

The free cash flows in the future operating period are estimated based on the operational history of the appraised entity and the future market development and others. The free cash flows in the future operating period are discounted and summed up to calculate the value of operating assets of the enterprise.

(3) *Discount Rate*

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital (WACC) model:

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

w_d : Debt ratio of the appraised entity;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

w_e : Equity ratio of the appraised entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of the appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1 - t) \times \frac{D}{E}\right) \quad (10)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t) \times \frac{D_i}{E_i}} \quad (11)$$

β_t : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

Wherein:

K: Expected average risk value of stock market in the future, for which it normally assumes that K=1;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The whole valuation was carried out in four stages:

(I) Preparation

1. In early January 2021, the valuation agency entered into the site for the preparation of preliminary work;
2. In early January 2021, the clients convened the intermediary coordination meeting for the project, and all parties concerned reached consensus on the purpose of this valuation, Valuation Benchmark Date and valuation scope through negotiation, and formulated the work plan for this valuation of assets.

(II) On-site Valuation

The on-site valuation conducted by the project team was from early January 2021 to mid-March 2021. The main tasks were as follows:

1. The appraisers cooperated with the enterprise to inspect the assets and complete the statements of asset valuation and declaration. Members of the valuation project team obtained a detailed understanding of the appraised assets, arranged the asset valuation work, assisted the enterprise with declaration of the appraised assets, and collected the necessary documents for the valuation of the assets.
2. Listened to the introduction given by relevant personnel of the clients and the appraised entity on the overall situation of the enterprise, together with the history and current status of the appraised assets, so as to understand the financial system, operating conditions and technical status of fixed assets of the enterprise.
3. Reviewed and identified the statements of assets inspection, valuation and declaration provided by the enterprise, made reconciliation to relevant financial records related to the enterprise and collaborated with the enterprise to make adjustment to the identified problems.
4. Verified the fixed asset by way of random check based on the statements of asset inspection, valuation and declaration, and carried out random stock-taking on the physical inventory assets in the current assets.
5. Reviewed and collected the title certificates of the appraised assets.
6. Determined specific valuation method for each category of appraised assets based on their actual conditions and characteristics.
7. Reviewed technical information, final accounts and completion and acceptance information for major equipment; collected price information on general equipment mainly through market research and inquiries of relevant data; collected relevant information on the management system, maintenance, alteration, expansion of buildings and structures.
8. Verified ownership documents provided by the enterprise.
9. Conducted random correspondence checks on the deposit and loan banks and dealers of the appraised entity, and visited important dealers.

10. Made preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of inspection and verification.
11. According to the profit forecast data declared by the enterprise, inquired the main business, product effect, gross profit, market distribution channels, related party transactions of enterprises in the same industry and field. Through due diligence and interviews with senior management, understood the position and market share of enterprise's products in the industry as well as the cost and expense of enterprise, and analyzed the future development trend of the enterprise.

(III) Valuation Summarization

In late March 2021, we checked the declaration contents provided by the appraised entity, and adjusted, amended and improved such valuation results where necessary.

(IV) Report Submission

An asset valuation report was drafted based on the above processes, and opinions were exchanged with the clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation agency, and then the final asset valuation report was issued.

IX. VALUATION ASSUMPTIONS

The appraisers followed the following assumptions in this valuation:

(I) General Assumptions**1. Transaction Assumption**

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. *Open Market Assumption*

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. *Going Concern Assumption*

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operation entity, can continue to operate in accordance with the business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain the ability of continuous operation, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously based on their current purpose, method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates of the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfill their responsibilities in the future operating period, and it will continue to operate on the basis of the operation and management model as at the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.

5. The expenses of the appraised entity in the future operating period will not change significantly on the current basis, and will continue its change trends in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the acquisition and utilisation methods of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment, the grid-connected wind power projects are entitled to enjoy the preferential policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years, namely, Anbei Power Station in Guazhou turned to commercial operation in February 2015, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in December 2020. According to the Catalogue of Industries Encouraged to Develop in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.
9. Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Value Added Tax Policies for Wind Power Generation (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (Cai Shui [2015] No. 74), “taxpayers who sell their self-produced power products using wind power are entitled to an immediate 50% refund of the VAT from 1 July 2015.”, it is assumed that the wind power projects will continue to enjoy an immediate 50% refund of the VAT in this valuation.

10. It is assumed that the state subsidies on electricity tariff receivable in previous years will be fully recovered by 2022, and the recovery of the state subsidies after 2022 will be deferred for two years.
11. According to the power purchase and sale contract of wind farms signed between State Grid Gansu Electric Power Company and Guodian Gansu New Energy Co., Ltd.* on 20 July 2016, in relation to the wind power generation project with an installed capacity of 200 MW, it is agreed in the contract that the on-grid tariff of wind power is RMB540/(MW•h) (tax inclusive), subject to the approval by the competent government price authorities or in accordance with the regulations of the competent government price authorities. In particular, the settlement price, which is the benchmark tariff subsidies of electricity generated by local coal-fired power generating units approved or confirmed by the competent government price authorities, is RMB297.8/(MW•h) (tax inclusive). The renewable energy subsidy is RMB242.2/(MW•h) (tax inclusive). The term of the contract is from 21 July 2016 to 31 December 2021, and it is assumed that the contract will be renewed upon expiry in this valuation.
12. According to the notice issued by the National Development and Reform Commission and the National Energy Administration on 30 October 2018 to publish the Action Plan on Clean Energy Consumption (2018–2020) (《清潔能源消納行動計劃(2018–2020)》), the specific objectives included: to ensure that the national average wind power utilization rate reaches international advanced level (striving to attain a level of around 95%) and keep the curtailment rate of wind power at a reasonable level (striving to stabilize it at around 5%) by 2020, and to ensure the utilization hours of each wind power station reach feasible utilization hours by 2026, taking into account various factors such as the utilization hours for each year during the reporting period and the trend of market demand, based on the communication with the production and operation department of the appraised entity and its historical power generation, assuming there exists wind power curtailment and constraints and the curtailment rate for each wind power station will drop year by year in future years as compared to that in 2020.
13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflows of the appraised entity represent average inflows and its cash outflows represent average outflows.

When conditions stated above change, valuation results will generally become invalid.

X. CONCLUSION OF VALUATION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality, science and objectivity, we carried out the statutory and necessary procedures for asset valuation. After implementation of the valuation procedures such as checking and verification, field survey, market research and confirmation, assessment and estimation, based on the judgment of the clients and the enterprise management on the future development trend and business planning, and on the premise of the implementation of business collaboration, management collaboration, financial collaboration, milestone events, etc., the total shareholders' equity value of Guodian Gansu New Energy Co., Ltd.* was valued by the income approach on the benchmark date of 31 December 2020. The conclusions were as follows:

(I) Valuation conclusion of the income method and analysis on the reasons for changes in valuation**1. Valuation conclusion of the income method**

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow method (DCF) was used to assess the value of the total shareholders' equity. As of the Valuation Benchmark Date of 31 December 2020, the book value of owners' equities of Guodian Gansu New Energy Co., Ltd.* was RMB279,010,700, and the appraisal value was RMB442,000,000, with an appreciation of RMB162,989,300 or 58.42%.

2. Analysis on the reasons for changes in valuation

The valuation expresses an appreciation of RMB162,989,300 or an appreciation rate of 58.42% in the appraisal value of the total shareholders' equities of Guodian Gansu New Energy Co., Ltd.* by using the income method. The changes and reasons were mainly due to the stable operation of the currently operated projects including the power station in Area B, Anbei, Guazhou since grid-connected power generation. At the same time, the power station in Area B, Anbei, Guazhou had entered into the renewable energy subsidy catalogues, the trade receivables were collected in a timely manner and overall profitability of the enterprise was relatively sound than the assets size.

(II) Analysis on the valuation results and the final valuation conclusion**1. Analysis of difference between the valuation results**

In the valuation, the value of all shareholders' equity calculated with the income method was RMB442,000,000, which was RMB223,243,700 or 102.05% higher than that of RMB218,756,300 calculated with the asset-based method. The main reasons for the difference between the results from the two valuation methods are as follows:

- (1) In the asset-based method, the replacement cost of assets is adopted as the value standard, reflecting the socially necessary labour consumed in the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually varies with the national economy;
- (2) In the income method, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets.

Given the above, there is a difference between the results from the two valuation methods.

2. Selection of valuation results

The asset-based method differs from the income method in term of valuation perspectives and paths. In the asset-based method, reacquisition of assets is considered, reflecting the replacement value of existing assets of an enterprise. In the income method, future profitability of the enterprise is considered, reflecting the comprehensive profitability of various assets of the enterprise.

With the development of the domestic wind power equipment manufacturing industry and the competition in international wind power equipment in recent years, investment cost of wind power per watt has been decreasing year by year. By 2021 after the Valuation Benchmark Date, the investment cost of wind power has dropped to a level that grid parity can be realized without national subsidies. At the same time, with the year-by-year decline in national subsidies for new energy, there exist significant differences in subsidies for wind power projects in different periods. The asset-based method reflects the change in the investment cost as at the benchmark date from the perspective of replacement of wind power generation enterprises, but fails to reflect the impact of government subsidies on the value of the enterprises. Therefore, the asset-based approach cannot reasonably reflect the market value of such wind power generation enterprises.

Since the power generation and electricity price of wind power stations can be basically determined, the future revenue can be better predicted. As the cost structure of wind power projects is simple, various indicators can basically be better measured. Operating costs can be estimated more reliably. We are of the view that when revenues and costs in the income method can be predicted more reasonably and when future uncertainties are small or can be estimated normally, the income method can reflect the value of all shareholders' equity as at the benchmark date in a more objective and reasonable way, compared with the valuation results of the asset-based method.

In conclusion, we were of the view that the valuation results of the income method could better reflect all shareholders' equities of Guodian Gansu New Energy Co., Ltd.*, thus the valuation results of the income method were taken as the final conclusion of the valuation. The value of all shareholders' equities of Guodian Gansu New Energy Co., Ltd.* arrived thereafter was RMB442,000,000 as at the Valuation Benchmark Date.

XI. NOTES ON SPECIAL MATTERS

(I) Defects of property rights

Houses and buildings

As at the Valuation Benchmark Date, there were a total of one house with defects of property rights in the houses and buildings reported by the appraised entity, which have no relevant property ownership certificates.

Schedule of Major Production Buildings without Property Ownership Certificates

No.	Location	Use	Area (m ²)
1	Guazhou County, Jiuquan, Gansu Province	Warehouse for parts and components	510.00

For the above property without property ownership certificate, the appraised entity undertook the assets belong to it, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency. For such assets, the enterprise personnel used the area determined by on-site actual measurement as the acceptance and settlement have not yet been made. The enterprise declared areas according to on-site measurement, and the appraiser appraised the areas declared by the enterprise after the random checks and verifications. If the area is inconsistent with the declared area when the enterprise applies for relevant property ownership certificate in the future, the valuation results shall be adjusted according to the area specified in the property ownership certificate.

(II) Pledge and guarantee***Long-term borrowings***

After checking, as at the Valuation Benchmark Date, Guodian Gansu New Energy Co., Ltd. still had bank borrowings of RMB815.8922 million, in which, RMB202 million was borrowed from Industrial and Commercial Bank of China, Guazhou Sub-branch; RMB137.2 million was borrowed from Bank of China Limited, Lanzhou High-tech Sub-branch; RMB163.5422 million was borrowed from China Construction Bank Corporation, Jiuquan Branch; and RMB313.15 million was borrowed from China Development Bank Co., Ltd., Gansu Province Branch.

In particular, in light of the Renminbi fund borrowing agreement or other legal documents signed between Guodian Gansu New Energy Co., Ltd.* and China Construction Bank Corporation, Jiuquan Branch from 9 September 2015 to 9 July 2026 in respect to the consecutive credit services, i.e. granting of RMB/foreign currency loans and acceptance of commercial bills, Guodian Gansu New Energy Co., Ltd.* provided a maximum pledge guarantee for the above borrowings from China Construction Bank Corporation, Jiuquan Branch with trade receivables (the tariff collection rights). In order to guarantee the performance of such borrowings from China Development Bank Co., Ltd., Gansu Province Branch, Guodian Gansu New Energy Co., Ltd.* provided a pledge guarantee with the fixed assets from Anbei No. 4 Wind Farm Area B 200 MW Project which is in its possession and available for pledge according to laws upon the completion of construction in proportion to the loan. The pledges, mortgages and guarantees undertaken by the enterprise as well as the impact of the possible additional price due to the special transaction method on the valuation conclusion were not taken into consideration in the valuation.

(III) Uncertainties including unresolved matters and legal disputes

There are no unresolved legal disputes in this valuation.

(IV) Significant subsequent events

There are no significant events that will affect the valuation results in this valuation.

(V) Other matters required to be explained

1. As at the date of the valuation report, the COVID-19 pandemic is still ongoing. While forecasting the profit of this valuation, we could not accurately forecast how long the pandemic will last or the extent of its eventual impact. Thus, the conclusion of this valuation report is achieved based on the assumption that no other force majeure and unforeseeable factors will cause material adverse effects on the Company, the pandemic can be well controlled in the near future, and the national/global economy can quickly resume normal operation.
2. The premium and discount arising from factors such as the right of control and minority interests were not considered in this valuation when it involved the converting of certain equities.
3. The legal liability of the valuer and the valuation agency was to exercise professional judgement and express professional opinions on the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve making any judgement by the valuer and the valuation agency on the economic activities corresponding to such valuation purpose, nor would they undertake the responsibility for decision-making as relevant parties. Thus the valuation conclusion shall not be deemed as a guarantee of the realizable price of the appraisal target.
4. The valuation, to a great extent, relies on the related information provided by the clients and the appraised entity. Accordingly, the valuation is on the basis that documents relating to economic activity and assets ownership, certificates, accounting documents and other relevant legal documents provided by the clients and the appraised entity are true and lawful.
5. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and completeness of the information provided.
6. The relevant title documents of ownership rights and related information involved in the valuation report are provided by the appraised entity. The clients and the appraised entity bear legal liability for the authenticity and legality of the information provided.

7. During the valuation process, for inspections of the equipments, properties and land, due to the restraints of the testing methods and the fact that some equipments were in operation, this task was mainly done by exterior observation by the appraisers and results of the latest checks provided by the appraised enterprise as well as the enquiries to the relevant operators.
8. The valuation conclusion is based on the accurate judgement on the macro-economy and industry development trend in the future, and the effective implementation of its business plans by the enterprise. In the event that there are changes in economic environment and obstacles in industry development, the clients and the current management fail to take effective measures in a timely manner to make adjustments to the implementation of the plans, so as to meet the implementation of existing business plans, the profit forecast data may change significantly, resulting in the invalidity of the valuation conclusion. We would like to draw attention of the clients and the users of the report to the above matters.
9. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach used in this valuation report. The valuer has carried out the necessary investigation, analysis and judgement on the profit forecast of the appraised entity. After a number of discussions with the management of the appraised entity and its substantial shareholders and the subsequent further revision and improvement by the appraised entity, the valuation agency adopted the relevant data of the profit forecast provided by the appraised entity. Using the profit forecast of the appraised entity by the valuation agency does not guarantee the future profitability of the appraised entity.
10. If, for an effective period after the Valuation Benchmark Date, there is a change in the quantity of assets or standard of valuation, it should be dealt with in accordance with the following principles:
 - (1) When there is a change in the quantity of assets, the amount of the assets should be adjusted according to the original valuation method;
 - (2) When there is a change in the standard of assets' prices which has a significant impact on the asset valuation results, the clients should promptly engage a qualified assets valuation agency to re-determine the appraisal value;
 - (3) In the event of any change in the quantity of assets or the standard of price after the Valuation Benchmark Date, the clients should give full consideration to the actual value of the assets and make corresponding adjustments.

11. According to the disclosure in the document of the supplementary notice on relevant matters under the Several Opinions on Promoting the Healthy Development of Nonaqueous Renewable Energy Power Generation (Cai Jian [2020] No. 426), “For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, any power generated in excess of the eligible full life cycle subsidies will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions. For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No. 5 Document, the wind power and PV power generation projects which have connected to the grid for 20 years, and biomass power generation projects which have connected to the grid for 15 years, whether they had reached to the full life cycle subsidies or not, will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions”. Among the wind power projects entrusted for valuation, the vast majority of wind farms are entitled to continue to generate electricity within 2 to10 years of the remaining life period after enjoying the full life cycle subsidies. Such power generation will no longer be subsidized by the central government, but can participate in green certificate transactions after the green certificate was issued according to the policy; the CDM transactions can only be conducted after being considered and approved by the National Development and Reform Commission. In view of the uncertainties of the above administrative approval and the great uncertainties in the market and price of green certificate transactions and CDM transactions after the benchmark date, thus the income brought by green certificate transactions and CDM transactions to wind farms was not considered in this valuation. Attention of relevant users of the report shall be drawn to that.

**ASSET VALUATION REPORT ON THE PROJECT OF
PROPOSED ACQUISITION BY CHINA LONGYUAN POWER
GROUP CORPORATION LIMITED* OF 100% EQUITY
INTEREST IN GUODIAN SHANXI JIENENG CO., LTD.*
HELD BY CHN ENERGY NORTH CHINA ELECTRIC POWER CO., LTD.
ZHONG LIAN PING BAO ZI [2021] NO. 1475**

To CHN Energy North China Electric Power Co., Ltd. and China Longyuan Power Group Corporation Limited*,

As engaged by the Company, China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) has appraised the market value of all shareholders' equity interest in Guodian Shanxi Jieneng Co., Ltd.* (國電山西潔能有限公司) involved in the economic behaviour of the proposed acquisition by China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) of 100% equity interest in Guodian Shanxi Jieneng Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd. as at 31 December 2020, the Valuation Benchmark Date, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with the requirements of the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

I. CLIENTS, APPRAISED ENTITY AND OTHER USERS OF VALUATION REPORT

For the purpose of the asset valuation, China Longyuan Power Group Corporation Limited* and CHN Energy North China Electric Power Co., Ltd. are clients, and Guodian Shanxi Jieneng Co., Ltd.* is the appraised entity.

(I) Overview of One of the Clients

Name: China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”)
Registered address: Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing
Legal representative: Jia Yanbing
Registered capital: RMB8,036,389,000
Economic nature: joint stock limited company (listed, state-controlled)
Date of establishment: 27 January 1993
Term of operation: no fixed term
Unified social credit code: 911100001000127624

1. Corporate profile

Founded in 1993, China Longyuan Power Group Corporation Limited* was originally affiliated to the National Energy Administration and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of Hong Kong. Longyuan Power is a large-scale comprehensive power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2019, the consolidated installed capacity of the Company was 22,157 MW, of which the consolidated installed capacity of wind power was 20,032 MW.

2. Business scope

Business scope: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and achievements transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; wind power generation, energy-saving technology, technology development for other new energy, and project investment management; import and export business; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs; sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, general merchandise, automobile parts, vehicles designated for power systems and leasing office. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(II) Overview of Another Client

Name: CHN Energy North China Electric Power Co., Ltd. (“**CHN Energy North China**”)
Registered address: Building 16, Zone 12, No. 188 West Road, South Fourth Ring Road,
Fengtai District, Beijing
Legal representative: Zhang Shujun (張書軍)
Registered capital: RMB6,732,558,180.27
Economic nature: limited liability company (wholly owned by a legal person)
Date of establishment: 13 December 2007
Term of operation: 13 December 2007 to 12 December 2037
Unified social credit code: 91110000710935193T

Business scope: power (heat) supplies; investment, development, construction, operation and management of power source, heat source, and water source; whole set, auxiliary facilities, project construction and supervision of power equipment; equipment examination and maintenance; bidding agency; real estate development; property management; investment management; imports and exports; information and environmental protection in relation to power and power scientific research; technology development; economic information consultancy. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(III) Overview of the Appraised Entity

Name of enterprise: Guodian Shanxi Jieneng Co., Ltd.* (“**Shanxi Jieneng**”)
Domicile of enterprise: 1#–6#, 19/F, Block A, Building 1, No. 10 Nanyitiao, Jinyang Street,
Shanxi Demonstration Area (山西示範區晉陽街南一條10號1幢A座
19層1#–6#)
Legal representative: Qin Bin (秦斌)
Registered capital: RMB100,000,000
Type of company: limited liability company (wholly owned by a legal person that is invested
in or controlled by a non-natural person)
Date of establishment: 6 July 2009
Expiry of operation: 6 July 2009 to 5 July 2044
Unified social credit code: 91140000689895771P

1. Historical development

Guodian Shanxi Jieneng Co., Ltd.* was founded on 6 July 2009, with a registered capital of RMB100 million and a paid-in capital of RMB283 million, the investor of which is CHN Energy North China Electric Power Co., Ltd.

2. Corporate profile

Guodian Shanxi Jieneng Co., Ltd.* is a new energy enterprise owned by North China Company in Shanxi for wind power development and operation. The company is comprised of Guodian Shanxi Jieneng Co., Ltd.* (“**Shanxi Jieneng**”) and Guodian Jieneng Jinke (Shanxi) Co., Ltd.* (國電潔能金科(山西)有限公司) (“**Jieneng Jinke**”) and implements a management model of “one team with two brands (一套人馬、兩塊牌子)”. The company has established seven administration departments and three wind farms with an operation scale of 198,000 kW, and recorded a total assets of RMB12.97 million by the end of 2020.

Shanxi Jieneng, incorporated on 6 July 2009, is a wholly-owned subsidiary of North China Company. The company invested in and constructed Youyu Wind Farm and Pinglu Wind Farm Phase II Project. Youyu Wind Farm was constructed in three phases. With an installed capacity of 49,500 kW, the Phase I project adopted the GE1.5sle machine models (33 units) under the brand of General Electric in U.S. and was put into production in September 2010; with an installed capacity of 49,500 kW, the Phase II project adopted the UP82-1500 machine models (33 units) under the brand of United Power and was put into production in March 2011, and in November of the same year, the equity interests of Phases I and Phase II were transferred to Longyuan Group Corporation; with an installed capacity of 49,500 kW, the Phase III project adopted the UP82-1500 machine models (33 units) under the brand of United Power and was put into production in June 2011. This project has been entrusted to Shanxi Longyuan Company for operation and management since January 2014. With an installed capacity of 49,500 kW, the Pinglu Wind Farm Phase II Project adopted the UP86-1500 machine models (33 units) under the brand of United Power and was put into production in December 2015.

3. Business scope

Power business: construction, operation, maintenance and management of wind farms and clean energy power plants; electricity supply; sales of electricity; research and development of clean energy power generation technologies. (For projects subject to approval pursuant to the laws, operating activities shall commence upon receipt of the approval from relevant authorities.)

4. Capital contribution of Shareholder

As of the Valuation Benchmark Date, the paid-in capital of Shanxi Jieneng is RMB283,000,000. The name of Shareholder, amount of capital contribution and proportion of capital contribution are as follows:

**Name of Shareholder, amount of capital contribution
and proportion of capital contribution**

No.	Name of shareholder	Registers capital (RMB0'000)	Paid-in capital (RMB0'000)	Proportion of capital contribution %
1	CHN Energy North China Electric Power Co., Ltd.	10,000.00	28,300.00	100%
Total		<u>10,000.00</u>	<u>28,300.00</u>	<u>100%</u>

Note: the difference between the registered capital and the paid-in capital is due to that the change of industrial and commercial registration was not completed in a timely manner.

5. Principle business

Guodian Shanxi Jieneng Co., Ltd.* is mainly engaged in wind power generation. The company currently operates wind power station projects with a total installed capacity of 99 MW, among which, the Youyu Phase III power station has an installed capacity of 49.5 MW and the Pinglu Beishan Phase II power station has an installed capacity of 49.5 MW.

6. Financial position, operating status and cash flow status of Shanxi Jieneng

As disclosed in the audited statements of Shanxi Jieneng, as at 31 December 2020, the Valuation Benchmark Date, total assets, total liabilities and net assets amounted to RMB1,296,892,400, RMB721,797,200 and RMB575,095,200, respectively; for 2020, it realized operating revenue of RMB100,111,000 and net profit of RMB4,760,200; for 2020, net increase in cash and cash equivalents was RMB-5,512,100 and balance of cash and cash equivalents as at the end of the period was RMB2,316,900. The audited financial position, operating status and cash flow status of the company for the past three years and as at the benchmark date are as follows:

Assets, liabilities and financial position of Shanxi Jieneng*Unit: RMB0'000*

Item	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Total assets	144,047.13	139,926.42	136,016.10	129,689.24
Liabilities	93,734.18	86,021.13	78,982.60	72,179.72
Total shareholders' equity	50,312.95	53,905.29	57,033.50	57,509.52
Item	2017	2018	2019	2020
Operating revenue	10,470.32	12,016.38	10,653.69	10,011.10
Total profit	3,781.85	4,809.72	3,751.95	1,131.99
Net profit	3,319.91	4,415.71	3,128.21	476.02
Item	2017	2018	2019	2020
Net cash flows generated from operating activities	8,661.73	11,431.82	10,770.31	6,482.54
Net cash flows generated from investing activities	652.29	-659.76	-2,633.05	2,823.25
Net cash flows generated from financing activities	-9,353.92	-10,740.45	-7,683.32	-9,857.00
Net increase in cash and cash equivalents	-39.90	31.61	453.94	-551.21

Audit opinion	Standard unqualified opinion	Standard unqualified opinion
Number of audit report	Rui Hua Shen Zi [2018] No. 21040083 (瑞華審字 [2018]21040083號)	Tian Zhi Ye Zi [2021] No. 26208 (天職業字[2021]26208號)
Audit institution	Ruihua Certified Public Accountants LLP	Baker Tilly International Certified Public Accountants (Special General Partnership)

7. General information on the investees

The entity involved in the long-term equity investment in this valuation is a Grade-2 company, which is included in the scope of the consolidated statement. Details of the long-term equity investments are as follows:

Book value of long-term equity investment

					<i>Unit: RMB</i>
No.	Name of investee (full name)	Date of investment	Investment period in the agreement	Shareholding percentage%	Book value
1	Guodian Jieneng Jinke (Shanxi) Co., Ltd.* (國電潔能金科(山西)有限公司)	2013/6/20	Long-term	52%	54,437,500.00
Total					54,437,500.00
Less: provision for impairment of long-term equity investments					24,841,677.75
Net value					29,595,822.25

(IV) Relationship between the clients and the appraised entity

China Longyuan Power Group Corporation Limited* and CHN Energy North China Electric Power Co., Ltd., the clients, and Guodian Shanxi Jieneng Co., Ltd.*, the appraised entity, are all subordinate units of China Energy Investment Corporation Limited, and they are related entities.

(V) The clients and other users of the valuation report under the assets valuation entrustment contract

The users of this valuation report shall be the clients.

Unless otherwise stipulated by the national laws and regulations, any agency or individual without confirmation from the valuation agency and the clients shall not become a user of this valuation report by virtue of the access to this report.

II. PURPOSE OF VALUATION

Pursuant to the Resolution on the Party Committee of CHN Energy North China Electric Power Co., Ltd. (14 January 2021), China Longyuan Power Group Corporation Limited* intends to acquire 100% equity interest in Guodian Shanxi Jieneng Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd.

The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Guodian Shanxi Jieneng Co., Ltd.* on the Valuation Benchmark Date, and to provide value reference for China Longyuan Power Group Corporation Limited* in its proposed acquisition of 100% equity interest in Guodian Shanxi Jieneng Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd.

III. APPRAISAL TARGET AND SCOPE OF VALUATION

(I) Appraisal target and scope of valuation

The appraisal target is the value of the total equity attributable to the shareholders of Guodian Shanxi Jieneng Co., Ltd.

The scope of valuation covers all assets and liabilities of Guodian Shanxi Jieneng Co., Ltd.

(II) The type and carrying amount of the valued assets

As at the Valuation Benchmark Date, Guodian Shanxi Jieneng Co., Ltd.* had assets with a total carrying amount of RMB1,296,892,400, total liabilities of RMB721,797,200 and net assets of RMB575,095,200, including specifically, current assets of RMB736,636,900; non-current assets of RMB560,255,500; current liabilities of RMB721,797,200.

The above asset and liability data are extracted from the balance sheet of Guodian Shanxi Jieneng Co., Ltd.* as of 31 December 2020. The appraisal target and scope of the valuation are the same as those involved in the economic behaviour. The book value has been audited and a standard unqualified audit report has been issued thereon.

The physical assets as reported by the enterprise subject to valuation amount to RMB484,628,100, representing 37.37% of the total assets, which include inventories, structures and equipment. The physical assets have the following types and features:

1. Inventories

All inventories are raw materials, including materials such as four channels analog input\KL3404\Beckhoff, power source module\QUINT-PS/3AC/24DC/20\Phoenix Contact, bus coupler\BK3150\Beckhoff, etc., which are placed in the warehouses of Guodian Shanxi Jieneng Company without overstock and scrapping.

2. Structures

Being distributed in the wind power installation area in Youyu Phase III in Youyu County, Shuozhou City, Shanxi Province, mainly consisting of the electric retractable doors, maintenance roads, tower stair railings, etc.

3. Equipment

(1) Machines and Equipment

The machines and equipment mainly include wind turbine towers of wind power generating units for cold environment, totally-enclosed box-type transformer substations, 35KV integrated circuits and other wind power generation equipment.

(2) Vehicles

The transportation equipment include vehicles for production and office use such as Toyota brand GTM6480GSL, Isuzu brand QL1020UGDSC, Dongfeng Nissan brand DFL6460VFCF, Audi brand FV7241FCVTG, etc.

(3) Electronic equipment

Electronic equipment includes various kinds of office equipment such as computers, Microtek scanners, copying machines, printers, etc., which are located in the office areas of the enterprise. There are various specifications of general equipment, and some equipment with the same name have a wide range of prices due to their different specifications.

Under the management of equipment department, the equipment of the company is regularly repaired, well maintained and in a good working condition.

(III) The intangible assets recorded in or off the book of the enterprise

1. As of 31 December 2020, the Valuation Benchmark Date, the intangible assets as reported by the enterprise included the land use rights of 66 parcels of land and other 8 intangible assets owned by the appraised entity recorded in the book, the details of which are as follows:

(1) Land use rights

No.	Certificate no. of land use rights/ real estate ownership	Book value (RMB0'000)	Right holder	Acquisition method	Nature of land	Area (m ²)	Location	Use of land	Expiry date	Pledged or not
1	Jin 2017 Youyu County Real Estate No. 0000375	690,302.20	Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Xiongjiayao Village, Lidayao Township, Youyu County (右玉縣李達窰鄉熊家窰村)	Industrial land	2062/11/12	No
2	Jin 2017 Youyu County Real Estate No. 0000342		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.18	Xiongjiayao Village, Lidayao, Youyu County Township	Industrial land	2062/11/12	No
3	Jin 2017 Youyu County Real Estate No. 0000376		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Xiongjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
4	Jin 2017 Youyu County Real Estate No. 0000343		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	17.54	Xiongjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
5	Jin 2017 Youyu County Real Estate No. 0000377		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Zhaojiayao Village (趙家窰村), Lidayao Township, Youyu County	Industrial land	2062/11/12	No
6	Jin 2017 Youyu County Real Estate No. 0000344		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	24.69	Zhaojiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
7	Jin 2017 Youyu County Real Estate No. 0000378		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Zhaojiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No

APPENDIX II
**SUMMARY OF VALUATION REPORT
ON ASSETS TO BE PURCHASED**

No.	Certificate no. of land use rights/ real estate	Book value	Acquisition	Nature of	Area (m ²)	Location	Use of land	Expiry date	Pledged or not	
	ownership	(RMB0'000)	Right holder	method						land
8	Jin 2017 Youyu County Real Estate No. 0000345		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.23	Zhaojiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
9	Jin 2017 Youyu County Real Estate No. 0000379		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Zhaojiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
10	Jin 2017 Youyu County Real Estate No. 0000346		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	16.83	Zhaojiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
11	Jin 2017 Youyu County Real Estate No. 0000380		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village (范 家窑村), Lidayao Township, Youyu County	Industrial land	2062/11/12	No
12	Jin 2017 Youyu County Real Estate No. 0000347		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	20.23	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
13	Jin 2017 Youyu County Real Estate No. 0000381		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Zhaojiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
14	Jin 2017 Youyu County Real Estate No. 0000348		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	26.64	Zhaojiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
15	Jin 2017 Youyu County Real Estate No. 0000382		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
16	Jin 2017 Youyu County Real Estate No. 0000349		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.37	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
17	Jin 2017 Youyu County Real Estate No. 0000383		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
18	Jin 2017 Youyu County Real Estate No. 0000350		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.25	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No

APPENDIX II
**SUMMARY OF VALUATION REPORT
ON ASSETS TO BE PURCHASED**

No.	Certificate no. of land use rights/ real estate ownership	Book value (RMB0'000)	Right holder	Acquisition method	Nature of land	Area (m ²)	Location	Use of land	Expiry date	Pledged or not
	19	Jin 2017 Youyu County Real Estate No. 0000384		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12
20	Jin 2017 Youyu County Real Estate No. 0000351		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	22.00	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
21	Jin 2017 Youyu County Real Estate No. 0000385		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
22	Jin 2017 Youyu County Real Estate No. 0000352		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	22.67	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
23	Jin 2017 Youyu County Real Estate No. 0000386		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
24	Jin 2017 Youyu County Real Estate No. 0000354		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	23.98	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
25	Jin 2017 Youyu County Real Estate No. 0000387		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
26	Jin 2017 Youyu County Real Estate No. 0000353		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	6.97	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
27	Jin 2017 Youyu County Real Estate No. 0000388		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
28	Jin 2017 Youyu County Real Estate No. 0000355		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.29	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
29	Jin 2017 Youyu County Real Estate No. 0000389		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No

APPENDIX II
**SUMMARY OF VALUATION REPORT
ON ASSETS TO BE PURCHASED**

No.	Certificate no. of land use rights/ real estate ownership	Book value (RMB0'000)	Right holder	Acquisition method	Nature of land	Area (m ²)	Location	Use of land	Expiry date	Pledged or not
	30	Jin 2017 Youyu County Real Estate No. 0000356		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	23.34	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12
31	Jin 2017 Youyu County Real Estate No. 0000390		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
32	Jin 2017 Youyu County Real Estate No. 0000357		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	27.84	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
33	Jin 2017 Youyu County Real Estate No. 0000391		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
34	Jin 2017 Youyu County Real Estate No. 0000358		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	6.64	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
35	Jin 2017 Youyu County Real Estate No. 0000392		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
36	Jin 2017 Youyu County Real Estate No. 0000359		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	15.58	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
37	Jin 2017 Youyu County Real Estate No. 0000393		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
38	Jin 2017 Youyu County Real Estate No. 0000360		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	16.23	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
39	Jin 2017 Youyu County Real Estate No. 0000394		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
40	Jin 2017 Youyu County Real Estate No. 0000361		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	24.77	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No

APPENDIX II

**SUMMARY OF VALUATION REPORT
ON ASSETS TO BE PURCHASED**

No.	Certificate no. of land use rights/ real estate ownership	Book value (RMB0'000)	Right holder	Acquisition method	Nature of land	Area (m ²)	Location	Use of land	Expiry date	Pledged or not
	41	Jin 2017 Youyu County Real Estate No. 0000395		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12
42	Jin 2017 Youyu County Real Estate No. 0000362		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	24.68	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
43	Jin 2017 Youyu County Real Estate No. 0000396		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
44	Jin 2017 Youyu County Real Estate No. 0000363		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	25.57	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
45	Jin 2017 Youyu County Real Estate No. 0000397		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
46	Jin 2017 Youyu County Real Estate No. 0000364		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	27.42	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
47	Jin 2017 Youyu County Real Estate No. 0000398		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
48	Jin 2017 Youyu County Real Estate No. 0000365		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.22	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
49	Jin 2017 Youyu County Real Estate No. 0000399		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
50	Jin 2017 Youyu County Real Estate No. 0000366		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	29.17	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
51	Jin 2017 Youyu County Real Estate No. 0000400		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No

APPENDIX II

**SUMMARY OF VALUATION REPORT
ON ASSETS TO BE PURCHASED**

No.	Certificate no. of land use rights/ real estate	Book value (RMB0'000)	Right holder	Acquisition method	Nature of land	Area (m ²)	Location	Use of land	Expiry date	Pledged or not
	ownership									
52	Jin 2017 Youyu County Real Estate No. 0000367		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	23.98	Fanjiayao Village, Lidayao Township, Youyu County	Industrial land	2062/11/12	No
53	Jin 2017 Youyu County Real Estate No. 0000401		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Panshiling Village, Niuxinbao Township, Youyu County (右玉縣牛 心堡鄉盤石嶺村)	Industrial land	2062/11/12	No
54	Jin 2017 Youyu County Real Estate No. 0000368		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	6.87	Panshiling Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
55	Jin 2017 Youyu County Real Estate No. 0000402		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Panshiling Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
56	Jin 2017 Youyu County Real Estate No. 0000369		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.25	Panshiling Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
57	Jin 2017 Youyu County Real Estate No. 0000403		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Si'ershan Village (寺兒山村), Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
58	Jin 2017 Youyu County Real Estate No. 0000370		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.32	Si'ershan Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
59	Jin 2017 Youyu County Real Estate No. 0000404		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Si'ershan Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No

No.	Certificate no. of land use rights/ real estate ownership	Book value (RMB0'000)	Right holder	Acquisition method	Nature of land	Area (m ²)	Location	Use of land	Expiry date	Pledged or not
	60	Jin 2017 Youyu County Real Estate No. 0000371		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.43	Si'ershan Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12
61	Jin 2017 Youyu County Real Estate No. 0000405		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Si'ershan Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
62	Jin 2017 Youyu County Real Estate No. 0000372		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.21	Si'ershan Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
63	Jin 2017 Youyu County Real Estate No. 0000406		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Si'ershan Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
64	Jin 2017 Youyu County Real Estate No. 0000373		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.06	Si'ershan Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
65	Jin 2017 Youyu County Real Estate No. 0000407		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	181.02	Oujia Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No
66	Jin 2017 Youyu County Real Estate No. 0000374		Guodian Shanxi Jieneng Co., Ltd.	Bidding, auction and listing	Transfer	7.12	Oujia Village, Niuxinbao Township, Youyu County	Industrial land	2062/11/12	No

The 66 parcels of land within the scope of valuation have a total area of 6,494.23 square meters and a total book value of RMB690,300.

As of the Valuation Benchmark Date, Shanxi Jieneng, the appraised entity, has not obtained certificate for the use right of: the land for 33 units of wind turbines and the cubicle-type substations of Pinglu Beishan Wind Farm Phase II Project with an area of 6,336 m², covering Shuangnian Township (雙碾鄉) and Xiashuitou Township (下水頭鄉), Pinglu District.

The land for Pinglu Beishan Wind Farm Phase II Project reported by Shanxi Jieneng involves the payment of social insurance. As there is a difference between the existing payment base of social insurance and the base of the previously paid social insurance, the difference shall be made up. Currently, the staff haven't handled such similar cases after the introduction of new policy, and the work procedure is studied. (All entities in Pinglu District involving such similar issue are at a standstill.)

The appraised entity undertook the assets belong to it, the influence of such assets on the valuation results is not taken into account in this valuation, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency.

(2) *Other intangible assets*

There are eight items of other intangible assets, including financial system software, office system software, materials management system software and other system software, the details of which are as follows:

No.	Content or name	Acquisition date	Statuary/expected lifetime	Type/category	Original book value	Book value before audit
1	Office system software	2010/11/24	10	Software	123,300.97	-
2	Financial system software	2009/11/30	10	Software	1,461,224.78	-
3	Financial system software	2013/12/31	5	Software	94,339.62	-
4	Financial system II software	2014/11/7	10	Software	198,113.20	77,252.89
5	Materials management system software	2017/12/5	5	Software	149,056.60	57,138.31

No.	Content or name	Acquisition date	Statutory/expected lifetime	Type/category	Original book value	Book value before audit
6	Ygsoft (耀光) seal control instrument interface system software	2018/12/14	5	Software	7,075.47	4,127.40
7	Wanjia (萬佳) administrative seal management system software	2018/12/14	5	Software	43,103.44	25,143.68
8	Unified construction information system	2020/12/10	10	Software	90,094.34	89,343.55

(IV) Types and quantities of off-balance-sheet assets as reported by the enterprise

As of 31 December 2020, the Valuation Benchmark Date, no off-balance-sheet asset was found within the scope of reporting by the appraised entity.

(V) The conclusion drawn from the reports issued by other entities in relation to the type, quantities and carrying amount of assets

The carrying amounts of the assets and liabilities as at the Valuation Benchmark Date as set out in the valuation report are the audited results stated in the Special Audit Report and Financial Statements in relation to the Appraised Entity issued by Baker Tilly China Certified Public Accountants LLP (Tian Zhi Ye Zi [2021] No. 26208) (covering the years 2018-2020) on 15 April 2021. Save for this, no reports from other agencies have been cited.

IV. TYPE OF VALUE AND ITS DEFINITION

For the purpose of the valuation, the type of value of the valuation is determined to be the market value.

The market value is defined as the estimated price of the appraisal target in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

V. VALUATION BENCHMARK DATE

The benchmark date of the asset valuation under this project is 31 December 2020.

The benchmark date is determined by the clients upon taking account of the assets scale, workload, expected time required, compliance and other factors of the appraised entity.

VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly include basis of economic behaviour, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination and other references used in the valuation and estimation, details of which are as follows:

(I) Basis of economic behaviour

1. Resolution on the Party Committee Meeting of CHN Energy North China Electric Power Co., Ltd.

(II) Basis of laws and regulations

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (published at the 21st meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Administrative Measures for Major Assets Restructuring of Listed Companies (CSRC Decree No. 109 and Revision of CSRC Decree No. 127 (《上市公司重大資產重組管理辦法》(證監會令第109號, 證監會令第127號修改));
5. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (Revision passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);

6. Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (first amendment to the Decision of the State Council on Revision to Certain Administrative Regulations, promulgated by Decree No. 714 of the State Council of the People's Republic of China on 23 April 2019);
7. Provisional Regulations of Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (State Council Decree No. 691) (國務院令第691號);
8. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Ministry of Finance and State Administration of Taxation Decree No. 50) (《中華人民共和國增值稅暫行條例實施細則》(財政部、國家稅務總局令第50號));
9. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
10. General Rules of Loans (《貸款通則》) (the People's Bank of China);
11. Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法)(passed at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
12. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
13. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Supervision and Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式、加強資產評估監督管理工作的意見》(國辦發[2001]102號));
14. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
15. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));

16. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council) (《國有資產評估管理辦法》(國務院令第91號));
17. Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36) (《國有資產評估管理辦法實行細則》(國資辦發[1992]第36號));
18. Interim Regulations for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, Revision of Decree No. 588 of the State Council) (《企業國有資產監督管理暫行條例》(國務院令第378號，國務院令第588號修訂));
19. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》(國資委令32號));
20. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC of the State Council) (《企業國有資產評估管理暫行辦法》(國務院國資委令第12號));
21. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
22. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
23. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (《資產評估行業財政監督管理辦法》(中華人民共和國財政部令第86號));
24. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協議轉讓有關事項的通知》(國資發產權[2010]11號));
25. Other laws, regulations and rules related to the valuation.

(III) Basis of valuation standards

1. Standards for Asset Valuation – Basic Standards (Cai Qi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
10. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
12. Practicing Standards for Asset Valuation – Valuation Methodology (Zhong Ping Xie [2019] No. 35);
13. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
14. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);

15. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
16. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);
17. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
18. Guiding Opinions No. 6 for Asset Valuation Expert – Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Zhong Ping Xie [2015] No. 67);
19. Guiding Opinions No. 8 for Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39);
20. Guiding Opinions No. 10 for Asset Valuation Expert – Reasonable Performance of Asset Valuation Procedures amid the COVID-19 Pandemic (Zhong Ping Xie [2020] No. 6);
21. Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

(IV) Basis of asset ownership

1. Motor Vehicle Driving Permit;
2. Property Ownership Certificate, State-owned Land Use Certificate, Real Estate Title Certificate (apply to the whole passage) Real Estate Title Certificate and related affirmation of property rights;
3. Patent certificates and related affirmation of property rights;
4. Contracts or certificates for purchase of significant assets;
5. Other references.

(V) Basis of price determination

1. Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program by Replacing Business Tax with VAT (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號));
2. Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019);
3. 2020 Price Information Inquiry System for Mechanical and Electrical Products (Institute of Machinery Industry Information) (《2020機電產品價格信息查詢系統》(機械工業信息研究院));
4. Code for Real Estate Appraisal (《房地產估價規範》) (GB/T50291-2015);
5. Regulations for Grading and Classification of Urban Land (GB/T18507-2014);
6. Loan prime rate (LPR) announcement authorized to be published by the National Interbank Funding Centre on 21 December 2020;
7. ZOL (中關村在線);
8. PConline (太平洋電腦網);
9. Autohome (汽車之家網);
10. Landvalue (中國地價監測網);
11. Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (Energy Industry Standard of the People's Republic of China NB/T31011-2019);
12. Estimated Quota of Onshore Wind Farm Projects (Energy Industry Standard of the People's Republic of China NBT 31010-2019);
13. Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426);
14. Other references.

(VI) Other references

1. Enterprise Accounting Standards – Basic Standards (Order No. 33 of the Ministry of Finance);
2. Enterprise Accounting Standards – Application Guide (Cai Kuai [2006] No. 18);
3. 38 specific standards including Enterprise Accounting Standards No. 1 – Inventories (Cai Kuai [2006] No. 3);
4. Asset Valuation Common Data and Parameter Manual (Machinery Industry Press, 2011 edition);
5. 2020 Report on the Evaluation of the Performance of Listed Companies in China;
6. Wind Information Financial Terminal;
7. Investment Valuation (written by [US] Damodaran, translated [Canada] by Lin Qian, Tsinghua University Press);
8. Valuation: Measuring and Managing the Value of Companies (Fourth Edition) (written by [US] Tim • Koller, et al., translated by Wei Ping and Zhu Xiaolong, Electronic Industry Press);
9. Letter of request for quotation for equipment;
10. Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition);
11. Other references.

VII. VALUATION METHODS**Introduction of the Income Approach****1. Overview**

According to the relevant regulations of state administration authorities of the PRC, the Standards for Asset Appraisal-Enterprise Value as well as international and domestic appraisal practices for similar transactions, the valuer decided to estimate the equity capital value of the appraised entity by using the discounted cash flow (DCF) method based on the income approach.

The DCF method is a method to appraise the asset value by discounting the expected future net cash flows of the enterprise to a present value. The basic principle of this method aims to obtain the appraisal value by estimating the expected future net cash flows of the assets and converting them into a present value by applying an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundation and conditions for continuous operation, the correlation between operation and income is relatively stable, and the future income and risks are predictable and quantifiable. The greatest difficulty in using the DCF method lies in the forecast of expected future cash flows (EFCFs) as well as the objectivity and reliability of data collection and processing. When the forecast of EFCFs is relatively objective and fair, and the discount rate is relatively reasonable, the valuation results will be adequately objective.

2. Basic Valuation Considerations

According to the due diligence findings, the asset composition and characteristics of principal business of the appraised entity, the equity capital value was estimated based on the separate accounting statements of the appraised entity in this valuation. The basic considerations of the valuation are as follows:

- (1) For assets and principal business included in the statements, the expected income (net cash flows) is estimated according to the changing trends of historical operating conditions in recent years and business types respectively, and is discounted to obtain the value of operating assets;

- (2) Current assets (liabilities), such as surplus capital, other receivables, accounts payable, interest payable, dividend payable and other payables existing as at the benchmark date, which are included in the scope of the statements but not taken into account in the estimations of expected income (net cash flows), and non-current assets (liabilities), such as idle equipment, real estates and construction in progress without booking income, are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their values are measured separately;
- (3) The enterprise value of the appraised entity is obtained by summing up the values of the aforesaid assets and liabilities, and the total shareholders' equity value of the appraised entity is obtained after deducting the value of interest-paying debts.

3. Valuation Model

(1) Basic Model

The basic model for this valuation is:

$$E = B - D \quad (1)$$

Wherein:

E: Total shareholders' equity value of the appraised entity;

B: Enterprise value of the appraised entity;

D: Value of interest-bearing debts of the appraised entity;

$$B = P + I + C \quad (2)$$

P: Value of operating assets of the appraised entity;

$$P = \sum_{i=1}^n [R_i \times (1 + r)^{-i}] + p_n \times (1 + r)^{-n} \quad (3)$$

Wherein:

R_i : Expected income of the appraised entity in Year i in the future (free cash flows);

P_n : Consideration of the recoverable value of related assets including working capital, fixed assets and intangible assets at the end of the operating period;

r : Discount rate;

n : Future operating period of the appraised entity;

C : Value of surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

$$C = C_1 + C_2 \quad (4)$$

C_1 : Value of current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

C_2 : Value of non-current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

I : Long-term equity investment value of the appraised entity;

(2) *Income Indicator*

In this valuation, the free cash flows of the appraised entity are used as the income indicator of its operating assets, which is basically defined as:

$$R = \text{Net profit} + \text{Depreciation and amortization} + \text{Interest on interest-bearing debts after tax} - \text{Additional capital} \quad (5)$$

The free cash flows in the future operating period are estimated based on the operational history of the appraised entity and the future market development and others. The free cash flows in the future operating period are discounted and summed up to calculate the value of operating assets of the enterprise.

(3) *Discount Rate*

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital (WACC) model:

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

w_d : Debt ratio of the appraised entity;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

w_e : Equity ratio of the appraised entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of the appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1 - t) \times \frac{D}{E}\right) \quad (10)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t) \times \frac{D_i}{E_i}} \quad (11)$$

β_t : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

Wherein:

K: Expected average risk value of stock market in the future, for which it normally assumes that K=1;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The whole valuation was carried out in four stages:

(I) Preparation

1. In early January 2020, the valuation agency entered into the site for the preparation of preliminary work;
2. In early January 2020, the clients convened the intermediary coordination meeting for the project, and all parties concerned reached consensus on the purpose of this valuation, Valuation Benchmark Date and valuation scope through negotiation, and formulated the work plan for this valuation of assets.

(II) On-site Valuation

The on-site valuation conducted by the project team was from early January 2021 to mid-March 2021. The main tasks were as follows:

1. The appraisers cooperated with the enterprise to inspect the assets and complete the statements of asset valuation and declaration. Members of the valuation project team obtained a detailed understanding of the appraised assets, arranged the asset valuation work, assisted the enterprise with declaration of the appraised assets, and collected the necessary documents for the valuation of the assets.
2. Listened to the introduction given by relevant personnel of the clients and the appraised entity on the overall situation of the enterprise, together with the history and current status of the appraised assets, so as to understand the financial system, operating conditions and technical status of fixed assets of the enterprise.
3. Reviewed and identified the statements of assets inspection, valuation and declaration provided by the enterprise, made reconciliation to relevant financial records related to the enterprise and collaborated with the enterprise to make adjustment to the identified problems.
4. Verified the fixed asset by way of random check based on the statements of asset inspection, valuation and declaration, and carried out random stock-taking on the physical inventory assets in the current assets.
5. Reviewed and collected the title certificates of the appraised assets.
6. Determined specific valuation method for each category of appraised assets based on their actual conditions and characteristics.
7. Reviewed technical information, final accounts and completion and acceptance information for major equipment; collected price information on general equipment mainly through market research and inquiries of relevant data; collected relevant information on the management system, maintenance, alteration, expansion of buildings and structures.
8. Verified ownership documents provided by the enterprise.
9. Conducted random correspondence checks on the deposit and loan banks and dealers of the appraised entity, and visited important dealers.

10. Made preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of inspection and verification.
11. According to the profit forecast data declared by the enterprise, inquired the main business, product effect, gross profit, market distribution channels, related party transactions of enterprises in the same industry and field. Through due diligence and interviews with senior management, understood the position and market share of enterprise's products in the industry as well as the cost and expense of enterprise, and analyzed the future development trend of the enterprise.

(III) Valuation Summarization

In late March 2021, we checked the declaration contents provided by the appraised entity, and adjusted, amended and improved such valuation results where necessary.

(IV) Report Submission

An asset valuation report was drafted based on the above processes, and opinions were exchanged with the clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation agency, and then the final asset valuation report was issued.

IX. VALUATION ASSUMPTIONS

The appraisers followed the following assumptions in this valuation:

(I) General Assumptions**1. Transaction Assumption**

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. *Open Market Assumption*

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. *Going Concern Assumption*

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operation entity, can continue to operate in accordance with the business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain the ability of continuous operation, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously based on their current purpose, method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates of the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfill their responsibilities in the future operating period, and it will continue to operate on the basis of the operation and management model as at the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.

5. The expenses of the appraised entity in the future operating period will not change significantly on the current basis, and will continue its change trends in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the acquisition and utilisation methods of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment, the grid-connected wind power projects are entitled to enjoy the preferential policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years, namely, Pinglu Phase II power station turned to commercial operation in 2016, and the period during which it can enjoy the preferential income tax policy of “3+3 tax holiday” will expire in December 2021; Youyu Phase III power station turned to commercial operation in June 2011, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” expired in December 2016.
9. Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Value Added Tax Policies for Wind Power Generation (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (CaiShui [2015] No. 74), “taxpayers who sell their self-produced power products using wind power are entitled to an immediate 50% refund of the VAT from 1 July 2015.”, it is assumed that the wind power projects will continue to enjoy an immediate 50% refund of the VAT in this valuation.
10. As Pinglu Phase II Wind Farm and Youyu Phase III Wind Farm, the appraised entities, are both included in the catalogue of subsidies on electricity tariff for renewable energy, it is assumed that the subsidies for the appraised entities on electricity tariff for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years.

11. According to the document of Notice of Shanxi Provincial Price Bureau on the On-grid Tariff for Five Wind Power Generation Projects Including Youyu Caojiashan Wind Farm of Guodian Shanxi Jieneng Co., Ltd.* (Jin Jia Shang Zi [2013] No. 125) (《山西省物價局關於國電山西潔能有限公司右玉曹家山等五個風力發電項目上網電價的通知》(晉價商字[2013]125號)) issued by Shanxi Provincial Price Bureau, the on-grid tariff for wind power generation units of Youyu Caojiashan Phase II Project (Youyu Phase III Project: 49.5 MW) of Guodian Shanxi Jieneng Co., Ltd.* is RMB0.61/kWh (tax inclusive). According to the power purchase and sale contract for wind farm entered into between State Grid Shanxi Electric Power Company* and Guodian Shanxi Jieneng Co., Ltd.* on 24 June 2020 in relation to Youyu Phase III wind power generation project with an installed capacity of 49.5 MW, it is agreed in the contract that the electricity tariff shall be settled based on the on-grid tariff approved by the competent price authorities of the government. In particular, the settlement price of the purchaser, which is the local benchmark on-grid tariff for electricity generated by coal-fired power generating units approved or confirmed by the competent price authorities of the government, is RMB332/MWh (tax inclusive). The subsidy for renewable energy is the difference between the on-grid tariff approved by the government and the settlement price of the electricity purchaser. The term of the contract is from 1 January 2020 to 31 December 2020, and it is assumed that the contract will be renewed upon expiry in this valuation.

According to the document of Notice of Shanxi Provincial Price Bureau on the On-grid Tariff for the Wind Power Generation Units of Three Enterprises Including Datang Renewable Power Shuozhou Pinglu Wind Power Generation Co., Ltd. (Jin Jia Shang Zi [2015] No. 21) (《山西省物價局關於大唐新能源朔州平魯風力發電有限公司等3家企業風電機組上網電價的通知》(晉價商字[2015]21號)) issued by Shanxi Provincial Price Bureau, the on-grid tariff for wind power generation units of Pinglu Beishan Wind Farm Phase II Project of Guodian Shanxi Jieneng Co., Ltd.* with an installed capacity of 49.5 MW is RMB0.61/kWh (tax inclusive). According to the power purchase and sale contract for wind farm entered into between State Grid Shanxi Electric Power Company* and Guodian Shanxi Jieneng Co., Ltd.* on 24 June 2020 in relation to Pinglu Beishan Phase II wind power generation project with an installed capacity of 49.5 MW, it is agreed in the contract that the electricity tariff shall be settled based on the on-grid tariff approved by the competent price authorities of the government. In particular, the settlement price of the purchaser, which is the local benchmark on-grid tariff of electricity generated by coal-fired power generating units approved or confirmed by the competent price authorities of the government, is RMB332/MWh (tax inclusive). The subsidy for renewable energy is the difference between the on-grid tariff approved by the government and the settlement price of the electricity purchaser. The term of the contract is from 1 January 2020 to 31 December 2020, and it is assumed that the contract will be renewed upon expiry in this valuation.

12. According to the notice issued by the National Development and Reform Commission and the National Energy Administration on 30 October 2018 to publish the Action Plan on Clean Energy Consumption (2018–2020) (《清潔能源消納行動計劃(2018–2020)》), the specific objectives included: to ensure that the national average wind power utilization rate reach international advanced level (striving to attain a level of around 95%) and keep the curtailment rate of wind power at a reasonable level (striving to stabilize it at around 5%) by 2020, and to ensure the utilization hours of each wind power station reach feasible utilization hours by 2026, taking into account various factors such as the utilization hours for each year during the reporting period and the trend of market demand, based on the communication with the production and operation department of the appraised entity and its historical power generation, assuming there exists wind power curtailment and constraints and the curtailment rate for each wind power station will drop year by year in future years as compared to that in 2020.
13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflows of the appraised entity represent average inflows and its cash outflows represent average outflows.

When conditions stated above change, valuation results will generally become invalid.

X. CONCLUSION OF VALUATION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality, science and objectivity, we carried out the statutory and necessary procedures for asset valuation. After implementation of the valuation procedures such as checking and verification, field survey, market research and confirmation, assessment and estimation, based on the judgment of the clients and the enterprise management on the future development trend and business planning, and on the premise of the implementation of business collaboration, management collaboration, financial collaboration, milestone events, etc., the total shareholders' equity value of Guodian Shanxi Jieneng Co., Ltd.* was evaluated by income approach on the benchmark date of 31 December 2020. The conclusions were as follows:

(I) **Valuation conclusion of the income method and analysis on the reasons for changes in valuation**

1. Valuation conclusion of the income method:

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow method (DCF) was used to assess the value of the total shareholders' equity of Guodian Shanxi Jieneng Co., Ltd.* As of the Valuation Benchmark Date of 31 December 2020, the book value of owners' equities of Guodian Shanxi Jieneng Co., Ltd.* was RMB575,095,200, and the appraisal value was RMB593,000,000, with an appreciation of RMB17,904,800 or 3.11%.

2. Analysis on the reasons for changes in valuation:

The valuation expresses an appreciation of RMB17,904,800 or 3.11% in the appraisal value of the total shareholders' equities of Guodian Shanxi Jieneng Co., Ltd.* by using the income method. The changes and reasons were mainly due to the stable operation of the currently operated projects including Pinglu Beishan Phase II and Youyu Phase III since grid-connected power generation. At the same time, as the Pinglu Beishan Phase II and Youyu Phase III power stations had entered into the renewable energy subsidy catalogues, the trade receivables were collected in a timely manner and overall profitability of the enterprise was relatively sound than the assets size.

(II) **Analysis on the valuation results and the final valuation conclusion**

1. Analysis of difference between the valuation results

In the valuation, the value of all shareholders' equity calculated with the income method was RMB593,000,000, which was RMB71,153,100 or 13.63% higher than that of RMB521,846,900 calculated with the asset-based method. The main reasons for the difference between the results from the two valuation methods are as follows:

- (1) In the asset-based method, the replacement cost of assets is adopted as the value standard, reflecting the socially necessary labour consumed in the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually varies with the national economy;

- (2) In the income method, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets.

Given the above, there is a difference between the results from the two valuation methods.

2. Selection of valuation results

The asset-based method differs from the income method in term of valuation perspectives and paths. In the asset-based method, reacquisition of assets is considered, reflecting the replacement value of existing assets of an enterprise. In the income method, future profitability of the enterprise is considered, reflecting the comprehensive profitability of various assets of the enterprise.

With the development of the domestic wind power equipment manufacturing industry and the competition in international wind power equipment in recent years, investment cost of wind power per watt has been decreasing year by year. By 2021 after the Valuation Benchmark Date, the investment cost of wind power has dropped to a level that grid parity can be realized without national subsidies. At the same time, with the year-by-year decline in national subsidies for new energy, there exist significant differences in subsidies for wind power projects in different periods. The asset-based method reflects the change in the investment cost as at the benchmark date from the perspective of replacement of wind power generation enterprises, but fails to reflect the impact of government subsidies on the value of the enterprises. Therefore, the asset-based approach cannot reasonably reflect the market value of such wind power generation enterprises.

Since the power generation and electricity price of wind power stations can be basically determined, the future revenue can be better predicted. As the cost structure of wind power projects is simple, various indicators can basically be better measured. Operating costs can be estimated more reliably. We are of the view that when revenues and costs in the income method can be predicted more reasonably and when future uncertainties are small or can be estimated normally, the income method can reflect the value of all shareholders' equity as at the benchmark date in a more objective and reasonable way, compared with the valuation results of the asset-based method.

In conclusion, we were of the view that the valuation results of the income method could better reflect all shareholders' equities of Guodian Shanxi Jieneng Co., Ltd.*, thus the valuation results of the income method were taken as the final conclusion of the valuation. The value of all shareholders' equities of Guodian Shanxi Jieneng Co., Ltd.* arrived thereafter was RMB593,000,000 as at the Valuation Benchmark Date.

3. *Consideration of the impact of right of control and liquidity on the value of the appraisal target*

Neither had the report taken into account the premium that may incur due to the right of control, nor the impact of the liquidity on the value of the appraisal target.

XI. NOTES ON SPECIAL MATTERS

(I) Defects of property rights

Land

As of the Valuation Benchmark Date, Shanxi Jieneng, the appraised entity, has not obtained certificate for the use right of: the land for 33 units of wind turbines and the cubicle-type substations of Pinglu Beishan Wind Farm Phase II Project with an area of 6,336 m², covering Shuangnian Township and Xiashuitou Township, Pinglu District.

The land for Pinglu Beishan Wind Farm Phase II Project reported by Shanxi Jieneng involves the payment of social insurance. As there is a difference between the existing payment base of social insurance and the base of the previously paid social insurance, the difference shall be made up. Currently, the staff haven't handled such similar cases after the introduction of new policy, and the work procedure is studied. (All entities in Pinglu District involving such similar issue are at a standstill.)

The appraised entity undertook the assets belong to it, the influence of such assets on the valuation results is not taken into account in this valuation, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency.

(II) Pledge and guarantee

As of the Valuation Benchmark Date, there is no pledge and guarantee made by the appraised entity.

(III) Uncertainties including unresolved matters and legal disputes

There is no unresolved legal disputes for the appraised entity in this valuation.

(IV) Significant subsequent events

There is no significant event that may affect the valuation conclusion found in this valuation.

(V) Other matters required to be explained

1. As at the date of the valuation report, the COVID-19 pandemic is still ongoing. While forecasting the profit of this valuation, we could not accurately forecast how long the pandemic will last or the extent of its eventual impact. Thus, the conclusion of this valuation report is achieved based on the assumption that no other force majeure and unforeseeable factors will cause material adverse effects on the Company, the pandemic can be well controlled in the near future, and the national/global economy can quickly resume normal operation.
2. The premium and discount arising from factors such as the right of control and minority interests were not considered in this valuation when it involved the converting of certain equities.
3. The legal liability of the valuer and the valuation agency was to exercise professional judgement and express professional opinions on the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve making any judgement by the valuer and the valuation agency on the economic activities corresponding to such valuation purpose, and nor undertake the responsibility of decision-making by relevant parties. Thus the valuation conclusion shall not be deemed as a guarantee of the realizable price of the appraisal target.
4. The valuation, to a great extent, relies on the related information provided by the clients and the appraised entity. Accordingly, the valuation is on the basis that documents relating to economic activity and assets ownership, certificates, accounting documents and other relevant legal documents provided by the clients and the appraised entity are true and lawful.
5. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and completeness of the information provided.

6. The relevant title documents of ownership rights and related information involved in the valuation report are provided by the appraised entity. The clients and the appraised entity bear legal liability for the authenticity and legality of the information provided.
7. During the valuation process, for inspections of the equipments, properties and land, due to the restraints of the testing methods and the fact that some equipments were in operation, this task was mainly done by exterior observation by the appraisers and results of the latest checks provided by the appraised enterprise as well as the enquiries to the relevant operators.
8. As of the Valuation Benchmark Date, Shanxi Jieneng, the appraised entity, has not obtained certificate for the use right of: the land for 33 units of wind turbines and the cubicle-type substations of Pinglu Beishan Wind Farm Phase II Project with an area of 6,336 m², covering Shuangnian Township and Xiashuitou Township, Pinglu District.

The land for Pinglu Beishan Wind Farm Phase II Project reported by Shanxi Jieneng involves the payment of social insurance. As there is a difference between the existing payment base of social insurance and the base of the previously paid social insurance, the difference shall be made up. Currently, the staff haven't handled such similar cases after the introduction of new policy, and the work procedure is studied. (All entities in Pinglu District involving such similar issue are at a standstill.)

The appraised entity undertook the assets belong to it, the influence of such assets on the valuation results is not taken into account in this valuation, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency.

9. The valuation conclusion is based on the accurate judgement on the macro-economy and industry development trend in the future, and the effective implementation of its business plans by the enterprise. In the event that there are changes in economic environment and obstacles in industry development, the clients and the current management fail to take effective measures in a timely manner to make adjustments to the implementation of the plans, so as to meet the implementation of existing business plans, the profit forecast data may change significantly, resulting in the invalidity of the valuation conclusion. We would like to draw attention of the clients and the users of the report to the above matters.

10. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach used in this valuation report. The valuer has carried out the necessary investigation, analysis and judgement on the profit forecast of the appraised entity. After a number of discussions with the management of the appraised entity and its substantial shareholders and the subsequent further revision and improvement by the appraised entity, the valuation agency adopted the relevant data of the profit forecast provided by the appraised entity. Using the profit forecast of the appraised entity by the valuation agency does not guarantee the future profitability of the appraised entity.

11. If, for an effective period after the Valuation Benchmark Date, there is a change in the quantity of assets or standard of valuation, it should be dealt with in accordance with the following principles:
 - (1) When there is a change in the quantity of assets, the amount of the assets should be adjusted according to the original valuation method;
 - (2) When there is a change in the standard of assets' prices which has a significant impact on the asset valuation results, the clients should promptly engage a qualified assets valuation agency to re-determine the appraisal value;
 - (3) In the event of any change in the quantity of assets or the standard of price after the Valuation Benchmark Date, the clients should give full consideration to the actual value of the assets and make corresponding adjustments.

12. According to the disclosure in the document of the supplementary notice on relevant matters under the Several Opinions on Promoting the Healthy Development of Nonaqueous Renewable Energy Power Generation (Cai Jian [2020] No. 426), “For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, any power generated in excess of the eligible full life cycle subsidies will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions. For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, the wind power and PV power generation projects which have connected to the grid for 20 years, and biomass power generation projects which have connected to the grid for 15 years, whether they had reached to the full life cycle subsidies or not, will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions”. Among the wind power projects entrusted for valuation, the vast majority of wind farms are entitled to continue to generate electricity within 2 to 10 years of the remaining life period after enjoying the full life cycle subsidies. Such power generation will no longer be subsidized by the central government, but can participate in green certificate transactions after the green certificate was issued according to the policy; the CDM transactions can only be conducted after being considered and approved by the National Development and Reform Commission. In view of the uncertainties of the above administrative approval and the great uncertainties in the market and price of green certificate transactions and CDM transactions after the benchmark date, thus the income brought by green certificate transactions and CDM transactions to wind farms was not considered in this valuation. Attention of relevant users of the report shall be drawn to that.

**ASSET VALUATION REPORT ON THE PROJECT OF PROPOSED
ACQUISITION BY CHINA LONGYUAN POWER GROUP CORPORATION
LIMITED* OF 100% EQUITY INTEREST IN GUODIAN NORTH CHINA INNER
MONGOLIA NEW ENERGY CO., LTD.* HELD BY CHN ENERGY NORTH
CHINA ELECTRIC POWER CO., LTD.
ZHONG LIAN PING BAO ZI [2021] NO. 1473**

To China Longyuan Power Group Corporation Limited* and CHN Energy North China Electric Power Co., Ltd.,

As engaged by the Company, China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) has appraised the market value of all shareholders' equity interest in Guodian North China Inner Mongolia New Energy Co., Ltd.* (國電華北內蒙古新能源有限公司) involved in the economic behavior of the proposed acquisition by China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) of 100% equity interest in Guodian North China Inner Mongolia New Energy Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd. as at 31 December 2020, the Valuation Benchmark Date, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

I. CLIENTS, PROPERTY RIGHT HOLDER, APPRAISED ENTITY AND OTHER USERS OF VALUATION REPORT

For the purpose of the asset valuation, China Longyuan Power Group Corporation Limited* is one of the clients, CHN Energy North China Electric Power Co., Ltd. is another client and property right holder, and Guodian North China Inner Mongolia New Energy Co., Ltd.* is the appraised entity.

(I) Overview of One of the Clients

Name: China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”)

Registered address: Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing

Legal representative: Jia Yanbing

Registered capital: RMB8,036,389,000

Economic nature: joint stock limited company (listed, state-controlled)

Date of establishment: 27 January 1993

Term of operation: no fixed term

Unified social credit code: 911100001000127624

1. Corporate profile

Founded in 1993, China Longyuan Power Group Corporation Limited* was originally affiliated to the National Energy Administration and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of Hong Kong. Longyuan Power is a large-scale power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2019, the consolidated installed capacity of the Company was 22,157 MW, of which the consolidated installed capacity of wind power was 20,032 MW.

2. Business scope

Business scope: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and achievements transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; wind power generation, energy-saving technology, technology development for other new energy, and project investment management; import and export business; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs; sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, general merchandise, automobile parts, vehicles designated for power systems and leasing office. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(II) Overview of Another Client and Property Right Holder

Name: CHN Energy North China Electric Power Co., Ltd. (“**CHN Energy North China**”)

Registered address: Building 16, Zone 12, No. 188 West Road, South Fourth Ring Road,
Fengtai District, Beijing

Legal representative: Zhang Shujun (張書軍)

Registered capital: RMB6,732,558,180.27

Economic nature: limited liability company (wholly owned by a legal person)

Date of establishment: 13 December 2007

Term of operation: 13 December 2007 to 12 December 2037

Unified social credit code: 91110000710935193T

Business scope: power (heat) supplies; investment, development, construction, operation and management of power source, heat source, and water source; whole set, auxiliary facilities, project construction and supervision of power equipment; equipment examination and maintenance; bidding agency; real estate development; property management; investment management; imports and exports; information and environmental protection in relation to power and power scientific research; technology development; economic information consultancy. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(III) Overview of the Appraised Entity

Name of enterprise: Guodian North China Inner Mongolia New Energy Co., Ltd.* (“**Inner Mongolia New Energy**”)

Domicile of enterprise: Gonghudong Village, Xiwulanbulang Town, Wuchuan County,
Hohhot City, Inner Mongolia Autonomous Region (內蒙古自治區呼
和浩特市武川縣西烏蘭不浪鎮公忽洞村)

Legal representative: Bai Xiaojun (白曉軍)

Registered capital: RMB185,000,000

Type of company: limited liability company

Date of establishment: 9 September 2009

Term of operation up to: 8 September 2039

Unified social credit code: 911501256928790272

1. Historical development

Guodian North China Inner Mongolia New Energy Co., Ltd.* was established on 9 September 2009. For Wuchuan project (Phase II), Guodian North China Inner Mongolia New Energy Co., Ltd.* has obtained the registration certificate (Nei Fa Gai Energy Zi [2010] No. 2929) (《內發改能源字[2010]2929號》) in December 2010, and it was connected to the grid for power generation in June 2011. Guodian North China Inner Mongolia New Energy Co., Ltd.* has entered into the Power Purchase and Sale Contract with Inner Mongolia Power (Group) Co., Ltd. in respect of Wuchuan Power Generation project (Phase II).

For Wuchuan project (Phase III), Guodian North China Inner Mongolia New Energy Co., Ltd.* has obtained the registration certificate (Hu Fa Gai Ji Chu Zi [2014] No. 345) (《呼發改基礎字[2014]345號》) in May 2014, and it was connected to the grid for power generation in December 2015. Guodian North China Inner Mongolia New Energy Co., Ltd.* has entered into the Power Purchase and Sale Contract with Inner Mongolia Power (Group) Co., Ltd. in respect of Wuchuan Power Generation project (Phase III).

2. Corporate profile

Guodian North China Inner Mongolia New Energy Co., Ltd.* is mainly engaged in wind power generation. Currently, the company primarily operates wind power station projects with a total installed capacity of 149 MW, among which, Wuchuan Power Station (Phase II) has an installed capacity of 49.5 MW; Wuchuan Power Station (Phase III) has an installed capacity of 49.5 MW; Wuchuan Power Station (Phase IV) has an installed capacity of 50 MW, which is expected to be connected to the grid for power generation in July 2021.

The project currently under construction is mainly Wuchuan project (Phase IV) under construction with an installed capacity of 50 MW, which includes: 16 new wind power generating units with a single-unit capacity of 3,000 kW + 1 wind power generating unit with a single-unit capacity of 2,000 kW and hub height of 97.5 meters. The estimated annual on-grid power is 1,674,910,000 kWh and the annual equivalent full load hours are 3,350 hours. (According to the feasibility study report of Guodian Wuchuan project (Phase IV)).

3. Business scope

Construction, operation, maintenance and management of wind farms and other clean energy power plants; sales of electricity generated; and provision of consulting, services and training for clean energy power generation; rental of wind power auxiliary facilities and power transmission lines; clean energy heating (unless restricted by the state); sales of wind power generation equipment and photovoltaic equipment, accessories, and ancillary parts; disposal of electricity waste materials

4. Capital contribution of Shareholder

As of the Valuation Benchmark Date, the paid-up capital of Guodian North China Inner Mongolia New Energy Co., Ltd.* was RMB185,000,000. The name of Shareholder, amount of capital contribution and proportion of capital contribution are as follows:

Name of Shareholder, amount of capital contribution and proportion of capital contribution

No.	Name of Shareholder	Subscription amount (RMB0'000)	Amount of capital contribution (RMB0'000)	Proportion of capital Contribution %
1	CHN Energy Northeast Electric Power Co., Ltd.	18,500	18,500	100%
Total		<u>18,500</u>	<u>18,500</u>	<u>100%</u>

5. Principle business

Guodian North China Inner Mongolia New Energy Co., Ltd.* is mainly engaged in wind power generation. Currently, the company primarily operates wind power station projects with a total installed capacity of 149.5 MW, among which, Wuchuan Power Station (Phase II) has an installed capacity of 49.5 MW; Wuchuan Power Station (Phase III) has an installed capacity of 49.5 MW; Wuchuan Power Station (Phase IV) has an installed capacity of 50 MW.

6. Financial position, operating status and cash flow status of Inner Mongolia New Energy

As disclosed in the audited statements of Inner Mongolia New Energy, as at 31 December 2020, the Valuation Benchmark Date, total assets, total liabilities and total shareholders' equity amounted to RMB922,995,100, RMB309,088,600 and RMB613,906,500, respectively; for 2020, it realized operating revenue of RMB87,667,900 and net profit of RMB26,826,700; for 2020, net increase in cash and cash equivalents was RMB18,105,000 and balance of cash and cash equivalents as at the end of the period was RMB30,339,400. The audited financial position, operating status and cash flow status of the company for the past three years and as at the benchmark date are as follows:

Assets, liabilities and financial position of Inner Mongolia New Energy

Unit: RMB0'000

Item	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Total assets	64,571.44	63,067.36	61,153.90	92,299.51
Liabilities	23,190.27	17,373.39	12,629.74	30,908.86
Total shareholders' equity	41,381.17	45,693.96	48,524.16	61,390.65
	2017	2018	2019	2020
Operating revenue	8,623.43	9,546.21	8,505.66	8,766.79
Total profit	3,630.71	4,668.51	3,405.28	2,968.64
Net profit	3,508.15	4,279.09	2,963.36	2,682.67
	2017	2018	2019	2020
Net cash flows generated				
from operating activities	2,955.47	6,316.15	5,515.07	7,183.14
Net cash flows generated				
from investing activities	-613.32	-922.82	-578.70	-9,547.67
Net cash flows generated				
from financing activities	-2,172.10	-5,679.25	-4,083.29	4,175.03
Net increase in cash and				
cash equivalents	170.05	-285.91	853.08	1,810.50

Audit opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion
Number of audit report	Rui Hua Shen Zi [2019] No. 21040057 (瑞華審字 [2019]21040057號)	Tian Zhi Ye Zi [2021] No. 26167 (天職業字 [2021]26167號)	Tian Zhi Ye Zi [2021] No. 26167 (天職業字 [2021]26167號)	Tian Zhi Ye Zi [2021] No. 26167 (天職業字 [2021]26167號)
Audit institution	Ruihua Certified Public Accountants LLP	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)

(IV) Relationship between the clients and the appraised entity

China Longyuan Power Group Corporation Limited*, the client, CHN Energy North China Electric Power Co., Ltd., the client and the property right holder, and Guodian North China Inner Mongolia New Energy Co., Ltd.*, the appraised entity, are all subordinate units of China Energy Investment Corporation Limited, and they are related entities.

(V) The clients and other users of the valuation report under the assets valuation entrustment contract

The users of this valuation report shall be the clients.

Unless otherwise stipulated by the national laws and regulations, any agency or individual without confirmation from the valuation agency and the clients shall not become a user of this valuation report by virtue of the access to this report.

II. PURPOSE OF VALUATION

Pursuant to the Resolution of the Party Committee of CHN Energy North China Electric Power Co., Ltd. (14 January 2021), China Longyuan Power Group Corporation Limited* intends to acquire 100% equity interest in Guodian North China Inner Mongolia New Energy Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd.

The purpose of this valuation is to reflect the market value of the all shareholders' equity of Guodian North China Inner Mongolia New Energy Co., Ltd.* on the Valuation Benchmark Date, and to provide value reference for China Longyuan Power Group Corporation Limited* in its proposed acquisition of 100% equity interest in Guodian North China Inner Mongolia New Energy Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd.

III. APPRAISAL TARGET AND SCOPE OF VALUATION**(I) Appraisal target and scope of valuation**

The appraisal target is the total shareholders' equity of Guodian North China Inner Mongolia New Energy Co., Ltd.* The scope of valuation covers all assets and relevant liabilities, including current assets and non-current assets and the corresponding liabilities, of Guodian North China Inner Mongolia New Energy Co., Ltd.*

(II) The type and carrying amount of the appraised assets

As at the Valuation Benchmark Date, Guodian North China Inner Mongolia New Energy Co., Ltd.* had assets with a total carrying amount of RMB922,995,100, total liabilities of RMB309,088,600 and net assets of RMB613,906,500, including specifically, current assets of RMB131,297,700; non-current assets of RMB791,697,400; current liabilities of RMB96,311,000; non-current liabilities of RMB212,777,600.

The above asset and liability data are extracted from the balance sheet of Guodian North China Inner Mongolia New Energy Co., Ltd.* as of 31 December 2020. The appraisal target to be valued and scope of the valuation are the same as those involved in the economic behaviour. The book value has been audited and a standard unqualified audit report has been issued thereon.

The physical assets as reported by the enterprise subject to valuation include buildings (structures), machines and equipment, which have the following types and features:

1. Buildings (structures)**(1) Buildings**

Including SVG room, 35KV power distribution room, warehouse and garage, which are distributed in the wind farm located in Keke Yiligeng Town (可可以力更鎮), Wuchuan County, Hohhot City, Inner Mongolia Autonomous Region. The electricity boiler room is located in the water plant of Inner Mongolia Hohhot Water Pump and Energy Storage Power Generation Co., Ltd. (內蒙古呼和浩特抽水蓄能發電有限責任公司)

(2) *Structures*

Being distributed in the wind power installation area in Keke Yiligeng Town (可可以力更鎮), Wuchuan County, Hohhot City, Inner Mongolia Autonomous Region, mainly consisting of the roads and squares in the power station area, the entrance roadways, the accident oil tank, etc.

2. *Equipment*

(1) *Machines and equipment*

The machines and equipment mainly include loaders, main transformers, turbine towers and other wind power generation auxiliary equipment.

(2) *Vehicles*

The transportation equipment include vehicles for production and office use such as Dongfeng Nissan brand DFL6460VECF ordinary passenger car, Audi brand FV7241FCVTG car, Nissan brand ZN6494HBG4 ordinary passenger car, Great Wall brand CC1031PB29 ordinary light truck, Great Wall brand CC1031PB29 ordinary light truck and Buick brand SGM6522UBA6 ordinary passenger car, etc.

(3) *Electronic equipment*

Electronic equipment include various kinds of office equipment such as computers, projectors, cameras, printers, copying machines, etc., which are located in the office areas of the enterprise. There are various specifications of general equipment, and some equipment with the same name have a wide range of prices due to their different specifications.

Under the unified management of equipment department, the equipment of the company is regularly repaired, well maintained and in a good working condition.

3. Project under construction

The project under construction is mainly a heating project under construction powered by electric clean energy with an installed capacity of 50MW, which includes: 17 new wind power generating units, including 16 wind power generating units with a rated power of 3,000 kW + one with a rated power of 2,000 kW and the rated voltage is 0.69 kV. Each wind power generating unit is equipped with one box-type substation with a hub height of 95 meters. The estimated annual on-grid power is 167,491 MWh (according to the feasibility study report of 50 MW Wind Power Clean Energy Heating Project (Phase IV) in Guodian Hongshan Wind Farm). The book value of the project under construction is the total fees incurred for the project, including fees for civil construction, equipment purchase, equipment installation, land acquisition, preliminary engineering, construction management during the preparatory period, capitalized interest during the construction period, etc.

As of the Valuation Benchmark Date, Wind Power Project (Phase IV) in Guodian Wuchuan Hongshan was under construction with approximately 85% of the construction completed and is expected to be fully completed in July 2021.

(III) The intangible assets recorded in or off the book of the enterprise

1. As of 31 December 2020, the Valuation Benchmark Date, the intangible assets as reported by the enterprise and recorded in the book included the land use rights of 7 parcels of land and other 7 intangible assets (mainly 7 software systems) owned by the appraised entity, the details of which are as follows:

No.	Certificate No. of land ownership	Name of land	Land location	Use of land	Type of use rights	Termination date	Area with use rights (square meters)
1	Wu Guo Yong 2015 No. 050	Land 1	Gonghudong Village, Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮公忽洞村)	Industrial land	Transfer of state-owned land	2065/4/28	9,766.00
2	Wu Guo Yong 2012 No. 00101	Land 2	Dayike Village (booster station), Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮大以克村(升壓站))	Industrial land	Transfer of state-owned land	2062/8/16	19,966.71

No.	Certificate No. of land ownership	Name of land	Land location	Use of land	Type of use rights	Termination date	Area with use rights (square meters)
3	Wu Guo Yong 2012 No. 00102	Land 3	Dayike Village, Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮大以克村)	Industrial land	Transfer of state-owned land	2062/8/16	16,000.33
4	Wu Guo Yong 2012 No. 00100	Land 4	Dayike Village and Hongshanzi Village (33 pedestals), Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮大以克村、紅山子村(33個基座))	Industrial land	Transfer of state-owned land	2062/8/16	8,947.82
5	Meng (2020) Wuchuan County Real Estate Ownership Certificate No. 0001199	Land 5	Guodian Wuchuan Hongshan Wind Farm Phase III (fans and box-type substations No. 31-33), Dayike Village, Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮大以克村國電武川紅山風電場三期(31號-33號風機、箱變))	Industrial land	Transfer of state-owned land	2070/8/3	887.76
6	Meng (2020) Wuchuan County Real Estate Ownership Certificate No. 0001218	Land 6	Guodian Wuchuan Hongshan Wind Farm Phase III (fans and box-type substations No. 15-30), Nansuji Village, Erfenzi Township, Wuchuan County (武川縣二份子鄉南蘇計村國電武川紅山風電場三期(15號-30號風機、箱變))	Industrial land	Transfer of state-owned land	2070/8/3	4,734.72
7	Meng (2020) Wuchuan County Real Estate Ownership Certificate No. 0001201	Land 7	Guodian Wuchuan Hongshan Wind Farm Phase III (fans and box-type substations No. 1-14), Shuangyucheng Village, Erfenzi Township, Wuchuan County (武川縣二份子鄉雙玉城村國電武川紅山風電場三期(1號-14號風機、箱變))	Industrial land	Transfer of state-owned land	2070/8/3	4,142.88

The 7 parcels of land within the scope of this valuation have a total area of 64,446.22 square meters with a total book value of RMB81,146,304,400.

2. *Intangible asset recorded off the book*

There was no intangible asset within the scope of the enterprise's reporting but recorded off the book.

(IV) Types and quantities of off-balance-sheet assets as reported by the enterprise

As of 31 December 2020, the Valuation Benchmark Date, there was no off-balance-sheet asset within the scope of reporting by the appraised entity.

(V) The conclusion drawn from the reports issued by other entities in relation to the type, quantities and carrying amount of assets

The carrying amounts of the assets and liabilities as at the Valuation Benchmark Date as set out in the valuation report are the audited results stated in the Special Audit Report and Financial Statements in relation to the Appraised Entity issued by Baker Tilly China Certified Public Accountants LLP (Tian Zhi Ye Zi [2021] No. 26167) (covering the years 2018-2020) on 15 April 2021. Save for this, no reports from other agencies have been cited.

IV. TYPE OF VALUE AND ITS DEFINITION

For the purpose of this valuation, the type of value of this valuation is determined to be the market value.

The market value is defined as the estimated price of the appraisal target in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

V. VALUATION BENCHMARK DATE

The benchmark date of the asset valuation under this project is 31 December 2020.

The benchmark date is determined by the clients upon taking comprehensive account of the assets scale, workload, expected time required, compliance and other factors of the appraised entity.

VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly include basis of economic behaviour, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination and other references used in the valuation and estimation, details of which are as follows:

(I) Basis of economic behaviour

1. Resolutions of the Party Committee Meeting of CHN Energy North China Electric Power Co., Ltd. (14 January 2021);

(II) Basis of laws and regulations

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (published at the 21st meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
5. Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (first amendment to the Decision of the State Council on Revision to Certain Administrative Regulations, promulgated by Decree No. 714 of the State Council of the People's Republic of China on 23 April 2019);
6. Provisional Regulations on Value Added Tax of the People's Republic of China (State Council Decree No. 691) (《中華人民共和國增值稅暫行條例》(國務院令第691號));

7. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Ministry of Finance and State Administration of Taxation Decree No. 50) (《中華人民共和國增值稅暫行條例實施細則》(財政部、國家稅務總局令第50號));
8. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
9. General Rules of Loans (《貸款通則》) (the People's Bank of China);
10. Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法) (passed and amended at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019 and effective from 1 January 2020);
11. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
12. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Supervision and Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式加強資產評估監督管理工作的意見》(國辦發[2001]102號));
13. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
14. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));
15. Notice on the Issuance of Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36) (《關於印發〈國有資產評估管理辦法實行細則〉的通知》(國資辦發[1992]36號));

16. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council) (《國有資產評估管理辦法》(國務院令第91號));
17. Interim Regulations for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, Revision of Decree No. 588 of the State Council) (《企業國有資產監督管理暫行條例》(國務院令第378號，國務院令第588號修訂));
18. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》(國資委令32號));
19. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC of the State Council) (《企業國有資產評估管理暫行辦法》(國務院國資委令第12號));
20. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));
21. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
22. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (《資產評估行業財政監督管理辦法》(中華人民共和國財政部令第86號));
23. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協議轉讓有關事項的通知》(國資發產權[2010]11號));
24. Administrative Measures for the Material Asset Reorganisation of Listed Companies (CSRC Decree No. 109 and CSRC Decree No. 127) (《上市公司重大資產重組管理辦法》(證監會令第109號，證監會令第127號));
25. Other laws, regulations and rules related to the valuation.

(III) Basis of valuation standards

1. Standards for Asset Valuation – Basic Standards (Cai Qi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
10. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
11. Practicing Standards for Asset Valuation – Valuation Methodology (Zhong Ping Xie [2019] No. 35);
12. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
13. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);

14. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
15. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
16. Guiding Opinions No. 6 for Asset Valuation Expert –Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Zhong Ping Xie [2015] No. 67);
17. Guiding Opinions No. 8 for Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39);
18. Guiding Opinions No. 10 for Asset Valuation Expert – Reasonable Performance of Asset Valuation Procedures amid the COVID-19 Pandemic (Zhong Ping Xie [2020] No. 6);
19. Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

(IV) Basis of asset ownership

1. Motor Vehicle Driving Permit;
2. Property Ownership Certificate, State-owned Land Use Certificate, Real Estate Title Certificate and related affirmation of property rights;
3. Contracts or certificates for purchase of significant assets;
4. Other references.

(V) Basis of price determination

1. Decision of the State Council on Repealing the Provisional Regulations on Business Tax of the People’s Republic of China and Amending the Provisional Regulations on Value Added Tax of the People’s Republic of China (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) (Decree No. 691 of the State Council of the People’s Republic of China on 19 November 2017);

2. Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019);
3. Standards for the Appraisal of Real Estate (GB/T50291-2015);
4. Regulations for Grading and Classification of Urban Land (GB/T18507-2014);
5. Loan prime rate (LPR) announcement authorized to be published by the National Interbank Funding Centre on 21 December 2020;
6. ZOL (中關村在線), PConline (太平洋電腦網);
7. Autohome (汽車之家網);
8. Landvalue (中國地價監測網);
9. Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (Energy Industry Standard of the People's Republic of China NB/T31011-2019);
10. Estimated Quota of Onshore Wind Farm Projects (Energy industry standard of the People's Republic of China NBT 31010-2019);
11. Budget Quota for Property Construction and Decoration Project of Inner Mongolia Autonomous Region (2017) (《內蒙古自治區房屋建築與裝飾工程預算定額》(2017)), Budget Quota for General Installation Project of Inner Mongolia Autonomous Region (2017) (《內蒙古自治區通用安裝工程預算定額》(2017)) and Expense Quota of Construction Projects of Inner Mongolia Autonomous Region (2017) (《內蒙古自治區建設工程費用定額》(2017)), and Construction Project Cost Information in Hohhot Region (Issue 6 (November-December) in 2020) (《呼市地區2020年第6期(11-12月份)建設工程造價信息》) for material prices;

12. Notice of the General Office of the People's Government of Inner Mongolia Autonomous Region on the Announcement of the Unified Annual Output Value Standard for Land Acquisition and the Comprehensive Land Price for Land Acquisition Area in the Autonomous Region (Nei Zheng Ban Fa [2018] No. 4 (《內蒙古自治區人民政府辦公廳關於公佈自治區徵地統一年產值標準和徵地區片綜合地價的通知》(內政辦發[2018]4號)), and Decision of the People's Government of Inner Mongolia Autonomous Region on the Amendments to the Measures for the Implementation of Tax on Cultivated Land Occupation in the Inner Mongolia Autonomous Region (Decree No. 204 of the People's Government of Inner Mongolia Autonomous Region) (內蒙古自治區人民政府關於修改《內蒙古自治區耕地佔用稅實施辦法》的決定(內蒙古自治區人民政府令第204號));
13. Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426);
14. Catalogue of Industries Encouraged to Develop in the Western Region (2020 Edition) (Decree No. 40 of the National Development and Reform Commission of the People's Republic of China);
15. The audit results of the special audit report and financial statements of the appraised entity (covering the years 2018 to 2020) issued by Baker Tilly International Certified Public Accountants (Special General Partnership) on 15 April 2021 (Tian Zhi Ye Zi [2021] No. 26167);
16. Information on future earnings estimations provided by the clients and other relevant parties in accordance with the law;
17. Other references.

(VI) Other references

1. Enterprise Accounting Standards – Basic Standards (Order No. 33 of the Ministry of Finance);
2. Enterprise Accounting Standards – Application Guide (Cai Kuai [2006] No. 18);
3. 38 specific standards including Enterprise Accounting Standards No. 1 – Inventories (Cai Kuai [2006] No. 3);
4. Asset Valuation Common Data and Parameter Manual (Machinery Industry Press, 2011 edition);
5. 2020 Report on the Evaluation of the Performance of Listed Companies in China;
6. Wind Information Financial Terminal;
7. Investment Valuation (written by [US] Damodaran, translated by [Canada] Lin Qian, Tsinghua University Press);
8. Valuation: Measuring and Managing the Value of Companies (Fourth Edition) (written by [US] Tim • Koller, et al., translated by Wei Ping and Zhu Xiaolong, Electronic Industry Press);
9. Letter of request for quotation for equipment;
10. Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition);
11. Other references.

VII. VALUATION METHODS**Introduction of the Income Approach****1. Overview**

According to the relevant regulations of state administration authorities of the PRC, the Practice Standards for Asset Appraisal-Enterprise Value as well as international and domestic appraisal practices for similar transactions, the valuer decided to estimate the equity capital value of the appraised entity by using the discounted cash flow (DCF) method based on the income approach.

The DCF method is a method to appraise the asset value by discounting the expected future net cash flows of the enterprise to a present value. The basic principle of this method aims to obtain the appraisal value by estimating the expected future net cash flows of the assets and converting them into a present value by applying an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundation and conditions for continuous operation, the correlation between operation and income is relatively stable, and the future income and risks are predictable and quantifiable. The greatest difficulty in using the DCF method lies in the forecast of expected future cash flows (EFCFs) as well as the objectivity and reliability of data collection and processing. When the forecast of EFCFs is relatively objective and fair, and the discount rate is relatively reasonable, the valuation results will be adequately objective.

2. Basic Valuation Considerations

According to the due diligence findings, the asset composition and characteristics of principal business of the appraised entity, the equity capital value was estimated based on the separate accounting statements of the appraised entity in this valuation. The basic considerations of the valuation are as follows:

- (1) For assets and principal business included in the statements, the expected income (net cash flows) is estimated according to the changing trends of historical operating conditions in recent years and business types respectively, and is discounted to obtain the value of operating assets;

- (2) Current assets (liabilities), such as surplus capital, other receivables, accounts payable, interest payable, dividend payable and other payables existing as at the benchmark date, which are included in the scope of the statements but not taken into account in the estimations of expected income (net cash flows), and non-current assets (liabilities), such as idle equipment, real estates and construction in progress without booking income, are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their values are measured separately;
- (3) The enterprise value of the appraised entity is obtained by summing up the values of the aforesaid assets and liabilities, and the total shareholders' equity value of the appraised entity is obtained after deducting the value of interest-paying debts.

3. Valuation Model

(1) Basic Model

The basic model for this valuation is:

$$E = B - D \quad (1)$$

Wherein:

E: Total shareholders' equity value of the appraised entity;

B: Enterprise value of the appraised entity;

$$B = P + I + C \quad (2)$$

P: Value of operating assets of the appraised entity;

$$P = \sum_{i=1}^n [R_i \times (1 + r)^{-i}] + p_n \times (1 + r)^{-n} \quad (3)$$

Wherein:

R_i : Expected income of the appraised entity in Year i in the future (free cash flows);

P_n : Consideration of the recoverable value of related assets including working capital, fixed assets and intangible assets at the end of the operating period;

r : Discount rate;

n : Future operating period of the appraised entity;

C : Value of surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

$$C = C_1 + C_2 \quad (4)$$

C_1 : Value of current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

C_2 : Value of non-current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

D : Value of interest-bearing debts of the appraised entity;

I : Long-term equity investment value of the appraised entity;

(2) *Income Indicator*

In this valuation, the free cash flows of the appraised entity are used as the income indicator of its operating assets, which is basically defined as:

$$R = \text{Net profit} + \text{Depreciation and amortization} + \text{Interest on interest-bearing debts after tax} - \text{Additional capital} \quad (5)$$

The free cash flows in the future operating period are estimated based on the operational history of the appraised entity and the future market development and others. The free cash flows in the future operating period are discounted and summed up to calculate the value of operating assets of the enterprise.

(3) *Discount Rate*

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital (WACC) model:

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

w_d : Debt ratio of the appraised entity;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

w_e : Equity ratio of the appraised entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of the appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1 - t) \times \frac{D}{E}\right) \quad (10)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t) \times \frac{D_i}{E_i}} \quad (11)$$

β_t : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

Wherein:

K: Expected average risk value of stock market in the future, for which it normally assumes that K=1;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The whole valuation was carried out in four stages:

(I) Preparation

1. In early January 2021, the valuation agency entered into the site for the preparation of preliminary work;
2. In early January 2021, the clients convened the intermediary coordination meeting for the project, and all parties concerned reached consensus on the purpose of this valuation, Valuation Benchmark Date and valuation scope through negotiation, and formulated the work plan for this valuation of assets.

(II) On-site Valuation

The on-site valuation conducted by the project team was from early January 2021 to mid-March 2021. The main tasks were as follows:

1. The appraisers cooperated with the enterprise to inspect the assets and complete the statements of asset valuation and declaration. Members of the valuation project team obtained a detailed understanding of the appraised assets, arranged the asset valuation work, assisted the enterprise with declaration of the appraised assets, and collected the necessary documents for the valuation of the assets.
2. Listened to the introduction given by relevant personnel of the clients and the appraised entity on the overall situation of the enterprise, together with the history and current status of the appraised assets, so as to understand the financial system, operating conditions and technical status of fixed assets of the enterprise.
3. Reviewed and identified the statements of assets inspection, valuation and declaration provided by the enterprise, made reconciliation to relevant financial records related to the enterprise and collaborated with the enterprise to make adjustment to the identified problems.
4. Verified the fixed asset by way of random check based on the statements of asset inspection, valuation and declaration, and carried out random stock-taking on the physical inventory assets in the current assets.
5. Reviewed and collected the title certificates of the appraised assets.
6. Determined specific valuation method for each category of appraised assets based on their actual conditions and characteristics.
7. Reviewed technical information, final accounts and completion and acceptance information for major equipment; collected price information on general equipment mainly through market research and inquiries of relevant data; collected relevant information on the management system, maintenance, alteration, expansion of buildings and structures.
8. Verified ownership documents provided by the enterprise.
9. Conducted random correspondence checks on the deposit and loan banks and dealers of the appraised entity, and visited important dealers.

10. Made preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of inspection and verification.
11. According to the profit forecast data declared by the enterprise, inquired the main business, product effect, gross profit, market distribution channels, related party transactions of enterprises in the same industry and field. Through due diligence and interviews with senior management, understood the position and market share of enterprise's products in the industry as well as the cost and expense of enterprise, and analyzed the future development trend of the enterprise.

(III) Valuation Summarization

In late March 2021, we checked the declaration contents provided by the appraised entity, and adjusted, amended and improved such valuation results where necessary.

(IV) Report Submission

An asset valuation report was drafted based on the above processes, and opinions were exchanged with the clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation agency, and then the final asset valuation report was issued.

IX. VALUATION ASSUMPTIONS

The appraisers followed the following assumptions in this valuation:

(I) General Assumptions**1. Transaction Assumption**

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. *Open Market Assumption*

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties to the assets are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. *Going Concern Assumption*

The going concern assumption is the valuation assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operation entity, can continue to operate in accordance with the business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain the ability of continuous operation, the enterprise operates legally and can obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously based on their current purpose, method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates of the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfill their responsibilities in the future operating period, and it will continue to operate on the basis of the current operation and management model as at the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.

5. The expenses of the appraised entity in the future operating period will not change significantly on the current basis, and will continue its change trends in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (passed at the seventh meeting of the Standing Committee of the thirteenth National People's Congress on 29 December 2018), "Under Article 27, the following income of an enterprise may be subject to the exemption or reduction of enterprise income tax: (II) the income gained from investment in and operation of public infrastructure projects supported by the State;" the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Conservation Projects (《財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》) (Cai Shui [2012] No. 10), "the income of an enterprise gained from engaging in the investment in and operation of public infrastructure projects approved before 31 December 2007 that meet the requirements of the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》) and the income gained from engaging in the environmental protection, energy saving and water conservation projects approved before 31 December 2007 that meet the requirements of the Catalogue of Environmental Protection, Energy Saving and Water Conservation Projects Eligible for Preferential Enterprise Income Tax Treatment (《環境保護、節能節水項目企業所得稅優惠目錄》), are entitled to the preferential exemption or reduction of enterprise income tax for the remaining years from 1 January 2008 in a "3+3 tax holiday" calculated in accordance with the provisions of the new tax law commencing from the tax year in which the first production and operation income is obtained from the project".

As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment, the grid-connected wind power projects are entitled to enjoy the preferential policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years. The tax holiday for Wuchuan Power Station (Phase III) commenced from 1 January 2016 and will expiry on 31 December 2021. Wuchuan Power Station (Phase IV) is estimated to be connected to the grid for power generation in July 2021, with tax holiday from 1 July 2021 to 31 July 2027. According to the Catalogue of Industries Encouraged to Develop in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.

9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value Added Tax Policies for Wind Power Generation (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (Cai Shui [2015] No. 74), “Taxpayers who sell their self-generated power products produced through wind power are entitled to 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy 50% VAT refund in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable by the appraised entity for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years.

11. According to the power purchase and sale contract for wind farm entered into between Inner Mongolia Power (Group) Co., Ltd and Guodian North China Inner Mongolia New Energy Co., Ltd.* in November 2020 in relation to the Wind Power Generation Project (Phase II and III) in Guodian Hongshan Wind Farm with a total installed capacity of 99 MW, it is agreed in the contract that the on-grid tariff for wind farm is RMB0.51/kWh (tax inclusive), subject to the approval by the competent price authorities of the government or in accordance with the regulations of the competent price authorities of the government. In particular, the settlement price of Guodian North China Inner Mongolia New Energy Development Co., Ltd.* as the seller, which is the local benchmark tariff of electricity generated by coal-fired power generating units approved or confirmed by the competent price authorities of the government, plus provincial subsidies, is RMB0.51/kWh (tax inclusive) for Phase II and III. The renewable energy subsidy is RMB0.2271/kWh (tax inclusive) for Phase II and III. The term of the contract was from 1 January 2020 to 31 December 2020, and it is assumed that the contract will be renewed upon expiry in this valuation.
12. According to the notice issued by the National Development and Reform Commission and the National Energy Administration on 30 October 2018 to publish the Action Plan on Clean Energy Consumption (2018–2020) (《清潔能源消納行動計劃(2018–2020)》), the specific objectives included: to ensure that the national average wind power utilization rate reach international advanced level (striving to attain a level of around 95%) and keep the curtailment rate of wind power at a reasonable level (striving to stabilize it at around 5%) by 2020, and to ensure the utilization hours of each wind power station reach feasible utilization hours by 2026, taking into account various factors such as the utilization hours for each year during the reporting period and the trend of market demand, based on the communication with the production and operation department of the appraised entity and its historical power generation, assuming there exists wind power curtailment and constraints and the curtailment rate for each wind power station will drop year by year in future years as compared to that in 2020.
13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

When conditions stated above change, valuation results will generally become invalid.

X. CONCLUSION OF VALUATION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality, scientificity and objectivity, we carried out the statutory and necessary procedures for asset valuation. After implementation of the valuation procedures such as checking and verification, field survey, market research and confirmation, assessment and estimation, based on the judgment of the clients and the enterprise management on the future development trend and business planning the total shareholders' equity value of Guodian North China Inner Mongolia New Energy Co., Ltd.* was valued by income approach on the benchmark date of 31 December 2020. The conclusions were as follows:

(I) Valuation conclusion of the income method and analysis on the reasons for changes in valuation**1. Valuation conclusion of the income method:**

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow method (DCF) was used to assess the total shareholders' equity value of Guodian North China Inner Mongolia New Energy Co., Ltd.* As of the Valuation Benchmark Date of 31 December 2020, the book value of owners' equities of Guodian North China Inner Mongolia New Energy Co., Ltd.* was RMB613,906,500, and the appraisal value was RMB791,000,000, with an appreciation of RMB177,093,500 or 28.85%.

2. Analysis on the reasons for changes in valuation:

This valuation expresses an appreciation of RMB177,093,500 or 28.85% in the valuation of the total shareholders' equity value of Guodian North China Inner Mongolia New Energy Co., Ltd.* by using the income method. The changes and reasons were mainly due to the stable operation of the currently operated projects including Power Station Phase II and III in Guodian Wuchuan Hongshan Wind Farm since grid-connected power generation. At the same time, the Power Station Phase II and III in Guodian Wuchuan Hongshan Wind Farm had entered into the renewable energy subsidy catalogues, the trade receivables were collected in a timely manner and overall profitability of the enterprise was sounder than the assets size.

(II) Analysis on the valuation results and the final valuation conclusion**1. Analysis of difference between the valuation results**

In the valuation, the value of all shareholders' equity calculated with the income method was RMB791,000,000, which was RMB196,335,900 or 33.02% higher than that of RMB594,664,100 calculated with the asset-based method. The main reasons for the difference between the results from the two valuation methods are as follows:

- (1) In the asset-based method, the replacement cost of assets is adopted as the value standard, reflecting the socially necessary labour consumed in the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually varies with the national economy;
- (2) In the income method, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets.

Given the above, there is a difference between the results from the two valuation methods.

2. Selection of valuation results

The asset-based method differs from the income method in term of valuation perspectives and paths. In the asset-based method, reacquisition of assets is considered, reflecting the replacement value of existing assets of an enterprise. In the income method, future profitability of the enterprise is considered, reflecting the comprehensive profitability of various assets of the enterprise.

Since the power generation and electricity price of wind power stations can be basically determined, the future revenue can be better predicted. As the cost structure of wind power projects is simple, various indicators can basically be better measured. Operating costs can be estimated more reliably. Although the asset-based method objectively reflects the market value of owners' equity of an enterprise from the perspective of asset construction, we are of the view that when revenues and costs in the income method can be predicted more reasonably and when future uncertainties are small or can be estimated normally, the income method can reflect the value of all shareholders' equity as at the benchmark date in a more objective and reasonable way, compared with the valuation results of the asset-based method.

In conclusion, we were of the view that the valuation results of the income method could better reflect all shareholders' equities of Guodian North China Inner Mongolia New Energy Co., Ltd.*, thus the valuation results of the income method were taken as the final conclusion of the valuation. The value of all shareholders' equities of Guodian North China Inner Mongolia New Energy Co., Ltd.* arrived thereafter was RMB791,000,000 as at the Valuation Benchmark Date.

XI. NOTES ON SPECIAL MATTERS

(I) Defects of property rights

(1) Buildings

As at the Valuation Benchmark Date, there were a total of 4 buildings with defects of property rights in the buildings reported by the appraised entity, which have no relevant property ownership certificates.

Schedule of Major Production Buildings Without Property Ownership Certificates

No.	Building Name	Structure	Year and Month of Completion	Unit of Measurement	Area (m ²)
1	SVG room	Colorful steel	2015-12	m ²	36
2	35kv power distribution room	Steel concrete	2015-12	m ²	130.5
3	Warehouse and garage	Brick concrete	2015-12	m ²	215
4	Electricity boiler room	Steel concrete	2015-12	m ²	800
	Total				<u>1,181.5</u>

For the above properties without property ownership certificates, the appraised entity undertook the assets belong to it, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency. For such assets, the enterprise personnel used the area determined by on-site actual measurement. The enterprise declared areas according to on-site measurement, and the appraiser appraised the areas declared by the enterprise after the random checks and verifications. If the area is inconsistent with the declared area when the enterprise applies for relevant property ownership certificates in the future, the valuation results shall be adjusted according to the area specified in the property ownership certificates.

(2) *Land use right*

As of the Valuation Benchmark Date of 31 December 2020, there were a total of 4 land with defects of property rights in the land use rights declared by the appraised entity, which have inconsistencies between the obligee on the certificates and the actual user. Details of which are set out as below:

Schedule of the Inconsistencies Between the Obligee on the Certificate and the Actual User

No.	Land use right certificate No.	Land location	Nature of Land	Obligee on the certificate	Actual user
1	Wu Guo Yong 2015 No. 050	Gonghudong Village, Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮公忽洞村)	Transfer	Guodian Wuchuan Wind Power Co., Ltd. (國電武川風電有限公司)	Guodian North China Inner Mongolia New Energy Co., Ltd.*
2	Wu Guo Yong 2012 No. 00101	Dayike Village (booster station), Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮大以克村(升壓站))	Transfer	Guodian North China Electric Power Co., Ltd.	Guodian North China Inner Mongolia New Energy Co., Ltd.*
3	Wu Guo Yong 2012 No. 00102	Dayike Village, Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮大以克村)	Transfer	Guodian North China Electric Power Co., Ltd.	Guodian North China Inner Mongolia New Energy Co., Ltd.*
4	Wu Guo Yong 2012 No. 00100	Dayike Village and Hongshanzi Village (33 pedestals), Xiwulanbulang Town, Wuchuan County (武川縣西烏蘭不浪鎮大以克村、紅山子村(33個基座))	Transfer	Guodian North China Electric Power Co., Ltd.	Guodian North China Inner Mongolia New Energy Co., Ltd.*

For the above land use rights, Guodian North China Inner Mongolia New Energy Co., Ltd.* has undertaken that the above assets belong to it and there is no property right dispute.

(3) Vehicles

As of the Valuation Benchmark Date of 31 December 2020, there were a total of 3 vehicles with defects of property rights declared by Guodian North China Inner Mongolia New Energy Co., Ltd.*, which have inconsistencies between the obligee on the certificates and the actual user. Details of which are set out as below:

Schedule of the Inconsistencies Between the Oblige on the Certificate and the Actual User

No.	License plate No.	Vehicle name and model	Oblige on the certificate	Actual user
1	Meng AGD900	Nissan X-Trail DFL6460VECF	Guodian Wuchuan Wind Power Co., Ltd.	Guodian North China Inner Mongolia New Energy Co., Ltd.
2	Meng AN6773	Nissan pickup ZN6494HBG4	Guodian Wuchuan Wind Power Co., Ltd.	Guodian North China Inner Mongolia New Energy Co., Ltd.
3	Meng AGD286	Audi sedan FV7241FCVTG	Guodian Wuchuan Wind Power Co., Ltd.	Guodian North China Inner Mongolia New Energy Co., Ltd.

For the above inconsistencies between the obligee on the certificates and the actual user, each of the obligee on the certificates undertook the vehicles mentioned above actually belong to the appraised entity, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency.

(II) Pledge and guarantee

As of the Valuation Benchmark Date, there is no pledge and guarantee found in the report.

(III) Uncertainties including unresolved matters and legal disputes

No unresolved matters and legal disputes were found in the enterprise during this valuation.

(IV) Significant subsequent events

No significant events that may have an impact on the valuation conclusion was found during this valuation.

(V) Other matters required to be explained

1. As at the date of the valuation report, the COVID-19 pandemic is still ongoing. While forecasting the profit of this valuation, we could not accurately forecast how long the pandemic will last or the extent of its eventual impact. Thus, the conclusion of this valuation report is achieved based on the assumption that no other force majeure and unforeseeable factors will cause material adverse effects on the Company, the pandemic can be well controlled in the near future, and the national/global economy can quickly resume normal operation.
2. The legal liability of the valuer and the valuation agency was to exercise professional judgment and express professional opinions on the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve making judgment by the valuer and the valuation agency on the economic activities corresponding to such valuation purpose, and nor undertake the responsibility of decision-making by relevant parties. Thus the valuation conclusion shall not be deemed as a guarantee of the realizable price of the appraisal target.
3. The valuation, to a great extent, relies on the related information provided by the clients and the appraised entity. Accordingly, the valuation is on the basis that documents relating to economic activity and assets ownership, certificates, accounting documents and other relevant legal documents provided by the clients and the appraised entity are true and lawful.
4. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and completeness of the information provided.
5. The relevant title documents of ownership rights and related information involved in the valuation report are provided by the appraised entity. The clients and the appraised entity bear legal liability for the authenticity and legality of the information provided.
6. During the valuation process, for inspections of the equipments, properties and land, due to the restraints of the testing methods and the fact that some equipments were in operation, this task was mainly done by exterior observation by the appraisers and results of the latest checks provided by the appraised enterprise as well as the enquiries to the relevant operators.

7. The financing leases included in the scope of this valuation include the wind turbines and towers in Wuchuan (Phase IV) leased from Guodian Financial Leasing Co., Ltd. (國電融資租賃有限公司) for a total price of equipment of RMB246,080,289.90, including the wind turbines of RMB196,941,880.00 and the towers of RMB49,138,409.90, with a lease term of 10 years; as at the Valuation Benchmark Date, there still was outstanding financing lease payment of RMB222,358,260.66.
8. The valuation conclusion is based on the accurate judgement on the macro-economy and industry development trend in the future, and the effective implementation of its business plans by the enterprise. In the event that there are changes in economic environment and obstacles in industry development, the clients and the current management fail to take effective measures in a timely manner to make adjustments to the implementation of the plans, so as to meet the implementation of existing business plans, the profit forecast data may change significantly, resulting in the invalidity of the valuation conclusion. We would like to draw attention of the clients and the users of the report to the above matters.
9. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach used in this valuation report. The valuer has carried out the necessary investigation, analysis and judgement on the profit forecast of the appraised entity. After a number of discussions with the management of the appraised entity and its substantial shareholders and the subsequent further revision and improvement by the appraised entity, the valuation agency adopted the relevant data of the profit forecast provided by the appraised entity. Using the profit forecast of the appraised entity by the valuation agency does not guarantee the future profitability of the appraised entity.
10. If, for an effective period after the Valuation Benchmark Date, there is a change in the quantity of assets or standard of valuation, it should be dealt with in accordance with the following principles:
 - (1) When there is a change in the quantity of assets, the amount of the assets should be adjusted according to the original valuation method;

- (2) When there is a change in the standard of assets' prices which has a significant impact on the asset valuation results, the clients should promptly engage a qualified assets valuation agency to re-determine the appraisal value;
 - (3) In the event of any change in the quantity of assets or the standard of price after the Valuation Benchmark Date, the clients should give full consideration to the actual value of the assets and make corresponding adjustments.
11. According to the disclosure in the document of the supplementary notice on relevant matters under the Several Opinions on Promoting the Healthy Development of Non-aqueous Renewable Energy Power Generation (Cai Jian [2020] No. 426), "For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No. 5 Document, any power generated in excess of the eligible full life cycle subsidies will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions. For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, the wind power and PV power generation projects which have connected to the grid for 20 years, and biomass power generation projects which have connected to the grid for 15 years, whether they had reached to the full life cycle subsidies or not, will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions". Among the wind power projects entrusted for valuation, the vast majority of wind farms are entitled to continue to generate electricity within 2 to 10 years of the remaining life period after enjoying the full life cycle subsidies. Such power generation will no longer be subsidized by the central government, but can participate in green certificate transactions and carbon transactions according to the policy. As there are great uncertainties in the market and price of green certificate transactions and carbon transactions after the benchmark date, thus the income brought by green certificate transactions and carbon transactions to wind farms was not considered in this valuation. Attention of relevant users of the report shall be drawn to that.
12. As the enterprise has not applied for the property ownership certificates in this valuation, and due to the book value of properties and the carrying amount of machinery and equipment, the enterprise has not paid the property tax in the historical years, and the tax calculation method for self-use properties is not applicable for the time being. Therefore, the property tax is not taken into account in this valuation, and the appraisal value in the report shall be adjusted if the property tax is required to be paid subsequently. Attention of relevant users of the report shall be drawn to that.

**ASSET VALUATION REPORT ON THE PROJECT OF PROPOSED
ACQUISITION BY CHINA LONGYUAN POWER GROUP CORPORATION
LIMITED* OF 100% EQUITY INTEREST IN TIANJIN GUODIAN JIENENG
ELECTRIC POWER CO., LTD.* HELD BY CHN ENERGY NORTH CHINA
ELECTRIC POWER CO., LTD.
ZHONG LIAN PING BAO ZI [2021] NO. 1476**

To CHN Energy North China Electric Power Co., Ltd. and China Longyuan Power Group Corporation Limited*,

As engaged by the Company and CHN Energy North China Electric Power Co., Ltd., China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) has appraised the market value of all shareholders' equity interest in Tianjin Guodian Jieneng Electric Power Co., Ltd.* (天津國電潔能電力有限公司) involved in the economic behaviour of the proposed acquisition by China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) of 100% equity interest in Tianjin Guodian Jieneng Electric Power Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd. as at 31 December 2020, the Valuation Benchmark Date, by way of adopting the asset-based approach and the income approach and carrying out necessary valuation procedures in accordance with the requirements of the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

I. CLIENTS, PROPERTY RIGHT HOLDER, APPRAISED ENTITY AND OTHER USERS OF VALUATION REPORT

For the purpose of the asset valuation, China Longyuan Power Group Corporation Limited* is one of the clients, CHN Energy North China Electric Power Co., Ltd. is another client and property right holder, and Tianjin Guodian Jieneng Electric Power Co., Ltd.* is the appraised entity.

(I) Overview of One of the Clients

Name: China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”)

Registered address: Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street,
Xicheng District, Beijing

Legal representative: Jia Yanbing

Registered capital: RMB8,036,389,000

Economic nature: joint stock limited company (listed, state-controlled)

Date of establishment: 27 January 1993

Term of operation: no fixed term

Unified social credit code: 911100001000127624

1. Corporate profile

Founded in 1993, China Longyuan Power Group Corporation Limited* was originally affiliated to the National Energy Administration and successively served as an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and China Guodian Corporation. It is currently affiliated to CHN Energy and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of Hong Kong. Longyuan Power is a large-scale comprehensive power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada, South Africa and Ukraine.

As at the end of 2019, the consolidated installed capacity of the Company was 22,157 MW, of which the consolidated installed capacity of wind power was 20,032 MW.

2. Business scope

Business scope: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and achievements transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; wind power generation, energy-saving technology, technology development for other new energy, and project investment management; import and export business; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs; sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, general merchandise, automobile parts, vehicles designated for power systems and leasing office. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(II) Overview of Another Client and Property Right Holder

Name: CHN Energy North China Electric Power Co., Ltd. (“**CHN Energy North China**”)
Registered address: Building 16, Zone 12, No. 188 West Road, South Fourth Ring Road,
Fengtai District, Beijing
Legal representative: Zhang Shujun (張書軍)
Registered capital: RMB6,732,558,180.27
Economic nature: limited liability company (wholly owned by a legal person)
Date of establishment: 3 February 2007
Term of operation: 13 December 2007 to 12 December 2037
Unified social credit code: 91110000710935193T

Business scope: power (heat) supplies; investment, development, construction, operation and management of power source, heat source, and water source; whole set, auxiliary facilities, project construction and supervision of power equipment; equipment examination and maintenance; bidding agency; real estate development; property management; investment management; imports and exports; information and environmental protection in relation to power and power scientific research; technology development; economic information consultancy. (Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)

(III) Overview of the Appraised Entity

Name of enterprise: Tianjin Guodian Jieneng Electric Power Co., Ltd.*
 (“**Jieneng Electric Power**”)
Domicile of enterprise: East side of Xintai Community, Gangxi Street,
Dagang District, Binhai New Area, Tianjin
Legal representative: Xi Aimin (席愛民)
Registered capital: RMB321,208,000
Type of company: limited liability company (wholly owned by a legal person)
Date of establishment: 11 March 2010
Term of operation: 11 March 2010 to 10 March 2045
Unified social credit code: 911201165503842139

1. Historical development

Tianjin Guodian Jieneng Electric Power Co., Ltd.* was established on 11 March 2010 with the approval of Dagang Branch of Tianjin Administration for Industry and Commerce. The initial registered capital was RMB90 million, to which Guodian North China Electric Power Co., Ltd. (國電華北電力有限公司) contributed RMB90 million, accounting for 100% of the registered capital. The company's registered address is the east side of Xintai Community, Gangxi Street, Dagang District, Binhai New Area, Tianjin; its legal representative is Xi Aimin; and the type of enterprise is limited liability company.

In 2011, 2012, 2013, 2017 and 2018, Guodian North China Electric Power Co., Ltd. made capital increases of RMB81,180,000, RMB36,000,000, RMB47,828,000, RMB48,200,000 and RMB18,000,000, respectively, upon which, its registered capital amounted to RMB171,180,000, RMB207,180,000, RMB255,008,000, RMB303,208,000 and RMB321,208,000, respectively.

2. Corporate profile

Jieneng Electric Power is mainly engaged in wind power generation. The company currently operates wind power station projects with a total installed capacity of 190.5 MW, among which, the Shajingzi Power Station Phase I, Phase II, Phase III and Phase IV has an installed capacity of 49.5 MW, 49.5 MW, 49.5 MW and 42 MW, respectively. The company has established a total of ten departments, i.e. the General Department, the Party Construction Department (Supervision and Audit Department), the Planning and Economic Department (Marketing Department), the Finance Department, the Coastal Equipment Management Department, the Power Generation Operation Department, the Wind Farm Production Department, the Safety Supervision Department, the Engineering Department and the Project Office. There are 123 employees, including 5 senior officers and 12 middle-level officers, with an average age of 47.

3. Business scope

Wind power generation; research, development and consulting services of clean energy technologies and related technical training. (For projects subject to approval pursuant to the laws, operating activities shall commence upon receipt of the approval from relevant authorities.)

4. Capital contribution of Shareholder

As of the Valuation Benchmark Date, the paid-up capital of Jieneng Electric Power was RMB321,208,000. The name of Shareholder, amount of capital contribution and proportion of capital contribution are as follows:

Name of Shareholder, amount of capital contribution and proportion of capital contribution

No.	Name of Shareholder	Subscription amount (RMB0'000)	Amount of capital contribution (RMB0'000)	Proportion of capital Contribution %
1	CHN Energy Northeast Electric Power Co., Ltd.	32,120.80	32,120.80	100%
Total				<u>100%</u>

5. Overview of operation

Tianjin Guodian Jieneng Electric Power Co., Ltd.* is mainly engaged in wind power generation. Currently, the company mainly operates the wind power station projects with a total installed capacity of 190.5 MW.

For the Shajingzi project phase I, Tianjin Guodian Jieneng Electric Power Co., Ltd.* has obtained the registration certificate (Jin Fa Gai Permit [2009] No. 371) (《津發改許可[2009]371號》) in December 2009, and it was connected to the grid for power generation in February 2011. Tianjin Guodian Jieneng Electric Power Co., Ltd.* has entered into the Power Purchase and Sale Contract with State Grid Tianjin Electric Power Company in respect of the Shajingzi Phase I Power Generation Project.

For the Shajingzi Phase II Project, Tianjin Guodian Jieneng Electric Power Co., Ltd.* has obtained the registration certificate (Jin Fa Gai Permit [2011] No. 85) (《津發改許可[2011]85號》) in April 2011, and it was connected to the grid for power generation in March 2013. Tianjin Guodian Jieneng Electric Power Co., Ltd.* has entered into the Power Purchase and Sale Contract with State Grid Tianjin Electric Power Company in respect of the Shajingzi Phase II Power Generation Project.

For the Shajingzi Phase III Project, Tianjin Guodian Jieneng Electric Power Co., Ltd.* has obtained the registration certificate (Jin Fa Gai Permit [2012] No. 189) (《津發改許可[2012]189號》) in December 2012, and it was connected to the grid for power generation in March 2014. Tianjin Guodian Jieneng Electric Power Co., Ltd.* has entered into the Power Purchase and Sale Contract with State Grid Tianjin Electric Power Company in respect of the Shajingzi Phase III Power Generation Project.

For the Shajingzi Phase IV Project, Tianjin Guodian Jieneng Electric Power Co., Ltd.* has obtained the registration certificate (Jin Fa Gai Permit [2013] No. 171) (《津發改許可[2013]171號》) in December 2013, and it was connected to the grid for power generation in September 2019. Tianjin Guodian Jieneng Electric Power Co., Ltd.* has entered into the Power Purchase and Sale Contract with State Grid Tianjin Electric Power Company in respect of the Shajingzi Phase IV Power Generation Project.

6. Financial position, operating status and cash flow status of Jieneng Electric Power

As disclosed in the audited statements of Jieneng Electric Power, as at 31 December 2020, the Valuation Benchmark Date, total assets, total liabilities and total shareholders' equity amounted to RMB1,119,423,800, RMB549,050,700 and RMB570,373,100, respectively; for 2020, it realized operating revenue of RMB172,350,200 and net profit of RMB46,176,300; for 2020, net increase in cash and cash equivalents was RMB-18,957,700 and balance of cash and cash equivalents as at the end of the period was RMB999,000. The audited financial position, operating status and cash flow status of the company for the past three years and as at the benchmark date are as follows:

Assets, liabilities and financial position of Jieneng Electric Power

Unit: RMB0'000

Item	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Total assets	111,985.14	114,756.68	113,975.97	111,942.38
Liabilities	65,073.23	63,640.81	61,556.29	54,905.08
Total shareholders' equity	46,911.91	51,115.86	52,419.68	57,037.31

	2017	2018	2019	2020
Operating revenue	13,159.16	12,887.76	11,957.30	17,235.02
Total profit	3,693.75	3,605.05	2,129.89	5,130.32
Net profit	2,758.66	2,673.79	1,303.82	4,617.63
	2017	2018	2019	2020
Net cash flows generated from operating activities	9,066.12	6,183.19	5,164.54	8,052.11
Net cash flows generated from investing activities	-16,038.37	-3,161.61	-3,533.31	-1,784.49
Net cash flows generated from financing activities	8,003.26	-4,032.28	306.52	-8,163.40
Net increase in cash and cash equivalents	1,031.00	-1,010.71	1,937.76	-1,895.77
Audit opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion	Standard unqualified opinion
Number of audit report	Rui Hua Shen Shen Zi [2018] No. 21040122 (瑞華審字 [2018]21040122號)	Tian Zhi Ye Zi [2021] No. 26080 (天職業字 [2021]26080號)	Tian Zhi Ye Zi [2021] No. 26080 (天職業字 [2021]26080號)	Tian Zhi Ye Zi [2021] No. 26080 (天職業字 [2021]26080號)
Audit institution	Ruihua Certified Public Accountants (LLP)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)	Baker Tilly International Certified Public Accountants (Special General Partnership)

(IV) Relationship between the clients and the appraised entity

China Longyuan Power Group Corporation Limited*, the client, CHN Energy North China Electric Power Co., Ltd., the client and the property right holder, and Tianjin Guodian Jieneng Electric Power Co., Ltd.*, the appraised entity, are all subordinate units of China Energy Investment Corporation Limited, and they are related entities.

(V) The clients and other users of the valuation report under the assets valuation entrustment contract

The users of this valuation report shall be the clients and parties concerned with the economic behaviour.

Unless otherwise stipulated by the national laws and regulations, any agency or individual without confirmation from the valuation agency and the clients shall not become a user of this valuation report by virtue of the access to this report.

II. PURPOSE OF VALUATION

Pursuant to the Resolution of the Party Committee of CHN Energy North China Electric Power Co., Ltd., China Longyuan Power Group Corporation Limited* intends to acquire 100% equity interest in Tianjin Guodian Jieneng Electric Power Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd.

The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Tianjin Guodian Jieneng Electric Power Co., Ltd.* on the Valuation Benchmark Date, and to provide value reference for China Longyuan Power Group Corporation Limited* in its proposed acquisition of 100% equity interest in Tianjin Guodian Jieneng Electric Power Co., Ltd.* held by CHN Energy North China Electric Power Co., Ltd.

III. APPRAISAL TARGET AND SCOPE OF VALUATION**(I) Appraisal target and scope of valuation**

The appraisal target is the value of the total equity attributable to the shareholders of Jieneng Electric Power.

The scope of valuation covers all assets and liabilities of Jieneng Electric Power.

(II) The type and carrying amount of the valued assets

As at the Valuation Benchmark Date, Jieneng Electric Power had assets with a total carrying amount of RMB1,119,423,800, total liabilities of RMB549,050,700 and net assets of RMB570,373,100, including, specifically, current assets of RMB165,266,800; non-current assets of RMB954,157,000; current liabilities of RMB458,802,700; non-current liabilities of RMB90,248,000.

The above asset and liability data are extracted from the balance sheet of Jieneng Electric Power as of 31 December 2020. The appraisal target to be valued and scope of the valuation are the same as those involved in the economic behaviour. The book value has been audited and a standard unqualified audit report has been issued thereon.

The physical assets as reported by the enterprise subject to valuation amount to RMB948,131,200, accounting for 84.70% of total assets, including buildings (structures), equipment and construction in progress, which have the following types and features:

1. Buildings (structures)**(1) Buildings**

Including a complex building, 35kv power distribution room, pump house for domestic water and fire pump, 110KV GIS room, garage, material warehouse, etc., which are mainly located near New Ziya River (子牙新河) and Qingjinghuang Drainage Canal (青静黄排水渠) next to Shajingzi Reservoir, Gangxi Street, Dagang District, Tianjin, with the west side of the wind farm adjacent to Taisha Road (X422) and the east side adjacent to Jinqi Highway (S106). The buildings were completed mainly in October 2011 and are constructed mainly with reinforced concrete.

(2) Structures

Structures mainly include roads and squares in the station areas, wind farm maintenance roads, emergency oil pools, booster station walls and gates, cable trenches, etc., which are constructed mainly with concrete.

2. *Equipment*

(1) *Machines and Equipment*

Jieneng Electric Power has a total of 120 units (sets) of machines and equipment in the category of wind turbines, including a total of 592 items of supporting facilities such as box-type transformers, electrical equipment and collection lines. The equipment is mainly distributed in four power stations, specifically: 1) Shajingzi Phase I Power Station, with 33 units of wind turbines, each with 1.5 MW; 2) Shajingzi Phase II Power Station, with 33 units of wind turbines, each with 1.5 MW; 3) Shajingzi Phase III Power Station, with 33 units of wind turbines, each with 1.5 MW; 4) Shajingzi Phase IV Power Station, with 21 units of wind turbines, each with 2.0 MW.

As at the Valuation Benchmark Date, the appraised equipment was in normal use.

(2) *Vehicles*

There are ten vehicles in total vehicles for production and office use, including JMC Ford Transit JX6593D-M ordinary medium bus, Kia YQZ6430AE compact passenger car, Costa SCT6703TRB531E ordinary large bus, Santana SVW7182000 car, Toyota SCT649IE4 compact passenger car, Outlander JE3AS59X compact off-road vehicle, Great Wall CC1031PA2G pickup truck, Haval CC6465UM28B compact passenger car, etc.

In particular, as set out in the certificates, the right holder of Toyota SCT649IE4 compact passenger car and Outlander JE3AS59X compact off-road vehicle is Tianjin Binhai Electric Power Co. Ltd.* (天津濱海電力有限公司).

As at the Valuation Benchmark Date, the vehicles were in normal use and have passed the annual inspection.

(3) *Electronic equipment*

There are 98 items of electronic equipment, including computers, printers, air conditioners, washing machines, freezers, cameras and other equipment for office and daily use. As at the Valuation Benchmark Date, the appraised electronic equipment was in normal use.

3. Construction in progress

There are eight items of construction in progress in total, mainly including: construction in progress-infrastructure project, construction in progress-technical renovation project, additional installation of fans for automatic fire extinguishing, and SVG renovation phases I and II, etc. The book value of construction in progress amounts to all the costs incurred in the project, including costs for civil engineering, equipment purchase, equipment installation engineering and land acquisition, preliminary engineering costs, and construction management costs and capitalized interest during the start-up period.

(III) The intangible assets recorded in or off the book of the enterprise

- As of 31 December 2020, the Valuation Benchmark Date, the intangible assets as reported by the enterprise included the use right of one parcel of land in the possession of the appraised entity and other 7 intangible assets (mainly 7 software systems) recorded in the book, the details of which are as follows:

(1) Land use right

Within the scope of valuation, there is use right of one parcel of state-owned land in total, for which a real estate ownership certificate has been issued. As stated in the certificate, the holder of the land use right is Tianjin Guodian Jieneng Electric Power Co., Ltd.* and the type of the land use right is transfer. The number of the land ownership certificate, name, location and use of the land, type of the use right, termination date, area of the use right and other main information about land registration are as follows:

Schedule of Land Registration Information

No.	Number of land ownership certificate	Name of land	Location of land	Date of acquisition	Nature of land	Use of land	Term of use	Degree of development	Area (m ²)
1	Fang Di Zheng Jin Zi No. 109051200268 (房地證津字第109051200268)	Land	Yuanjing 1st Village (遠景一村), Gangxi Street, Dagang District, Binhai New Area, Tianjin	10 September 2012	Transfer	Industrial land	50 years	Six utility services and land leveling (六通一平)	22,586.3

No.	Number of land ownership certificate	Name of land	Location of land	Use of land	Type of use right	Date of termination	Area of use right (square meter)
1	Fang Di Zheng Jin Zi No. 109051200268 (房地證津字第 109051200268)	Land for use by Tianjin Guodian (天津國電用地)	Yuanjing 1st Village, Gangxi Street, Dagang District	Industrial use	Transfer	9 September 2062	22,586.30

(2) Intangible assets – others

Within the scope of valuation, there are 7 other intangible assets, i.e. a total of 7 items of intangible assets – others recorded in the book, including internal control information system for infrastructure finance, interface technology for seal management system, renovation of secondary protection system, etc.

2. Intangible asset recorded off the book

As of the Valuation Benchmark Date, there was no intangible asset recorded off the book as reported by the enterprise.

(IV) Types and quantities of off-balance-sheet assets as reported by the enterprise

As of the Valuation Benchmark Date, there was no off-balance-sheet asset within the scope of reporting by the appraised entity.

(V) The conclusion drawn from the reports issued by other entities in relation to the type, quantities and carrying amount of assets

The carrying amounts of the assets and liabilities as at the Valuation Benchmark Date as set out in the valuation report are the audited results stated in the Special Audit Report and Financial Statements in relation to Jieneng Electric Power issued by Baker Tilly China Certified Public Accountants LLP (Tian Zhi Ye Zi [2021] No. 26080) (covering the years 2018-2020) on 15 April 2021. Save for this, no reports from other agencies have been cited.

IV. TYPE OF VALUE AND ITS DEFINITION

For the purpose of the valuation, the type of value of the valuation is determined to be the market value.

The market value is defined as the estimated price of the appraisal target in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

V. VALUATION BENCHMARK DATE

The benchmark date of the asset valuation under this project is 31 December 2020.

The benchmark date is determined by the clients upon taking account of the assets scale, workload, expected time required, compliance and other factors of the appraised entity.

VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly include basis of economic behaviour, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination and other references used in the valuation and estimation, details of which are as follows:

(I) Basis of economic behaviour

1. Resolution of the Party Committee Meeting of CHN Energy North China Electric Power Co., Ltd.

(II) Basis of laws and regulations

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (published at the 21st meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);

3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Administrative Measures for Major Assets Restructuring of Listed Companies (CSRC Decree No. 109 and Revision of CSRC Decree No. 127 (《上市公司重大資產重組管理辦法》)(證監會令第109號，證監會令第127號修改));
5. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) Revision passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
6. Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (first amendment to the Decision of the State Council on Revision to Certain Administrative Regulations, promulgated by Decree No.714 of the State Council of the People's Republic of China on 23 April 2019);
7. Provisional Regulations on Value Added Tax of the People's Republic of China (State Council Decree No. 691) (《中華人民共和國增值稅暫行條例》)(國務院令第691號));
8. Detailed Rules for the Implementation of the Provisional Regulations on Value Added Tax of the People's Republic of China (Ministry of Finance and State Administration of Taxation Decree No.50) (《中華人民共和國增值稅暫行條例實施細則》)(財政部、國家稅務總局令第50號))Value Added Tax;
9. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
10. General Rules of Loans (《貸款通則》) (the People's Bank of China);
11. Urban Real Estate Administration Law of the People's Republic of China (中華人民共和國城市房地產管理法)(passed at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);

12. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at the 12th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
13. Opinions of the Ministry of Finance on Reforming State-owned Asset Appraisal Administration Method and Strengthening Asset Appraisal Supervision and Administration Work (Guo Ban Fa [2001] No. 102) (《財政部關於改革國有資產評估行政管理方式加強資產評估監督管理工作的意見》(國辦發[2001]102號));
14. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
15. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));
16. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council) (《國有資產評估管理辦法》(國務院令第91號));
17. Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Assessment (Guo Zi Ban Fa [1992] No.36) (《國有資產評估管理辦法實行細則》(國資辦發[1992]第36號));
18. Interim Regulations for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, Revision of Decree No. 588 of the State Council) (《企業國有資產監督管理暫行條例》(國務院令第378號，國務院令第588號修訂));
19. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (Decree No. 32 of the SASAC) (《企業國有資產交易監督管理辦法》(國資委令32號));
20. Interim Measures on the Administration of Appraisal of State-owned Assets of Enterprises (Decree No. 12 of the SASAC of the State Council) (《企業國有資產評估管理暫行辦法》(國務院國資委令第12號));
21. Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《企業國有資產評估項目備案工作指引》(國資發產權[2013]64號));

22. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at the 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
23. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China) (《資產評估行業財政監督管理辦法》(中華人民共和國財政部令第86號));
24. Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Fa Chan Quan [2010] No. 11) (《關於中央企業國有產權協議轉讓有關事項的通知》(國資發產權[2010]11號));
25. Other laws, regulations and rules related to the valuation.

(III) Basis of valuation standards

1. Standards for Asset Valuation – Basic Standards (Cai Qi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);
3. Practicing Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practicing Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);

10. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
12. Practicing Standards for Asset Valuation –Valuation Methodology (Zhong Ping Xie [2019] No. 35);
13. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
14. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);
15. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
16. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
17. Guiding Opinions No. 6 for Asset Valuation Expert –Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Zhong Ping Xie [2015] No. 67);
18. Guiding Opinions No. 8 for Asset Valuation Expert – Check and Verification in Asset Valuation (Zhong Ping Xie [2019] No. 39);
19. Guiding Opinions No. 10 for Asset Valuation Expert – Reasonable Performance of Asset Valuation Procedures amid the COVID-19 Pandemic (Zhong Ping Xie [2020] No. 6);
20. Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38).

(IV) Basis of asset ownership

1. Motor Vehicle Driving Permit;
2. Property Ownership Certificate, State-owned Land Use Certificate, Real Estate Title Certificate and related affirmation of property rights;
3. Contracts or certificates for purchase of significant assets;
4. Other references.

(V) Basis of price determination

1. Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program by Replacing Business Tax with VAT (Cai Shui [2016] No. 36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號));
2. Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019);
3. 2020 Price Information Inquiry System for Mechanical and Electrical Products (Institute of Machinery Industry Information) (《2020機電產品價格信息查詢系統》(機械工業信息研究院));
4. Code for Real Estate Appraisal (《房地產估價規範》) (GB/T50291-2015);
5. Regulations for Grading and Classification of Urban Land (GB/T18507-2014);
6. Loan prime rate (LPR) announcement authorized to be published by the National Interbank Funding Centre on 21 December 2020;
7. ZOL (中關村在線);
8. PConline (太平洋電腦網);
9. Autohome (汽車之家網);

10. Landvalue (中國地價監測網);
11. Regulations for Compilation of and Cost Standards for the Engineering Design Estimates for Onshore Wind Farms (Energy Industry Standard of the People's Republic of China NB/T31011-2019);
12. Estimated Quota of Onshore Wind Farm Projects (Energy Industry Standard of the People's Republic of China NBT 31010-2019);
13. Budget Base Price for Construction Projects in Tianjian, Budget Base Price for Decoration and Renovation Projects in Tianjin and Budget Base Price for Installation Projects in Tianjin in 2020, Pricing Methods for Construction Projects in Tianjin in 2020, and Material Price Index for Construction Projects in Tianjin in December 2020;
14. Information on future earnings estimations provided by the clients and other relevant parties in accordance with the law;
15. The audit results of the special audit report and financial statements of Jieneng Electric Power (covering the years 2018 to 2020) issued by Baker Tilly International Certified Public Accountants (Special General Partnership) on 15 April 2021 (Tian Zhi Ye Zi [2021] No. 26080);
16. Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426);
17. Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition);
18. Other references.

(VI) Other references

1. Enterprise Accounting Standards – Basic Standards (Order No. 33 of the Ministry of Finance);
2. Enterprise Accounting Standards – Application Guide (Cai Kuai [2006] No. 18);
3. 38 specific standards including Enterprise Accounting Standards No. 1 – Inventories (Cai Kuai [2006] No. 3);

4. Asset Valuation Common Data and Parameter Manual (Machinery Industry Press, 2011 edition);
5. 2020 Report on the Evaluation of the Performance of Listed Companies in China;
6. Wind Information Financial Terminal;
7. Investment Valuation (written by [US] Damodaran, translated by [Canada] Lin Qian, Tsinghua University Press);
8. Valuation: Measuring and Managing the Value of Companies (Fourth Edition) (written by [US] Tim • Koller, et al., translated by Wei Ping and Zhu Xiaolong, Electronic Industry Press);
9. Letter of request for quotation for equipment;
10. Other references.

VII. VALUATION METHODS

Introduction of the Income Approach

1. Overview

According to the relevant regulations of state administration authorities of the PRC, the Standards for Asset Appraisal-Enterprise Value as well as international and domestic appraisal practices for similar transactions, the valuer decided to estimate the equity capital value of the appraised entity by using the discounted cash flow (DCF) method based on the income approach.

The DCF method is a method to appraise the asset value by discounting the expected future net cash flows of the enterprise to a present value. The basic principle of this method aims to obtain the appraisal value by estimating the expected future net cash flows of the assets and converting them into a present value by applying an appropriate discount rate. The basic conditions for its application are: the enterprise has the foundation and conditions for continuous operation, the correlation between operation and income is relatively stable, and the future income and risks are predictable and quantifiable. The greatest difficulty in using the DCF method lies in the forecast of expected future cash flows (EFCFs) as well as the objectivity and reliability of data collection and processing. When the forecast of EFCFs is relatively objective and fair, and the discount rate is relatively reasonable, the valuation results will be adequately objective.

2. Basic Valuation Considerations

According to the due diligence findings, the asset composition and characteristics of principal business of the appraised entity, the equity capital value was estimated based on the separate accounting statements of the appraised entity in this valuation. The basic considerations of the valuation are as follows:

- (1) For assets and principal business included in the statements, the expected income (net cash flows) is estimated according to the changing trends of historical operating conditions in recent years and business types respectively, and is discounted to obtain the value of operating assets;
- (2) Current assets (liabilities), such as surplus capital, other receivables, accounts payable, interest payable, dividend payable and other payables existing as at the benchmark date, which are included in the scope of the statements but not taken into account in the estimations of expected income (net cash flows), and non-current assets (liabilities), such as idle equipment, real estates and construction in progress without booking income, are defined as surplus or non-operating assets (liabilities) on the benchmark date, and their values are measured separately;
- (3) The enterprise value of the appraised entity is obtained by summing up the values of the aforesaid assets and liabilities, and the total shareholders' equity value of the appraised entity is obtained after deducting the value of interest-paying debts.

3. Valuation Model*(1) Basic Model*

The basic model for this valuation is:

$$E = B - D \tag{1}$$

Wherein:

E: Total shareholders' equity value of the appraised entity;

B: Enterprise value of the appraised entity;

D: Value of interest-bearing debts of the appraised entity;

$$B = P + I + C \quad (2)$$

P: Value of operating assets of the appraised entity;

I: Value of long-term equity investment;

$$P = \sum_{i=1}^n [R_i \times (1 + r)^{-i}] + p_n \times (1 + r)^{-n} \quad (3)$$

Wherein:

R_i: Expected income of the appraisal target in Year i in the future (free cash flows);

P_n: Consideration of the recoverable value of related assets including working capital, fixed assets and intangible assets at the end of the operating period;

r: Discount rate;

n: Future operating period of the appraised entity;

C: Value of surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

$$C = C_1 + C_2 \quad (4)$$

C₁: Value of current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

C₂: Value of non-current surplus or non-operating assets (liabilities) of the appraised entity existing as at the benchmark date;

D: Value of interest-bearing debts of the appraised entity;

(2) *Income Indicator*

In this valuation, the free cash flows of the appraised entity are used as the income indicator of its operating assets, which is basically defined as:

$$R = \text{Net profit} + \text{Depreciation and amortization} + \text{Interest on interest-bearing debts after tax} - \text{Additional capital} \quad (5)$$

The free cash flows in the future operating period are estimated based on the operational history of the appraised entity and the future market development and others. The free cash flows in the future operating period are discounted and summed up to calculate the value of operating assets of the enterprise.

(3) *Discount Rate*

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital (WACC) model:

$$r = r_d \times w_d + r_e \times w_e \quad (6)$$

Wherein:

w_d : Debt ratio of the appraised entity;

$$w_d = \frac{D}{(E+D)} \quad (7)$$

w_e : Equity ratio of the appraised entity;

$$w_e = \frac{E}{(E+D)} \quad (8)$$

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

$$r_e = r_f + \beta_e \times (r_m - r_f) + \varepsilon \quad (9)$$

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of the appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1 - t) \times \frac{D}{E}\right) \quad (10)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_t}{1 + (1 - t) \times \frac{D_i}{E_i}} \quad (11)$$

β_t : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_t = 34\%K + 66\%\beta_x \quad (12)$$

Wherein:

K: Expected average risk value of stock market in the future, for which it normally assumes that K=1;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The whole valuation was carried out in four stages:

(I) Preparation

1. In early January 2021, the valuation agency entered into the site for the preparation of preliminary work;
2. In early January 2021, the clients convened the intermediary coordination meeting for the project, and all parties concerned reached consensus on the purpose of this valuation, Valuation Benchmark Date and valuation scope through negotiation, and formulated the work plan for this valuation of assets.

(II) On-site Valuation

The on-site valuation conducted by the project team was from early January 2021 to mid-March 2021. The main tasks were as follows:

1. The appraisers cooperated with the enterprise to inspect the assets and complete the statements of asset valuation and declaration. Members of the valuation project team obtained a detailed understanding of the appraised assets, arranged the asset valuation work, assisted the enterprise with declaration of the appraised assets, and collected the necessary documents for the valuation of the assets;
2. Listened to the introduction given by relevant personnel of the clients and the appraised entity on the overall situation of the enterprise, together with the history and current status of the appraised assets, so as to understand the financial system, operating conditions and technical status of fixed assets of the enterprise;
3. Reviewed and identified the statements of assets inspection, valuation and declaration provided by the enterprise, made reconciliation to relevant financial records related to the enterprise and collaborated with the enterprise to make adjustment to the identified problems;
4. Verified the fixed asset by way of random check based on the statements of asset inspection, valuation and declaration;
5. Reviewed and collected the title certificates of the appraised assets;

6. Determined specific valuation method for each category of appraised assets based on their actual conditions and characteristics;
7. Reviewed technical information, final accounts and completion and acceptance information for major equipment; collected price information on general equipment mainly through market research and inquiries of relevant data; collected relevant information on the management system, maintenance, alteration, expansion of buildings and structures;
8. Verified ownership documents provided by the enterprise;
9. Conducted random correspondence checks on the deposit and loan banks and dealers of the appraised entity, and visited important dealers;
10. Made preliminary valuation and estimation for assets and liabilities within valuation scope on the basis of inspection and verification;
11. According to the profit forecast data declared by the enterprise, inquired the main business, product effect, gross profit, market distribution channels, related party transactions of enterprises in the same industry and field. Through due diligence and interviews with senior management, understood the position and market share of enterprise's products in the industry as well as the cost and expense of enterprise, and analyzed the future development trend of the enterprise.

(III) Valuation Summarization

In late March 2021, we checked the declaration contents provided by the appraised entity, and adjusted, amended and improved such valuation results where necessary.

(IV) Report Submission

An asset valuation report was drafted based on the above processes, and opinions were exchanged with the clients on the valuation results. Upon full consideration of relevant opinions, the report was repeatedly modified and corrected in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation agency, and then the final asset valuation report was issued.

IX. VALUATION ASSUMPTIONS

The appraisers followed the following assumptions in this valuation:

(I) General Assumptions**1. *Transaction Assumption***

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. *Open Market Assumption*

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. *Going Concern Assumption*

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operation entity, can continue to operate in accordance with the business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain the ability of continuous operation, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously based on their current purpose, method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates of the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfill their responsibilities in the future operating period, and it will continue to operate on the basis of the operation and management model as at the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly on the current basis, and will continue its change trends in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the acquisition and utilisation methods of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. According to the “Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (passed at the seventh meeting of the Standing Committee of the 13th National People’s Congress on 29 December 2018), “under Article 27, the following income of an enterprise may be subject to the exemption or reduction of enterprise income tax: (II) the income gained from investment and operation of public infrastructure projects supported by the state;” the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Conservation Projects (《財政部、

國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》(Caishui [2012] No. 10), “the income of an enterprise gained from engaging in the investment and operation of public infrastructure projects approved before 31 December 2007 that meet the requirements of the Catalogue of Public Infrastructure Projects Eligible for Enterprise Income Tax Preferential Treatment (《公共基礎設施項目企業所得稅優惠目錄》) and the income gained from engaging in the environmental protection, energy saving and water conservation projects approved before 31 December 2007 that meet the requirements of the Catalogue of Environmental Protection, Energy Saving and Water Conservation Projects Eligible for Enterprise Income Tax Preferential Treatment (《環境保護、節能節水項目企業所得稅優惠目錄》), are entitled to the preferential exemption or reduction of enterprise income tax for the remaining years from 1 January 2008 in a “3+3 tax holiday” calculated in accordance with the provisions of the new tax law commencing from the tax year in which the first production and operation income is obtained from the project”.

As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment, the grid-connected wind power projects are entitled to enjoy the preferential policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years. In other words, Shajingzi Phase IV Power Station was connected to the grid in August 2019, and the period during which it can enjoy such preferential income tax policy will expire in August 2025.

9. Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Value Added Tax Policies for Wind Power Generation (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (CaiShui [2015] No. 74), “taxpayers who sell their self-produced power products using wind power are entitled to an immediate 50% refund of the VAT from 1 July 2015.”, it is assumed that the wind power projects will continue to enjoy an immediate 50% refund of the VAT in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years. The impact on working capital has been taken into account in the estimate of the recovery period of subsidies on electricity tariff when working capital forecast is made in this valuation. If the subsidies on electricity tariff are not recovered as scheduled as expected, the conclusion of the valuation will be affected.

11. In this valuation, the capital expenditure related to the acquisition of certificates of land use rights by the appraised entity has been taken into account, and it was assumed that the land premium estimated by the appraised entity was reasonable.
12. According to the power purchase and sale contract for wind farm entered into between State Grid Tianjin Electric Power Company and Tianjin Guodian Jieneng Electric Power Co., Ltd.* on 6 July 2020 in relation to the wind power generation project with an installed capacity of 190.5 MW, it is agreed in the contract that the on-grid tariff for wind power is RMB610.00/(MW•h) (tax inclusive), subject to the approval by the competent price authorities of the government or in accordance with the regulations of the competent price authorities of the government. The specific electricity tariff is charged according to the Notice on the On-grid Electricity Tariff of Wind Power Projects in Shajingzi and Mapengkou, Dagang District, Tianjin (Jin Fa Gai Jia Guan [2011] No. 110) (《關於天津大港沙井子、大港馬棚口風電項目上網電價的通知》(津發改價管〔2011〕110號)), Notice on the On-grid Electricity Tariff of Wind Power Projects in Shajingzi, Mapengkou (Phase II) and Sino- Singapore Tianjin Eco-City, Dagang District, Tianjin (Jin Fa Gai Jia Guan [2011] No. 1504) (《關於天津大港沙井子、大港馬棚口(二期)中新生態城風電項目上網電價的通知》(津發改價管〔2011〕1504號)), Notice of Municipal Development and Reform Commission on the Approval of the On-grid Electricity Tariff of Shajingzi Wind Power Project (Phase III) in Dagang District (Jin Fa Gai Jia Guan [2014] No. 97) (《市發展改革委關於核定大港沙井子風電三期上網電價的通知》(津發改價管〔2014〕97號)), Notice of Municipal Development and Reform Commission on the Approval of the On-grid Electricity Tariff of Shajingzi Wind Farm Project (Phase IV) (Jin Fa Gai Jia Guan [2017] No. 1016) (《市發展改革委關於核定沙井子風電場四期項目上網電價的通知》(津發改價管〔2017〕1016號)) and other documents. In particular, the settlement price shall be the subsidy of local benchmark on-grid tariff for electricity generated by coal-fired power generating units which is approved or confirmed by the competent price authorities of the government, being RMB365.50/(MW•h) (tax inclusive). The subsidy for renewable energy is RMB244.50/(MW•h) (tax inclusive). The term of the contract is from 1 January 2020 to 31 December 2021, and it is assumed that the contract will be renewed upon expiry in this valuation.
13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflows of the appraised entity represent average inflows and its cash outflows represent average outflows.

When conditions stated above change, valuation results will generally become invalid.

X. CONCLUSION OF VALUATION

In accordance with the national laws, regulations, rules and valuation standards on asset valuation, and in line with the principles of independence, impartiality, science and objectivity, we carried out the statutory and necessary procedures for asset valuation. After implementation of the valuation procedures such as checking and verification, field survey, market research and confirmation, assessment and estimation, based on the judgment of the clients and the enterprise management on the future development trend and business planning, and on the premise of the implementation of business collaboration, management collaboration, financial collaboration, milestone events, etc., the total shareholders' equity value of Tianjin Guodian Jieneng Electric Power Co., Ltd.* was valued by income approach on the benchmark date of 31 December 2020. The conclusions were as follows:

(I) Valuation conclusion of the income method and analysis on the reasons for changes in valuation**1. Valuation conclusion of the income method:**

Upon implementation of valuation procedures including checking and verification, on-site inspection, market survey and confirmation as well as assessment and estimation, the discounted cash flow method (DCF) was used to assess the estimated value of the total shareholders' equity of Jieneng Electric Power. As of the Valuation Benchmark Date of 31 December 2020, the book value of owners' equities of Jieneng Electric Power was RMB570,373,100, and the appraisal value was RMB600,000,000, with an appreciation of RMB29,626,900 or 5.19%.

2. Analysis on the reasons for changes in valuation:

The valuation expresses an appreciation of RMB29,626,900 or 5.19% in the appraisal value of the total shareholders' equities of Tianjin Guodian Jieneng Electric Power Co., Ltd.* by using the income method. The changes and reasons were mainly due to the relatively improved overall profitability of the enterprise against the decrease in its assets size, which was attributable to the fact that Phase I to Phase IV of Shajingzi power station had entered into the renewable energy subsidy catalogues and the trade receivables were collected in a timely manner, despite the year-by-year decrease in the utilization hours of power generation since the grid-connection of Phase I to Phase IV of Shajingzi power station currently in operation.

(II) Analysis on the valuation results and the final valuation conclusion**1. Analysis of difference between the valuation results**

In the valuation, the value of all shareholders' equity calculated with the income method was RMB600,000,000, which was RMB136,628,200 or 29.49% higher than that of RMB463,371,800 calculated with the asset-based method. The main reasons for the difference between the results from the two valuation methods are as follows:

- (1) In the asset-based method, the replacement cost of assets is adopted as the value standard, reflecting the socially necessary labour consumed in the asset investment (the cost of acquisition and construction). Such cost of acquisition and construction usually varies with the national economy;
- (2) In the income method, the expected return on assets is adopted as the value standard, reflecting the operating capability (profitability) of the assets. Such profitability is often subject to the impacts of various factors such as the macro economy, government control and efficient use of assets.

Given the above, there is a difference between the results from the two valuation methods.

2. Selection of valuation results

The asset-based method differs from the income method in term of valuation perspectives and paths. In the asset-based method, reacquisition of assets is considered, reflecting the replacement value of existing assets of an enterprise. In the income method, future profitability of the enterprise is considered, reflecting the comprehensive profitability of various assets of the enterprise.

With the development of the domestic wind power equipment manufacturing industry and the competition in international wind power equipment in recent years, investment cost of wind power per watt has been decreasing year by year. By 2021 after the Valuation Benchmark Date, the investment cost of wind power has dropped to a level that grid parity can be realized without national subsidies. At the same time, with the year-by-year decline in national subsidies for new energy, there exist significant differences in subsidies for wind power projects in different periods. The asset-based method reflects the change in the investment cost as at the benchmark date from the perspective of replacement of wind power generation enterprises, but fails to reflect the impact of government subsidies on the value of the enterprises. Therefore, the asset-based approach cannot reasonably reflect the market value of such wind power generation enterprises.

Since the power generation and electricity price of wind power stations can be basically determined, the future revenue can be better predicted. As the cost structure of wind power projects is simple, various indicators can basically be better measured. Operating costs can be estimated more reliably. We are of the view that when revenues and costs in the income method can be predicted more reasonably and when future uncertainties are small or can be estimated normally, the income method can reflect the value of all shareholders' equity as at the benchmark date in a more objective and reasonable way, compared with the valuation results of the asset-based method.

In conclusion, we were of the view that the valuation results of the income method could better reflect all shareholders' equities of Jieneng Electric Power, thus the valuation results of the income method were taken as the final conclusion of the valuation. The value of all shareholders' equities of Jieneng Electric Power arrived thereafter was RMB600,000,000 as at the Valuation Benchmark Date.

XI. NOTES ON SPECIAL MATTERS

(I) Defects of property rights

Houses and buildings

As at the Valuation Benchmark Date, there were a total of eight houses with defects of property rights in the houses and buildings reported by the appraised entity, which have no relevant property ownership certificates.

Schedule of Houses and Buildings without Certificates

No.	Name	Year and Month of Completion	Structure	Area (m ²)
1	Complex building	October 2011	Frame structure	2,077
2	35KV power distribution room (phase I)	October 2011	Frame structure	270
3	Garage and material warehouse	October 2011	Frame structure	2,080
4	Pump house for domestic water and fire pump (380kv power distribution room)	October 2011	Reinforced concrete structure	189
5	110KV GIS room	October 2011	Reinforced concrete structure	180
6	Spare parts warehouse (container)	October 2013	Simple structure	140
7	220KV GIS room	December 2013	Frame structure	287
8	35KV indoor switchgear room (phase III)	May 2013	Reinforced concrete structure	247
	Total			5,470

For the above properties without property ownership certificates, the appraised entity undertook the assets belong to it, and the disputes that may be caused by the ownership of such assets have no concern with the valuation agency. For such assets, the enterprise personnel used the area determined by on-site actual measurement as the acceptance and settlement have not yet been made. The enterprise declared areas according to on-site measurement, and the appraiser appraised the areas declared by the enterprise after the random checks and verifications. If the area is inconsistent with the declared area when the enterprise applies for relevant property ownership certificates in the future, the valuation results shall be adjusted according to the area specified in the property ownership certificates.

Vehicles

As of the Valuation Benchmark Date, there were a total of two vehicles with defects of property rights declared by the appraised entity, which have inconsistencies between the obligee on the certificates and the actual user.

Schedule of the Inconsistencies between the Obligee on the Certificate and the Actual User of the Vehicles

No.	License plate number	Name of vehicle	Obligee on the certificate	Actual user and specification/model
1	Jin KA9787 (津 KA9787)	Toyota SCT649IE4-compact passenger car	Tianjin Binhai Electric Power Co., Ltd.*	Tianjin Guodian Jieneng Electric Power Co., Ltd.*
2	Jin G98919 (津 G98919)	Outlander JE3AS59X-compact passenger car	Tianjin Binhai Electric Power Co., Ltd.*	Tianjin Guodian Jieneng Electric Power Co., Ltd.*

For the above vehicles with the inconsistencies between the obligee on the certificate and the actual user, Jieneng Electric Power, the obligee on the certificate, has undertaken that the above vehicles belong to the appraised entity and the valuation agency is not liable for any possible disputes arising from the ownership of such assets.

(II) Pledge and guarantee

Long-term borrowings

Upon checking, as of the Valuation Benchmark Date, Jieneng Electric Power still had bank borrowings of RMB90,248,047.56, of which RMB90,248,047.56 was long-term borrowings from Agricultural Bank of China Limited, Tianjin Dagang branch (中國農業銀行股份有限公司天津大港支行) with a term of over one year and was guaranteed by way of credit.

No.	Name of bank or institution granting loans	Transaction date	Maturity date	Monthly interest	Book value
				rate%	
1	Agricultural Bank of China Limited, Tianjin Dagang branch	17 March 2017	17 March 2022	3.85%	6,500,000.00
2	Agricultural Bank of China Limited, Tianjin Dagang branch	25 May 2017	25 May 2022	3.85%	8,000,000.00
3	Agricultural Bank of China Limited, Tianjin Dagang branch	4 July 2017	21 June 2022	3.85%	8,000,000.00
4	Agricultural Bank of China Limited, Tianjin Dagang branch	25 August 2017	24 August 2022	3.85%	11,000,000.00
5	Agricultural Bank of China Limited, Tianjin Dagang branch	28 September 2017	25 August 2022	3.85%	14,428,319.20
6	Agricultural Bank of China Limited, Tianjin Dagang branch	14 November 2017	13 September 2022	3.85%	1,145,469.42
7	Agricultural Bank of China Limited, Tianjin Dagang branch	27 June 2018	25 June 2023	3.85%	7,000,000.00
8	Agricultural Bank of China Limited, Tianjin Dagang branch	15 January 2019	12 January 2024	3.85%	6,874,258.94
9	Agricultural Bank of China Limited, Tianjin Dagang branch	8 April 2019	2 April 2024	3.85%	8,500,000.00
10	Agricultural Bank of China Limited, Tianjin Dagang branch	9 May 2019	6 May 2024	3.85%	8,500,000.00
11	Agricultural Bank of China Limited, Tianjin Dagang branch	15 July 2019	10 July 2024	3.85%	4,400,000.00
12	Agricultural Bank of China Limited, Tianjin Dagang branch	27 September 2019	23 September 2024	3.85%	3,900,000.00
13	Agricultural Bank of China Limited, Tianjin Dagang branch	28 November 2019	26 November 2024	3.85%	2,000,000.00
Total					90,248,047.56

The valuation does not consider the impact on valuation conclusion of any pledge, mortgage or guarantee that a company may assume in the future, or any additional price that may be paid as a result of special transactions.

(III) Uncertainties including unresolved matters and legal disputes

As of the Valuation Benchmark Date, no uncertainties including unresolved matters and legal disputes are found.

(IV) Significant subsequent events

Significant subsequent events found in this valuation that affected the valuation conclusion: the appraised entity changed the business license on 5 March 2021, and the registered capital was changed to RMB321,208,000. Users of the report are advised to pay attention.

(V) Other matters required to be explained

1. As at the date of the valuation report, the COVID-19 pandemic is still ongoing. While forecasting the profit of this valuation, we could not accurately forecast how long the pandemic will last or the extent of its eventual impact. Thus, the conclusion of this valuation report is achieved based on the assumption that no other force majeure and unforeseeable factors will cause material adverse effects on the Company, the pandemic can be well controlled in the near future, and the national/global economy can quickly resume normal operation.
2. Neither had the report taken into account the premium that may incur due to the right of control, nor the impact of the liquidity on the value of the appraisal target.
3. The legal liability of the valuer and the valuation agency was to exercise professional judgement and express professional opinions on the value of assets within the scope of the valuation purpose as indicated in the report. It did not involve making any judgement by the valuer and the valuation agency on the economic activities corresponding to such valuation purpose, and nor undertake the responsibility of decision-making by relevant parties. Thus the valuation conclusion shall not be deemed as a guarantee of the realizable price of the appraisal target.
4. The valuation, to a great extent, relies on the related information provided by the clients and the appraised entity. Accordingly, the valuation is on the basis that documents relating to economic activity and assets ownership, certificates, accounting documents and relevant legal documents provided by the clients and the appraised entity are true and lawful.

5. The scope of this valuation and the data, financial statements and relevant information used in this valuation are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and completeness of the information provided.
6. The relevant title documents of ownership rights and related information involved in the valuation report are provided by the appraised entity. The clients and the appraised entity are responsible for the authenticity and legality of the information provided.
7. During the valuation process, for inspections of the equipments and properties, due to the restraints of the testing methods and the fact that some equipments were in operation, this task was mainly done by exterior observation by the appraisers and results of the latest checks provided by the appraised enterprise as well as the enquiries to the relevant operators.
8. The valuation conclusion is based on the accurate judgement on the macro-economy and industry development trend in the future, and the effective implementation of its business plans by the enterprise. In the event that there are changes in economic environment and obstacles in industry development, the clients and the current management fail to take effective measures in a timely manner to make adjustments to the implementation of the plans, so as to meet the implementation of existing business plans, the profit forecast data may change significantly, resulting in the invalidity of the valuation conclusion. We would like to draw attention of the clients and the users of the report to the above matters.
9. The profit forecast of the appraised entity obtained by the valuation agency is the basis of the income approach used in this valuation report. The valuer has carried out the necessary investigation, analysis and judgement on the profit forecast of the appraised entity. After a number of discussions with the management of the appraised entity and its substantial shareholders and the subsequent further revision and improvement by the appraised entity, the valuation agency adopted the relevant data of the profit forecast provided by the appraised entity. Using the profit forecast of the appraised entity by the valuation agency does not guarantee the future profitability of the appraised entity.
10. If, for an effective period after the Valuation Benchmark Date, there is a change in the quantity of assets or standard of valuation, it should be dealt with in accordance with the following principles:
 - (1) When there is a change in the quantity of assets, the amount of the assets should be adjusted according to the original valuation method;

- (2) When there is a change in the standard of assets' prices which has a significant impact on the asset valuation results, the clients should promptly engage a assets qualified valuation agency to re-determine the appraisal value;
 - (3) In the event of any change in the quantity of assets or the standard of price after the Valuation Benchmark Date, the clients should give full consideration to the actual value of the assets and make corresponding adjustments.
11. As of the Valuation Benchmark Date, the appraised entity had no land use right certificate for the land occupied by the wind turbines of Phase I to Phase IV of Shajingzi and only signed, having all made an agreement on compensation for land occupation by wind turbines with the local government. In this valuation, the impact of the matter on the valuation conclusions was not taking into consideration.
12. According to the disclosure in the document of the supplementary notice on relevant matters under the Several Opinions on Promoting the Healthy Development of Nonaqueous Renewable Energy Power Generation (Cai Jian [2020] No. 426), "For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, any power generated in excess of the eligible full life cycle subsidies will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions. For projects included in the renewable energy power generation subsidy list in accordance with the provisions of No.5 Document, the wind power and PV power generation projects which have connected to the grid for 20 years, and biomass power generation projects which have connected to the grid for 15 years, whether they had reached to the full life cycle subsidies or not, will no longer be entitled to central government subsidies, and in which case will be issued green certificates and allowed to participate in green certificate transactions". Among the wind power projects entrusted for valuation, the vast majority of wind farms are entitled to continue to generate electricity within 2 to10 years of the remaining life period after enjoying the full life cycle subsidies. Such power generation will no longer be subsidized by the central government, but can participate in green certificate transactions after the green certificate was issued according to the policy; the CDM transactions can only be conducted after being considered and approved by the National Development and Reform Commission. In view of the uncertainties of the above administrative approval and the great uncertainties in the market and price of green certificate transactions and CDM transactions after the benchmark date, thus the income brought by green certificate transactions and CDM transactions to wind farms was not considered in this valuation. Attention of relevant users of the report shall be drawn to that.

SUMMARY OF PROFIT FORECAST FOR VALUATION OF ASSETS
TO BE PURCHASED**(I) Information on the Valuation of Yunnan New Energy**

Yunnan New Energy is mainly engaged in wind power generation. As of the Valuation Benchmark Date, Yunnan New Energy operates normally. The economic lives of the major equipments of the wind power generating units are generally 20 years. The income period is determined in this valuation based on, after comprehensively taking into consideration the economic lives and the grid-connected date of the wind power generating units assets, the period from the Valuation Benchmark Date to the comprehensive remaining period of the lifetime of the wind power generating units. The income period of Yunnan New Energy is therefore in a limited period. Leiyingshan Power Station was connected to the grid for power generation in January 2021, and the income period is from the Valuation Benchmark Date to December 2031; Heimajing Power Station was connected to the grid for power generation in December 2012, and the income period is from the Valuation Benchmark Date to November 2032; Qingshuihai Power Station was connected to the grid for power generation in March 2012, and the income period is from the Valuation Benchmark Date to February 2032; Haiyangshao Power Station was connected to the grid for power generation at the end of June 2015, the income period is from the Valuation Benchmark Date to June 2035.

1. Net cash flow forecast**1) Operating revenue forecast**

Sales revenue of annual power generation = annual on-grid power × on-grid tariff

The total operating installed capacity of Yunnan New Energy is 198 MW, among which, Leiyingshan Power Station has an installed capacity of 49.5MW; Heimajing Power Station has an installed capacity of 49.5MW; Qingshuihai Power Station has an installed capacity of 49.5MW; Haiyangshao Power Station has an installed capacity of 49.5MW.

The key factors which affect the above-mentioned forecast of sales revenue of power generation are as follows:

- ① The theoretical utilization hours of power generation: By taking into comprehensive account various factors such as the power generation hours for each year during the reporting period and the trend of market demand, the utilization hours of the power generation of each power station have been determined.
- ② The subsidized utilization hours of power generation: According to the Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426), the full life cycle reasonable utilization hours of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively. The annual subsidized power generation of the power stations of Yunnan New Energy for the forecast years will be determined based on their annual electricity sold, until no subsidies are granted in the operating life of the power stations.
- ③ Comprehensive energy loss rate: Comprehensive house supply and energy loss rate for historical years are taken as the comprehensive house supply and energy loss rate for future years between the power generation and the electricity settlement.

- ④ On-grid power: On-grid power can be divided into base on-grid power, power transmitted outwards and on-grid power for commercial operation (output subject to competitive bidding in power trading center). In this valuation, forecast is made based on the percentage of on-grid power for historical years.
- ⑤ Benchmark tariff: The benchmark on-grid tariff for coal-fired power generating units (including desulphurisation, denitration, dedusting) in the region of Yunnan is RMB0.3358/kwh (tax inclusive).
- ⑥ Tariff subsidy: The subsidy for renewable energy is the difference between the approved tariff and benchmark on-grid tariff for coal-fired power generating units.
- ⑦ Market-oriented tariff: According to “Special Assumption No.13”, Yunnan New Energy, as a market player, commenced market-oriented-tariff power transactions in 2017 and price for its electricity product is determined in accordance with the Implementation Plan for Market-oriented Power Transaction in Yunnan (《雲南電力市場化交易實施方案》) each year. As such, from 2017 onwards, Leiyingshan Power Station, Heimajing Power Station, Qingshuihai Power Station and Haiyangshao Power Station no longer implement the benchmark tariff but adopt market-oriented tariff, and the subsidized tariff is RMB0.2842/kWh (tax inclusive).

2) *Operating cost forecast*

Operating costs of Yunnan New Energy mainly include employee remuneration, depreciation charges, amortization, cost from purchased electricity, repair costs, production and operation expenses, commissioned operation expenses and others. The forecast situation is as follows:

Employee remuneration: after the operation of the wind farm entered a stable period, the relevant cost is relatively stable, and is forecasted based on the staff ratios of the operating power stations with consideration of the employee remuneration levels in the historical periods.

Depreciation charges: in accordance with the current accounting policies of Yunnan New Energy, the depreciation in operating costs is forecasted in this valuation based on the depreciation amount that should be accrued during the income period on the basis of the original book value of various types of fixed assets of the enterprise as at the Valuation Benchmark Date.

Amortization: Amortization is mainly amortization of intangible assets, which is forecasted in this valuation based on their original amount incurred and amortization period over the income period.

Repair costs: mainly refers to the repair costs incurred by Yunnan New Energy to maintain the sustainable, sound and safe operation of wind turbines. The repair costs for the forecast period is estimated in this valuation with consideration of the repair costs for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Operation and maintenance expense: mainly refers to the operation and maintenance expenses incurred by Yunnan New Energy to maintain the sustainable, sound and safe operation of the power stations. The operation and maintenance expenses for the forecast period is estimated in this valuation based on the proportion of expenditures to installed capacity of operating power stations with comprehensive consideration of the operation and maintenance expenses for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Cost from purchased electricity: mainly refers to the charges payable for the electricity used in the operation of the power station, which is forecasted in this valuation mainly on the basis of the expenditure incurred during the reporting period, combined with the operation plan of management fees.

Other expenses: mainly refer to those sporadic expenses incurred necessarily for the operation of power stations, such as expenses of station insurance, spare parts and professional inspection, etc., which is forecasted in this valuation on the basis of the level of expenses for other expenses in the reporting period.

3) *Period expenses forecast*

① Administration expenses

The administration expenses are mainly sporadic expenses. The relevant expenses considered in this valuation have been taken into consideration in other expenses under the costs of main business. As such, no consideration was given to such expenses for the forecast years.

② Financial expenses

As of 31 December 2020, the Valuation Benchmark Date, the book balance of the interest-bearing debts of Yunnan New Energy was RMB748,225,400, including short-term borrowings of RMB350,386,300, non-current liabilities due within one year of RMB33,453,300, long-term borrowings of RMB286,817,500 and long-term payables of RMB77,568,300.

In this valuation, taking into account the interest-bearing debts of the enterprise, the cash flow position of the enterprise and its repayment plan in the forecast period, consideration has been given to a medium and long-term loan of RMB300 million to be made in 2021, with a loan term of 4 years, based on which, consideration has been given to actual interest rate of the loan, to determine financial expenses.

Given that the monetary funds or bank deposits of the enterprise vary frequently or significantly in the course of production and operation, neither the interest income from deposits, nor other uncertain income and expenses, profits and losses other than the interest-bearing debts have been taken into consideration for the financial expenses.

4) *Income tax forecast*

The power station of Yunnan New Energy is entitled to enjoy the tax preferential policy of 3+3 tax holiday from the year in which it commenced actual operation, which means the power station enjoyed income tax exemption in the first three years within its operation period, the income tax rate applicable to it for the fourth to the sixth year within its operation period was 12.5% and the income tax rate applicable to it from the seventh year within its operation period to 2030 will be 15%, respectively, which will not be renewable upon its expiry.

In this valuation, based on the data of forecast of the total profits of Yunnan New Energy for the future years and the upward and downward adjustment to the taxation to determine the taxable income for the future years, the amounts of the income tax of Yunnan New Energy for the future years have been estimated, taking into account the corresponding income tax rate of the relevant enterprise.

The forecast results of the net cash flow of Yunnan New Energy within future operation period are shown in the table below.

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	28,463.21	28,463.21	25,051.21	21,954.95	18,415.33
Costs	9,670.92	9,548.21	9,696.47	9,711.43	9,969.64
Gross profit margin	0.66	0.66	0.61	0.56	0.46
Business taxes and surcharges	381.82	431.16	383.43	334.08	273.44
Taxes/revenue	0.01	0.02	0.02	0.02	0.01
Administrative expenses	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-
Financial expenses	1,774.06	1,730.68	1,186.86	703.08	387.94
Other gains	1,514.74	1,720.34	1,530.59	1,333.25	1,090.03
Operating profit	18,151.15	18,473.49	15,315.04	12,539.61	8,874.35
Total profit	18,151.15	18,473.49	15,315.04	12,539.61	8,874.35
Less: income tax	2,296.36	2,771.02	2,297.26	1,880.94	1,331.15
Income tax rate	12.65%	15.00%	15.00%	15.00%	15.00%
Net profit	15,854.79	15,702.47	13,017.78	10,658.67	7,543.20
Depreciation and amortization	7,320.20	7,182.83	7,182.83	7,182.83	7,182.83
Depreciation	7,294.53	7,157.16	7,157.16	7,157.16	7,157.16
Amortization	25.67	25.67	25.67	25.67	25.67
Interest after tax	1,549.62	1,471.08	1,008.83	597.62	329.75
Additional capital	-16.38	545.86	-	29.01	29.01
Asset upgrade	-	-	-	-	-
Increase in working capital	-16.38	-	-	-	-
Capital expenditure	-	545.86	-	29.01	29.01
Return of deductible value- added tax	451.47	62.80	-	3.34	3.34
Recovery of fixed assets and intangible assets	-	-	-	-	-
Recovery of working capital	-	-	-	-	-
Subsidies on electricity tariff receivable	18,302.10	18,302.10	14,446.54	10,947.77	6,948.00
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	17,059.53	17,059.53	13,465.74	10,204.51	6,476.28
Net cash flow	23,949.91	22,630.75	20,228.64	17,670.18	14,558.39

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	14,535.59	12,266.66	12,266.66	12,266.66	12,266.66
Costs	10,091.19	10,091.19	10,212.74	10,212.74	10,212.74
Gross profit margin	0.31	0.18	0.17	0.17	0.17
Business taxes and surcharges	208.52	169.40	169.77	169.77	169.77
Taxes/revenue	0.01	0.01	0.01	0.01	0.01
Administrative expenses	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-
Financial expenses	236.64	171.29	114.66	58.03	2.48
Other gains	829.95	673.01	674.57	674.57	674.57
Operating profit	4,829.18	2,507.79	2,444.06	2,500.69	2,556.24
Total profit	4,829.18	2,507.79	2,444.06	2,500.69	2,556.24
Less: income tax	724.38	376.17	366.61	375.10	383.44
Income tax rate	15.00%	15.00%	15.00%	15.00%	15.00%
Net profit	4,104.81	2,131.62	2,077.45	2,125.58	2,172.80
Depreciation and amortization	7,182.83	7,182.83	7,182.83	7,182.83	7,182.83
Depreciation	7,157.16	7,157.16	7,157.16	7,157.16	7,157.16
Amortization	25.67	25.67	25.67	25.67	25.67
Interest after tax	201.14	145.60	97.46	49.33	2.11
Additional capital	29.01	193.49	29.01	29.01	29.01
Asset upgrade	-	-	-	-	-
Increase in working capital	-	-	-	-	-
Capital expenditure	29.01	193.49	29.01	29.01	29.01
Return of deductible value- added tax	3.34	22.26	3.34	3.34	3.34
Recovery of fixed assets and intangible assets	-	-	-	-	-
Recovery of working capital	-	-	-	-	-
Subsidies on electricity tariff receivable	2,563.89	-	-	-	-
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	2,389.82	-	-	-	-
Net cash flow	11,289.04	9,288.82	9,332.07	9,332.07	9,332.07

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034	2035
Revenue	12,266.66	6,344.79	3,348.31	3,348.31	1,674.16
Costs	9,771.67	8,285.65	4,115.77	4,115.77	2,214.68
Gross profit margin	0.20	-0.31	-0.23	-0.23	-0.32
Business taxes and surcharges	169.77	83.42	46.94	46.94	23.16
Taxes/revenue	0.01	0.01	0.01	0.01	0.01
Administrative expenses	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-
Financial expenses	-	-	-	-	-
Other gains	674.57	330.61	186.64	186.64	92.02
Operating profit	2,999.78	-1,693.67	-627.76	-627.76	-471.66
Total profit	2,999.78	-1,693.67	-627.76	-627.76	-471.66
Less: income tax	749.95	362.82	327.43	327.43	124.27
Income tax rate	25.00%	-21.42%	-52.16%	-52.16%	-26.35%
Net profit	2,249.84	-2,056.48	-955.19	-955.19	-595.93
Depreciation and amortization	7,182.83	6,859.10	3,331.57	3,331.57	1,665.78
Depreciation	7,157.16	6,837.43	3,320.40	3,320.40	1,660.20
Amortization	25.67	21.67	11.16	11.16	5.58
Interest after tax	-	-	-	-	-
Additional capital	29.01	522.00	135.47	12.61	79.47
Asset upgrade	-	-	-	-	-
Increase in working capital	-	242.79	122.85	-	68.64
Capital expenditure	29.01	279.20	12.61	12.61	6.31
Return of deductible value- added tax	3.34	32.12	1.45	1.45	0.73
Recovery of fixed assets and intangible assets	-	3,812.09	-	-	3,321.99
Recovery of working capital	-	-	-	-	-68.64
Subsidies on electricity tariff receivable	-	-	-	-	-
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	-	-	-	-	-
Net cash flow	9,407.00	8,124.83	2,242.36	2,365.21	4,248.99

2. Determination of Discount Rate

(1) Discount rate determination formula

In this valuation, the discount rate (r) is determined by adopting the weighted average cost of capital assets (WACC) model:

$$r = r_d \times w_d + r_e \times w_e$$

Wherein:

w_d : Debt ratio of the appraised entity;

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

w_e : Equity ratio of the appraised entity;

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

r_d : Interest rate of interest-bearing debts after income tax;

r_e : Cost of equity capital. In this valuation, the cost of equity capital (r_e) is determined by the capital asset pricing model (CAPM);

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

Wherein:

r_f : Risk-free return rate;

r_m : Expected market return rate;

ε : Characteristic risk adjustment factor of the appraised entity;

β_e : Expected market risk factor of the equity capital of the appraised entity;

$$\beta_e = \beta_u \times \left(1 + (1-t) \times \frac{D}{E}\right)$$

β_u : Expected unlevered market risk factor of comparable companies;

$$\beta_u = \frac{\beta_i}{1 + (1-t) \frac{D_i}{E_i}}$$

β_i : Expected market average risk factor of stocks (assets) of comparable companies;

$$\beta_i = 34\% K + 66\% \beta_x$$

Wherein:

K: Expected average risk value of stock market in the future, for which it is normally assumed that K=1;

β_x : Historical market average risk factor of stocks (assets) of comparable companies;

D_i, E_i : Interest-bearing debts and equity capital of comparable companies, respectively.

(2) *Process of Determination of Discount Rate*

1) Determination of risk-free interest rate

The income period of Yunnan New Energy will expire in 2035, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 13 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.23\%$.

2) Determination of market risk premium

Market risk premium is the expected excess earning that an investor would request on an equity investment with risk that is the same as the overall market average risk, i.e. the compensation for risk over the risk-free interest rate. The market risk premium can usually be calculated by using historical risk premium data of the market. The long-term average yield of the China A share market index is used as the expected market return rate (r_m) in this valuation, and the excess of the expected market return rate over the risk-free rate is used as the market risk premium.

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

Based on the tracking study of the A share market in China by the China United Assets Appraisal Group Research Institute and according to the requirements under the above guiding opinions, during the process of the valuation, the return rates were calculated by selecting the representative SSE Composite Index as the underlying index and using weekly and monthly data frequencies, respectively, as set out in the following table:

Calculation table of expected market return rate

Valuation Benchmark Date	Weekly SSE Composite Index	Monthly SSE Composite Index	Arithmetic Average	Geometrical Average	Harmonic Average
31 December 2020	9.77%	11.59%	10.68%	10.64%	10.60%

In the valuation, the annual return rate was calculated on the basis of the return rate of the Shanghai Stock Exchange Composite Index and using the arithmetic average in weekly and monthly data frequencies, respectively after being annualized. The arithmetic average, the geometric average and the harmonic average of the annual return rate were further calculated, respectively, and there was little data difference among the three items, and their median was designated as the expected market return rate, i.e. $r_m=10.64\%$.

Market risk premium = $r_m - r_f = 10.64\% - 3.23\% = 7.41\%$.

3) Determination of capital structure

The valuation target belongs to the new energy power generation section. After years of development, the industry has been already in a mature stage with a relatively stable capital structure in place. In the valuation, the average capital structure of comparable companies was selected to estimate the discount rates of next years. When calculating the capital structure, the values of the equity and the creditor's rights were estimated based on their market value.

4) Determination of Beta factor

Based on the stocks of the Shanghai and Shenzhen listed companies in the wind power industry in WIND and taking into account the comparability between the valuation target and the comparable companies in terms of business type, enterprise scale, profitability, growth, industry competitiveness and enterprise development stages, appropriate comparable companies were selected. After searching the WIND Information Finance Terminal, based on the market price as at the Valuation Benchmark Date, with the Shanghai Stock Exchange Composite Index as the underlying index and 5 years prior to the Valuation Benchmark Date as the calculation period, historical average market risk factor of the stocks of the comparable companies was calculated as $\beta_x=1.0725$, the expected average market risk factor of the valuation target was calculated as $\beta_i=1.0478$, the expected risk factor without financial leverage of the valuation target was estimated as $\beta_u=0.6417$, and, the expected risk factor of the equity capital of the valuation target was finally estimated as β_e .

5) Determination of characteristic risk factor

When determining the discount rate, it was necessary to consider the difference between Yunnan New Energy and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between Yunnan New Energy and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.4\%$.

6) Determination of expected return rate of creditor's rights, r_d , and income tax rate

The expected return rate of creditor's rights represents capital cost of corporate debt financing. The capital structure used in the valuation was the average capital structure of the comparable companies, which followed the principle of matching cost of creditor's rights and capital structure. The expected return rate of creditor's rights was determined as the LPR with a maturity of more than 5 years as published by the National Interbank Funding Center under the authorization of the People's Bank of China., which was specifically 4.65%. The selected income tax rate was the mode of the income tax rates applicable to the comparable listed companies, i.e. 25%.

7) Calculation of discount rate, WACC

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	0.0323
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0040
Cost of equity, r_e	0.1122
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0780

(II) Information on the Valuation of Guangxi New Energy

Guangxi New Energy is mainly engaged in wind power generation. As of the Valuation Benchmark Date, Guangxi New Energy operates normally. The economic lives of the major equipments of the wind power generating units are generally 20 years. The income period is determined in this valuation based on, after comprehensively taking into consideration the economic lives and the grid-connected date of the wind power generating units assets, the period from the Valuation Benchmark Date to the comprehensive remaining period of the lifetime of the wind power generating units. The income period of Yunnan New Energy is therefore in a limited period. Baihuashan Wind Farm of Guangxi Guoneng Energy Development Co., Ltd., Guigang Branch was transformed to commercial operation on 1 February 2021, thus the income period was determined as from the Valuation Benchmark Date to 31 January 2041.

1. Net cash flow forecast*1) Operating revenue forecast*

Sales revenue of annual power generation = annual on-grid power \times on-grid tariff + assessment expenses (excluding VAT)

The total operating installed capacity of a single entity of Guangxi New Energy that is included in the forecast, i.e. the Baihuashan Wind Farm Project, is 80 MW.

The key factors which affect the above-mentioned forecast of sales revenue of power generation are as follows:

- ① The theoretical utilization hours of power generation: By comprehensively taking into account the feasibility study report and the trend of market demand, the utilization hours of the power generation of power stations have been determined.
- ② The subsidized utilization hours of power generation: According to the Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426), the full life cycle reasonable utilization hours of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively. The annual subsidized hours of the Baihuashan Power Station for the forecast years will be determined based on their annual theoretical utilization hours of power generation, until no subsidies are granted in the operating life of the power stations.
- ③ Comprehensive energy loss rate: Comprehensive house supply and energy loss rate of the subsidiaries for historical years are taken as the comprehensive house supply and energy loss rate for future years between the power generation and the electricity settlement.
- ④ On-grid power: The entire on-grid power of the Baihuashan Power Station represents base on-grid power.
- ⑤ Benchmark tariff: The benchmark on-grid tariff for coal-fired power generating units in the region of Guangxi has been adjusted to RMB0.4207/kwh (tax inclusive) since 1 July 2017.
- ⑥ Tariff subsidy: The subsidy for renewable energy is calculated as the approved tariff less benchmark on-grid tariff for coal-fired power generating units.

⑦ Assessment tariff: The assessment tariff represents expense for assessment of power station operation conducted by the South China Energy Regulatory Bureau of National Energy Administration in accordance with the Notice on the Issuance of the Implementation Rules for the Management of Auxiliary Services for Grid-connected Power Plants in South China (Revision) and the Implementation Rules for the Management of Grid-connected Operation of Wind Farms in South China (Revision)” (Nan Fang Jian Neng Shi Chang [2015] No. 118(《關於印發<南方區域並網發電廠>輔助服務管理實施細則(修訂稿)及<南方區域風電場並網運行管理實施細則(修訂稿)>的通知》(南方監能市場[2015]118號)). In this valuation, since there would be no excess power generation at the Baihuashan Wind Farm during the forecast period, after comprehensive consideration, the annual assessment tariff for the forecast years has been determined to be nil.

2) *Operating cost forecast*

Operating costs of Guangxi New Energy mainly include employee remuneration, depreciation charges, amortization, repair costs, operation and maintenance expense, cost from purchased electricity and others. The forecast situation is as follows:

Employee remuneration: after the operation of the wind power plants entered a stable period, the relevant cost is relatively stable, and is forecasted based on the staff ratios of the operating power stations with consideration of the employee remuneration levels in the historical periods.

Depreciation charges: in accordance with the current accounting policies of Guangxi New Energy, the depreciation in operating costs is forecasted in this valuation based on the depreciation amount that should be accrued during the income period on the basis of the original book value of various types of fixed assets of the enterprise as at the date of transformation of construction in progress to fixed assets.

Amortization: is mainly the amortization of Guangxi New Energy’s land use rights and other intangible assets such as software, which is forecasted in this valuation based on their original amount incurred and amortization period over the income period.

Repair costs: mainly refers to the repair costs incurred by Guangxi New Energy to maintain the sustainable, sound and safe operation of wind turbines. The repair costs for the forecast period is estimated in this valuation with consideration of the repair costs for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Operation and maintenance expense: mainly refers to the operation and maintenance expenses incurred by Guangxi New Energy to maintain the sustainable, sound and safe operation of the power stations. The operation and maintenance expenses for the forecast period is estimated in this valuation based on the proportion of expenditures to installed capacity of operating power stations with comprehensive consideration of the operation and maintenance expenses for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Cost from purchased electricity: mainly refers to the charges payable for the electricity used in the operation of the power station, which is forecasted in this valuation mainly on the basis of the expenditure incurred during the reporting period, combined with the operation plan of management fees.

Other expenses: mainly refer to those small amount expenses incurred necessarily for the operation of power stations, such as expenses of station insurance, spare parts and professional inspection, etc., which is forecasted in this valuation on the basis of the level of expenses for other expenses in the reporting period.

3) *Period expenses forecast*

① Administration expenses forecast

The administration expenses are mainly sporadic expenses. The relevant expenses considered in this valuation have been taken into consideration in other expenses under the costs of main business. As such, no consideration was given to such expenses for the forecast years.

② Financial expenses forecast

As of 31 December 2020, the Valuation Benchmark Date, the book balance of the interest-bearing debts of Guangxi Guoneng Energy Development Co., Ltd., Guigang Branch was RMB405,312,000, all of which are long-term borrowings.

In this valuation, the financial expenses were determined taking into account the interest-bearing debts of the enterprise, the cash flow position of the enterprise and its repayment plan in the forecast period, and further considering the actual loan interest rate.

Given that the monetary funds or bank deposits of the enterprise vary frequently or significantly in the course of production and operation, neither the interest income from deposits, nor other uncertain income and expenses, profits and losses other than the interest-bearing debts have been taken into consideration for the financial expenses.

4) *Income tax forecast*

The headquarters and Guigang Branch of Guangxi New Energy pay tax separately. In this valuation, the headquarters is subject to the income tax rate for general corporations of 25%, while Guigang Branch is entitled to enjoy the preferential tax policy of “3+3 tax holiday” from the year in which it commenced actual operation, and the preferential tax policy for encouraged industries that are located in the western region from 2021 to 2030, which means that the Baihuashan Project is exempt from corporate income tax from 2021 to 2023, and is subject to a tax rate of 7.5% from 2024 to 2026, 15% from 2027 to 2030 and 25% from 2031 onwards.

In this valuation, based on the data of forecast of the total profits of Guangxi New Energy for the future years and the upward and downward adjustment to the taxation to determine the taxable income for the future years, the amounts of the income tax of Guangxi New Energy for the future years have been estimated, taking into account the corresponding income tax rate of the relevant enterprise.

The forecast results of the net cash flow of Guangxi New Energy within future operation period are shown in the table below.

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	10,097.80	11,015.78	11,015.78	11,015.78	11,015.78
Costs	6,058.15	6,250.41	6,278.72	6,430.32	6,459.20
Gross profit margin	0.40	0.43	0.43	0.42	0.41
Taxes and surcharges	3.03	3.30	3.30	3.30	3.30
Taxes/revenue	0.00	0.00	0.00	0.00	0.00
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	1,960.91	2,367.88	2,118.66	1,828.05	1,536.71
Other gains	0.00	0.00	0.00	0.00	0.00
Operating profit	2,075.70	2,394.19	2,615.09	2,754.10	3,016.56
Total profit	2,075.70	2,394.19	2,615.09	2,754.10	3,016.56
Income tax rate	0.00	0.00	0.00	0.08	0.08
Less: income tax	0.00	0.00	0.00	387.18	408.64
Net profit	2,075.70	2,394.19	2,615.09	2,366.92	2,607.92
Depreciation and amortization	3,058.47	3,331.87	3,331.87	3,331.87	3,331.87
Depreciation of fixed assets	2,907.20	3,168.07	3,168.07	3,168.07	3,168.07
Amortization	151.27	163.80	163.80	163.80	163.80
Interest after tax	1,960.91	2,367.88	2,118.66	1,690.95	1,421.46
Additional capital	17,981.04	208.28	50.67	23.88	4.55
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	549.47	59.09	4.46	23.88	4.55
Capital expenditure	17,431.57	149.19	46.21	0.00	0.00
Recovery of assets	1,255.86	1,355.31	1,366.68	1,355.52	1,355.02
Return of deductible value-added tax	1,255.86	1,355.31	1,366.68	1,355.52	1,355.02
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	2,988.75	3,260.46	3,260.46	3,260.46	3,260.46
Discounting of subsidy on electricity tariff receivable and impact of income tax	2,750.03	3,000.04	3,000.04	3,019.57	3,019.57
Net cash flow	-9,868.81	8,980.55	9,121.20	8,480.48	8,470.82

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	11,015.78	11,015.78	11,015.78	11,015.78	11,015.78
Costs	6,459.20	6,459.20	6,459.20	6,620.20	6,620.20
Gross profit margin	0.41	0.41	0.41	0.40	0.40
Taxes and surcharges	110.81	165.70	165.70	162.55	163.19
Taxes/revenue	0.01	0.02	0.02	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/ revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	1,270.56	1,084.45	955.88	818.01	672.49
Other gains	447.93	676.64	676.64	663.51	666.17
Operating profit	3,623.14	3,983.07	4,111.64	4,078.53	4,226.07
Total profit	3,623.14	3,983.07	4,111.64	4,078.53	4,226.07
Income tax rate	0.08	0.15	0.15	0.15	0.15
Less: income tax	454.14	962.26	981.55	976.58	998.71
Net profit	3,169.00	3,020.80	3,130.09	3,101.95	3,227.36
Depreciation and amortization	3,331.87	3,331.87	3,331.87	3,331.87	3,331.87
Depreciation of fixed assets	3,168.07	3,168.07	3,168.07	3,168.07	3,168.07
Amortization	163.80	163.80	163.80	163.80	163.80
Interest after tax	1,175.27	921.78	812.50	695.31	571.62
Additional capital	149.19	15.20	15.20	86.78	15.20
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	0.00	0.00	0.00	25.37	0.00
Capital expenditure	149.19	15.20	15.20	61.41	15.20
Recovery of assets	459.17	1.75	1.75	7.06	1.75
Return of deductible value- added tax	459.17	1.75	1.75	7.06	1.75
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	3,260.46	3,260.46	3,260.46	3,260.46	3,260.46
Discounting of subsidy on electricity tariff receivable and impact of income tax	3,019.57	3,039.10	3,039.10	3,039.10	3,039.10
Net cash flow	7,745.22	7,039.64	7,039.64	6,828.05	6,896.03

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034	2035
Revenue	11,015.78	11,015.78	11,015.78	8,277.82	8,130.42
Costs	6,620.20	6,620.20	6,620.20	6,886.20	6,886.20
Gross profit margin	0.40	0.40	0.40	0.17	0.15
Taxes and surcharges	161.13	163.19	163.19	115.50	110.46
Taxes/revenue	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/ revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	526.98	381.87	235.95	86.10	0.44
Other gains	657.59	666.17	666.17	470.92	450.09
Operating profit	4,365.06	4,516.69	4,662.61	1,660.93	1,583.41
Total profit	4,365.06	4,516.69	4,662.61	1,660.93	1,583.41
Income tax rate	0.25	0.25	0.25	0.25	0.25
Less: income tax	1,699.27	1,737.18	1,773.66	1,023.24	1,003.86
Net profit	2,665.79	2,779.51	2,888.95	637.70	579.55
Depreciation and amortization	3,331.87	3,331.87	3,331.87	3,331.87	3,331.87
Depreciation of fixed assets	3,168.07	3,168.07	3,168.07	3,168.07	3,168.07
Amortization	163.80	163.80	163.80	163.80	163.80
Interest after tax	395.24	286.40	176.96	64.58	0.33
Additional capital	164.39	15.20	15.20	57.11	210.60
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	0.00	0.00	0.00	41.91	0.00
Capital expenditure	164.39	15.20	15.20	15.20	210.60
Recovery of assets	18.91	1.75	1.75	1.75	24.23
Return of deductible value- added tax	18.91	1.75	1.75	1.75	24.23
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	3,260.46	3,260.46	3,260.46	166.57	0.00
Discounting of subsidy on electricity tariff receivable and impact of income tax	3,065.14	3,065.14	3,065.14	156.59	0.00
Net cash flow	6,052.10	6,189.02	6,189.02	3,968.80	3,725.37

Table of Net Cash Flow Forecast (IV)

Unit: RMB0'000

Item	2036	2037	2038	2039	2040	2041
Revenue	8,130.42	8,130.42	8,130.42	8,130.42	8,130.42	677.78
Costs	6,886.20	6,886.20	6,886.20	6,886.20	6,886.20	440.36
Gross profit margin	0.15	0.15	0.15	0.15	0.15	0.35
Taxes and surcharges	113.16	113.16	113.16	111.10	113.16	9.43
Taxes/revenue	0.01	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00	0.00
Administrative expenses/ revenue	0.00	0.00	0.00	0.00	0.00	0.00
Financial expenses	0.00	0.00	0.00	0.00	0.00	0.00
Other gains	461.33	461.33	461.33	452.75	461.33	38.46
Operating profit	1,592.39	1,592.39	1,592.39	1,585.87	1,592.39	266.45
Total profit	1,592.39	1,592.39	1,592.39	1,585.87	1,592.39	266.45
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Less: income tax	1,006.10	1,006.10	1,006.10	1,004.47	1,006.10	86.16
Net profit	586.29	586.29	586.29	581.40	586.29	180.29
Depreciation and amortization	3,331.87	3,331.87	3,331.87	3,331.87	3,331.87	305.38
Depreciation of fixed assets	3,168.07	3,168.07	3,168.07	3,168.07	3,168.07	291.73
Amortization	163.80	163.80	163.80	163.80	163.80	13.65
Interest after tax	0.00	0.00	0.00	0.00	0.00	0.00
Additional capital	15.20	15.20	15.20	164.39	15.20	-1,331.03
Asset upgrade	0.00	0.00	0.00	0.00	0.00	0.00
Increase in working capital	0.00	0.00	0.00	0.00	0.00	-1,332.29
Capital expenditure	15.20	15.20	15.20	164.39	15.20	1.27
Recovery of assets	1.75	1.75	1.75	18.91	1.75	7,756.28
Return of deductible value- added tax	1.75	1.75	1.75	18.91	1.75	0.15
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00	7,657.95
Recovery of working capital	0.00	0.00	0.00	0.00	0.00	98.18
Subsidies on electricity tariff receivable	0.00	0.00	0.00	0.00	0.00	0.00
Discounting of subsidy on electricity tariff receivable and impact of income tax	0.00	0.00	0.00	0.00	0.00	0.00
Net cash flow	3,904.70	3,904.70	3,904.70	3,767.78	3,904.70	9,572.97

2. *Determination of Discount Rate*

1) *Determination of risk-free interest rate r_f*

The income period of Guangxi New Energy will expire in 2041, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 20 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.44\%$.

2) *Determination of market risk premium*

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

Market risk premium = $r_m - r_f = 10.64\% - 3.44\% = 7.20\%$.

3) *Determination of capital structure*

Please refer to relevant determination methods of Yunnan New Energy.

4) *Determination of Beta factor*

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Guangxi New Energy was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Guangxi New Energy was finally estimated as β_e .

5) *Determination of characteristic risk factor*

When determining the discount rate, it was necessary to consider the difference between Guangxi New Energy and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between Guangxi New Energy and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.55\%$.

6) *Determination of expected return rate of creditor's rights, r_d , and income tax rate*

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rate was 25%.

7) *Calculation of discount rate, WACC*

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	0.0344
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0055
Cost of equity, r_e	0.1137
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0788

3. Information on the valuation of subsidiaries of significance

(1) Information on the valuation of Guodian North Investment Guanyang Wind Power Co., Ltd. (國電北投灌陽風電有限公司) under the income approach

1) Table of Net Cash Flow Forecast

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	16,297.98	16,297.98	16,297.98	16,297.98	16,297.98
Costs	5,757.60	5,766.80	5,776.09	5,918.92	5,928.39
Gross profit margin	0.65	0.65	0.65	0.64	0.64
Taxes and surcharges	94.12	210.66	210.62	208.83	208.79
Taxes/revenue	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	2,836.52	2,570.60	2,313.05	2,055.51	1,798.55
Other gains	438.27	1,020.96	1,020.73	1,011.81	1,011.57
Operating profit	8,048.00	8,770.88	9,018.95	9,126.53	9,373.82
Total profit	8,048.00	8,770.88	9,018.95	9,126.53	9,373.82
Income tax rate	0.08	0.11	0.11	0.15	0.15
Less: income tax	603.60	966.24	993.91	1,368.98	1,406.07
Net profit	7,444.40	7,804.64	8,025.04	7,757.55	7,967.75
Depreciation and amortization	4,610.24	4,610.24	4,610.24	4,610.24	4,610.24
Depreciation of fixed assets	4,590.00	4,590.00	4,590.00	4,590.00	4,590.00
Amortization	20.24	20.24	20.24	20.24	20.24
Interest after tax	2,623.78	2,287.41	2,058.15	1,747.18	1,528.77
Additional capital	-48.53	0.00	0.00	0.00	0.00
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	-48.53	0.00	0.00	0.00	0.00
Capital expenditure	0.00	0.00	0.00	0.00	0.00
Recovery of assets	2,486.87	0.00	0.00	0.00	0.00
Return of deductible value-added tax	2,486.87	0.00	0.00	0.00	0.00
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	5,773.96	5,773.96	5,773.96	5,773.96	5,773.96
Discounting of subsidy on electricity tariff receivable and impact of income tax	5,347.36	5,363.50	5,363.50	5,381.95	5,381.95
Net cash flow	16,787.22	14,291.83	14,282.97	13,722.97	13,714.75

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	16,297.98	16,297.98	14,772.83	13,914.02	13,914.02
Costs	6,061.84	6,061.84	6,061.84	6,183.39	6,183.39
Gross profit margin	0.63	0.63	0.59	0.56	0.56
Taxes and surcharges	207.05	206.51	186.62	172.75	173.54
Taxes/revenue	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	1,540.52	1,281.92	1,021.21	757.24	494.16
Other gains	1,002.90	1,000.20	903.76	836.09	840.04
Operating profit	9,491.46	9,747.91	8,406.92	7,636.73	7,902.97
Total profit	9,491.46	9,747.91	8,406.92	7,636.73	7,902.97
Income tax rate	0.15	0.15	0.15	0.15	0.15
Less: income tax	1,423.72	1,462.19	1,261.04	1,145.51	1,185.45
Net profit	8,067.74	8,285.72	7,145.88	6,491.22	6,717.52
Depreciation and amortization	4,610.24	4,610.24	4,610.24	4,610.24	4,610.24
Depreciation of fixed assets	4,590.00	4,590.00	4,590.00	4,590.00	4,590.00
Amortization	20.24	20.24	20.24	20.24	20.24
Interest after tax	1,309.44	1,089.63	868.03	643.65	420.04
Additional capital	0.00	46.83	0.00	68.67	0.00
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	0.00	0.00	0.00	0.00	0.00
Capital expenditure	0.00	46.83	0.00	68.67	0.00
Recovery of assets	0.00	5.39	0.00	7.90	0.00
Return of deductible value-added tax	0.00	5.39	0.00	7.90	0.00
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	5,773.96	5,773.96	4,050.54	3,080.09	3,080.09
Discounting of subsidy on electricity tariff receivable and impact of income tax	5,381.95	5,381.95	3,775.54	2,870.98	2,870.98
Net cash flow	13,595.42	13,552.15	12,349.15	11,475.23	11,538.69

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034	2035
Revenue	13,914.02	11,544.28	11,188.28	11,188.28	11,188.28
Costs	6,304.94	6,304.94	6,304.94	6,304.94	6,304.94
Gross profit margin	0.55	0.45	0.44	0.44	0.44
Taxes and surcharges	171.96	140.12	135.35	135.35	135.35
Taxes/revenue	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	359.86	228.76	96.08	0.00	0.00
Other gains	832.14	677.57	654.43	654.43	654.43
Operating profit	7,909.40	5,548.03	5,306.34	5,402.42	5,402.42
Total profit	7,909.40	5,548.03	5,306.34	5,402.42	5,402.42
Income tax rate	0.25	0.25	0.25	0.25	0.25
Less: income tax	1,977.35	1,387.01	1,326.58	1,350.60	1,350.60
Net profit	5,932.05	4,161.02	3,979.75	4,051.81	4,051.81
Depreciation and amortization	4,610.24	4,610.24	4,610.24	4,610.24	4,610.24
Depreciation of fixed assets	4,590.00	4,590.00	4,590.00	4,590.00	4,590.00
Amortization	20.24	20.24	20.24	20.24	20.24
Interest after tax	269.89	171.57	72.06	0.00	0.00
Additional capital	0.00	-102.14	-7.36	9.39	9.39
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	0.00	-111.53	-16.76	0.00	0.00
Capital expenditure	0.00	9.39	9.39	9.39	9.39
Recovery of assets	0.00	1.08	1.08	1.08	1.08
Return of deductible value-added tax	0.00	1.08	1.08	1.08	1.08
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	3,080.09	402.28	0.00	0.00	0.00
Discounting of subsidy on electricity tariff receivable and impact of income tax	2,895.58	378.18	0.00	0.00	0.00
Net cash flow	10,627.67	9,021.95	8,670.50	8,653.74	8,653.74

Table of Net Cash Flow Forecast (IV)

Unit: RMB0'000

Item	2036	2037	2038
Revenue	7,441.39	5,968.37	5,559.58
Costs	4,210.02	3,437.95	2,545.58
Gross profit margin	0.43	0.42	0.54
Taxes and surcharges	88.81	70.99	65.90
Taxes/revenue	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00
Financial expenses	0.00	0.00	0.00
Other gains	429.10	342.86	318.22
Operating profit	3,571.65	2,802.29	3,266.32
Total profit	3,571.65	2,802.29	3,266.32
Income tax rate	0.25	0.25	0.25
Less: income tax	892.91	700.57	816.66
Net profit	2,678.74	2,101.72	2,449.66
Depreciation and amortization	2,956.60	2,309.80	1,452.90
Depreciation of fix assets	2,944.74	2,297.94	1,442.02
Amortization	11.86	11.86	10.87
Interest after tax	0.00	0.00	0.00
Additional capital	-120.13	-59.93	-9.85
Asset upgrade	0.00	0.00	0.00
Increase in working capital	-176.35	-69.33	-19.24
Capital expenditure	56.22	9.39	9.39
Recovery of assets	6.47	1.08	3,555.78
Return of deductible value-added tax	6.47	1.08	1.08
Recovery of fixed assets and intangible assets	0.00	0.00	3,293.03
Recovery of working capital	0.00	0.00	261.66
Subsidies on electricity tariff receivable	0.00	0.00	0.00
Discounting of subsidy on electricity tariff receivable and impact of income tax	0.00	0.00	0.00
Net cash flow	5,761.94	4,472.54	7,468.18

2) *Determination of Discount Rate*A. Determination of risk-free interest rate r_f

The income period of Guodian North Investment Guanyang Wind Power Co., Ltd. will expire in 2038, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 18 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.38\%$.

B. Determination of market risk premium

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

Market risk premium = $r_m - r_f = 10.64\% - 3.38\% = 7.26\%$.

C. Determination of capital structure

Please refer to relevant determination methods of Yunnan New Energy.

D. Determination of Beta factor

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Guodian North Investment Guanyang Wind Power Co., Ltd. was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Guodian North Investment Guanyang Wind Power Co., Ltd. was finally estimated as β_e .

E. Determination of characteristic risk factor

When determining the discount rate, it was necessary to consider the difference between Guodian North Investment Guanyang Wind Power Co., Ltd. and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between the enterprise and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.4\%$.

F. Determination of expected return rate of creditor's rights, r_d , and income tax rate

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rate was 25%.

G. Calculation of discount rate, WACC

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	0.0338
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0040
Cost of equity, r_e	0.1122
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0779

(2) Information on the valuation of Guodian Youneng Quanzhou Wind Power Co., Ltd. (國電優能全州風電有限公司) under the income approach

1) Table of Net Cash Flow Forecast

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	17,801.50	22,792.50	22,792.50	22,792.50	22,792.50
Costs	5,941.77	7,953.63	7,965.33	8,043.45	8,322.28
Gross profit margin	0.67	0.65	0.65	0.65	0.63
Taxes and surcharges	7.42	99.76	353.38	352.28	348.04
Taxes/revenue	0.00	0.00	0.02	0.02	0.02
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	2,943.05	3,238.70	2,940.89	2,612.77	2,264.08
Other gains	0.00	376.46	1,433.19	1,428.60	1,410.97
Operating profit	8,909.27	11,876.86	12,966.09	13,212.60	13,269.06
Total profit	8,909.27	11,876.86	12,966.09	13,212.60	13,269.06
Income tax rate	0.07	0.05	0.11	0.13	0.13
Less: income tax	593.93	649.21	1,411.41	1,713.13	1,714.09
Net profit	8,315.34	11,227.65	11,554.68	11,499.48	11,554.97
Depreciation and amortization	4,725.30	6,471.84	6,471.84	6,471.84	6,471.84
Depreciation of fix assets	4,665.69	6,314.58	6,314.58	6,314.58	6,314.58
Amortization	59.61	157.26	157.26	157.26	157.26
Interest after tax	2,746.85	3,061.67	2,620.76	2,274.00	1,971.61
Additional capital	16,894.47	-78.82	-206.94	4.98	4.98
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	952.05	-78.82	-206.94	0.00	0.00
Capital expenditure	15,942.42	0.00	0.00	4.98	4.98
Recovery of assets	2,235.71	2,114.02	0.00	0.57	0.57
Return of deductible value-added tax	2,235.71	2,114.02	0.00	0.57	0.57
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	6,314.13	8,084.42	8,084.42	8,084.42	8,084.42
Discounting of subsidy on electricity tariff receivable and impact of income tax	5,842.32	7,471.22	7,503.74	7,519.64	7,519.64
Net cash flow	656.93	22,340.79	20,273.54	19,676.14	19,429.23

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	22,792.50	22,792.50	22,792.50	19,903.94	17,988.09
Costs	8,322.28	8,322.28	8,322.28	8,455.73	8,698.83
Gross profit margin	0.63	0.63	0.63	0.58	0.52
Taxes and surcharges	348.04	348.04	348.04	299.75	265.30
Taxes/revenue	0.02	0.02	0.02	0.02	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/ revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	1,909.25	1,571.70	1,272.80	985.31	707.98
Other gains	1,410.97	1,410.97	1,410.97	1,214.54	1,074.20
Operating profit	13,623.89	13,961.44	14,260.34	11,377.69	9,390.18
Total profit	13,623.89	13,961.44	14,260.34	11,377.69	9,390.18
Income tax rate	0.13	0.15	0.15	0.15	0.15
Less: income tax	1,759.14	2,094.22	2,139.05	1,706.65	1,408.53
Net profit	11,864.75	11,867.22	12,121.29	9,671.03	7,981.65
Depreciation and amortization	6,471.84	6,471.84	6,471.84	6,471.84	6,471.84
Depreciation of fixed assets	6,314.58	6,314.58	6,314.58	6,314.58	6,314.58
Amortization	157.26	157.26	157.26	157.26	157.26
Interest after tax	1,662.73	1,335.95	1,081.88	837.51	601.78
Additional capital	304.60	4.98	4.98	-376.59	133.47
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	0.00	0.00	0.00	-381.56	128.49
Capital expenditure	304.60	4.98	4.98	4.98	4.98
Recovery of assets	35.04	0.57	0.57	0.57	0.57
Return of deductible value-added tax	35.04	0.57	0.57	0.57	0.57
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	8,084.42	8,084.42	8,084.42	4,820.34	2,655.43
Discounting of subsidy on electricity tariff receivable and impact of income tax	7,519.64	7,535.55	7,535.55	4,493.08	2,475.15
Net cash flow	19,164.99	19,121.74	19,121.74	17,030.28	14,742.10

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034	2035
Revenue	17,988.09	17,988.09	17,988.09	17,988.09	17,988.09
Costs	8,698.83	8,698.83	8,698.83	8,820.38	8,820.38
Gross profit margin	0.52	0.52	0.52	0.51	0.51
Taxes and surcharges	265.30	265.30	265.30	263.40	263.40
Taxes/revenue	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	473.51	290.35	179.97	71.54	3.51
Other gains	1,074.20	1,074.20	1,074.20	1,066.30	1,066.30
Operating profit	9,624.65	9,807.81	9,918.19	9,899.07	9,967.10
Total profit	9,624.65	9,807.81	9,918.19	9,899.07	9,967.10
Income tax rate	0.25	0.25	0.25	0.25	0.25
Less: income tax	2,406.16	2,451.95	2,479.55	2,474.77	2,491.77
Net profit	7,218.49	7,355.86	7,438.64	7,424.30	7,475.32
Depreciation and amortization	6,471.84	6,471.84	6,471.84	6,471.84	6,471.84
Depreciation of fixed assets	6,314.58	6,314.58	6,314.58	6,314.58	6,314.58
Amortization	157.26	157.26	157.26	157.26	157.26
Interest after tax	355.13	217.76	134.98	53.65	2.63
Additional capital	258.05	4.98	261.56	48.01	4.98
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	253.07	0.00	0.00	0.00	0.00
Capital expenditure	4.98	4.98	261.56	48.01	4.98
Recovery of assets	0.57	0.57	30.09	5.52	0.57
Return of deductible value-added tax	0.57	0.57	30.09	5.52	0.57
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	2,655.43	2,655.43	2,655.43	2,655.43	2,655.43
Discounting of subsidy on electricity tariff receivable and impact of income tax	2,496.36	2,496.36	2,496.36	2,496.36	2,496.36
Net cash flow	13,628.91	13,881.98	13,654.91	13,748.23	13,786.32

Table of Net Cash Flow Forecast (IV)

Unit: RMB0'000

Item	2036	2037	2038	2039	2040	2041
Revenue	17,454.75	5,136.56	5,136.56	5,136.56	5,136.56	3,424.37
Costs	8,820.38	3,542.71	3,542.71	3,542.71	1,583.61	1,047.31
Gross profit margin	0.49	0.31	0.31	0.31	0.69	0.69
Taxes and surcharges	254.87	74.08	74.08	74.08	74.08	49.49
Taxes/revenue	0.01	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00	0.00
Administrative expenses/ revenue	0.00	0.00	0.00	0.00	0.00	0.00
Financial expenses	0.00	0.00	0.00	0.00	0.00	0.00
Other gains	1,031.64	298.85	298.85	298.85	298.85	199.23
Operating profit	9,411.13	1,818.63	1,818.63	1,818.63	3,777.73	2,526.81
Total profit	9,411.13	1,818.63	1,818.63	1,818.63	3,777.73	2,526.81
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Less: income tax	2,352.78	454.66	454.66	454.66	944.43	631.70
Net profit	7,058.35	1,363.97	1,363.97	1,363.97	2,833.29	1,895.11
Depreciation and amortization	6,471.84	2,660.55	2,660.55	2,660.55	701.45	469.10
Depreciation of fixed assets	6,314.58	2,513.25	2,513.25	2,513.25	554.15	369.43
Amortization	157.26	147.30	147.30	147.30	147.30	99.67
Interest after tax	0.00	0.00	0.00	0.00	0.00	0.00
Additional capital	-65.48	-1,551.74	244.94	261.56	4.98	-221.19
Asset upgrade	0.00	0.00	0.00	0.00	0.00	0.00
Increase in working capital	-70.45	-1,556.71	239.96	0.00	0.00	-226.17
Capital expenditure	4.98	4.98	4.98	261.56	4.98	4.98
Recovery of assets	4,035.11	0.57	0.57	30.09	0.57	7,400.98
Return of deductible value- added tax	0.57	0.57	0.57	30.09	0.57	0.57
Recovery of fixed assets and intangible assets	4,034.54	0.00	0.00	0.00	0.00	6,948.07
Recovery of working capital	0.00	0.00	0.00	0.00	0.00	452.34
Subsidies on electricity tariff receivable	2,052.76	0.00	0.00	0.00	0.00	0.00
Discounting of subsidy on electricity tariff receivable and impact of income tax	1,929.79	0.00	0.00	0.00	0.00	0.00
Net cash flow	17,507.80	5,576.83	3,780.15	3,793.05	3,530.34	9,986.39

2) *Determination of Discount Rate*A. Determination of risk-free interest rate r_f

The income period of Guodian Youneng Quanzhou Wind Power Co., Ltd. will expire in 2041, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 20 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.44\%$.

B. Determination of market risk premium

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

$$\text{Market risk premium} = r_m - r_f = 10.64\% - 3.44\% = 7.20\%.$$

C. Determination of capital structure

Please refer to relevant determination methods of Yunnan New Energy.

D. Determination of Beta factor

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Guodian Youneng Quanzhou Wind Power Co., Ltd. was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Guodian Youneng Quanzhou Wind Power Co., Ltd. was finally estimated as β_e .

E. Determination of characteristic risk factor

When determining the discount rate, it was necessary to consider the difference between Guodian Youneng Quanzhou Wind Power Co., Ltd. and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between the enterprise and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 1.0\%$.

F. Determination of expected return rate of creditor's rights, r_d , and income tax rate

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rate was 25%.

G. Calculation of discount rate, WACC

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	0.0344
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0100
Cost of equity, r_e	0.1182
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0813

(3) Information on the valuation of Guodian Youneng Gongcheng Wind Power Co., Ltd.
(國電優能恭城風電有限公司) under the income approach

1) Table of Net Cash Flow Forecast

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	12,900.30	12,169.16	12,169.16	12,169.16	12,169.16
Costs	5,180.53	5,191.57	5,199.37	5,466.29	5,474.26
Gross profit margin	0.60	0.57	0.57	0.55	0.55
Taxes and surcharges	181.93	181.96	183.74	179.65	179.59
Taxes/revenue	0.01	0.01	0.02	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	2,342.37	2,085.93	1,813.51	1,549.20	1,265.28
Other gains	738.17	739.40	746.80	729.77	729.55
Operating profit	5,933.64	5,449.11	5,719.35	5,703.79	5,979.58
Total profit	5,933.64	5,449.11	5,719.35	5,703.79	5,979.58
Income tax rate	0.08	0.15	0.15	0.15	0.15
Less: income tax	445.02	817.37	857.90	855.57	896.94
Net profit	5,488.62	4,631.74	4,861.44	4,848.22	5,082.65
Depreciation and amortization	4,077.42	4,082.21	4,082.21	4,082.21	4,082.21
Depreciation of fix assets	4,060.90	4,060.90	4,060.90	4,060.90	4,060.90
Amortization	16.52	21.31	21.31	21.31	21.31
Interest after tax	2,166.69	1,773.04	1,541.48	1,316.82	1,075.49
Additional capital	368.25	133.32	24.37	24.08	24.08
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	-9.33	-23.42	0.00	0.00	0.00
Capital expenditure	377.58	156.75	24.37	24.08	24.08
Recovery of assets	1,222.25	18.03	2.80	2.77	2.77
Return of deductible value-added tax	115.64	18.03	2.80	2.77	2.77
Recovery of fixed assets and intangible assets	1,106.60	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	4,572.07	4,313.27	4,313.27	4,313.27	4,313.27
Discounting of subsidy on electricity tariff receivable and impact of income tax	4,234.27	4,020.43	4,020.43	4,020.43	4,020.43
Net cash flow	12,248.93	10,078.87	10,170.75	9,933.11	9,926.20

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	12,169.16	12,169.16	12,169.16	11,660.84	10,016.89
Costs	5,474.26	5,474.26	5,474.26	5,902.23	5,902.23
Gross profit margin	0.55	0.55	0.55	0.49	0.41
Taxes and surcharges	179.59	179.59	179.59	164.80	136.38
Taxes/revenue	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00
Financial expenses	967.55	670.83	362.06	166.82	102.41
Other gains	729.55	729.55	729.55	668.69	552.82
Operating profit	6,277.31	6,574.03	6,882.80	6,095.68	4,428.69
Total profit	6,277.31	6,574.03	6,882.80	6,095.68	4,428.69
Income tax rate	0.15	0.15	0.15	0.15	0.15
Less: income tax	941.60	986.10	1,032.42	914.35	664.30
Net profit	5,335.72	5,587.93	5,850.38	5,181.33	3,764.39
Depreciation and amortization	4,082.21	4,082.21	4,082.21	4,082.21	4,082.21
Depreciation of fixed assets	4,060.90	4,060.90	4,060.90	4,060.90	4,060.90
Amortization	21.31	21.31	21.31	21.31	21.31
Interest after tax	822.42	570.21	307.75	141.80	87.05
Additional capital ^{24.08}	24.08	24.08	24.08	180.83	
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Increase in working capital	0.00	0.00	0.00	0.00	0.00
Capital expenditure	24.08	24.08	24.08	24.08	180.83
Recovery of assets	2.77	2.77	2.77	2.77	20.80
Return of deductible value-added tax	2.77	2.77	2.77	2.77	20.80
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	0.00
Recovery of working capital	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	4,313.27	4,313.27	4,313.27	3,738.86	1,881.20
Discounting of subsidy on electricity tariff receivable and impact of income tax	4,020.43	4,020.43	4,020.43	3,485.02	1,753.48
Net cash flow	9,926.20	9,926.20	9,926.20	9,130.19	7,645.90

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034	2035	2036
Revenue	9,116.65	8,352.11	8,352.11	8,352.11	8,068.25	608.77
Costs	5,902.23	5,902.23	5,902.23	5,902.23	5,698.58	452.26
Gross profit margin	0.35	0.29	0.29	0.29	0.29	0.26
Taxes and surcharges	124.17	111.62	111.96	111.96	108.12	8.07
Taxes/revenue	0.01	0.01	0.01	0.01	0.01	0.01
Administrative expenses	0.00	0.00	0.00	0.00	0.00	0.00
Administrative expenses/revenue	0.00	0.00	0.00	0.00	0.00	0.00
Financial expenses	24.37	0.00	0.00	0.00	0.00	0.00
Other gains	503.32	452.22	453.62	453.62	438.05	32.68
Operating profit	3,569.20	2,790.48	2,791.55	2,791.55	2,699.61	181.12
Total profit	3,569.20	2,790.48	2,791.55	2,791.55	2,699.61	181.12
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Less: income tax	892.30	697.62	697.89	697.89	674.90	45.28
Net profit	2,676.90	2,092.86	2,093.66	2,093.66	2,024.71	135.84
Depreciation and amortization	4,082.21	4,082.21	4,082.21	4,082.21	3,935.00	314.09
Depreciation of fixed assets	4,060.90	4,060.90	4,060.90	4,060.90	3,914.19	312.53
Amortization	21.31	21.31	21.31	21.31	20.81	1.57
Interest after tax	18.28	0.00	0.00	0.00	0.00	0.00
Additional capital	24.08	48.45	24.08	24.08	10.25	-346.90
Asset upgrade	0.00	0.00	0.00	0.00	0.00	0.00
Increase in working capital	0.00	0.00	0.00	0.00	-13.27	-348.67
Capital expenditure	24.08	48.45	24.08	24.08	23.51	1.77
Recovery of assets	2.77	5.57	2.77	2.77	2,383.79	2,674.40
Return of deductible value-added tax	2.77	5.57	2.77	2.77	2.71	0.20
Recovery of fixed assets and intangible assets	0.00	0.00	0.00	0.00	2,381.08	2,645.74
Recovery of working capital	0.00	0.00	0.00	0.00	0.00	28.46
Subsidies on electricity tariff receivable	863.93	0.00	0.00	0.00	0.00	0.00
Discounting of subsidy on electricity tariff receivable and impact of income tax	812.17	0.00	0.00	0.00	0.00	0.00
Net cash flow	6,704.32	6,132.20	6,154.56	6,154.56	8,333.25	3,471.23

2) *Determination of Discount Rate*A. Determination of risk-free interest rate r_f

The income period of Guodian Youneng Gongcheng Wind Power Co., Ltd. will expire in 2036, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 16 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.32\%$.

B. Market risk premium

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

$$\text{Market risk premium} = r_m - r_f = 10.64\% - 3.32\% = 7.32\%.$$

C. Determination of capital structure

Please refer to relevant determination methods of Yunnan New Energy.

D. Determination of Beta factor

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Guodian Youneng Gongcheng Wind Power Co., Ltd. was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Guodian Youneng Gongcheng Wind Power Co., Ltd. was finally estimated as β_e .

E. Determination of characteristic risk factor

When determining the discount rate, it was necessary to consider the difference between Guodian Youneng Gongcheng Wind Power Co., Ltd. and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between the enterprise and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.4\%$.

F. Determination of expected return rate of creditor's rights, r_d , and income tax rate

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

G. Calculation of discount rate, WACC

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	0.0332
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0040
Cost of equity, r_e	0.1122
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0779

(III) Information on the Valuation of Northeast New Energy

Northeast New Energy is mainly engaged in wind power generation. As of the Valuation Benchmark Date, Northeast New Energy operates normally. The economic lives of the major equipments of the wind power generating units are generally 20 years. The income period is determined in this valuation based on, after comprehensively taking into consideration the economic lives and the grid-connected date of the wind power generating units assets, the period from the Valuation Benchmark Date to the comprehensive remaining period of the lifetime of the wind power generating units. The income period of Northeast New Energy is therefore in a limited period. Beisijia Power Station was connected to the grid for power generation in March 2011, and the income period is from the Valuation Benchmark Date to March 2031; Taojiagou Power Station was connected to the grid for power generation in September 2012, and the income period is from the Valuation Benchmark Date to September 2032.

1. Net cash flow forecast**1) Operating revenue forecast**

Sales revenue of annual power generation = annual on-grid power × on-grid tariff + assessment expenses (excluding VAT)

The total operating installed capacity of Northeast New Energy is 97.5MW, among which, Beisijia Power Station has an installed capacity of 49.5MW; Taojiagou Power Station has an installed capacity of 48MW.

The key factors which affect the above-mentioned forecast of sales revenue of power generation are as follows:

- ① The theoretical utilization hours of power generation: By comprehensively taking into account various factors such as the power generation hours for each year during the reporting period and the trend of market demand, the utilization hours of the power generation of each power station have been determined.
- ② The subsidized utilization hours of power generation: According to the Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426), the full life cycle reasonable utilization hours of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively. The annual subsidized hours of Northeast New Energy for the forecast years will be determined based on their annual theoretical utilization hours of power generation, until no subsidies are granted in the operating life of the power stations.
- ③ Comprehensive energy loss rate: Comprehensive house supply and energy loss rate for historical years are taken as the comprehensive house supply and energy loss rate for future years between the power generation and the electricity settlement.
- ④ On-grid power: On-grid power can be divided into base on-grid power, power transmitted outwards and on-grid power for commercial operation (output subject to competitive bidding in power trading center). In this valuation, forecast is made based on the percentage of on-grid power for historical years.

⑤ Benchmark tariff:

A. Benchmark tariff of base on-grid power

Currently, the benchmark on-grid tariff for coal-fired power generating units (including desulphurisation, denitration, dedusting) in Northeast region is RMB0.3749/kwh (tax inclusive).

B. Benchmark tariff of power transmitted outwards

According to the Electricity Quantity and Tariff Statement issued by Northeast New Energy and the future electricity market situation of the region, the average benchmark tariff of power transmitted outwards of Beisijia Power Station and Taojiagou Power Station in future income period has been determined.

⑥ Tariff subsidy: The subsidy for renewable energy is the difference between the approved tariff and benchmark on-grid tariff for coal-fired power generating units.

⑦ Assessment tariff: Assessment tariff represents expense for assessment of the operating power stations conducted by the Northeast China Energy Regulatory Bureau of National Energy Administration in accordance with the Implementation Rules for the Management of Grid-connected Operation of Power Plants in the Northeast Region (《東北區域發電廠併網運行管理實施細則》) and the Implementation Rules for the Management of Auxiliary Services of Grid-connected Power Plants in the Northeast Region (《東北區域併網發電廠輔助服務管理實施細則》). In this valuation, the assessment tariff for the forecast years was determined after taking into comprehensive consideration the proportion of the assessment tariff to the annual power generation during historical years.

2) *Operating cost forecast*

Operating costs of Northeast New Energy mainly include employee remuneration, depreciation charges, amortization, repair costs, operation and maintenance expenses, cost from purchased electricity and others. The forecast situation is as follows:

Employee remuneration: after the operation of the wind power plants entered a stable period, the relevant cost is relatively stable, and is forecasted based on the staff ratios of the operating power stations with consideration of the employee remuneration levels in the historical periods.

Depreciation charges: in accordance with the current accounting policies of Northeast New Energy, the depreciation in operating costs is forecasted in this valuation based on the depreciation amount that should be accrued during the income period on the basis of the original book value of various types of fixed assets of the enterprise as at the Valuation Benchmark Date.

Amortization: is mainly amortization of Northeast New Energy's intangible assets of application type such as software, which is forecasted in this valuation based on their original amount incurred and amortization period over the income period.

Repair costs: mainly refer to the repair costs incurred by Northeast New Energy to maintain the sustainable, sound and safe operation of wind turbines. The repair costs for the forecast period are estimated in this valuation with consideration of the repair costs for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Operation and maintenance expenses: mainly refers to the operation and maintenance expenses incurred by Northeast New Energy to maintain the sustainable, sound and safe operation of the power stations. The operation and maintenance expenses for the forecast period are estimated in this valuation based on the proportion of expenditures to installed capacity of operating power stations with comprehensive consideration of the operation and maintenance expenses for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Cost from purchased electricity: mainly refers to the charges payable for the electricity used in the operation of the power station, which is forecasted in this valuation mainly on the basis of the expenditure incurred during the reporting period, combined with the operation plan of management fees.

Other expenses: mainly refer to those small amount expenses incurred necessarily for the operation of power stations, such as expenses of station insurance, spare parts and professional inspection, etc., which is forecasted in this valuation on the basis of the level of expenses for other expenses in the reporting period.

3) *Period expenses forecast*

① Administration expenses

The administration expenses are mainly sporadic expenses. The relevant expenses considered in this valuation have been taken into consideration in other expenses under the costs of main business. As such, no consideration was given to such expenses for the forecast years.

② Financial expenses

As of 31 December 2020, the Valuation Benchmark Date, the book balance of the interest-bearing debts of Northeast New Energy was RMB410,960,000, including short-term borrowings of RMB166,760,000, long-term borrowings of RMB201,200,000 and non-current liabilities due within one year of RMB43,000,000.

In this valuation, the financial expenses were determined taking into account the interest-bearing debts of the enterprise, the cash flow position of the enterprise and its repayment plan in the forecast period, and further considering the actual loan interest rate.

Given that the monetary funds or bank deposits of the enterprise vary frequently or significantly in the course of production and operation, neither the interest income from deposits, nor other uncertain income and expenses, profits and losses other than the interest-bearing debts have been taken into consideration for the financial expenses.

4) *Income tax forecast*

The Beisijia Power Station and Taojiagou Power Station of Northeast New Energy have both enjoyed the income tax preferential policy of 3+3 tax holiday, which will not be renewable upon its expiry.

In this valuation, based on the data of forecast of the total profits of Northeast New Energy for the future years and the upward and downward adjustment to the taxation to determine the taxable income for the future years, the amounts of the income tax of Northeast New Energy for the future years have been estimated, taking into account the corresponding income tax rate of the relevant enterprise.

The forecast results of the net cash flow of Northeast New Energy within future operation period are shown in the table below.

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025	2026
Revenue	10,528.29	10,528.29	10,528.29	10,528.29	10,528.29	10,528.29
Costs	6,525.76	6,549.23	6,572.93	6,718.42	6,864.14	6,864.14
Gross profit margin	0.3802	0.3779	0.3757	0.3619	0.3480	0.3480
Business taxes and surcharges	155.83	149.24	155.48	153.54	151.59	151.59
Taxes/revenue	0.0148	0.0142	0.0148	0.0146	0.0144	0.0144
Administrative expenses	-	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-	-
Financial expenses	1,510.22	1,399.87	1,135.94	872.00	603.55	404.67
Operating profit	2,965.98	3,032.00	3,291.98	3,404.27	3,520.83	3,719.71
Total profit	2,965.98	3,032.00	3,291.98	3,404.27	3,520.83	3,719.71
Less: income tax	741.50	758.00	822.99	851.07	880.21	929.93
Income Tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Net profit	2,224.49	2,274.00	2,468.98	2,553.20	2,640.62	2,789.78
Depreciation and amortization	3,593.87	3,593.87	3,593.87	3,593.87	3,593.87	3,593.87
Depreciation	3,576.91	3,576.91	3,576.91	3,576.91	3,576.91	3,576.91
Amortization	16.96	16.96	16.96	16.96	16.96	16.96
Interest after tax	1,132.67	1,049.90	851.96	654.00	452.66	303.50
Additional capital	47.83	473.88	18.66	18.66	18.66	18.66
Increase in working capital	47.83	-	-	-	-	-
Return of deductible value-added tax	-	54.52	2.15	2.15	2.15	2.15
Capital expenditure	-	473.88	18.66	18.66	18.66	18.66
Asset upgrade	-	-	-	-	-	-
Recovery of assets at the end of operating period	-	-	-	-	-	-
Subsidies on electricity tariff receivable	5,275.17	5,275.17	5,275.17	5,275.17	5,275.17	5,275.17
Discounting of subsidy on electricity tariff receivable and impact of income tax	4,959.17	4,959.17	4,959.17	4,959.17	4,959.17	4,959.17
Net cash flow	6,587.18	6,182.40	6,582.29	6,468.55	6,354.63	6,354.63

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2027	2028	2029	2030	2031	2032
Revenue	10,528.29	8,832.29	7,743.34	5,860.00	3,617.95	2,152.95
Costs	6,864.14	6,864.14	6,864.14	6,843.34	4,232.27	3,047.13
Gross profit margin	0.3480	0.2228	0.1135	-0.1678	-0.1698	-0.4153
Business taxes and surcharges	147.89	125.13	108.14	78.76	46.47	25.55
Taxes/revenue	0.01	0.01	0.01	0.01	0.01	0.01
Administrative expenses	-	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-	-
Financial expenses	174.85	85.25	21.31	-	-	-
Operating profit	3,937.83	2,259.33	1,180.52	-753.75	-479.41	-820.60
Total profit	3,937.83	2,259.33	1,180.52	-753.75	-479.41	-820.60
Less: income tax	984.46	564.83	295.13	-	-	-
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Net profit	2,953.37	1,694.50	885.39	-753.75	-479.41	-820.60
Depreciation and amortization	3,593.87	3,593.87	3,593.87	3,573.06	1,955.09	1,532.73
Depreciation	3,576.91	3,576.91	3,576.91	3,556.11	1,944.49	1,526.37
Amortization	16.96	16.96	16.96	16.96	10.60	6.36
Interest after tax	131.14	63.94	15.98	-	-	-
Additional capital	286.40	19.09	19.09	19.09	-345.70	-226.53
Increase in working capital	-	-	-	-	-357.64	-233.69
Return of deductible value- added tax	32.95	2.20	2.20	2.20	1.37	0.82
Capital expenditure	286.40	19.09	19.09	19.09	11.93	7.16
Asset upgrade	-	-	-	-	-	-
Recovery of assets at the end of operating period	-	-	-	-	-	2,277.24
Subsidies on electricity tariff receivable	5,275.17	3,358.70	2,128.17	-	-	-
Discounting of subsidy on electricity tariff receivable and impact of income tax	4,959.17	3,157.49	2,000.69	-	-	-
Net cash flow	6,108.92	5,134.20	4,350.85	2,802.42	1,822.75	3,560.16

2. *Determination of Discount Rate*

1) *Determination of risk-free interest rate r_f*

The income period of Northeast New Energy will expire in 2032, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 16 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.32\%$.

2) *Determination of market risk premium*

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

Market risk premium $= r_m - r_f = 10.64\% - 3.32\% = 7.32\%$.

3) *Determination of capital structure*

Please refer to relevant determination methods of Yunnan New Energy.

4) *Determination of Beta factor*

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Northeast New Energy was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Northeast New Energy was finally estimated as β_e .

5) *Determination of characteristic risk factor*

When determining the discount rate, it was necessary to consider the difference between Northeast New Energy and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between the enterprise and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.4\%$.

6) *Determination of expected return rate of creditor's rights, r_d , and income tax rate*

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

7) *Calculation of discount rate, WACC*

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio	0.5568
Debt ratio	0.4432
Weighted interest rate of loans	0.0465
Interest rate of treasury bonds	0.0332
Yield of the comparable companies	0.1064
Applicable tax rate	0.2500
Historical β	1.0725
Adjusted β	1.0478
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0040
Cost of equity	0.1122
Cost of debt (after tax)	0.0349
WACC	0.0779
Discount rate	0.0779

3. Information on the valuation of subsidiaries of significance

(1) Information on the valuation of Fuxin Julong Lake Wind Power Co., Ltd. (阜新巨龍湖風力發電有限公司)

1) Table of Net Cash Flow Forecast

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	20,824.22	20,824.22	20,824.22	20,824.22	20,824.22
Costs	10,457.45	10,900.68	11,058.06	11,072.58	11,087.24
Gross profit margin	0.4978	0.4765	0.4690	0.4683	0.4676
Business taxes and surcharges	387.08	385.11	382.80	382.51	377.43
Taxes/revenue	0.02	0.02	0.02	0.02	0.02
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	2,426.73	2,123.39	1,857.97	1,625.72	1,422.50
Operating profit	8,770.07	8,623.94	8,724.65	8,941.49	9,113.96
Total profit	8,770.07	8,623.94	8,724.65	8,941.49	9,113.96
Less: income tax	2,192.52	2,155.99	2,181.16	2,235.37	2,278.49
Income tax rate	0.25	0.25	0.25	0.25	0.25
Net profit	6,577.55	6,467.96	6,543.49	6,706.12	6,835.47
Depreciation and amortization	7,732.53	7,732.53	7,732.53	7,732.53	7,732.53
Depreciation	7,717.46	7,717.46	7,717.46	7,717.46	7,717.46
Amortization	15.07	15.07	15.07	15.07	15.07
Interest after tax	1,820.05	1,592.54	1,393.48	1,219.29	1,066.88
Additional capital	420.72	-	-	14.03	375.75
Increase in working capital	72.21	-	-	-	-
Return of deductible value-added tax	40.09	-	-	1.61	43.23
Capital expenditure	348.51	-	-	14.03	375.75
Asset upgrade	-	-	-	-	-
Recovery of assets at the end of operating period	-	-	-	-	-
Subsidies on electricity tariff receivable	10,634.69	10,634.69	10,634.69	10,634.69	10,634.69
Discounting of subsidy on electricity tariff receivable and impact of income tax	9,997.62	9,997.62	9,997.62	9,997.62	9,997.62
Net cash flow	15,112.43	15,155.96	15,032.43	15,008.45	14,665.28

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	20,824.22	15,604.79	11,412.99	11,412.99	1,929.38
Costs	11,087.24	11,087.24	11,087.24	11,048.69	5,807.19
Gross profit margin	0.4676	0.2895	0.0285	0.0319	-2.0099
Business taxes and surcharges	382.43	301.00	235.61	235.61	111.07
Taxes/revenue	0.02	0.02	0.02	0.02	0.06
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	1,244.69	1,089.11	508.25	-	-
Operating profit	9,307.58	3,985.89	167.87	714.67	-3,889.58
Total profit	9,307.58	3,985.89	167.87	714.67	-3,889.58
Less: income tax	2,326.89	996.47	41.97	178.67	-
Income tax rate	0.25	0.25	0.25	0.25	0
Net profit	6,980.68	2,989.41	125.90	536.01	-3,889.58
Depreciation and amortization	7,732.53	7,732.53	7,732.53	7,693.98	5,129.32
Depreciation	7,717.46	7,717.46	7,717.46	7,678.91	5,119.27
Amortization	15.07	15.07	15.07	15.07	10.05
Interest after tax	933.52	816.83	381.19	-	-
Additional capital	14.03	-282.26	-396.60	14.03	-948.84
Increase in working capital	-	-296.29	-410.63	-	-948.84
Return of deductible value-added tax	1.61	1.61	1.61	1.61	-
Capital expenditure	14.03	14.03	14.03	14.03	-
Asset upgrade	-	-	-	-	-
Recovery of assets at the end of operating period	-	-	-	-	7,955.38
Subsidies on electricity tariff receivable	10,634.69	4,736.73	-	-	-
Discounting of subsidy on electricity tariff receivable and impact of income tax	9,997.62	4,452.98	-	-	-
Net cash flow	14,997.25	11,538.90	8,637.84	8,217.57	10,336.99

2) *Determination of Discount Rate*A. Determination of risk-free interest rate r_f

The income period of Fuxin Julong Lake Wind Power Co., Ltd. will expire in 2030, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 10 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.14\%$.

B. Determination of market risk premium

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

$$\text{Market risk premium} = r_m - r_f = 10.64\% - 3.14\% = 7.50\%.$$

C. Determination of capital structure

Please refer to relevant determination methods of Yunnan New Energy.

D. Determination of Beta factor

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Fuxin Julong Lake Wind Power Co., Ltd. was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Fuxin Julong Lake Wind Power Co., Ltd. was finally estimated as β_e .

E. Determination of characteristic risk factor

When determining the discount rate, it was necessary to consider the difference between Fuxin Julong Lake Wind Power Co., Ltd. and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between the enterprise and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.4\%$.

F. Determination of expected return rate of creditor's rights, r_d , and income tax rate

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

G. Calculation of discount rate, WACC

In the valuation, the discount rate, WACC, was calculated as follows:

Equity ratio	0.5568
Debt ratio	0.4432
Weighted interest rate of loans	0.0465
Interest rate of treasury bonds	0.0314
Yield of the comparable companies	0.1064
Applicable tax rate	0.2500
Historical β	1.0725
Adjusted β	1.0478
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0040
Cost of equity	0.1123
Cost of debt (after tax)	0.0349
WACC	0.0780
Discount rate	0.0780

(2) Information on the valuation of Guodian Shuangliao New Energy Co., Ltd. (國電雙遼
新能源有限公司)

1) Table of Net Cash Flow Forecast

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	6,868.57	6,868.57	6,868.57	6,868.57	6,868.57
Costs	2,659.90	2,664.33	2,668.80	2,810.17	2,814.73
Gross profit margin	0.6127	0.6121	0.6114	0.5909	0.5902
Taxes and surcharges	107.43	107.23	107.84	105.71	105.71
Taxes/revenue	0.0156	0.0156	0.0157	0.0154	0.0154
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	1,211.39	1,167.16	990.25	813.34	636.43
Operating profit	3,320.97	3,360.14	3,534.53	3,563.30	3,735.64
Total profit	3,320.97	3,360.14	3,534.53	3,563.30	3,735.64
Less: income tax	415.12	840.04	883.63	890.83	933.91
Income tax rate	0.125	0.25	0.25	0.25	0.25
Net profit	2,905.84	2,520.11	2,650.90	2,672.48	2,801.73
Depreciation and amortization	1,978.46	1,978.46	1,978.46	1,978.46	1,978.46
Depreciation	1,978.20	1,978.20	1,978.20	1,978.20	1,978.20
Amortization	0.26	0.26	0.26	0.26	0.26
Interest after tax	1,059.97	875.37	742.69	610.01	477.32
Additional capital	-6.84	44.69	-	-	-
Increase in working capital	-6.84	-	-	-	-
Return of deductible value-added tax	3.52	5.14	-	-	-
Capital expenditure	-	44.69	-	-	-
Asset upgrade	-	-	-	-	-
Recovery of assets at the end of operating period	-	-	-	-	-
Subsidies on electricity tariff receivable	3,566.60	3,566.60	3,566.60	3,566.60	3,566.60
Discounting of subsidy on electricity tariff receivable and impact of income tax	3,317.33	3,352.94	3,352.94	3,352.94	3,352.94
Net cash flow	5,705.36	5,120.73	5,158.39	5,047.29	5,043.86

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030	2031
Revenue	6,868.57	6,868.57	5,833.49	3,712.29	3,712.29	3,712.29
Costs	2,814.73	2,814.73	2,814.73	3,040.83	3,040.83	3,040.83
Gross profit margin	0.5902	0.5902	0.5175	0.1809	0.1809	0.1809
Business taxes and surcharges	102.32	105.71	89.56	52.94	52.32	52.94
Taxes/revenue	0.0149	0.0154	0.0154	0.0143	0.0141	0.0143
Administrative expenses	–	–	–	–	–	–
Administrative expenses/revenue	–	–	–	–	–	–
Financial expenses	459.52	282.61	105.70	8.62	–	–
Operating profit	3,901.83	4,089.46	3,180.16	813.98	820.65	822.60
Total profit	3,901.83	4,089.46	3,180.16	813.98	820.65	822.60
Less: income tax	975.46	1,022.37	795.04	203.50	205.16	205.65
Income tax rate	0.25	0.25	0.25	0.25	0.25	0.25
Net profit	2,926.38	3,067.10	2,385.12	610.49	615.49	616.95
Depreciation and amortization	1,978.46	1,978.46	1,978.46	1,978.46	1,978.46	1,978.46
Depreciation	1,978.20	1,978.20	1,978.20	1,978.20	1,978.20	1,978.20
Amortization	0.26	0.26	0.26	0.26	0.26	0.26
Interest after tax	344.64	211.96	79.28	6.47	–	–
Additional capital	245.21	–	–	–	44.69	–
Increase in working capital	–	–	–	–	–	–
Return of deductible value-added tax	28.21	–	–	–	5.14	–
Capital expenditure	245.21	–	–	–	44.69	–
Asset upgrade	–	–	–	–	–	–
Recovery of assets at the end of operating period	–	–	–	–	–	–
Subsidies on electricity tariff receivable	3,566.60	3,566.60	2,396.96	–	–	–
Discounting of subsidy on electricity tariff receivable and impact of income tax	3,352.94	3,352.94	2,253.37	–	–	–
Net cash flow	4,818.82	5,043.86	4,299.27	2,595.41	2,554.40	2,595.41

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2032	2033	2034	2035	2036
Revenue	3,712.29	3,712.29	3,712.29	3,712.29	1,856.14
Costs	3,040.83	3,040.83	3,022.57	3,012.36	1,506.18
Gross profit margin	0.1809	0.1809	0.1858	0.1885	0.1885
Business taxes and surcharges	52.94	52.94	52.94	52.94	26.47
Taxes/revenue	0.0143	0.0143	0.0143	0.0143	0.0143
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	-	-	-	-	-
Operating profit	822.60	822.60	840.87	851.08	425.54
Total profit	822.60	822.60	840.87	851.08	425.54
Less: income tax	205.65	205.65	210.22	212.77	106.38
Income tax rate	0.25	0.25	0.25	0.25	0.25
Net profit	616.95	616.95	630.65	638.31	319.15
Depreciation and amortization	1,978.46	1,978.46	1,960.20	1,949.99	974.99
Depreciation	1,978.20	1,978.20	1,959.99	1,949.94	974.97
Amortization	0.26	0.26	0.21	0.05	0.02
Interest after tax	-	-	-	-	-
Additional capital	-	-	-	-	-408.21
Increase in working capital	-	-	-	-	-408.21
Return of deductible value-added tax	-	-	-	-	-
Capital expenditure	-	-	-	-	-
Asset upgrade	-	-	-	-	-
Recovery of assets at the end of operating period	-	-	-	-	2,034.61
Subsidies on electricity tariff receivable	-	-	-	-	-
Discounting of subsidy on electricity tariff receivable and impact of income tax	-	-	-	-	-
Net cash flow	2,595.41	2,595.41	2,590.85	2,588.30	4,145.18

2) *Determination of Discount Rate*A. Determination of risk-free interest rate r_f

The income period of Guodian Shuangliao New Energy Co., Ltd. will expire in 2036, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 16 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.32\%$.

B. Determination of market risk premium

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

$$\text{Market risk premium} = r_m - r_f = 10.64\% - 3.32\% = 7.32\%.$$

C. Determination of capital structure

Please refer to relevant determination methods of Yunnan New Energy.

D. Determination of Beta factor

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Guodian Shuangliao New Energy Co., Ltd. was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Guodian Shuangliao New Energy Co., Ltd. was finally estimated as β_e .

E. Determination of characteristic risk factor

When determining the discount rate, it was necessary to consider the difference between Guodian Shuangliao New Energy Co., Ltd. and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between the enterprise and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.3\%$.

F. Determination of expected return rate of creditor's rights, r_d , and income tax rate

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

G. Calculation of discount rate, WACC

In the valuation, the discount rate, WACC, was calculated as follows:

Equity ratio	0.5568
Debt ratio	0.4432
Weighted interest rate of loans	0.0465
Interest rate of treasury bonds	0.0332
Yield of the comparable companies	0.1064
Applicable tax rate	0.2500
Historical β	1.0725
Adjusted β	1.0478
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0030
Cost of equity	0.1112
Cost of debt (after tax)	0.0349
WACC	0.0774
Discount rate	0.0774

(3) Information on the valuation of Fuxin Huashun Wind Power Co., Ltd. (阜新華順風力發電有限公司)

1) Table of Net Cash Flow Forecast

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	6,364.26	6,365.61	6,366.96	5,075.88	3,544.04
Costs	2,460.58	2,585.34	2,588.59	2,591.88	2,595.19
Gross profit margin	0.6134	0.5939	0.5934	0.4894	0.2677
Taxes and surcharges	107.24	105.82	105.65	89.01	68.93
Taxes/revenue	0.0169	0.0166	0.0166	0.0175	0.0194
Administrative expenses	–	–	–	–	–
Administrative expenses/revenue	–	–	–	–	–
Financial expenses	330.75	286.65	242.55	198.45	154.35
Operating profit	3,855.62	3,770.61	3,812.11	2,495.29	923.91
Total profit	3,855.62	3,770.61	3,812.11	2,495.29	923.91
Less: income tax	963.91	942.65	953.03	623.82	230.98
Income tax rate	0.25	0.25	0.25	0.25	0.25
Net profit	2,891.72	2,827.96	2,859.08	1,871.47	692.93
Depreciation and amortization	1,865.62	1,865.62	1,865.62	1,865.62	1,865.62
Depreciation	1,863.07	1,863.07	1,863.07	1,863.07	1,863.07
Amortization	2.55	2.55	2.55	2.55	2.55
Interest after tax	248.06	214.99	181.91	148.84	115.76
Additional capital	28.11	0.07	15.90	2.20	15.60
Increase in working capital	14.71	0.07	0.07	0.07	0.07
Return of deductible value-added tax	1.54	–	1.82	0.25	1.79
Capital expenditure	13.40	–	15.83	2.13	15.53
Asset upgrade	–	–	–	–	–
Recovery of assets at the end of operating period	–	–	–	–	–
Subsidies on electricity tariff receivable	3,193.01	3,193.01	3,193.01	1,732.55	–
Discounting of subsidy on electricity tariff receivable and impact of income tax	3,001.74	3,001.74	3,001.74	1,628.76	–
Net cash flow	4,787.56	4,717.23	4,701.27	3,780.19	2,660.50

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029
Revenue	3,545.44	3,546.85	3,548.27	1,847.56
Costs	2,595.19	2,595.19	2,595.19	2,308.74
Gross profit margin	0.2680	0.2683	0.2686	-0.2496
Business taxes and surcharges	69.10	69.12	69.13	48.28
Taxes/revenue	0.0195	0.0195	0.0195	0.0261
Administrative expenses	-	-	-	-
Administrative expenses/revenue	-	-	-	-
Financial expenses	110.25	66.15	22.05	-
Operating profit	970.09	1,015.68	1,061.28	-408.34
Total profit	970.09	1,015.68	1,061.28	-408.34
Less: income tax	242.52	253.92	265.32	-
Income tax rate	0.25	0.25	0.25	0.25
Net profit	727.57	761.76	795.96	-408.34
Depreciation and amortization	1,865.62	1,865.62	1,865.62	1,864.10
Depreciation	1,863.07	1,863.07	1,863.07	1,861.54
Amortization	2.55	2.55	2.55	2.55
Interest after tax	82.69	49.61	16.54	-
Additional capital	2.20	2.20	2.20	-81.95
Increase in working capital	0.07	0.07	0.07	-84.08
Return of deductible value-added tax	0.25	0.25	0.25	0.25
Capital expenditure	2.13	2.13	2.13	2.13
Asset upgrade	-	-	-	-
Recovery of assets at the end of operating period	-	-	-	1,980.70
Subsidies on electricity tariff receivable	-	-	-	-
Discounting of subsidy on electricity tariff receivable and impact of income tax	-	-	-	-
Net cash flow	2,673.93	2,675.04	2,676.16	3,609.99

2) *Determination of Discount Rate*A. Determination of risk-free interest rate r_f

The income period of Fuxin Huashun Wind Power Co., Ltd. will expire in 2029, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 9 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.14\%$.

B. Determination of market risk premium

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

$$\text{Market risk premium} = r_m - r_f = 10.64\% - 3.14\% = 7.50\%.$$

C. Determination of capital structure

Please refer to relevant determination methods of Yunnan New Energy.

D. Determination of Beta factor

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Fuxin Huashun Wind Power Co., Ltd. was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Guodian Shuangliao New Energy Co., Ltd. was finally estimated as β_e .

E. Determination of characteristic risk factor

When determining the discount rate, it was necessary to consider the difference between Fuxin Huashun Wind Power Co., Ltd. and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between the enterprise and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.4\%$.

F. Determination of expected return rate of creditor's rights, r_d , and income tax rate

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

G. Calculation of discount rate, WACC

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio	0.5568
Debt ratio	0.4432
Weighted interest rate of loans	0.0465
Interest rate of treasury bonds	0.0314
Yield of the comparable companies	0.1064
Applicable tax rate	0.25
Historical β	1.0725
Adjusted β	1.0478
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.004
Cost of equity	0.1123
Cost of debt (after tax)	0.0349
WACC	0.0780
Discount rate	0.0780

(IV) Information on the Valuation of Gansu New Energy

Gansu New Energy is mainly engaged in wind power generation. As of the Valuation Benchmark Date, Gansu New Energy operates normally. The economic lives of the major equipments of the wind power generating units are generally 20 years. The income period is determined in this valuation based on, after comprehensively taking into consideration the economic lives and the grid-connected date of the wind power generating units assets, the period from the Valuation Benchmark Date to the comprehensive remaining period of the lifetime of the wind power generating units. The income period of Gansu New Energy is therefore in a limited period. The power station in Area B of Anbei Wind Farm No. 4 was connected to the grid for power generation on 6 December 2014, and the income period is from the Valuation Benchmark Date to November 2034.

1. Net cash flow forecast**1) Operating revenue forecast**

Sales revenue of annual power generation = annual on-grid power × on-grid tariff + assessment expenses (excluding VAT)

The Anbei Wind Farm No. 4 Area B, operated by Gansu New Energy, has a total installed capacity of 201MW.

The key factors which affect the above-mentioned forecast of sales revenue of power generation are as follows:

- ① The theoretical utilization hours of power generation: By comprehensively taking into account various factors such as the power generation hours for each year during the reporting period and the trend of market demand, the utilization hours of the power generation of the power station have been determined.
- ② The subsidized utilization hours of power generation: According to the Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426), the full life cycle reasonable utilization hours of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively. The annual subsidized hours of Gansu New Energy for the forecast years will be determined based on their annual theoretical utilization hours of power generation, until no subsidies are granted in the operating life of the power stations.

- ③ Comprehensive energy loss rate: Comprehensive house supply and energy loss rate for historical years are taken as the comprehensive house supply and energy loss rate for future years between the power generation and the electricity settlement.
- ④ On-grid power: On-grid power can be divided into base on-grid power and multilateral power trading volume. In this valuation, forecast is made based on the percentage of on-grid power for historical years.
- ⑤ Benchmark tariff:
- A. Benchmark tariff for base on-grid power: Currently, the benchmark on-grid tariff for coal-fired power generating units (including desulphurisation, denitration, dedusting) in the region of Gansu is RMB0.3078/kwh (tax inclusive).
- B. Multilateral power trading tariff: The average benchmark tariff for multilateral power trading volume during the future income period is determined based on the Electricity Quantity and Tariff Statement issued by Gansu Power Trading Center Co., Ltd. (甘肅電力交易中心有限公司) and the future power market conditions in the region where Gansu New Energy is located, and considering the fact that the vicious price competition environment with respect to the multilateral trading power tariff will be gradually gotten rid of and the tariff will gradually recover to the historical standard during the latter stage of the pandemic as a result of the tendency of macro-economy to real economy and the gradual improvement in the consumption standard of clean energy in Gansu Province during the forecast years.
- ⑥ Tariff subsidy: The subsidy for renewable energy is the difference between the approved tariff and benchmark on-grid tariff for coal-fired power generating units.

⑦ Assessment tariff: The assessment tariff represents expense for assessment of power station operation conducted by the Northwest Energy Regulatory Bureau of National Energy Administration of the People's Republic of China in accordance with the new version of the "Two Rules" (the Implementation Rules for the Management of Grid-connected Operation of Power Plants in the Northwest Region (《西北區域發電廠並網運行管理實施細則》) and the Implementation Rules for the Management of Auxiliary Services of Grid-connected Power Plants in the Northwest Region (《西北區域並網發電廠輔助服務管理實施細則》)). In this valuation, the assessment tariff for the forecast years was determined after taking into comprehensive consideration of the proportion of the assessment tariff to the annual power generation during historical years.

2) *Operating cost forecast*

Operating costs of Gansu New Energy mainly include employee remuneration, depreciation charges, amortization, repair costs, operation and maintenance expense, cost from purchased electricity and others. The forecast situation is as follows:

Employee remuneration: after the operation of the wind power plants entered a stable period, the relevant cost is relatively stable, and is forecasted based on the staff ratios of the operating power stations with consideration of the employee remuneration levels in the historical periods.

Depreciation charges: in accordance with the current accounting policies of Gansu New Energy, the depreciation in operating costs is forecasted in this valuation based on the depreciation amount that should be accrued during the income period on the basis of the original book value of various types of fixed assets of the enterprise as at the Valuation Benchmark Date.

Amortization: is mainly amortization of long-term deferred expenses, incurred from office decoration of Gansu New Energy, and intangible assets, which is forecasted in this valuation based on their original amount incurred and amortization period over the income period.

Repair costs: mainly refers to the repair costs incurred by Gansu New Energy to maintain the sustainable, sound and safe operation of wind turbines. The repair costs for the forecast period is estimated in this valuation with consideration of the repair costs for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Operation and maintenance expense: mainly refers to the operation and maintenance expenses incurred by Gansu New Energy to maintain the sustainable, sound and safe operation of the power stations. The operation and maintenance expenses for the forecast period is estimated in this valuation based on the proportion of expenditures to installed capacity of operating power stations with comprehensive consideration of the operation and maintenance expenses for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Cost from purchased electricity: mainly refers to the charges payable for the electricity used in the operation of the power station, which is forecasted in this valuation mainly on the basis of the expenditure incurred during the reporting period, combined with the operation plan of management fees.

Other expenses: mainly refer to those small amount expenses incurred necessarily for the operation of power stations, such as expenses of station insurance, spare parts and professional inspection, etc., which is forecasted in this valuation on the basis of the level of expenses for other expenses in the reporting period.

3) *Forecast of other businesses*

Income from other businesses of Gansu New Energy represents that from entrusted operation, mainly including the contracted entrustment by Guodian Power Guazhou Wind Power Generation Co., Ltd. (國電電力瓜州風力發電有限公司) of relevant production, operation, repair and maintenance of the substation equipment in the bay of the main transformer No. 3 of its 330 KV Anbei Substation No. 4 to Gansu New Energy at a fixed price. The forecast of the valuation is made based on the historical expenditure standard of the enterprise.

4) *Period expenses forecast*

① Administration expenses

The administration expenses are mainly sporadic expenses. The relevant expenses considered in this valuation have been taken into consideration in other expenses under the costs of main business. As such, no consideration was given to such expenses for the forecast years.

② Financial expenses

As of 31 December 2020, the Valuation Benchmark Date, the book balance of the interest-bearing debts of Gansu New Energy was RMB815,892,200, including non-current liabilities due within one year of RMB30,650,000 and long-term borrowings of RMB785,242,200.

In this valuation, the financial expenses were determined taking into account the interest-bearing debts of the enterprise, the cash flow position of the enterprise and its repayment plan in the forecast period, and further considering the actual loan interest rate.

Given that the monetary funds or bank deposits of the enterprise vary frequently or significantly in the course of production and operation, neither the interest income from deposits, nor other uncertain income and expenses, profits and losses other than the interest-bearing debts have been taken into consideration for the financial expenses.

5) *Income tax forecast*

Gansu New Energy is entitled to enjoy the tax preferential policy of 3+3 tax holiday from the year in which it commenced actual operation, which means that, based on the assumption of the valuation, the Anbei Wind Farm No. 4 Area B enjoyed income tax exemption in the first three years within its operation period, the income tax rate applicable to it for the fourth to the sixth year within its operation period was 7.5%, the income tax rate applicable to it from the seventh year within its operation period to 2030 will be 15%, and the income tax rate applicable to it from 2031 to the end of its operation period will be 25%, respectively.

In this valuation, based on the data of forecast of the total profits of Gansu New Energy for the future years and the upward and downward adjustment to the taxation to determine the taxable income for the future years, the amounts of the income tax of Gansu New Energy for the future years have been estimated, taking into account the corresponding income tax rate of the relevant enterprise.

The forecast results of the net cash flow of Gansu New Energy within future operation period are shown in the table below.

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	14,664.18	15,050.23	15,381.61	15,685.58	16,321.02
Costs	7,917.69	7,932.66	8,074.68	8,089.20	8,044.29
Gross profit margin	0.4601	0.4729	0.4750	0.4843	0.5071
Business taxes and surcharges	66.01	66.18	229.13	251.73	258.84
Taxes/revenue	0.0045	0.0044	0.0149	0.0160	0.0159
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	3,827.59	3,627.76	3,234.86	2,690.37	2,147.23
Operating profit	2,852.90	3,423.63	4,656.95	5,580.65	6,831.19
Total profit	2,852.90	3,423.63	4,656.95	5,580.65	6,831.19
Less: income tax	427.93	513.54	698.54	837.10	1,024.68
Income tax rate	0.1500	0.1500	0.1500	0.1500	0.1500
Net profit	2,424.96	2,910.08	3,958.41	4,743.56	5,806.51
Depreciation and amortization	5,570.62	5,570.62	5,570.62	5,570.62	5,511.21
Depreciation	5,460.89	5,460.89	5,460.89	5,460.89	5,460.89
Amortization	109.73	109.73	109.73	109.73	50.32
Interest after tax	3,253.45	3,083.59	2,749.63	2,286.82	1,825.15
Additional capital	29.67	9.47	9.12	9.09	142.45
Increase in working capital	29.67	9.47	9.12	9.09	21.06
Return of deductible value-added tax	1,737.56	1,787.38	185.53	-	13.97
Capital expenditure	0.00	0.00	0.00	0.00	121.39
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Recovery of assets at the end of the operation period	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	10,345.16	10,470.69	10,546.00	10,591.19	10,618.31
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	9,642.81	9,759.81	9,830.02	9,872.14	9,897.41
Net cash flow	12,254.56	12,631.33	11,739.08	11,872.84	12,293.49

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	16,382.91	16,382.91	16,382.91	16,382.91	16,382.91
Costs	8,043.25	8,043.25	8,529.45	8,529.45	8,529.45
Gross profit margin	0.5090	0.5090	0.4794	0.4794	0.4794
Business taxes and surcharges	261.06	261.06	241.59	254.39	254.39
Taxes/revenue	0.0159	0.0159	0.0147	0.0155	0.0155
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	1,604.15	1,070.80	587.03	208.86	26.97
Operating profit	7,445.97	7,979.31	7,899.01	8,328.37	8,510.26
Total profit	7,445.97	7,979.31	7,899.01	8,328.37	8,510.26
Less: income tax	1,116.90	1,196.90	1,184.85	1,249.26	1,276.54
Income tax rate	0.1500	0.1500	0.1500	0.1500	0.1500
Net profit	6,329.08	6,782.42	6,714.16	7,079.12	7,233.72
Depreciation and amortization	5,509.80	5,509.80	5,509.80	5,509.80	5,509.80
Depreciation	5,460.89	5,460.89	5,460.89	5,460.89	5,460.89
Amortization	48.92	48.92	48.92	48.92	48.92
Interest after tax	1,363.52	910.18	498.98	177.53	22.93
Additional capital	0.89	-	1,142.95	30.59	30.59
Increase in working capital	0.89	-	-	-	-
Return of deductible value-added tax	-	-	131.49	3.52	3.52
Capital expenditure	0.00	0.00	1,142.95	30.59	30.59
Asset upgrade	0.00	0.00	0.00	0.00	0.00
Recovery of assets at the end of the operation period	0.00	0.00	0.00	0.00	0.00
Subsidies on electricity tariff receivable	10,658.98	10,658.98	10,658.98	10,658.98	10,658.98
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	9,935.32	9,935.32	9,935.32	9,935.32	9,935.32
Net cash flow	12,477.85	12,478.75	10,987.82	12,015.72	12,015.72

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034
Revenue	16,382.91	16,382.91	16,382.91	15,017.67
Costs	8,529.45	8,528.93	8,514.91	7,928.30
Gross profit margin	0.4794	0.4794	0.4803	0.4721
Business taxes and surcharges	254.39	254.39	254.39	231.59
Taxes/revenue	0.0155	0.0155	0.0155	0.0154
Administrative expenses	–	–	–	–
Administrative expenses/revenue	–	–	–	–
Financial expenses	–	–	–	–
Operating profit	8,537.23	8,537.75	8,551.77	7,709.76
Total profit	8,537.23	8,537.75	8,551.77	7,709.76
Less: income tax	2,134.31	2,134.44	2,137.94	1,927.44
Income tax rate	0.2500	0.2500	0.2500	0.2500
Net profit	6,402.92	6,403.31	6,413.83	5,782.32
Depreciation and amortization	5,509.80	5,509.28	5,495.26	5,037.33
Depreciation	5,460.89	5,460.36	5,446.35	4,992.49
Amortization	48.92	48.92	48.92	44.84
Interest after tax	–	–	–	–
Additional capital	30.59	30.59	30.59	8.09
Increase in working capital	–	–	–	-19.95
Return of deductible value-added tax	3.52	3.52	3.52	3.23
Capital expenditure	30.59	30.59	30.59	28.04
Asset upgrade	0.00	0.00	0.00	0.00
Recovery of assets at the end of the operation period	0.00	0.00	0.00	6,555.09
Subsidies on electricity tariff receivable	10,658.98	10,658.98	10,658.98	9,770.73
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	10,020.46	10,020.46	10,020.46	9,185.42
Net cash flow	11,247.13	11,247.00	11,243.50	16,784.56

2. *Determination of Discount Rate*

1) *Determination of risk-free interest rate r_f*

The income period of Gansu New Energy will expire in 2034, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 14 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.26\%$.

2) *Determination of market risk premium*

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

Market risk premium = $r_m - r_f = 10.64\% - 3.26\% = 7.38\%$.

3) *Determination of capital structure*

Please refer to relevant determination methods of Yunnan New Energy.

4) *Determination of Beta factor*

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Gansu New Energy was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Gansu New Energy was finally estimated as β_e .

5) *Determination of characteristic risk factor*

When determining the discount rate, it was necessary to consider the difference between Gansu New Energy and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between Gansu New Energy and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.4\%$.

6) *Determination of expected return rate of creditor's rights, r_d , and income tax rate*

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

7) *Calculation of discount rate, WACC*

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	0.0326
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6142
Equity β	1.0758
Characteristic risk factor	0.0040
Cost of equity, r_e	0.1122
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0779

(V) Information on the Valuation of Dingbian New Energy

Dingbian New Energy is mainly engaged in wind power generation. As of the Valuation Benchmark Date, Dingbian New Energy operates normally. The economic lives of the major equipments of the wind power generating units are generally 20 years. The income period is determined in this valuation based on, after comprehensively taking into consideration the economic lives and the grid-connected date of the wind power generating units assets, the period from the Valuation Benchmark Date to the comprehensive remaining period of the lifetime of the wind power generating units. The income period of Dingbian New Energy is therefore in a limited period. Huangwan Wind Power Farm and Shengliang Wind Power Farm were connected to the grid for power generation on 24 December 2016, and both the income periods are from the Valuation Benchmark Date to December 2036; Xinzhuang Wind Power Farm was connected to the grid for power generation on 20 December 2019, and the income period is from the Valuation Benchmark Date to December 2039; Chenliang Wind Power Farm is expected to be connected to the grid for power generation on 1 April 2021, and the income period is from the Valuation Benchmark Date to March 2041.

1. Net cash flow forecast**1) Operating revenue forecast**

Sales revenue of annual power generation = annual on-grid power × on-grid tariff + assessment expenses (excluding VAT)

The total operating installed capacity of Dingbian New Energy is 249.6MW, among which, Huangwan Power Station has an installed capacity of 50MW; Shengliang Power Station has an installed capacity of 50MW; Xinzhuang Power Station has an installed capacity of 100MW; Chenliang Power Station, which is expected to be connected to the grid for power generation in April 2021, has an installed capacity of 49.6MW.

The key factors which affect the above-mentioned forecast of sales revenue of power generation are as follows:

- ① The theoretical utilization hours of power generation: By comprehensively taking into account various factors such as the power generation hours for each year during the reporting period and the trend of market demand, the utilization hours of the power generation of each power station have been determined.

- ② The subsidized utilization hours of power generation: According to the Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426), the full life cycle reasonable utilization hours of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively. The annual subsidized hours of Dingbian New Energy for the forecast years will be determined based on their annual theoretical utilization hours of power generation, until no subsidies are granted in the operating life of the power stations.
- ③ Comprehensive energy loss rate: Comprehensive house supply and energy loss rate for historical years are taken as the comprehensive house supply and energy loss rate for future years between the power generation and the electricity settlement.
- ④ On-grid power: On-grid power can be divided into base on-grid power and power transmitted outwards. In this valuation, forecast is made based on the percentage of on-grid power for historical years.
- ⑤ Benchmark tariff :
- A. Benchmark tariff of base on-grid power
- The benchmark on-grid tariff for coal-fired power generating units (including desulphurisation, denitration, dedusting) in the region of Shaanxi is RMB0.3345/kwh (tax inclusive).
- B. Benchmark tariff of power transmitted outwards
- The average benchmark tariff for power transmitted outwards volume during the future income period is determined based on the Electricity Quantity and Tariff Statement issued by issued by Shaanxi Power Trading Center Co., Ltd. (陝西電力交易中心有限公司) and the future power market conditions in the region where Dingbian New Energy is located.

- ⑥ Tariff subsidy: The subsidy for renewable energy is the difference between the approved tariff and benchmark on-grid tariff for coal-fired power generating units.
- ⑦ Assessment tariff: The assessment tariff represents expense for assessment of power station operation conducted by the Northwest Energy Regulatory Bureau of National Energy Administration in accordance with the new version of the "Two Rules" (the Implementation Rules for the Management of On-grid Operation of Power Plants in the Northwest Region (《西北區域發電廠並網運行管理實施細則》) and the Implementation Rules for the Management of Auxiliary Services of On-grid Power Plants in the Northwest Region (《西北區域並網發電廠輔助服務管理實施細則》)). In this valuation, the assessment tariff for the forecast years was determined after taking into comprehensive consideration the proportion of the assessment tariff to the annual power generation during historical years.

2) *Operating cost forecast*

Operating costs of Dingbian New Energy mainly include employee remuneration, depreciation charges, amortization, repair costs, operation and maintenance expenses, cost from purchased electricity and others. The forecast situation is as follows:

Employee remuneration: after the operation of the wind power plants entered a stable period, the relevant cost is relatively stable, and is forecasted based on the staff ratios of the operating power stations with consideration of the employee remuneration levels in the historical periods.

Depreciation charges: in accordance with the current accounting policies of Dingbian New Energy, the depreciation in operating costs is forecasted in this valuation based on the depreciation amount that should be accrued during the income period on the basis of the original book value of various types of fixed assets of the enterprise as at the Valuation Benchmark Date.

Amortization: is mainly amortization of intangible assets such as land use rights and software of Dingbian New Energy, which is forecasted in this valuation based on their original amount incurred and amortization period over the income period.

Repair costs: mainly refers to the repair costs incurred by Dingbian New Energy to maintain the sustainable, sound and safe operation of wind turbines. The repair costs for the forecast period is estimated in this valuation with consideration of the repair costs for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Operation and maintenance expense: mainly refers to the operation and maintenance expenses incurred by Dingbian New Energy to maintain the sustainable, sound and safe operation of the power stations. The operation and maintenance expenses for the forecast period is estimated in this valuation based on the proportion of expenditures to installed capacity of operating power stations with comprehensive consideration of the operation and maintenance expenses for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Cost from purchased electricity: mainly refers to the charges payable for the electricity used in the operation of the power station, which is forecasted in this valuation mainly on the basis of the expenditure incurred during the reporting period, combined with the operation plan of management fees.

Other expenses: mainly refer to those small amount expenses incurred necessarily for the operation of power stations, such as expenses of station insurance, spare parts and professional inspection, etc., which is forecasted in this valuation on the basis of the level of expenses for other expenses in the reporting period.

3) *Period expenses forecast*

① Administration expenses

The administration expenses are mainly sporadic expenses. The relevant expenses considered in this valuation have been taken into consideration in other expenses under the costs of main business. As such, no consideration was given to such expenses for the forecast years.

② Financial expenses

As of 31 December 2020, the Valuation Benchmark Date, the book balance of the interest-bearing debts of Dingbian New Energy was RMB1,528,556,900, including principal of short-term borrowings of RMB252,785,100, and long-term borrowings of RMB1,275,771,800.

In this valuation, the financial expenses were determined taking into account the interest-bearing debts of the enterprise, the cash flow position of the enterprise and its repayment plan in the forecast period, and further considering the actual loan interest rate.

Given that the monetary funds or bank deposits of the enterprise vary frequently or significantly in the course of production and operation, neither the interest income from deposits, nor other uncertain income and expenses, profits and losses other than the interest-bearing debts have been taken into consideration for the financial expenses.

4) *Income tax forecast*

All wind farms of Dingbian New Energy enjoyed income tax exemption in the first three years within their operation period, the income tax rate applicable to them for the fourth to the sixth year within their operation period was 7.5%, the income tax rate applicable to them from the seventh year within their operation period to 2030 will be 15%, and the income tax rate applicable to them from 2031 to the end of their operation period will be 25%, respectively.

In this valuation, based on the data of forecast of the total profits of Dingbian New Energy for the future years and the upward and downward adjustment to the taxation to determine the taxable income for the future years, the amounts of the income tax of Dingbian New Energy for the future years have been estimated, taking into account the corresponding income tax rate of the relevant enterprise.

The forecast results of the net cash flow of Dingbian New Energy within future operation period are shown in the table below.

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	26,867.56	28,548.72	28,619.47	28,661.92	28,687.39
Costs	12,269.35	12,344.09	12,541.50	12,652.92	12,948.98
Gross profit margin	0.5433	0.5676	0.5618	0.5585	0.5486
Business taxes and surcharges	88.96	89.53	89.55	246.21	443.00
Taxes/revenue	0.0033	0.0031	0.0031	0.0086	0.0154
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	5,891.00	4,888.85	4,345.96	3,792.40	3,188.89
Operating profit	8,618.26	11,226.26	11,642.46	12,753.62	13,873.64
Total profit	8,618.26	11,226.26	11,642.46	12,753.62	13,873.64
Less: income tax	264.49	311.92	999.97	1,324.08	1,429.13
Income tax rate	0.0307	0.0278	0.0859	0.1038	0.1030
Net profit	8,353.77	10,914.34	10,642.48	11,429.55	12,444.51
Depreciation and amortization	9,468.55	9,468.55	9,468.55	9,468.55	9,468.55
Depreciation	9,270.46	9,270.46	9,270.46	9,270.46	9,270.46
Amortization	198.09	198.09	198.09	198.09	198.09
Interest after tax	5,710.21	4,753.01	3,972.69	3,398.68	2,860.40
Additional capital	2,364.57	122.93	5.20	3.12	31.75
Increase in working capital	338.84	122.93	5.20	3.12	1.87
Return of deductible value-added tax	3,375.04	3,590.29	3,576.51	2,003.72	3.44
Capital expenditure	2,025.73	-	-	-	29.88
Asset upgrade	-	-	-	-	-
Recovery of assets at the end of the operation period	-	-	-	-	-
Subsidies on electricity tariff receivable	14,449.88	15,347.63	15,385.20	15,407.73	15,421.25
Discounting of subsidy on electricity tariff receivable and impact of income tax	13,330.61	14,157.03	14,263.97	14,304.99	14,317.59
Net cash flow	23,423.72	27,412.65	26,533.80	25,194.62	23,641.48

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	28,725.60	28,725.60	28,725.60	28,725.60	28,725.60
Costs	12,950.14	12,950.14	13,220.44	13,355.59	13,703.24
Gross profit margin	0.5492	0.5492	0.5398	0.5351	0.5230
Business taxes and surcharges	431.83	443.50	439.99	438.23	433.71
Taxes/revenue	0.0150	0.0154	0.0153	0.0153	0.0151
Administrative expenses	–	–	–	–	–
Administrative expenses/revenue	–	–	–	–	–
Financial expenses	2,581.55	2,040.93	1,608.69	1,208.75	732.85
Operating profit	14,473.28	15,060.59	15,208.47	15,466.23	15,576.40
Total profit	14,473.28	15,060.59	15,208.47	15,466.23	15,576.40
Less: income tax	1,922.15	2,259.09	2,281.27	2,319.94	2,336.46
Income tax rate	0.1328	0.1500	0.1500	0.1500	0.1500
Net profit	12,551.13	12,801.50	12,927.20	13,146.30	13,239.94
Depreciation and amortization	9,468.55	9,468.55	9,468.55	9,468.55	9,468.55
Depreciation	9,270.46	9,270.46	9,270.46	9,270.46	9,270.46
Amortization	198.09	198.09	198.09	198.09	198.09
Interest after tax	2,238.71	1,734.79	1,367.39	1,027.44	622.93
Additional capital	1,047.24	29.88	29.88	29.88	29.88
Increase in working capital	2.81	–	–	–	–
Return of deductible value-added tax	120.16	3.44	3.44	3.44	3.44
Capital expenditure	1,044.43	29.88	29.88	29.88	29.88
Asset upgrade	–	–	–	–	–
Recovery of assets at the end of the operation period	–	–	–	–	–
Subsidies on electricity tariff receivable	15,441.54	15,441.54	15,441.54	15,441.54	15,441.54
Discounting of subsidy on electricity tariff receivable and impact of income tax	14,373.17	14,393.18	14,393.18	14,393.18	14,393.18
Net cash flow	22,262.93	22,930.04	22,688.34	22,567.49	22,256.62

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034	2035
Revenue	28,725.60	28,661.59	25,983.60	25,083.08	22,159.71
Costs	13,703.24	13,703.24	14,050.89	14,224.72	14,224.72
Gross profit margin	0.5230	0.5219	0.4592	0.4329	0.3581
Business taxes and surcharges	433.71	432.86	392.61	376.61	339.34
Taxes/revenue	0.0151	0.0151	0.0151	0.0150	0.0153
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	386.38	264.06	180.50	93.60	24.24
Operating profit	15,922.88	15,977.89	12,879.39	11,829.47	8,831.35
Total profit	15,922.88	15,977.89	12,879.39	11,829.47	8,831.35
Less: income tax	3,980.72	3,994.47	3,219.85	2,957.37	2,207.84
Income tax rate	0.2500	0.2500	0.2500	0.2500	0.2500
Net profit	11,942.16	11,983.42	9,659.54	8,872.10	6,623.51
Depreciation and amortization	9,468.55	9,468.55	9,468.55	9,468.55	9,468.55
Depreciation	9,270.46	9,270.46	9,270.46	9,270.46	9,270.46
Amortization	198.09	198.09	198.09	198.09	198.09
Interest after tax	289.78	198.04	135.37	70.20	18.18
Additional capital	29.88	29.88	29.88	180.21	29.88
Increase in working capital	-	-	-	-	-
Return of deductible value-added tax	3.44	3.44	3.44	20.73	3.44
Capital expenditure	29.88	29.88	29.88	180.21	29.88
Asset upgrade	-	-	-	-	-
Recovery of assets at the end of the operation period	-	-	-	-	-
Subsidies on electricity tariff receivable	15,441.54	15,369.21	12,343.08	11,325.50	8,022.08
Discounting of subsidy on electricity tariff receivable and impact of income tax	14,516.52	14,448.52	11,603.68	10,647.05	7,541.53
Net cash flow	20,749.03	20,702.88	18,497.61	17,572.91	15,603.23

Table of Net Cash Flow Forecast (IV)

Unit: RMB0'000

Item	2036	2037	2038	2039	2040	2041
Revenue	16,071.99	9,206.26	9,206.26	9,206.26	3,296.69	824.17
Costs	14,127.55	8,838.02	8,536.02	4,600.28	1,496.05	529.64
Gross profit margin	0.1210	0.0400	0.0728	0.5003	0.5462	0.3574
Business taxes and surcharges	258.06	116.47	116.47	116.47	51.06	11.83
Taxes/revenue	0.0161	0.0127	0.0127	0.0127	0.0155	0.0144
Administrative expenses	-	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-
Operating profit	2,550.24	740.93	1,042.94	4,978.68	1,921.76	321.08
Total profit	2,550.24	740.93	1,042.94	4,978.68	1,921.76	321.08
Less: income tax	637.56	185.23	260.73	1,244.67	480.44	80.27
Income tax rate	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Net profit	1,912.68	555.70	782.20	3,734.01	1,441.32	240.81
Depreciation and amortization	9,371.38	5,822.27	5,520.27	1,584.53	42.59	10.65
Depreciation	9,173.29	5,795.83	5,493.82	1,558.09	16.15	4.04
Amortization	198.09	26.44	26.44	26.44	26.44	6.61
Interest after tax	-	-	-	-	-	-
Additional capital	36.30	-781.78	29.88	29.88	-789.45	-335.33
Increase in working capital	-	-811.66	-	-	-819.32	-342.80
Return of deductible value- added tax	4.18	3.44	3.44	3.44	3.44	0.86
Capital expenditure	36.30	29.88	29.88	29.88	29.88	7.47
Asset upgrade	-	-	-	-	-	-
Recovery of assets at the end of the operation period	3,481.81	-	-	3,501.93	-	2,188.20
Subsidies on electricity tariff receivable	1,142.96	-	-	-	-	-
Discounting of subsidy on electricity tariff receivable and impact of income tax	1,074.49	-	-	-	-	-
Net cash flow	14,665.28	7,163.19	6,276.03	8,794.02	2,276.79	2,775.84

2. *Determination of Discount Rate*

1) *Determination of risk-free interest rate r_f*

The income period of Dingbian New Energy will expire in 2041, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 20 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.44\%$.

2) *Determination of market risk premium*

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

Market risk premium = $r_m - r_f = 10.64\% - 3.44\% = 7.20\%$.

3) *Determination of capital structure*

Please refer to relevant determination methods of Yunnan New Energy.

4) *Determination of Beta factor*

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Dingbian New Energy was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Dingbian New Energy was finally estimated as β_e .

5) *Determination of characteristic risk factor*

When determining the discount rate, it was necessary to consider the difference between Dingbian New Energy and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between Dingbian New Energy and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.6\%$.

6) *Determination of expected return rate of creditor's rights, r_d , and income tax rate*

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

7) *Calculation of discount rate, WACC*

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	0.0344
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0060
Cost of equity, r_e	0.1142
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0790

(VI) Information on the Valuation of Inner Mongolia New Energy

Inner Mongolia New Energy is mainly engaged in wind power generation. As of the Valuation Benchmark Date, Inner Mongolia New Energy operates normally. The economic lives of the major equipments of the wind power generating units are generally 20 years. The income period is determined in this valuation based on, after comprehensively taking into consideration the economic lives and the grid-connected date of the wind power generating units assets, the period from the Valuation Benchmark Date to the comprehensive remaining period of the lifetime of the wind power generating units. The income period of Inner Mongolia New Energy is therefore in a limited period. The Power Station Phase II in Guodian Hongshan Wind Farm was connected to the grid for power generation in June 2011, and the income period is from the Valuation Benchmark Date to June 2031; the Power Station Phase III in Guodian Hongshan Wind Farm was connected to the grid for power generation in December 2015, the income period is from the Valuation Benchmark Date to December 2035; as at the Valuation Benchmark Date, the construction of the Power Station Phase IV in Guodian Hongshan Wind Farm was still in progress, and it is expected to complete grid-connected for power generation entirely in July 2021, and the income period is from the Valuation Benchmark Date to July 2040.

1. Net cash flow forecast**1) Operating revenue forecast**

Sales revenue of annual power generation = annual on-grid power × on-grid tariff + assessment expenses (excluding VAT)

The total operating installed capacity of Inner Mongolia New Energy is 99.00MW, among which, Power Station Phase II in Hongshan Wind Farm has an installed capacity of 49.5MW; Power Station Phase III in Hongshan Wind Farm has an installed capacity of 49.5MW.

Power Station Phase IV in Hongshan Wind Farm, which is under construction, has an installed capacity of 50MW and is expected to be connected to the grid for power generation in July 2021.

The key factors which affect the above-mentioned forecast of sales revenue of power generation are as follows:

- ① The theoretical utilization hours of power generation: By comprehensively taking into account various factors such as the power generation hours for each year during the reporting period and the trend of market demand, the utilization hours of the power generation of each power station have been determined.
- ② The subsidized utilization hours of power generation: According to the Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426), the full life cycle reasonable utilization hours of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively. The annual subsidized power generation of the power stations of Inner Mongolia New Energy for the forecast years will be determined based on their annual electricity sold, until no subsidies are granted in the operating life of the power stations.
- ③ Comprehensive energy loss rate: Comprehensive house supply and energy loss rate for historical years are taken as the comprehensive house supply and energy loss rate for future years between the power generation and the electricity settlement.
- ④ On-grid power: On-grid power can be divided into base on-grid power, power transmitted outwards and on-grid power for commercial operation (output subject to competitive bidding in power trading center). In this valuation, forecast is made based on the percentage of on-grid power for historical years.
- ⑤ Benchmark tariff

A. Benchmark tariff for base on-grid power

The benchmark on-grid tariff for coal-fired power generating units (including desulphurisation, denitration, dedusting) in the region of Inner Mongolia is currently RMB0.2829/kwh (tax inclusive).

B. Benchmark tariff for power transmitted outwards

The average benchmark tariff for power transmitted outwards during the future income period is determined based on the Electricity Quantity and Tariff Statement issued by Inner Mongolia New Energy and the future power market conditions in the region where Inner Mongolia New Energy is located.

- ⑥ Tariff subsidy: The subsidy for renewable energy is the difference between the approved tariff and benchmark on-grid tariff for coal-fired power generating units.
- ⑦ Assessment tariff: The assessment tariff represents expense for assessment of power station operation conducted by the North China Energy Regulatory Bureau of National Energy Administration in accordance with the Implementation Rules for the Management of Grid-connected Operation of Wind Farms in the Inner Mongolia Power Grid (《內蒙古電網風電場並網運行管理實施細則》). In this valuation, the assessment tariff for the forecast years was determined after taking into comprehensive consideration the proportion of the assessment tariff to the annual power generation during historical years.

2) *Operating cost forecast*

Operating costs of Inner Mongolia New Energy mainly include employee remuneration, depreciation charges, amortization, repair costs, operation and maintenance expense, cost from purchased electricity and others. The forecast situation is as follows:

Employee remuneration: after the operation of the wind farm entered a stable period, the relevant cost is relatively stable, and is forecasted based on the staff ratios of the operating power stations with consideration of the employee remuneration levels in the historical periods.

Depreciation charges: in accordance with the current accounting policies of Inner Mongolia New Energy, the depreciation in operating costs is forecasted in this valuation based on the depreciation amount that should be accrued during the income period on the basis of the original book value of various types of fixed assets of the enterprise as at the Valuation Benchmark Date.

Amortization: is mainly amortization of land and other intangible assets. In this valuation, amortization expense for each future year was forecasted according to the amortization policies for intangible assets of Inner Mongolia New Energy.

Repair costs: mainly refers to the repair costs incurred by Inner Mongolia New Energy to maintain the sustainable, sound and safe operation of wind turbines. The repair costs for the forecast period is estimated in this valuation with consideration of the repair costs for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Production and operation expenses: mainly refers to the operation and maintenance expenses incurred by Inner Mongolia New Energy to maintain the sustainable, sound and safe operation of the power stations. The production and operation expenses for the forecast period is estimated in this valuation with consideration of the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Commissioned operation expenses: mainly refers to the operation and maintenance expenses incurred by Inner Mongolia New Energy to maintain the sustainable, sound and safe operation of the power stations. The commissioned operation expenses for the forecast period is estimated in this valuation with consideration of the operation and maintenance expenses for the historical periods and the proportion of the total installed capacity.

Cost from purchased electricity: mainly refers to the charges payable for the electricity used in the operation of the power station, which is forecasted in this valuation mainly on the basis of the expenditure incurred during the reporting period, combined with the operation plan of management fees.

Other expenses: mainly refer to those small amount expenses incurred necessarily for the operation of power stations, such as expenses of station insurance, spare parts and professional inspection, etc., which is forecasted in this valuation on the basis of the level of expenses for other expenses in the reporting period.

3) *Forecast of revenues and costs from other business*

Revenues from other business of Inner Mongolia New Energy are those from line rental and heat supply. According to the assumption of this valuation, Inner Mongolia New Energy will maintain the existing operation and management model and continue to operate as a going concern in the future operation period, and relevant estimation has been conducted according to the gross profit margin of heat supply.

4) *Period expenses forecast*

① Administration expenses

The administration expenses are mainly sporadic expenses. The relevant expenses considered in this valuation have been taken into consideration in other expenses under the costs of main business. As such, no consideration was given to such expenses for the forecast years.

② Financial expenses

As of 31 December 2020, the Valuation Benchmark Date, the book balance of the interest-bearing debts of Inner Mongolia New Energy was RMB252,358,300, including non-current liabilities due within one year of RMB30,000,000 and long-term payables of RMB222,358,300.

In this valuation, the financial expenses were determined taking into account the interest-bearing debts of the enterprise, the cash flow position of the enterprise and its repayment plan in the forecast period, and further considering the actual loan interest rate.

Given that the monetary funds or bank deposits of the enterprise vary frequently or significantly in the course of production and operation, neither the interest income from deposits, nor other uncertain income and expenses, profits and losses other than the interest-bearing debts have been taken into consideration for the financial expenses.

5) *Income tax forecast*

As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠錄》), the grid-connected wind power projects are entitled to enjoy the preferential policy of “3+3 tax holiday” for six years from the commencement of their commercial operation, and according to the Notice of the Continuation of the Enterprise Income Tax Policy for the Large-scale Development of China’s Western Region (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)), from 1 January 2021 to 31 December 2030, enterprise income tax will be levied at a reduced rate of 15% on enterprises engaged in encouraged industries in Western China. Accordingly, Power Station Phase II and Power Station Phase III in Hongshan Wind Farm will continue to enjoy a reduced income tax rate of 15%; Power Station Phase IV in Hongshan Wind Farm, upon grid-connected power generation, was exempted from income tax in the first three years within its operation period, the income tax rate applicable to it for the fourth to the sixth year within its operation period was 12.5% and the income tax rate applicable to it will continue to be 15% from the seventh year of its operation period.

In this valuation, based on the data of forecast of the total profits of Inner Mongolia New Energy for the future years and the upward and downward adjustment to the taxation to determine the taxable income for the future years, the amounts of the income tax of Inner Mongolia New Energy for the future years have been estimated, taking into account the corresponding income tax rate of the relevant enterprise.

The forecast results of the net cash flow of Inner Mongolia New Energy within future operation period are shown in the table below.

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	11,612.40	14,602.54	14,945.27	15,129.57	15,335.94
Costs	6,111.52	7,011.47	7,128.95	7,410.31	7,425.93
Gross profit margin	0.4737	0.5198	0.5230	0.5102	0.5158
Business taxes and surcharges	17.60	18.62	65.10	188.38	190.26
Taxes/revenue	0.0015	0.0013	0.0044	0.0125	0.0124
Administrative expenses	–	–	–	–	–
Administrative expenses/revenue	0	0	0	0	0
Financial expenses	337.51	973.70	973.70	976.37	973.70
Operating profit	5,145.76	6,598.75	7,009.34	7,402.42	7,603.03
Total profit	5,145.76	6,598.75	7,009.34	7,402.42	7,603.03
Less: income tax	435.18	544.00	573.16	857.91	880.93
Income tax rate	0.0846	0.0824	0.0818	0.1159	0.1159
Net profit	4,710.58	6,054.75	6,436.18	6,544.51	6,722.10
Depreciation and amortization	3,799.25	4,566.76	4,566.76	4,566.76	4,566.76
Depreciation	3,774.83	4,542.34	4,542.34	4,542.34	4,542.34
Amortization	24.42	24.42	24.42	24.42	24.42
Interest after tax	308.97	893.43	894.08	863.21	860.88
Additional capital	5,614.61	534.73	265.15	37.48	117.85
Increase in working capital	432.36	527.81	56.57	30.56	34.21
Return of deductible value-added tax	1,449.67	1,836.20	1,410.80	186.37	194.85
Capital expenditure	5,182.25	6.92	208.58	6.92	83.64
Asset upgrade	–	–	–	–	–
Recovery of assets at the end of the operating period	–	–	–	–	–
Subsidies on electricity tariff receivable	6,275.49	7,793.19	7,981.01	8,081.49	8,194.07
Discounting of subsidy on electricity tariff receivable and impact of income tax	5,818.95	7,230.98	7,405.25	7,515.65	7,620.35
Net cash flow	4,197.31	12,254.20	12,466.91	11,557.54	11,653.03

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	16,098.37	16,098.37	16,098.37	16,098.37	16,098.37
Costs	7,425.93	7,425.93	7,568.93	7,670.93	7,670.93
Gross profit margin	0.5387	0.5387	0.5298	0.5235	0.5235
Business taxes and surcharges	203.22	205.75	207.40	208.46	212.43
Taxes/revenue	0.0126	0.0128	0.0129	0.0129	0.0132
Administrative expenses	–	–	–	–	–
Administrative expenses/revenue	0	0	0	0	0
Financial expenses	827.52	632.77	439.37	243.29	0.34
Operating profit	8,562.16	8,767.03	8,824.06	8,922.36	9,181.17
Total profit	8,562.16	8,767.03	8,824.06	8,922.36	9,181.17
Less: income tax	993.00	1,315.05	1,323.61	1,338.35	1,377.18
Income tax rate	0.1160	0.1500	0.1500	0.1500	0.1500
Net profit	7,569.15	7,451.98	7,500.45	7,584.00	7,804.00
Depreciation and amortization	4,566.76	4,566.76	4,566.76	4,566.76	4,566.76
Depreciation	4,542.34	4,542.34	4,542.34	4,542.34	4,542.34
Amortization	24.42	24.42	24.42	24.42	24.42
Interest after tax	731.55	537.85	373.46	206.80	0.29
Additional capital	131.40	6.92	6.92	83.64	6.92
Increase in working capital	124.48	–	–	–	–
Return of deductible value-added tax	167.02	141.70	116.56	99.90	60.23
Capital expenditure	6.92	6.92	6.92	83.64	6.92
Asset upgrade	–	–	–	–	–
Recovery of assets at the end of the operating period	–	–	–	–	–
Subsidies on electricity tariff receivable	8,616.67	8,616.67	8,616.67	8,616.67	8,616.67
Discounting of subsidy on electricity tariff receivable and impact of income tax	8,013.36	8,031.67	8,031.67	8,031.67	8,031.67
Net cash flow	12,299.78	12,106.38	11,965.32	11,788.82	11,839.36

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034	2035
Revenue	13,336.01	11,362.90	11,262.89	11,262.89	10,851.27
Costs	6,347.07	5,442.11	5,442.11	5,585.11	4,377.03
Gross profit margin	0.5241	0.5211	0.5168	0.5041	0.5966
Business taxes and surcharges	176.51	152.74	150.52	150.55	147.68
Taxes/revenue	0.0132	0.0134	0.0134	0.0134	0.0136
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	0	0	0	0	0
Financial expenses	-	-	-	-	-
Operating profit	7,604.03	6,444.16	6,335.45	6,192.55	6,978.24
Total profit	7,604.03	6,444.16	6,335.45	6,192.55	6,978.24
Less: income tax	1,901.01	1,613.47	1,586.29	1,550.56	1,746.99
Income tax rate	0.2500	0.2504	0.2504	0.2504	0.2503
Net profit	5,703.03	4,830.69	4,749.16	4,641.98	5,231.26
Depreciation and amortization	3,847.26	3,127.75	3,127.75	3,127.75	2,361.75
Depreciation	3,822.84	3,103.34	3,103.34	3,103.34	2,337.33
Amortization	24.42	24.42	24.42	24.42	24.42
Interest after tax	-	-	-	-	-
Additional capital	-221.69	-300.42	51.59	6.92	-58.56
Increase in working capital	-430.27	-307.34	-32.05	-	-65.48
Return of deductible value-added tax	76.98	53.78	62.61	53.78	53.78
Capital expenditure	208.58	6.92	83.64	6.92	6.92
Asset upgrade	-	-	-	-	-
Recovery of assets at the end of the operating period	1,466.59	-	-	-	1,593.30
Subsidies on electricity tariff receivable	7,012.42	5,866.54	5,866.54	5,866.54	5,632.28
Discounting of subsidy on electricity tariff receivable and impact of income tax	6,592.35	5,515.10	5,515.10	5,515.10	5,294.88
Net cash flow	10,895.46	7,961.21	7,536.50	7,465.17	8,961.24

Table of Net Cash Flow Forecast (IV)

Unit: RMB0'000

Item	2036	2037	2038	2039	2040
Revenue	3,746.59	3,298.36	3,298.36	3,298.36	1,649.18
Costs	2,928.87	2,928.87	2,928.87	2,906.56	1,617.35
Gross profit margin	0.2183	0.1120	0.1120	0.1188	0.0193
Business taxes and surcharges	57.22	37.02	37.90	37.90	17.73
Taxes/revenue	0.0153	0.0112	0.0115	0.0115	0.0107
Administrative expenses	–	–	–	–	–
Administrative expenses/revenue	0	0	0	0	0
Financial expenses	–	–	–	–	–
Operating profit	971.92	510.34	513.87	536.18	98.28
Total profit	971.92	510.34	513.87	536.18	98.28
Less: income tax	459.67	132.16	133.04	138.62	26.86
Income tax rate	0.4730	0.2590	0.2589	0.2585	0.2733
Net profit	512.25	378.18	380.83	397.56	71.43
Depreciation and amortization	1,595.75	1,595.75	1,595.75	1,573.44	786.72
Depreciation	1,571.33	1,571.33	1,571.33	1,549.02	774.51
Amortization	24.42	24.42	24.42	24.42	12.21
Interest after tax	–	–	–	–	–
Additional capital	-816.21	83.64	6.92	6.92	-521.58
Increase in working capital	-823.13	–	–	–	-528.49
Return of deductible value-added tax	14.45	23.27	14.45	14.45	14.45
Capital expenditure	6.92	83.64	6.92	6.92	6.92
Asset upgrade	–	–	–	–	–
Recovery of assets at the end of the Operating Period	–	–	–	–	2,149.43
Subsidies on electricity tariff receivable	506.50	–	–	–	–
Discounting of subsidy on electricity tariff receivable and impact of income tax	476.16	–	–	–	–
Net cash flow	2,908.31	1,913.56	1,984.10	1,978.52	4,072.10

2. *Determination of Discount Rate*

1) *Determination of risk-free interest rate r_f*

The income period of Inner Mongolia New Energy will expire in 2040, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 20 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.44\%$.

2) *Determination of market risk premium*

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

Market risk premium = $r_m - r_f = 10.64\% - 3.44\% = 7.20\%$.

3) *Determination of capital structure*

Please refer to relevant determination methods of Yunnan New Energy.

4) *Determination of Beta factor*

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Inner Mongolia New Energy was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Inner Mongolia New Energy was finally estimated as β_e .

5) *Determination of characteristic risk factor*

When determining the discount rate, it was necessary to consider the difference between Inner Mongolia New Energy and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between Inner Mongolia New Energy and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.6\%$.

6) *Determination of expected return rate of creditor's rights, r_d , and income tax rate*

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

7) *Calculation of discount rate, WACC*

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio	0.5568
Debt ratio	0.4432
Weighted interest rate of loans	0.0465
Interest rate of treasury bonds	0.0344
Yield of the comparable companies	0.1064
Applicable tax rate	0.2500
Historical β	1.0725
Adjusted β	1.0478
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0060
Cost of equity	0.1142
Cost of debt (after tax)	0.0349
WACC	0.0790
Discount rate	0.0790

(VII) Information on the Valuation of Shanxi Jieneng

Shanxi Jieneng is mainly engaged in wind power generation. As of the Valuation Benchmark Date, Shanxi Jieneng operates normally. The economic lives of the major equipments of the wind power generating units are generally 20 years. The income period is determined in this valuation based on, after comprehensively taking into consideration the economic lives and the grid-connected date of the wind power generating units assets, the period from the Valuation Benchmark Date to the comprehensive remaining period of the lifetime of the wind power generating units. The income period of Shanxi Jieneng is therefore in a limited period. Youyu Phase III Power Station was connected to the grid for power generation in July 2011, and the income period is from the Valuation Benchmark Date to July 2031; Pinglu Beishan Phase II Power Station was connected to the grid for power generation in August 2016, and the income period is from the Valuation Benchmark Date to August 2036.

1. Net cash flow forecast**1) Operating revenue forecast**

Sales revenue of annual power generation = annual on-grid power × on-grid tariff + assessment expenses (excluding VAT)

The total operating installed capacity of Shanxi Jieneng is 99MW, among which, Youyu Phase III Power Station has an installed capacity of 49.5MW; Pinglu Beishan Phase II Power Station has an installed capacity of 49.5MW.

The key factors which affect the above-mentioned forecast of sales revenue of power generation are as follows:

- ① The theoretical utilization hours of power generation: By comprehensively taking into account various factors such as the power generation hours for each year during the reporting period and the trend of market demand, the utilization hours of the power generation of the power station have been determined.

- ② The subsidized utilization hours of power generation: According to the Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426), the full life cycle reasonable utilization hours of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively. The annual subsidized hours of Shanxi Jieneng for the forecast years will be determined based on their annual theoretical utilization hours of power generation, until no subsidies are granted in the operating life of the power stations.
- ③ Comprehensive energy loss rate: Comprehensive house supply and energy loss rate for historical years are taken as the comprehensive house supply and energy loss rate for future years between the power generation and the electricity settlement.
- ④ On-grid power: On-grid power can be divided into base on-grid power and power transmitted outwards. In this valuation, forecast is made based on the percentage of on-grid power for historical years.
- ⑤ Benchmark tariff:
- A. Benchmark tariff for base on-grid power
- The benchmark on-grid tariff for coal-fired power generating units (including desulphurisation, denitration, dedusting) in the region of Shanxi is currently RMB0.332/kwh (tax inclusive).
- B. Benchmark tariff for power transmitted outwards
- The average benchmark tariff for power transmitted outwards during the future income period is determined based on the Electricity Quantity and Tariff Statement issued by Shanxi Power Trading Center Co., Ltd. (山西電力交易中心有限公司) and the future power market conditions in the region where Shanxi Jieneng is located.
- ⑥ Tariff subsidy: The subsidy for renewable energy is the difference between the approved tariff and benchmark on-grid tariff for coal-fired power generating units.

⑦ Assessment tariff: The assessment tariff represents expense for assessment of power station operation conducted by the North China Energy Regulatory Bureau in accordance with the Implementation Rules for the Management of Grid-connected Operation of Wind Farms in North China (《華北區域風電場並網運行管理實施細則》) and the Rules for Market Operation of Auxiliary Services for Electric Power Peak Regulation in North China (Trial) (《華北電力調峰輔助服務市場運營規則(試運行版)》). In this valuation, the assessment tariff for the forecast years was determined after taking into comprehensive consideration the proportion of the assessment tariff to the annual power generation during historical years.

2) *Operating cost forecast*

Operating costs of Shanxi Jieneng mainly include employee remuneration, depreciation charges, amortization, repair costs, operation and maintenance expenses, cost from purchased electricity and others. The forecast situation is as follows:

Employee remuneration: after the operation of the wind power plants entered a stable period, the relevant cost is relatively stable, and is forecasted based on the staff ratios of the operating power stations with consideration of the employee remuneration levels in the historical periods.

Depreciation charges: in accordance with the current accounting policies of Shanxi Jieneng, the depreciation in operating costs is forecasted in this valuation based on the depreciation amount that should be accrued during the income period on the basis of the original book value of various types of fixed assets of the enterprise as at the Valuation Benchmark Date.

Amortization: is mainly amortization of intangible assets of Shanxi Jieneng, which is forecasted in this valuation based on their original amount incurred and amortization period over the income period.

Repair costs: mainly refers to the repair costs incurred by Shanxi Jieneng to maintain the sustainable, sound and safe operation of wind turbines. The repair costs for the forecast period is estimated in this valuation with consideration of the repair costs for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Operation and maintenance expense: mainly refers to the operation and maintenance expenses incurred by Shanxi Jieneng to maintain the sustainable, sound and safe operation of the power stations. The operation and maintenance expenses for the forecast period is estimated in this valuation based on the proportion of expenditures to installed capacity of operating power stations with comprehensive consideration of the operation and maintenance expenses for the historical periods and the Cost Quota Standard by Grading Types for Wind Turbine Unit of China Guodian Corporation (2016 Edition).

Cost from purchased electricity: mainly refers to the charges payable for the electricity used in the operation of the power station, which is forecasted in this valuation mainly on the basis of the expenditure incurred during the reporting period, combined with the operation plan of management fees.

Other expenses: mainly refer to those small amount expenses incurred necessarily for the operation of power stations, such as expenses of station insurance, spare parts and professional inspection, etc., which is forecasted in this valuation on the basis of the level of expenses for other expenses in the reporting period.

3) *Period expenses forecast*

① Administration expenses

The administration expenses are mainly sporadic expenses. The relevant expenses considered in this valuation have been taken into consideration in other expenses under the costs of main business. As such, no consideration was given to such expenses for the forecast years.

② Financial expenses

As of 31 December 2020, the Valuation Benchmark Date, the book balance of the interest-bearing debts of Shanxi Jieneng was RMB686,400,000, including short-term borrowings of RMB461,500,000 and non-current liabilities due within one year of RMB224,900,000.

In this valuation, the financial expenses were determined taking into account the interest-bearing debts of the enterprise, the cash flow position of the enterprise and its repayment plan in the forecast period, and further considering the actual loan interest rate.

Given that the monetary funds or bank deposits of the enterprise vary frequently or significantly in the course of production and operation, neither the interest income from deposits, nor other uncertain income and expenses, profits and losses other than the interest-bearing debts have been taken into consideration for the financial expenses.

4) *Income tax forecast*

The power station of Shanxi Jieneng is entitled to enjoy the tax preferential policy of 3+3 tax holiday from the year in which it commenced actual operation. It is assumed that Youyu Phase III and Pinglu Beishan Phase II enjoyed income tax exemption in the first three years within its operation period, the income tax rate applicable to it for the fourth to the sixth year within its operation period was 12.5% and the income tax rate applicable to it from the seventh year within its operation period to the end of the operation period will be 25%.

In this valuation, based on the data of forecast of the total profits of Shanxi Jieneng for the future years and the upward and downward adjustment to the taxation to determine the taxable income for the future years, the amounts of the income tax of Shanxi Jieneng for the future years have been estimated, taking into account the corresponding income tax rate of the relevant enterprise.

The forecast results of the net cash flow of Shanxi Jieneng within future operation period are shown in the table below.

Table of Net Cash Flow Forecast (I)

Unit: RMB0'000

Item	2021	2022	2023	2024	2025
Revenue	10,406.36	10,497.10	10,551.55	10,584.22	10,603.82
Costs	5,370.53	5,386.44	5,402.51	5,673.74	5,690.13
Gross profit margin	0.4839	0.4869	0.4880	0.4639	0.4634
Business taxes and surcharges	12.85	12.91	12.96	12.98	12.99
Taxes/revenue	0.0012	0.0012	0.0012	0.0012	0.0012
Administrative expenses	-	-	-	-	-
Administrative expenses/revenue	-	-	-	-	-
Financial expenses	1,154.91	1,961.08	1,706.67	1,462.38	1,218.09
Operating profit	3,868.08	3,136.68	3,429.42	3,435.12	3,682.61
Total profit	3,868.08	3,136.68	3,429.42	3,435.12	3,682.61
Less: income tax	626.99	784.17	857.35	858.78	920.65
Income tax rate	0.1621	0.2500	0.2500	0.2500	0.2500
Net profit	3,241.08	2,352.51	2,572.06	2,576.34	2,761.96
Depreciation and amortization	3,413.50	3,413.50	3,413.50	3,413.50	3,413.50
Depreciation	3,387.23	3,387.23	3,387.23	3,387.23	3,387.23
Amortization	26.27	26.27	26.27	26.27	26.27
Interest after tax	967.70	1,470.81	1,280.01	1,096.79	913.57
Additional capital	923.08	32.49	29.27	595.48	26.17
Increase in working capital	347.59	8.06	4.84	2.90	1.74
Return of deductible value-added tax	1,172.61	1,183.13	1,189.14	1,159.27	1,160.92
Capital expenditure	575.49	24.43	24.43	592.58	24.43
Asset upgrade	-	-	-	-	-
Recovery of assets at the end of the operation period	-	-	-	-	-
Subsidies on electricity tariff receivable	5,937.81	5,988.05	6,018.20	6,036.29	6,047.14
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	5,545.75	5,629.34	5,657.68	5,674.68	5,684.89
Net cash flow	7,479.74	8,028.75	8,064.92	7,288.82	7,861.53

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2026	2027	2028	2029	2030
Revenue	10,633.23	10,633.23	10,633.23	10,633.23	8,722.11
Costs	5,690.13	5,690.13	5,690.13	5,811.68	5,811.68
Gross profit margin	0.4649	0.4649	0.4649	0.4534	0.3337
Business taxes and surcharges	98.86	152.43	152.43	147.89	111.88
Taxes/revenue	0.0093	0.0143	0.0143	0.0139	0.0128
Administrative expenses	–	–	–	–	–
Administrative expenses/revenue	–	–	–	–	–
Financial expenses	967.06	729.51	503.75	281.36	85.92
Operating profit	4,234.85	4,642.04	4,867.80	4,954.28	3,128.70
Total profit	4,234.85	4,642.04	4,867.80	4,954.28	3,128.70
Less: income tax	1,058.71	1,160.51	1,216.95	1,238.57	782.17
Income tax rate	0.2500	0.2500	0.2500	0.2500	0.2500
Net profit	3,176.13	3,481.53	3,650.85	3,715.71	2,346.52
Depreciation and amortization	3,413.50	3,413.50	3,413.50	3,413.50	3,413.50
Depreciation	3,387.23	3,387.23	3,387.23	3,387.23	3,387.23
Amortization	26.27	26.27	26.27	26.27	26.27
Interest after tax	725.29	547.13	377.81	211.02	64.44
Additional capital	27.04	24.43	24.43	215.69	592.58
Increase in working capital	2.61	–	–	–	–
Return of deductible value-added tax	449.25	2.81	2.81	24.81	68.17
Capital expenditure	24.43	24.43	24.43	215.69	592.58
Asset upgrade	–	–	–	–	–
Recovery of assets at the end of the operation period	–	–	–	–	–
Subsidies on electricity tariff receivable	6,063.41	6,063.41	6,063.41	6,063.41	3,903.85
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	5,700.19	5,700.19	5,700.19	5,700.19	3,669.99
Net cash flow	7,373.91	7,057.32	7,057.32	6,786.13	5,066.20

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2031	2032	2033	2034	2035	2036
Revenue	5,587.78	3,036.73	3,036.73	3,036.73	3,036.73	2,026.26
Costs	4,026.67	3,116.77	3,116.77	3,116.77	3,116.77	2,077.99
Gross profit margin	0.2794	-0.0264	-0.0264	-0.0264	-0.0264	-0.0255
Business taxes and surcharges	74.80	41.12	41.12	41.12	41.12	27.44
Taxes/revenue	0.0134	0.0135	0.0135	0.0135	0.0135	0.0135
Administrative expenses	-	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-
Operating profit	1,756.55	16.94	16.94	16.94	16.94	12.89
Total profit	1,756.55	16.94	16.94	16.94	16.94	12.89
Less: income tax	439.14	4.24	4.24	4.24	4.24	3.22
Income tax rate	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Net profit	1,317.42	12.71	12.71	12.71	12.71	9.67
Depreciation and amortization	2,027.68	1,676.65	1,676.65	1,676.65	1,676.65	1,117.76
Depreciation	2,020.66	1,671.76	1,671.76	1,671.76	1,671.76	1,114.51
Amortization	7.02	4.89	4.89	4.89	4.89	3.26
Interest after tax	-	-	-	-	-	-
Additional capital	-158.45	-224.52	2.15	2.15	2.15	-174.59
Increase in working capital	-161.91	-226.68	-	-	-	-176.03
Return of deductible value- added tax	0.40	0.25	0.25	0.25	0.25	0.17
Capital expenditure	3.46	2.15	2.15	2.15	2.15	1.43
Asset upgrade	-	-	-	-	-	-
Recovery of assets at the end of the operation period	1,835.34	-	-	-	-	2,088.29
Subsidies on electricity tariff receivable	1,412.32	-	-	-	-	-
Discounting of subsidy on electricity tariff receivable and amount of adjustment to income tax	1,327.72	-	-	-	-	-
Net cash flow	5,254.68	1,914.13	1,687.45	1,687.45	1,687.45	3,390.48

2. *Determination of Discount Rate*

1) *Determination of risk-free interest rate r_f*

The income period of Shanxi Jieneng will expire in 2036, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 16 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.32\%$.

2) *Determination of market risk premium*

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

Market risk premium = $r_m - r_f = 10.64\% - 3.32\% = 7.32\%$.

3) *Determination of capital structure*

Please refer to relevant determination methods of Yunnan New Energy.

4) *Determination of Beta factor*

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Shanxi Jieneng was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Shanxi Jieneng was finally estimated as β_e .

5) *Determination of characteristic risk factor*

When determining the discount rate, it was necessary to consider the difference between Shanxi Jieneng and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between the enterprise and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.4\%$.

6) *Determination of expected return rate of creditor's rights, r_d , and income tax rate*

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

7) *Calculation of discount rate, WACC*

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	0.0332
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6417
Equity β	1.0249
Characteristic risk factor	0.0040
Cost of equity, r_e	0.1122
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0779

(VIII) Information on the Valuation of Tianjin Jieneng

Tianjin Jieneng is mainly engaged in wind power generation. As of the Valuation Benchmark Date, Tianjin Jieneng operates normally. The economic lives of the major equipments of the wind power generating units are generally 20 years. The income period is determined in this valuation based on, after comprehensively taking into consideration the economic lives and the grid-connected date of the wind power generating units assets, the period from the valuation benchmark date to the comprehensive remaining period of the lifetime of the wind power generating units. The income period of Tianjin Jieneng is therefore in a limited period. Shajingzi Phase I Power Station was connected to the grid for power generation on 15 February 2011, and the income period is from the Valuation Benchmark Date to 15 February 2031; Shajingzi Phase II Power Station was connected to the grid for power generation on 3 May 2013, and the income period is from the Valuation Benchmark Date to 3 May 2033; Shajingzi Phase III Power Station was connected to the grid for power generation on 14 March 2014, and the income period is from the Valuation Benchmark Date to 14 March 2034; Shajingzi Phase IV Power Station was connected to the grid for power generation on 16 September 2019, and the income period is from the Valuation Benchmark Date to 16 September 2039.

1. Net cash flow forecast**1) Operating revenue forecast**

Sales revenue of annual power generation = annual on-grid power × on-grid tariff + assessment expenses (excluding VAT)

Tianjin Jieneng mainly operates the wind power station projects with a total installed capacity of 190.5 MW, among which, Shajingzi Phase I Power Station, Shajingzi Phase II Power Station, Shajingzi Phase III Power Station and Shajingzi Phase IV Power Station have an installed capacity of 49.5 MW, 49.5 MW, 49.5 MW and 42 MW, respectively.

The key factors which affect the above-mentioned forecast of sales revenue of power generation are as follows:

- ① The theoretical utilization hours of power generation: By comprehensively taking into account various factors such as the power generation hours for each year during the reporting period and the trend of market demand, the utilization hours of the power generation of each power station have been determined.

- ② The subsidized utilization hours of power generation: According to the Supplementary Notice on Matters in relation to Certain Opinions on Promoting the Healthy Development of Non-water Renewable Energy Power Generation (Cai Jian [2020] No. 426), the full life cycle reasonable utilization hours of wind power projects in Class I, Class II, Class III, Class IV resource area are 48,000 hours, 44,000 hours, 40,000 hours and 36,000 hours, respectively. The annual subsidized hours of Tianjin Jieneng for the forecast years will be determined based on their annual theoretical utilization hours of power generation, until no subsidies are granted in the operating life of the power stations.
- ③ Comprehensive energy loss rate: Comprehensive house supply and energy loss rate for historical years are taken as the comprehensive house supply and energy loss rate for future years between the power generation and the electricity settlement.
- ④ On-grid power: On-grid power refers to base on-grid power. In this valuation, forecast is made based on the historical years.
- ⑤ Benchmark tariff : The benchmark on-grid tariff for coal-fired power generating units (including desulphurisation, denitration, dedusting) in the region of North China is RMB0.3655/kwh (tax inclusive).
- ⑥ Tariff subsidy : The subsidy for renewable energy is the difference between the approved tariff and benchmark on-grid tariff for coal-fired power generating units.

2) *Operating cost forecast*

Operating costs of Tianjin Jieneng mainly include employee remuneration, depreciation charges, amortization, repair costs, operation and maintenance expenses, cost from purchased electricity and others. The forecast situation is as follows:

Employee remuneration: after the operation of the wind power plants entered a stable period, the relevant cost is relatively stable, and is forecasted based on the staff ratios of the operating power stations with consideration of the employee remuneration levels in the historical periods.

Depreciation charges: in accordance with the current accounting policies of Tianjin Jieneng, the depreciation in operating costs is forecasted in this valuation based on the depreciation amount that should be accrued during the income period on the basis of the original book value of various types of fixed assets of the enterprise as at the Valuation Benchmark Date.

Amortization: is mainly the amortization of long-term deferred expenses generated from office decoration of Tianjin Jieneng and the amortization resulting from the acquisition of intangible assets in the future, which is forecasted in this valuation based on their original amount incurred, the land premium required to be paid for applying for the land certificate and amortization period will be estimated by Tianjin Jieneng within the income period.

Repair costs: mainly refers to the repair costs incurred by Tianjin Jieneng to maintain the sustainable, sound and safe operation of wind turbines. The repair costs for the forecast period is estimated in this valuation with consideration of the proportion of the repair costs to the power generation during the historical periods.

Operation and maintenance expense: mainly refers to the operation and maintenance expenses incurred by Tianjin Jieneng to maintain the sustainable, sound and safe operation of the power stations. The operation and maintenance expenses for the forecast period is estimated in this valuation based on the proportion of the repair costs to the power generation during the historical periods.

Cost from purchased electricity: mainly refers to the charges payable for the electricity used in the operation of the power station, which is forecasted in this valuation mainly on the basis of the expenditure incurred during the reporting period, combined with the operation plan of management fees.

Other expenses: mainly refer to those small amount expenses incurred necessarily for the operation of power stations, such as expenses of station insurance, spare parts and professional inspection, etc., which is forecasted in this valuation on the basis of the level of expenses for other expenses in the reporting period.

3) *Income tax forecast*

Tianjin Jieneng is entitled to enjoy the tax preferential policy of 3+3 tax holiday from the year in which it commenced actual operation, pursuant to the assumption of this valuation, Shajingzi Power Station of Tianjin Jieneng (Phase I to Phase IV) enjoyed income tax exemption in the first three years within its operation period, the income tax rate applicable to it for the fourth to the sixth year within its operation period was 12.5% and the income tax rate applicable to it from the seventh year to the end of its operation period will be 25%.

In this valuation, based on the data of forecast of the total profits of Tianjin Jieneng for the future years and the upward and downward adjustment to the taxation to determine the taxable income for the future years, the amounts of the income tax of Tianjin Jieneng for the future years have been estimated, taking into account the corresponding income tax rate of the relevant enterprise.

The forecast results of the net cash flow of Tianjin Jieneng within future operation period are shown in the table below.

Table of Net Cash Flow Forecast (I)*Unit: RMB0'000*

Item	2021	2022	2023	2024	2025	2026
Revenue	18,586.63	18,586.63	18,586.63	18,586.63	18,586.63	18,586.63
Costs	10,335.56	10,806.64	10,823.50	11,266.12	11,283.31	11,708.91
Gross profit margin	0.44	0.42	0.42	0.39	0.39	0.37
Business taxes and surcharges	288.57	241.20	273.32	262.98	266.44	204.92
Taxes/revenue	0.02	0.01	0.01	0.01	0.01	0.01
Operating expenses	-	-	-	-	-	-
Operating expenses/revenue	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-	-
Financial expenses	2,040.59	2,239.14	2,109.37	1,979.59	1,742.95	1,399.43
Impairment losses on assets	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Other gains	1,090.90	893.52	1,027.37	984.29	998.67	742.35
Operating profit	7,012.82	6,193.17	6,407.81	6,062.23	6,292.61	6,015.73
Add: Non-operating income	-	-	-	-	-	-
Less: Non-operating expenses	-	-	-	-	-	-
Total profit	7,012.82	6,193.17	6,407.81	6,062.23	6,292.61	6,015.73

Item	2021	2022	2023	2024	2025	2026
Income tax rate	0.16	0.17	0.20	0.20	0.21	0.25
Less: income tax	1,090.88	1,035.89	1,301.04	1,211.61	1,338.67	1,503.93
Net profit	5,921.94	5,157.28	5,106.77	4,850.62	4,953.94	4,511.79
Net profit growth rate	0.28	-0.13	-0.01	-0.05	0.02	-0.09
Net profit margin on sales	0.32	0.28	0.27	0.26	0.27	0.24
Depreciation and amortization, etc.	7,073.51	7,073.51	7,073.51	7,073.51	7,073.51	7,073.51
Depreciation of fixed assets	7,039.75	7,039.75	7,039.75	7,039.75	7,039.75	7,039.75
Amortization	33.76	33.76	33.76	33.76	33.76	33.76
Interest after tax	1,723.17	1,864.61	1,681.08	1,583.94	1,372.16	1,049.57
Additional capital	1,304.29	11.40	11.40	270.42	11.40	3,986.50
Asset Upgrade	-	-	-	-	-	-
Increase in working capital	1,304.29	-	-	-	-	-
Capital expenditure	-	11.40	11.40	270.42	11.40	3,986.50
Recovery of assets	268.71	1.31	1.31	31.11	1.31	458.62
Recovery of deductible value- added tax	268.71	1.31	1.31	31.11	1.31	458.62
Recovery of fixed assets and intangible assets and others	-	-	-	-	-	-
Recovery of working capital	-	-	-	-	-	-
Subsidies on electricity tariff receivable	8,418.36	8,418.36	8,418.36	8,418.36	8,418.36	8,418.36
Discounting of subsidy on electricity tariff receivable	7,863.34	7,863.34	7,888.70	7,888.70	7,888.70	7,914.07
Net cash flow	13,128.01	13,530.29	13,321.61	12,739.10	12,859.86	8,602.70

Table of Net Cash Flow Forecast (II)

Unit: RMB0'000

Item	2027	2028	2029	2030	2031	2032
Revenue	18,586.63	18,586.63	18,586.63	18,586.63	15,063.16	14,260.49
Costs	12,392.11	12,392.11	12,392.11	12,392.11	11,076.92	11,086.70
Gross profit margin	0.33	0.33	0.33	0.33	0.26	0.22
Business taxes and surcharges	249.14	249.14	249.14	249.14	192.47	114.47
Taxes/revenue	0.01	0.01	0.01	0.01	0.01	0.01
Operating expenses	-	-	-	-	-	-
Operating expenses/revenue	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-	-
Financial expenses	1,055.92	712.40	368.89	117.65	19.08	-
Impairment losses on assets	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Other gains	926.60	926.60	926.60	926.60	697.58	374.18
Operating profit	5,816.06	6,159.58	6,503.09	6,754.33	4,472.27	3,433.51
Add: Non-operating income	-	-	-	-	-	-
Less: Non-operating expenses	-	-	-	-	-	-
Total profit	5,816.06	6,159.58	6,503.09	6,754.33	4,472.27	3,433.51

Item	2027	2028	2029	2030	2031	2032
Income tax rate	0.25	0.25	0.25	0.25	0.29	0.32
Less: income tax	1,454.02	1,539.90	1,625.77	1,688.58	1,275.92	1,104.78
Net profit	4,362.05	4,619.69	4,877.32	5,065.75	3,196.35	2,328.73
Net profit growth rate	-0.03	0.06	0.06	0.04	-0.37	-0.27
Net profit margin on sales	0.23	0.25	0.26	0.27	0.21	0.16
Depreciation and amortization, etc.	7,073.51	7,073.51	7,073.51	7,073.51	5,769.78	5,509.04
Depreciation of fixed assets	7,039.75	7,039.75	7,039.75	7,039.75	5,736.02	5,475.28
Amortization	33.76	33.76	33.76	33.76	33.76	33.76
Interest after tax	791.94	534.30	276.67	88.24	13.64	–
Additional capital	11.40	11.40	11.40	11.40	-404.49	4,109.14
Asset upgrade	–	–	–	–	–	–
Increase in working capital	–	–	–	–	-415.90	-136.38
Capital expenditure	11.40	11.40	11.40	11.40	11.40	4,245.52
Recovery of assets	1.31	1.31	1.31	1.31	1,653.67	488.42
Recovery of deductible value- added tax	1.31	1.31	1.31	1.31	1.31	488.42
Recovery of fixed assets and intangible assets and others	–	–	–	–	1,652.36	–
Recovery of working capital	–	–	–	–	–	–
Subsidies on electricity tariff receivable	8,418.36	8,418.36	8,418.36	8,418.36	6,642.63	6,458.94
Discounting of subsidy on electricity tariff receivable	7,914.07	7,914.07	7,914.07	7,914.07	6,244.71	6,072.02
Net cash flow	11,713.11	11,713.11	11,713.11	11,713.11	10,640.00	3,830.13

Table of Net Cash Flow Forecast (III)

Unit: RMB0'000

Item	2033	2034	2035	2036	2037	January to September	
						2038	2039
Revenue	11,376.22	8,693.35	3,360.34	3,360.34	3,360.34	3,360.34	2,496.07
Costs	9,103.04	6,366.11	4,862.26	4,862.26	4,862.26	4,542.13	3,482.65
Gross profit margin	0.20	0.27	-0.45	-0.45	-0.45	-0.35	-0.40
Business taxes and surcharges	141.91	114.13	43.74	43.74	43.74	43.74	29.77
Taxes/revenue	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Operating expenses	-	-	-	-	-	-	-
Operating expenses/ revenue	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	-
Administrative expenses/ revenue	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-
Impairment losses on assets	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other gains	494.33	384.00	101.42	101.42	101.42	101.42	44.95
Operating profit	2,625.60	2,597.11	-1,444.24	-1,444.24	-1,444.24	-1,124.11	-971.39
Add: Non-operating income	-	-	-	-	-	-	-
Less: Non-operating expenses	-	-	-	-	-	-	-
Total profit	2,625.60	2,597.11	-1,444.24	-1,444.24	-1,444.24	-1,124.11	-971.39

Item	2033	2034	2035	2036	2037	January to	
						2038	September 2039
Income tax rate	0.28	0.26	-	-	-	-	-
Less: income tax	742.04	670.68	-	-	-	-	-
Net profit	1,883.56	1,926.43	-1,444.24	-1,444.24	-1,444.24	-1,124.11	-971.39
Net profit growth rate	-0.19	0.02	-1.75	-	-	-0.22	-0.14
Net profit margin on sales	0.17	0.22	-0.43	-0.43	-0.43	-0.33	-0.39
Depreciation and amortization, etc.	4,521.13	2,937.66	2,574.49	2,574.49	2,574.49	2,254.36	1,195.06
Depreciation of fixed assets	4,487.37	2,903.90	2,540.73	2,540.73	2,540.73	2,220.60	1,169.74
Amortization	33.76	33.76	33.76	33.76	33.76	33.76	25.32
Interest after tax	-	-	-	-	-	-	-
Additional capital	-356.81	-172.67	-540.88	11.40	11.40	11.40	-175.59
Asset upgrade	-	-	-	-	-	-	-
Increase in working capital	-368.21	-184.07	-552.28	-	-	-	-184.14
Capital expenditure	11.40	11.40	11.40	11.40	11.40	11.40	8.55
Recovery of assets	1,566.42	1,535.60	1.31	1.31	1.31	1.31	2,913.72
Recovery of deductible value-added tax	1.31	1.31	1.31	1.31	1.31	1.31	0.98
Recovery of fixed assets and intangible assets and others	1,565.11	1,534.29	-	-	-	-	2,380.93
Recovery of working capital	-	-	-	-	-	-	531.81
Subsidies on electricity tariff receivable	5,152.58	3,097.19	-	-	-	-	-
Discounting of subsidy on electricity tariff receivable	4,843.92	2,911.65	-	-	-	-	-
Net cash flow	8,019.25	6,386.82	1,672.44	1,120.16	1,120.16	1,120.16	3,312.97

2. *Determination of Discount Rate*

1) *Determination of risk-free interest rate r_f*

The income period of Tianjin Jieneng will expire in 2039, and according to the requirements under Guiding Opinions No. 12 for Asset Valuation Expert – Measurement of Discount Rates in the Valuation of Enterprise Values by the Income Approach (Zhong Ping Xie [2020] No. 38), the risk-free interest rate can usually, be expressed by the yield to maturity of treasury bonds, and the matching between the remaining years to maturity and the time duration of corporate cash flow should be considered when selecting treasury bond. In this valuation, the 10-year treasury bond yield and the 30-year treasury bond yield, which vary as a linear function, were selected and 19 years (rounded) was selected as the risk-free rate, i.e. $r_f = 3.41\%$.

2) *Determination of market risk premium*

Please refer to relevant determination methods of Yunnan New Energy, i.e. $r_m = 10.64\%$.

Market risk premium = $r_m - r_f = 10.64\% - 3.41\% = 7.23\%$.

3) *Determination of capital structure*

Please refer to relevant determination methods of Yunnan New Energy.

4) *Determination of Beta factor*

Please refer to relevant determination methods of Yunnan New Energy. The expected risk factor without financial leverage of Tianjin Jieneng was estimated as $\beta_u = 0.6417$, and, the expected risk factor of the equity capital of Tianjin Jieneng was finally estimated as β_e .

5) *Determination of characteristic risk factor*

When determining the discount rate, it was necessary to consider the difference between Tianjin Jieneng and the listed companies in terms of company size, corporate governance, profitability, anti-risk ability, etc. so as to determine specific risk factors. During the process of the valuation, the appraisers conducted a comparative analysis between Tianjin Jieneng and the comparable listed companies and yielded the characteristic risk factor, i.e. $\varepsilon = 0.6\%$.

6) *Determination of expected return rate of creditor's rights, r_d , and income tax rate*

Please refer to relevant determination methods of Yunnan New Energy.

The expected return rate of creditor's rights was 4.65%. The income tax rates was 25%.

7) *Calculation of discount rate, WACC*

In the valuation, the discount rate, WACC, was calculated as follows:

Prediction table of WACC

Equity ratio, W_e	0.5568
Debt ratio, W_d	0.4432
Expected return rate of creditor's rights, r_d	0.0465
Risk-free interest rate, r_f	3.41%
Expected market return rate, r_m	0.1064
Applicable tax rate	0.2500
Unlevered β	0.6142
Equity β	1.0758
Characteristic risk factor	0.6%
Cost of equity, r_e	1.0249
Cost of debt (after tax), r_d	0.0349
Discount rate (rounded to the nearest thousand)	0.0779

**TEXT OF THE ASSET VALUATION REPORT ON THE RELEVANT ASSETS
AND LIABILITIES OF INNER MONGOLIA PINGZHUANG ENERGY CO., LTD.
IN RELATION TO THE PROPOSED ASSETS DISPOSAL MATTERS BY SUCH
COMPANY**

ZHONG MING PING BAO ZI [2021] NO. 16116

To Inner Mongolia Pingzhuang Energy Co., Ltd.,

As engaged by the company (“**Pingzhuang Energy**”), Zhong Ming (Beijing) Assets Appraisal International Co., Ltd. has appraised the market value of the relevant assets and liabilities of Inner Mongolia Pingzhuang Energy Co., Ltd. in relation to the proposed assets disposal matters by such company as at 31 December 2020 by way of adopting the asset-based approach and carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. Details of asset valuation are reported as follows:

**I. OVERVIEW OF THE CLIENT AND APPRAISED ENTITY AND OTHER USERS OF
THE ASSET VALUATION REPORT AS AGREED IN THE ASSETS VALUATION
ENTRUSTMENT CONTRACT**

For the purpose of the asset valuation, the client and appraised entity is Pingzhuang Energy, and other users of asset valuation report as agreed in the assets valuation entrustment contract are those as specified under the PRC laws and regulations.

(I) Overview of the Client and Appraised Entity

1. Information about registration

Name: Inner Mongolia Pingzhuang Energy Co., Ltd. (stock code of A shares: 000780)

Unified social credit code: 91150400701461969E

Type of company: other joint stock limited company (listed)

Legal domicile: Hahe Street, Pingzhuang Town, Yuanbaoshan District, Chifeng City,
Inner Mongolia Autonomous Region

Legal representative: Guo Fanjin (郭凡進)

Registered capital: RMB1,014,306,324

Date of establishment: 11 June 1993

Term of operation: 11 June 1993 to perpetual existence

Business scope: licensed business item: production, preparation, processing and sales
(limited to operation by branches) of coal

General business item: sales of mine equipment, materials, accessories and disposal materials, catering services and accommodation (for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities)

2. *Historical development*

Pingzhuang Energy was formerly known as Inner Mongolia Grassland Development Co., Ltd. (內蒙古草原興發股份有限公司), which was incorporated by means of joint sponsorship from Chifeng Daxing Company (赤峰大興公司) as the main sponsor together with business corporations in Wujia Town and those in Fangshen Village, Wujia Town, and of private raising of corporate shares and internal employee shares, on 18 March 1993 as a joint stock limited company upon approval of the Chifeng Economic System Reform Commission with the Chi Ti Fa Gai Wei Document (1993) No. 19 (赤體改委發(1993)19號文件). After incorporation, the company was successively renamed Inner Mongolia Chifeng Development Group Co., Ltd. (內蒙古赤峰興發集團股份有限公司) and Inner Mongolia Development Co., Ltd. (內蒙古興發股份有限公司). On 12 May 1997, upon approval of the China Securities Regulatory Commission with the Zheng Jian Fa Zi Document (1997) No. 212 (證監發字(1997)212號文), the company made public offering of 40,000,000 PRC-listed domestic shares (A shares) (stock name: “Inner Mongolia Development”; stock code (“000780”) which were listed for trading on the Shenzhen Stock Exchange on 3 June 1997. On 20 July 1998, the Company was renamed Inner Mongolia Grassland Development Co., Ltd.

Upon approval of the China Securities Regulatory Commission with the Notice on Approval for the Placement of Inner Mongolia Grassland Development Co., Ltd. (Zheng Jian Fa Xing Zi [2002] No. 131) (證監發行字[2002]131號), in January 2003, based on the total share capital of 283,272,000 shares as at the end of 2001, rights shares were issued on the basis of 7 shares for every 10 shares to all shareholders of ordinary shares denominated in RMB, with the actual placement of 125,845,687 shares, the placement price of RMB6.43 per share, and the raised funds of RMB783,576,050.56. Upon completion of the placement, the share capital was increased to RMB409,117,687.00.

On 29 March 2006, as approved at the 2006 first extraordinary general meeting and relevant shareholders' meeting by way of poll, the non-tradable shares reform was implemented: based on the 186,170,400 tradable shares at the time of the reform of the non-tradable shares, 205,188,637 converted shares were issued to all shareholders of tradable shares whose names appeared in the register of members on the record date with the audited capital reserve as at 31 December 2005, in which, shareholders of tradable shares received 11.02155 converted shares for every 10 shares. On 6 April 2006, procedures for registration of change in shares were completed with China Securities Depository and Clearing Corporation Limited Shenzhen Branch, whereby shareholders of non-tradable shares obtained the listing and trading rights of the shares they hold. In the case of a plan on allotment by shareholders of non-tradable shares at the level of the above consideration, it is equivalent to shareholders of tradable shares receives 4 shares for every 10 shares. Upon completion of the non-tradable shares reform, the total share capital was increased to RMB614,306,324.00.

On 7 November 2006, Inner Mongolia Development and Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. ("**Pingzhuang Coal Group**") signed the Assets Replacement Agreement and the Agreement on Assets Purchase through Additional Issue, pursuant to which all book assets and all liabilities (except bank liabilities of RMB1,090,800,000) legally owned by Inner Mongolia Development were made replacement for the operating assets including the Fengshuigou, Xilutian, Liujia and Gushan coal mines, the assets of construction in progress of Laogongyingzi coal mine and part of the core auxiliary operating assets in Pingzhuang Coal Group's headquarters legally owned by Pingzhuang Coal Group, and the transaction difference arising from the assets replacement was paid by the company through private issuance of 400,000,000 tradable shares with a lock-up period to Pingzhuang Coal Group. The above assets replacement and private issuance of shares had been approved by the China Securities Regulatory Commission with the Zheng Jian Gong Si Zi Document [2007] No. 66) (證監公司字[2007]66號文), and were completed on 27 November 2007.

On 26 April 2007, Inner Mongolia Development and Pingzhuang Coal Group signed the Confirmation of Assets Delivery for Implementation of the Major Assets Replacement Plan, under which both parties explicitly determined the assets delivery benchmark date for the major assets replacement as March 31 2007. For the surrendered assets, profit or loss incurred before the delivery benchmark date shall be attributed to or borne by the listed company and those incurred after the delivery benchmark date shall be attributed or borne by the asset receiver; for the received assets, profit or loss incurred before the delivery benchmark date shall be attributed to or borne by Pingzhuang Coal Group and those incurred after the delivery benchmark

date shall be attributed or borne by the listed company. On 22 May 2007, the company completed relevant procedures for registration of change with the Administration for Industry and Commerce of Inner Mongolia Autonomous Region, and the company's registered name was changed from "Inner Mongolia Grassland Development Co., Ltd." to "Inner Mongolia Pingzhuang Energy Co., Ltd.". The stock name is "Pingzhuang Energy" and the stock code is "000780".

As of 31 December 2020, Pingzhuang Energy had total issued share capital of 1,014,306,300 shares; its corporate business license registration number was 91150400701461969E; its registered address and headquarters address was Hahe Street, Pingzhuang Town, Yuanbaoshan District, Chifeng City. The parent company of Pingzhuang Energy is Inner Mongolia Pingzhuang Coal (Group) Co., Ltd., and the ultimate controller is China Energy Investment Corporation Limited.

As of the Valuation Benchmark Date, the shareholding structure was shown in the following table:

No.	Name of shareholder	Capital contribution (RMB0'000)	Shareholding ratio (%)
1	Inner Mongolia Pingzhuang Coal (Group) Co., Ltd.	62,294.7287	61.42
2	Public shares	<u>39,135.9037</u>	<u>38.58</u>
	Total	<u><u>101,430.63240</u></u>	<u><u>100.00</u></u>

As of the Valuation Benchmark Date, there was no change in the above shareholding structure of Pingzhuang Energy.

3. *Organizational structure and human resources*

(1) *Organizational structure*

The highest authority of Pingzhuang Energy is the general meeting, which exercises the functions and powers as stipulated in the company's articles of association. The company has a board of directors with seven directors, a general manager responsible for the board of directors and a supervisory committee responsible for the general meeting. The board of directors comprises Guo Fanjin (郭凡進) as the chairman; Xu Xiaohui (徐曉惠), Zhao Hong (趙宏) and Du Zhonggui (杜忠貴) as directors; and Zhang Haisheng (張海升), Peng Jishen (彭繼慎) and Sun Xiaodong (孫曉東) as independent directors. The supervisory committee comprises Yang Peigong (楊培功) as the chairman, and Zhang Guangyu (張光宇) and Xie Xiaochuan (謝曉川) as supervisors. The company has 6 members in the senior management, i.e. Zhao Hong (趙宏) as the general manager; Chang Xingwu (常興武) and Zhan Jiushan (詹久山) as deputy general managers; Liu Qiang (劉強) as the deputy general manager and chief engineer; and Ren Guotai (任國泰) as the chief financial officer.

Pingzhuang Energy has 8 functional departments, namely the Mechanical and Electrical Power Department, the Finance Department, the Production Technology Department, the Mineral Resources Management Department, the Securities Department, the Safety Supervision Bureau, the Audit Department and the General Management Department, as well as 8 branches, namely Inner Mongolia Pingzhuang Energy Co., Ltd. Fengshuigou Coal Mine (“**Fengshuigou Coal Mine**”), Inner Mongolia Pingzhuang Energy Co., Ltd. Laogongyingzi Coal Mine (“**Laogongyingzi Coal Mine**”), Inner Mongolia Pingzhuang Energy Co., Ltd. Liujia Coal Mine (“**Liujia Coal Mine**”), Inner Mongolia Pingzhuang Energy Co., Ltd. Chahasu Branch (“**Chahasu**”), Inner Mongolia Pingzhuang Energy Co., Ltd. Gushan Coal Mine (“**Gushan Coal Mine**”), Inner Mongolia Pingzhuang Energy Co., Ltd. Xilutian Coal Mine (“**Xilutian Coal Mine**”), Inner Mongolia Pingzhuang Energy Co., Ltd. Material Supply Branch (“**Material Supply**”) and Inner Mongolia Pingzhuang Energy Co., Ltd. Coal Sales Branch (“**Sales Company**”).

(2) *Human resources*

As of the Valuation Benchmark Date, Pingzhuang Energy had 6,926 registered employees, of whom professional structure, age distribution and educational background are as follows:

1) Professional structure of employees

By profession	Number <i>(Person)</i>	Percentage of total number
Senior management	6	0.09%
Management personnel	935	13.50%
Sales personnel	91	1.31%
Production personnel	5,894	85.10%
Total	<u>6,926</u>	<u>100%</u>

2) Age distribution of employees

By age	Number <i>(Person)</i>	Percentage of total number
25 or below	125	1.80%
26 to 30	660	9.53%
31 to 40	1,264	18.25%
41 to 50	2,722	39.30%
51 or above	2,155	31.11%
Total	<u>6,926</u>	<u>100%</u>

3) Educational background of employees

By educational level	Number (Person)	Percentage of total number
Postgraduate or above	33	0.48%
Undergraduate	972	14.03%
Junior college student or below	5,921	85.49%
Total	6,926	100%

4. Overview of assets and liabilities of the company

The main assets of Pingzhuang Energy are current assets, fixed assets, construction in progress, intangible assets, development expenditures and long-term deferred expenses. The main assets are summarized as follows:

(1) Current assets

The current assets incorporated in the scope of valuation cover seven categories, i.e. monetary funds, notes receivable, trade receivables, financing receivables, prepayments, other receivables and inventories. The audited book value totals RMB2,825,521,384.61.

Of which, the inventories incorporated in the scope of valuation are raw materials and finished goods inventory, details of which are as follows:

- 1) The audited book value of raw materials was RMB13,265,471.75, totaling 2,598.00 items, mainly include low-value consumables, equipment parts and labor protection supplies, etc. For example: dynamic rail scale, planetary reducer, dust mask, etc.
- 2) The audited book value of finished goods inventory was RMB29,111,376.21, totaling 17.00 items, mainly include coal, anchor rod, steel fabric, diamond mesh, etc.

(2) *Fixed assets*

Fixed assets mainly comprise of assets such as buildings and equipment. The audited original book value was RMB2,836,582,496.83 and the net book value was RMB604,589,428.46, details of which are as follows:

- 1) The fixed assets that are classified as buildings mainly include buildings, structures and laneway engineering, the original book value of which was RMB1,231,188,325.23 and the net book value was RMB520,085,305.98.

Of which, the original book value of buildings was RMB275,286,997.46, and its net book value was RMB95,430,334.29. The 505.00 items of buildings mainly including the main shaft tower, mine office building, sewage treatment station, canteen, bathroom, guard room, etc. The construction period is from 1959 to 2020. The building structures are steel structure, brick-concrete structure, reinforced concrete structure, etc. The total area of the buildings was 259,434.68 square meters.

The original book value of structures was RMB269,364,972.73 and its net book value was RMB117,404,632.67. There were 398.00 items of structures in aggregate, with the construction period from 1965 to 2020. The structures mainly include roads, fences, drum warehouses, belt corridors, pools, drainage ditches, pipelines, etc.

The original book value of laneway engineering was RMB686,536,355.04 and its net book value was RMB307,250,339.02. There were 468.00 items in aggregate, with the construction period from 1985 to November 2020. Laneway engineering mainly includes wellbores (including main incline, service incline, return air incline), roadways and chambers (including main haulage roadways and return air lanes, underground supply and drainage system lanes and chambers, power supply system lanes and chambers).

- 2) The fixed assets that are classified as equipment mainly comprise machinery and equipment, vehicles and electronic equipment, with the original book value of RMB1,605,394,171.60 and net book value of RMB84,504,122.48.

Of which, the book value of machinery and equipment was RMB1,484,103,538.10, with the net book value of RMB73,159,178.68. It mainly includes: integrated mining equipment, lifting machinery, ventilation equipment, washing equipment, water supply and drainage equipment, general mechanical equipment, safety equipment, electrical equipment, tools and instruments, which specifically include heading machines, coal mining machines, anchor drill rigs, hydraulic support, conveyor belt, draught fan, oscillating screen, coal feeder, miner lamp-charging rack, electric locomotive, crane, transformer and distribution equipment, scraper machine, winches, various types of switches, electric motor, mining dump vehicle, loader, etc. As of the Valuation Benchmark Date, 1,610.00 items of which were to be scrapped, 402.00 of which were in idle state. The other machines and equipment were in good conditions, and the power system, transmission system, conveyor system, and operation system of each were in normal operation and could meet normal use.

The original book value of the vehicles was RMB64,421,491.25 and the net book value was RMB7,047,495.69. It mainly includes Audi sedan, Iveco, Buick sedan, Toyota minibus, Zhengzhou Nissan pickup truck, Beijing Hyundai off-road vehicle, Xiamen Golden Dragon passenger car, Sedan Audi A6L, and Coaster, etc., totaling 196.00, which were mainly purchased between 1986 and 2020. As of the Valuation Benchmark Date, a total of 57.00 vehicles were in the process of being scrapped, 12.00 vehicles without physical objects were in a state of inventory loss, 1.00 vehicle had lost their driving license. The other vehicles were in good conditions and in normal use.

The original book value of electronic equipment was RMB56,869,142.25 and the net book value was RMB4,297,448.11. It mainly includes computers, printers, servers, scanners, plotters, switches, air conditioners, measuring instruments, controllers, alarm detectors, cameras, projectors, blueprint machines, TV, audio equipment, TV and telephone systems, and network equipment, dispatching telephone, and other office equipment and office furniture. There were 4,123.00 items in aggregate, of which 884.00 items were to be scrapped and 7.00 items were in idle state, while the other electronic equipment was in general condition and could be used normally as of the Valuation Benchmark Date.

(3) *Construction in process*

The book value of construction in progress was RMB5,134,612.72. It is mainly for the feasibility study and environmental assessment charges of coal storage site closure project, feasibility study and design fee of mine water treatment station project, feasibility study and preparation fee of open pit coal storage closure technical service project and coal storage site closure project engineering, etc.

(4) *Intangible assets*

- 1) Intangible assets – land use rights, with the original book value of RMB21,698,208.20 and the book value of RMB16,454,474.60, was allocated land for mining purposes with a development level of 4-link-1-level.
- 2) Intangible assets – mineral rights, with the original book value of RMB1,556,536,087.16 and the net book value of RMB356,080,678.68. At present, Pingzhuang Energy owns mining rights in four mines, namely Laogongyingzi Coal Mine, Xilutian Coal Mine, Liujia Coal Mine and Fengshuigou Coal Mine. As of the Valuation Benchmark Date, save for Xilutian Coal Mine, other coal mines are all under normal operation. The underground mining of Xilutian Coal Mine has not yet obtained the production safety permit and therefore is unable to proceed with mine construction.

- 3) Other intangible assets incorporated in the scope of the valuation are the outsourced software and patents. The original book value of the outsourced software was RMB6,001,650.43 and the book value was RMB3,060,993.04. Patents are utility model patents, which are off-book assets. Details are as follows:

A. Software

No.	Name and content of intangible assets	Acquisition date	Legal/estimated useful life	Original book value (Yuan)	Remaining useful life	Notes
1	Glodon engineering cost software	2017.11	5.00	12,656.41	1.86	
2	OA office collaboration software system	2017.12	5.00	132,478.63	1.97	
3	OA collaborative office system software	2017.12	5.00	132,478.63	2.00	
4	Glodon engineering cost software	2017.09	5.00	12,655.56	1.67	
5	Material supply management system	2016.05	10.00	5,421,111.12	5.39	
6	Glodon engineering cost software	2017.08	5.00	12,656.41	1.00	
7	Collaborative office system (software)	2017.12	5.00	132,478.63	1.00	
8	Glodon engineering cost software	2017.08	5.00	12,656.41	1.58	
9	ISCAS collaborative office system software	2017.12	10.00	132,478.63	7.00	

B. Patent

No.	Patent No.	Name	Application date	Type of patent	Notes
1	ZL202020281510.1	Cable winding machine	2020.03	Utility model	Off-book assets
2	ZL20202079839.4	Oil leak detection device for mine hydraulic stations	2020.03	Utility model	Off-book assets
3	ZL201921754299.4	Hydraulic valve set commissioning test bench for heading machines	2019.10	Utility model	Off-book assets
4	ZL201820196653.5	Mine's main ventilator shutdown alarm device	2018.02	Utility model	Off-book assets
5	ZL201820192897.6	Over-temperature fault early warning monitoring device for main hoist	2018.02	Utility model	Off-book assets

(5) *Development expenditures*

Development expenditure included in the scope of the valuation are the scientific research expenses for the Group's coal segment equipment management and projects. The audited book value was RMB2,736,198.12.

(6) *Long-term deferred expenses*

Long-term deferred expenses included in the scope of the valuation are mainly compensation for land subsidence and land attachments. The original book value was RMB384,368,117.02 and the book value was RMB284,676,723.33.

(7) *The main liabilities of Pingzhuang Energy comprise current liabilities and non-current liabilities, which are summarized as follows:*

1) Current liabilities

Current liabilities included in the scope of the valuation involves seven items such as bills payables, trade payables, advances from customers, contract liabilities, employee salary payables, other payables and other current liabilities, with the book value of RMB977,446,480.37.

2) Non-current liabilities

Non-current liabilities included in the scope of the valuation involves long-term payables, long-term employee salary payables and estimated liabilities, with the audited book value of RMB123,257,481.91.

5. *Overview of principal activities*

The principal activities of Pingzhuang Energy are production, preparation and sales of coal. The revenue of the principal activities is from the sales revenue of coal products of the operating mine; other revenues are mainly from revenues of fee for commissioned sales, fee for procurement management, coal by-product, service, sales of waste materials and local sales of coal card.

6. *Significant accounting policies*

(1) *Significant accounting policies*

The financial statements of Pingzhuang Energy are prepared on the basis of going concern assumptions, and based on actual transactions and events. According to the Accounting Standards for Business Enterprises – Basic Standard (issued by the Ministry of Finance Order No. 33 and amended by the Ministry of Finance Order No. 76) issued by the Ministry of Finance, 41 specific accounting standards, application guidelines for accounting standards for business enterprises, interpretation for accounting standards for business enterprises, and other relevant regulations issued and amended on 15 February 2006.

(2) *Whether there is restriction or concession of national policies and regulations on the production and operation of the Company*

- 1) According to the Decision of the Standing Committee of the People's Congress of the Inner Mongolia Autonomous Region on the Authorization of Tax Law such as the Applicable Tax Rates of Mineral Resources in Inner Mongolia Autonomous Region, the coal in the entire region – the applicable tax rate of the coal preparation resources tax was adjusted from 10% to 9%.
- 2) According to the relevant provisions of the Notice on the Policy of Cutting Overcapacity and Restructuring of Property Tax and Urban Land Use Tax (Cai shui [2018] No. 107) issued by the Ministry of Finance and the State Taxation Administration: "Enterprises suspended production and closed down in accordance with the policies of cutting overcapacity and restructuring, shall exempted from the property taxes and urban land use taxes since the second month of the suspension. The accumulative period of tax exemption for enterprises shall not exceed two years. The notice shall be implemented from 1 October 2018 to 31 December 2020." Gushan Mine and Xilutian Coal Mine, owned by Pingzhuang Energy, are entitled to the tax preferential policies.

7. *Financial position and operating position in recent years*

Statement of Financial Position

Amount Unit: RMB0'000

Item	31 December 2018	31 December 2019	31 December 2020
Current assets	343,550.59	316,481.95	282,552.14
Non-current assets	169,615.14	161,121.85	127,273.31
Total assets	513,165.73	477,603.80	409,825.45
Current liabilities	78,869.09	72,480.10	97,744.65
Non-current liabilities	9,356.02	12,837.60	12,325.75
Total liabilities	88,225.11	85,317.70	110,070.40
Net assets	424,940.62	392,286.10	299,755.05

Statement of Operating Position

Amount Unit: RMB0'000

Item	2018	2019	2020
I. Operating revenue	222,432.87	215,367.29	184,166.04
Less: Operating costs	156,653.30	166,084.55	155,102.69
Business tax and surcharges	20,300.39	20,321.43	19,179.20
Selling expenses	4,455.99	5,243.94	5,000.48
Administration expenses	73,496.10	58,545.52	60,915.32
R&D expenses	119.81	708.35	268.73
Financial expenses	-4,153.04	-3,299.65	-3,301.93
Plus: Other income	6,529.20	16,373.18	3,698.13
Credit impairment losses	8,099.05	-307.11	-307.11
Asset impairment losses	-3,927.51	-29,743.82	-29,743.82
Income from asset disposal	-13.36		895.61
II. Operating profit	-25,851.34	-6,869.02	-79,351.24
Plus: Non-operating income	594.31	261.72	1,717.44
Less: Non-operating expenditure	1,149.37	807.47	779.76
III. Total profit	-26,406.40	-7,414.77	-78,413.56
Less: Income tax expenses			
IV. Net profit	-26,406.40	-7,414.77	-78,413.56

The financial data listed in the above table is based on assets disposal to be made, and the data for 2018, 2019 and 2020 have been audited by ShineWing Certified Public Accountants (Special General Partnership), and an unqualified audit report (No. XYZH/2021BJAA161581) without qualified opinions has been issued.

(II) Other users of the valuation report as agreed under the assets valuation entrustment contract

Other users of the valuation report as agreed under the assets valuation entrustment contract are the users of the valuation report as stipulated by the national laws and regulations.

(III) Relationship between the clients and the appraised entity

The relationship between the clients and the appraised entity is that they are in the same unit.

II. VALUATION PURPOSE

The determination of the market value of relevant assets and liabilities of Pingzhuang Energy on the Valuation Benchmark Date will provide value reference opinion for assets disposal to be conducted by Pingzhuang Energy.

The economic behavior has been approved by the documents such as the 31st minutes of the Party group meeting of CHN Energy – Topics on Communication and Study of Relevant Documents of Superior Units and the Spirit of the Meeting, and Measures for Administration of Consideration of Complaint Reporting on 8 November 2020, the Minutes of the General Manager Office Meeting of CHN Energy Inner Mongolia Power Co., Ltd. on 14 January 2021, the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. on 15 January 2021, and the Resolution on the 13th Meeting of the Eleventh Session of the Board of Directors of Inner Mongolia Pingzhuang Energy Co., Ltd. on 15 January 2021.

III. TARGET AND SCOPE OF VALUATION**(I) Target and Scope of Valuation**

The appraisal target is the relevant assets and liabilities to be disposed of by Pingzhuang Energy. The scope of the valuation involves all the assets and liabilities declared by Pingzhuang Energy after special audit on the Valuation Benchmark Date, and the book value of its total assets, total liabilities and net assets was RMB4,098,254,500, RMB1,100,704,000 and RMB2,997,550,500, respectively. The specific contents of the assets and liabilities items shall be subject to the valuation declaration form submitted by Pingzhuang Energy based on all assets and liabilities data after special audit. Any assets and liabilities included in the declaration form and confirmed by Pingzhuang Energy are within the scope of this valuation. The book values of various types of assets and liabilities as at the Valuation Benchmark Date are set out in the table below:

Unit: RMB0'000

Type of asset	Book value	Percentage of total assets	Type of liability	Book value	Percentage of total liabilities
Monetary funds	170,146.84	41.52%	Contract liabilities	9,209.64	8.37%
Notes receivable	15,061.81	3.68%	Notes payable	7,161.56	6.51%
Trade receivables	36,619.36	8.94%	Trade payable	21,474.01	19.51%
Financing receivables	47,839.57	11.67%	Prepayments	2,320.00	2.11%
Prepayments	3,130.84	0.76%	Employee benefits payable	10,373.04	9.42%

Type of asset	Book value	Percentage of total assets	Type of liability	Book value	Percentage of total liabilities
Other receivables	5,516.03	1.35%	Interest payables		
Inventories	4,237.68	1.03%	Other payables	46,009.15	41.80%
Total current assets	282,552.14	68.94%	Other current liabilities	1,197.25	1.09%
Fixed assets	60,458.94	14.75%	Total current liabilities	97,744.65	88.80%
Construction in progress	513.46	0.13%	Long-term employee Salary payables	950.90	0.86%
Intangible assets	37,559.61	9.16%	Specific payables	5,208.19	4.73%
Development expenditures	273.62	0.07%	Estimated liabilities	6,166.66	5.60%
Long-term deferred expenses	28,467.67	6.95%	Total non-current liabilities	12,325.75	11.20%
Total non-current assets	127,273.31	31.06%	Total liabilities	110,070.40	100.00%
Total assets	409,825.45	100.00%	Net assets	299,755.05	***

The above data is based on assets disposal to be made and has been audited by ShineWing Certified Public Accountants (Special General Partnership), which has issued an unqualified audit report (No. XYZH/2021BJAA161581). The scope of the audit are consistent with the target and scope of the valuation involved in the economic activity.

(II) Type, Quantity and Legal Titles Status of Recorded or Unrecorded Intangible Assets Declared by the Entity

1. The type, quantity and legal titles status of recorded intangible assets declared by the entity are as follows:

1) Land use right

No.	Land user	Nature of land	Land Use	Land area (m ²)	Acquisition date	Land use right certificate no.
1	Inner Mongolia Pingzhuang Energy Co., Ltd.	Allocation	Area for mining	291,971.80	December 2008	Yuan Guo Yong (2013) No. 122

2) *Software*

No.	Name and content of intangible asset	Acquisition date	Legal/ estimated useful life	Original book value <i>(Yuan)</i>	Remaining useful life	Notes
1	Glodon engineering costing software	2017.11	5.00	12,656.41	1.86	
2	OA office collaboration software system	2017.12	5.00	132,478.63	1.97	
3	OA collaborative office system software	2017.12	5.00	132,478.63	2.00	
4	Glodon engineering costing software	2017.09	5.00	12,655.56	1.67	
5	Material supply management system	2016.05	10.00	5,421,111.12	5.39	
6	Glodon engineering costing software	2017.08	5.00	12,656.41	1.00	
7	Collaborative office system (software)	2017.12	5.00	132,478.63	1.00	
8	Glodon engineering costing software	2017.08	5.00	12,656.41	1.58	
9	ISCAS collaborative office system software	2017.12	10.00	132,478.63	7.00	

2. The type, quantity and legal titles status of unrecorded intangible assets declared by the entity are as follows:

1) Patent right

No.	Patent no.	Name	Application date	Type of patent	Notes
1	ZL202020281510.1	Cable winding machine	2020.03	Utility model	Off-book assets
2	ZL20202079839.4	Oil leak detection device for mine hydraulic stations	2020.03	Utility model	Off-book assets
3	ZL201921754299.4	Hydraulic valve set commissioning test bench for heading machines	2019.10	Utility model	Off-book assets
4	ZL201820196653.5	Mines' main ventilator shutdown alarm device	2018.02	Utility model	Off-book assets
5	ZL201820192897.6	Over-temperature fault warning device for main hoist	2018.02	Utility model	Off-book assets

(III) Types and Quantities of Off-balance-sheet Assets as Reported by the Enterprise

Pingzhuang Energy confirms that there are no off-balance-sheet assets that need to be reported in this valuation.

(IV) Types, Quantities, Carrying Amount and Appraisal Value of the Assets Involved in the Conclusions of Reports Issued by Other Institutions

For details of reference to the conclusions of reports issued by other institutions, please refer to the description in item (III) of NOTES ON SPECIAL MATTERS.

Pingzhuang Energy has undertaken that the target and scope of the valuation are consistent with those involved in the economic activities, for which ShineWing Certified Public Accountants (Special General Partnership) has conducted audit and issued an unqualified audit report (No. XYZH/2021BJAA161581).

IV. TYPE OF VALUE AND ITS DEFINITION**(I) Type of Value**

In this valuation, the market value under going concern is used as the selected type of value.

(II) Definition of Type of Value

The market value is defined as the estimated price of the valuation target in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Benchmark Date.

The going concern in this report refers to that Pingzhuang Energy can continue to carry out its production and operation activities in status quo and there will be no major changes in the foreseeable future.

Unless specifically stated, the "market value" in this report refers to the market value of the appraisal target in the property rights (assets) trading market within the customs territory of the PRC (Mainland China).

(III) Reasons for Type of Value Chosen

Reasons for type of value chosen: compared with other types of value, the market value type can better reflect the fairness and rationality of both parties, so that the valuation results can meet the needs of this valuation.

V. VALUATION BENCHMARK DATE

(I) According to the requirements in the asset appraisal engagement contract, the Valuation Benchmark Date is 31 December 2020.

(II) The determination of the Valuation Benchmark Date is made by Pingzhuang Energy through negotiation based on the following specific circumstances:

1. The Valuation Benchmark Date is the same as the date of the accounting statements, so that the accounting information can be used conveniently.
2. The Valuation Benchmark Date is close to the appraisal date, reducing the adjustment in terms of the quantity of physical assets and increasing the accuracy and transparency of market price inquiry and credit investigation.

3. The Valuation Benchmark Date is as close as possible to the realization date of the purpose of the valuation, as this is conducive to ensuring that the valuation results effectively serve the purpose of this valuation.
- (III) The price standards adopted in this valuation are all effective on the Valuation Benchmark Date.

When the selected Valuation Benchmark Date gets closer, there were no major fluctuations in the international and domestic markets; the prices of all kinds of goods, means of production and labour services were generally stable, and the market exchange rate of RMB against foreign currencies was within the normal range of fluctuation. Therefore, the selection of the Valuation Benchmark Date will not materially affect the valuation results due to various market prices at different time points.

VI. VALUATION BASIS

1. The 31st minutes of the Party group meeting of CHN Energy – Topics on Communication and Study of Relevant Documents of Superior Units and the Spirit of the Meeting, and Measures for Administration of Consideration of Complaint Reporting;
2. The Minutes of the General Manager Office Meeting of CHN Energy Inner Mongolia Power Co., Ltd. (Issue 1);
3. Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd.;
4. Resolution on the 13th Meeting of the Eleventh Session of the Board of Directors of Inner Mongolia Pingzhuang Energy Co., Ltd.;
5. Assets Valuation Entrustment Contract entered into between Pingzhuang Energy and the Company.

(II) Legal Basis

1. Assets Appraisal Law of the People's Republic of China (《中華人民共和國資產評估法》) (adopted at the 21st meeting of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on 2 July 2016);
2. Company Law of the People's Republic of China (《中華人民共和國公司法》) (amended at the 6th meeting of the Standing Committee of the Thirteenth National People's Congress on 26 October 2018);
3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (revised for the second time at the 15th meeting of the Standing Committee of the Thirteenth National People's Congress on 28 December 2019);
4. Civil Code of the People's Republic of China (《中華人民共和國民法典》) (passed at the 3rd meeting of the Thirteenth National People's Congress on 28 May 2020);
5. Measures for Financial Supervision and Administration of the Assets Evaluation Industry (Decree No. 86 of the Ministry of Finance of the People's Republic of China, 2017) (《資產評估行業財政監督管理辦法》(財政部令第86號, 2017));
6. Measures for the Administration of State-owned Assets Appraisal (Decree No. 91 of the State Council, [1991]) (《國有資產評估管理辦法》(國務院令第91號, [1991]));
7. Provisions on Several Issues of State-owned Assets Appraisal and Management (Order No. 14 of the Ministry of Finance, [2001]) (《國有資產評估管理若干問題的規定》(財政部令第14號, [2001]));
8. Interim Measures for the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, [2003]) (《企業國有資產監督管理暫行條例》(國務院令第378號, [2003]));
9. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (passed at 5th meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
10. Interim Measures on the Administration of Valuation of State-owned Assets of Enterprises (Decree No. 12 of the SASAC, [2005]) (《企業國有資產評估管理暫行辦法》(國資委第12號令, [2005]));

11. Notice on Issues Relating to Strengthening the Administration of Enterprise State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274) (《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006] 274號));
12. Notice on Issues concerning the Audit of Valuation Report for State-owned Assets of Enterprises (Guo Zi Chan Quan Fa [2009] No. 941) (《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權發[2009] 941號));
13. Notice on Printing and Distributing Guidelines for Filing State-owned Assets Appraisal Projects of Enterprises (Guo Zi Fa Chan Quan [2013] No. 64) (《關於印發〈企業國有資產評估項目備案工作指引〉的通知》(國資發產權[2013] 64號));
14. The Measures on the Supervision and Management of the Transactions of State-owned Assets of the Enterprises) (Order No. 32 of SASAC and the Ministry of Finance, 24 June 2016) (《企業國有資產交易監督管理辦法》(國資委、財政部第32號令，2016年6月24日));
15. Notice on Issues Concerning the Development of Publication System for Assets Valuation Projects of the Central Enterprises (Guo Zi Fa Chan Quan [2016] No. 41) (《關於建立中央企業資產評估項目公示制度有關事項的通知》(國資發產權[2016]41號));
16. Notice on Issues Concerning Enhancement of Administration of Alternative Pools of Appraisal Institutions for Central Enterprises (Guo Zi Fa Chan Quan [2016] No. 42) (《關於加強中央企業評估機構備選庫管理有關事項的通知》(國資發產權[2016] 42號));
17. Administrative Measures for the Material Asset Reorganisation of Listed Companies (Zheng Jian Fa [2014] No. 109) (《上市公司重大資產重組管理辦法》(證監發[2014] 109號));
18. Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (Amended for the third time at the 12th Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);
19. Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》)(adopted at the 30th meeting of the Standing Committee of the Tenth National People's Congress of the People's Republic of China on 28 October 2007);

20. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (passed at 11th meeting of the Standing Committee of the Tenth National People's Congress on 28 August 2004) and its implementation rules;
21. Provisional Regulations of the People's Republic of China on Land Value Added Tax (Order No. 138 of the State Council) (《中華人民共和國土地增值稅暫行條例》(國務院令第138號, [1993])) and its implementation rules;
22. Provisional Regulations on Urban Land Use Tax of the People's Republic of China (Order No. 483 of State Council) (《中華人民共和國城鎮土地使用稅暫行條例》(國務院令第483號, [2006]));
23. Law of Mineral and Resource of the People's Republic of China (《中華人民共和國礦產資源法》) (Amended for the second time at the 10th Meeting of the Standing Committee of the Eleventh National People's Congress on 27 August 2009) and its implementation rules;
24. Provisional Regulations of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例》) (Amended on 19 November 2017, Order No. 691 of the State Council of the People's Republic of China);
25. Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value Added Tax (Order No. 50 and No. 65 of the Ministry of Finance of the People's Republic of China and the State Administration of Taxation of the People's Republic of China) (《中華人民共和國增值稅暫行條例實施細則》(中華人民共和國財政部、國家稅務總局令第50號、第65號));
26. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號));
27. Notice of the General Office of the Ministry of Housing and Urban-Rural Development of the People's Republic of China on Properly Preparing for Adjustment of Basis of Pricing for Construction Works after Replacing Business Tax with Value-Added Tax in Building Industry (Jian Ban Biao (2016) No. 4) (《關於做好建築業營改增建設工程計價依據調整準備工作的通知》(建辦標[2016] 4號));

28. Relevant Provisions on the Management of Cost Quota and Costs of Coal Construction Works (Zhong Mei Jian Xie Zi [2007] No. 90) (《煤炭建設工程費用定額及造價管理有關規定》(中煤建協字[2007] 90號));
29. Other laws and regulations related to asset appraisal.

(III) Basis of Standards

1. Asset Evaluation Standards: Basic Standards (Cai Zi [2017] No. 43);
2. Code of Professional Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practice Standards for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
4. Practicing Standards for Asset Valuation – Asset Valuation Reports (Zhong Ping Xie [2018] No. 35);
5. Practice Standards for Asset Valuation – Asset Valuation Engagement Contracts (Zhong Ping Xie [2017] No. 33);
6. Practicing Standards for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
7. Practicing Standards for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
8. Practicing Standards for Asset Valuation – Corporate Values (Zhong Ping Xie [2018] No. 38);
9. Practicing Standards for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
10. Practicing Standards for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
11. Practicing Standards for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);

12. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
13. Practicing Standards for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
14. Guidelines for Valuation of Intellectual Property Rights (Zhong Ping Xie [2017] No. 44);
15. Guidelines for Business Quality Control of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
16. Guiding Opinions on Types of Values for Asset Valuation (Zhong Ping Xie [2017] No. 47);
17. Guiding Opinions on Legal Ownership of Asset Valuation Targets (Zhong Ping Xie [2017] No. 48);
18. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);
19. Code for Real Estate Appraisal (《房地產估價規範》) (GBT50291-2015);
20. Basic Principles for Mining Rights Evaluation Technique (《礦業權評估技術基本準則》);
21. Principles for Mining Rights Valuation Procedures (《礦業權評估程序準則》);
22. Specification of Engagement Letter of Mining Rights Valuation (《礦業權評估業務約定書規範》);
23. Specification for Preparation of Mining Rights Valuation Report (《礦業權評估報告編製規範》);
24. Application Guide for Mining Rights Cost Valuation (《礦業權價款評估應用指南》);
25. Enterprise Accounting Standards – Basic Standards, specific standards, application guide for accounting standards, interpretation, etc. (as issued by Ministry of Finance in 2006);

26. Valuation Report Disclosure for Material Asset Reorganisation for Listed Companies (Guiding Opinions No. 6 for Asset Valuation Expert);
27. Regulations for Valuation on Urban Land (《城鎮土地評估規程》).

(IV) Basis of ownership

1. Property Ownership Certificate of the People's Republic of China;
2. State-owned Land Use Certificate of the People's Republic of China;
3. Motor Vehicle Driving Permit of the People's Republic of China;
4. Mining License of the People's Republic of China;
5. Certificate of Utility Model Patent;
6. Invoices for purchase of inventories and major equipment;
7. Other certificates of ownership.

(V) Basis of price determination

1. Financial statements and audit reports for previous years provided by Pingzhuang Energy;
2. Project feasibility study reports, project investment and design estimates, project budgets and final accounts and other information provided by Pingzhuang Energy;
3. Financial and operating materials such as agreements, contracts and invoices provided by Pingzhuang Energy;
4. Loan prime rate (LPR) and foreign exchange rate published by the National Interbank Funding Centre on 21 December 2020 under authorization of the People's Bank of China;
5. Provisions on the Criteria for Compulsory Discard of Motor Vehicles (Order of the Ministry of Commerce, the NDRC, the Ministry of Public Security and the Ministry of Environmental Protection No. 12 in 2012) (《機動車強制報廢標準規定》(商務部、發改委、公安部、環境保護部令2012年第12號));

6. Vehicle Acquisition Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》) (passed at the 7th meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
7. 2020 Quotation Manual for Mechanical and Electrical Products (China Machine Press);
8. Budget Quota for Property Construction and Decoration Project of Inner Mongolia Autonomous Region (2017) (《內蒙古自治區房屋建築與裝飾工程預算定額》(2017)), Budget Quota for General Installation Project of Inner Mongolia Autonomous Region (2017) (《內蒙古自治區通用安裝工程預算定額》(2017)) and Charge Quota for Construction Machinery of Inner Mongolia Autonomous Region (2017) (《內蒙古自治區施工機械台班費用定額》(2017));
9. Zhong Mei Jian Xie Zi 2016 in relation to the Relevant Provisions on the Management of Cost Quota and Costs of Coal Construction Works (《煤炭建設工程費用定額及造價管理有關規定》), Zhong Mei Jian Xie Zi Document [2016] No. 115 in relation to the issuance of the Consumption Quota for Sinking and Driving Engineering in Coal Construction (base price exclusive of tax in 2015) (《煤炭建設井巷工程消耗量定額》(2015除稅基價)) and Zhong Mei Jian Xie Zi Document [2016] No. 115 in relation to the issuance of the Comprehensive Quota of Auxiliary Expenses for Sinking and Driving Engineering in Coal Construction (base price exclusive of tax in 2015) (《煤炭建設井巷工程輔助費綜合定額》(2015除稅基價));
10. Notice of the Ministry of Finance on Issuance of the Provisions on Management of Construction Costs for Capital Construction Projects (Cai Jian [2016] No. 504) (《財政部關於印發〈基本建設項目建設成本管理規定〉的通知》(財建[2016]504號));
11. With reference to the Notice of National Development and Reform Commission and Ministry of Construction on Issuance of the Administrative Regulations on Construction Projects Supervision and Related Service Charge (Fa Gai Jia Ge [2007] No. 670) (《國家發展改革委、建設部關於印發〈建設工程監理與相關服務收費管理規定〉的通知》(發改價格[2007]670號));
12. With reference to Notice of the State Planning Commission and the State Environmental Protection Administration on Issues in Relation to Regulation of Charging for Environmental Impact Consultation (Ji Jia Ge [2002] No. 25) (《國家計委、國家環境保護總局關於規範環境影響諮詢收費有關問題的通知》(計價格[2002]125號));

13. With reference to the Notice of the State Planning Commission on Issuance of the Interim Provisions on Charging for Preliminary Work Consultation of Construction Projects (Ji Jia [1999] No. 1283) (《國家計委關於印發<建設項目前期工作諮詢收費暫行規定>的通知》(計價[1999]1283號));
14. With reference to the Notice of the State Planning Commission and the Ministry of Construction on Issuance of the Provisions on Management of Charging for Engineering Survey and Design (Ji Jia Ge [2002] No. 10) (《國家計委、建設部關於發佈<工程勘察設計收費管理規定>的通知》(計價格[2002]10號));
15. With reference to the Notice of the National Development and Reform Commission on Issues in Relation to Lowering Charging Criteria for Certain Construction Projects and Regulating Charging Behavior (Fa Gai Jia Ge [2011] No. 534) (《國家發展改革委關於降低部分建設項目收費標準規範收費行為等有關問題的通知》(發改價格[2011]534號));
16. With reference to Methods of Preparation of Budget Estimates for Construction Projects in Machinery Industry and Various Budget Estimates (Ji Xie Ji (1995) No. 1041) (《機械工業建設項目概算編製辦法及各項概算指標》(機械計(1995)1041號));
17. Market inquiry information;
18. National macro and industry statistical analysis data;
19. WIND database;
20. Records made by appraisers during on-site surveys and other relevant valuation information collected.

(VI) Other references

1. Quality Control System and Norms for Asset Appraisal and Appraisal Business Management System of Zhong Ming (Beijing) Assets Appraisal International Co., Ltd;
2. Various statements of asset inspection provided by the appraised entity;
3. Assets valuation entrustment contract entered into by Pingzhuang Energy and the Company;
4. Records of interview with relevant personnel of Pingzhuang Energy;
5. Explanation on Matters Related to Implementation of Asset Valuation written by the client and appraised entity;
6. Commitment letter of the client and appraised entity;
7. Security inspection reports for special equipment;
8. Records made by appraisers during on-site check and verification, data collected during on-site surveys and relevant information collected for selection of parameter data during the valuation;
9. Other relevant information provided by the appraised entity.

VII. VALUATION METHODS**(I) Selection of Valuation Methods**

According to the basic principles of asset appraisal, the appraisal approaches to determine the asset value include market approach, income approach and cost approach (also called asset-based approach), as well as their derivative approaches.

Asset appraisal professionals should analyze the applicability of the above three basic approaches according to the purpose of the appraisal, the appraised object, value type and data collection, and select appraisal approach according to law.

The appraisal approach selected for this valuation is: asset-based approach. The reasons for selecting the appraisal approach are as follows:

1. The income approach is built on the theory of expected utility in economics, which means to investors the value of a business lies in the income the business is expected to generate in the future. The income approach does not directly use references available in the market to demonstrate the present fair market value of the assessed subject, but it assesses assets by expected profitability of assets, which determines the present fair market value of assets. It can reflect the value overall and the conclusion is reliable and convincing. Speaking of the conditions for the application of the income approach, since Pingzhuang Energy has been engaged in the production, preparation and sales of coal, and due to the significant redundancies of personnel as a result of the suspension of Gushan Coal Mine and Xilutian Coal Mine in recent years and the actual production capacity of Fengshuigou Coal Mine and Liujia Coal Mine is lower than the design capacity, resulting in losses in recent years and net cash flows from operating activities have been negative in recent years, and there is no obvious signs of future improvement in operation. According to the historic operation data of the enterprises, the internal and external operation environment could not reasonably anticipate the profitability and development tendency in the future, and the future revenue and risks cannot be reasonably quantified. Hence, the income approach is not applicable.

2. The reasons for selecting the asset-based approach for appraisal are as follows: the asset-based approach is based on the balance sheet, which reasonably appraises the value of assets and liabilities on and off the balance sheet of an enterprise and determines the value of the object to be evaluated. The assets and liabilities of Pingzhuang Energy on and off the balance sheet on the Valuation Benchmark Date can be identified, and the appraisers can collect the information needed to meet the asset-based approach from outside and can conduct a comprehensive inventory and appraisal of related assets and liabilities of Pingzhuang Energy. Therefore, the asset-based approach is applicable to this valuation.

3. The market approach is to appraise the current fair market value of the appraised object with reference to the real market. Its characteristics is adopting a direct perspective of valuation, intuitive evaluation process, direct evaluation data drawn from the market and strong persuasive appraisal results. The first reason: due to the lack of a fully developed and active capital market in China at present, it is difficult to accurately quantify and revise the similarity between comparable listed companies or transaction cases and appraised objects, so the accuracy of the appraisal results by the market approach is difficult to consider the value of the appraised object accurately. The second reason: due to the principal businesses of Pingzhuang Energy are the production, preparation and sales of coal, and its special geographical conditions, coal quality and other characteristics of its own, it is hard to find enough comparable company transaction cases which are same as or similar to the appraisal target in both the capital market and the property rights trading market. Therefore, the market approach is not applicable to this valuation.

Therefore, this valuation adopted the asset-based approach.

(II) Introduction of the Valuation Methods**1. *Asset-based approach***

The asset-based approach, which is based on the balance sheet of the appraised entity on the Valuation Benchmark Date to assess all assets and liabilities on the balance sheet and off the balance sheet, if identifiable, so as to arrive at the value of the appraisal target.

While adopting the asset-based approach to value, the value of each assets shall be calculated by specific applicable valuation methods according to the specific condition. The specific valuation methods of each assets and liabilities are set out as following:

(1) *Specific valuation method of current assets*

The current assets of Pingzhuang Energy included in the valuation scope include monetary funds, notes receivable, trade receivables, receivables financing, prepayments, other receivables and inventories.

- 1) Monetary funds: mainly represents bank deposits. The valuation on the bank deposits, firstly, the appraisers issued letters on bank deposits. Secondly, the appraisers check the book amount of each bank account in the particulars of bank deposits with the balance of the bank statements on the Valuation Benchmark Date. If it is the same as the balance of the bank statement, then the appraisal value of bank deposits of the account shall be confirmed, or bank reconciliation of deposit in transit shall be issued by the enterprise, and check whether the deposit in transit is caused by the difference of time. If there is no impact on the net assets of the enterprise, the verified book value of bank deposits shall be taken as the appraisal value. Otherwise, adjustment shall be made according to the situation, and the adjusted book value shall be taken as the appraisal value. Appraisers shall check each deposit on the particulars of the valuation one by one with the balance of the bank deposit statement on the benchmark date provided by the enterprise, and the appraisal value shall be confirmed by the correct book value.

- 2) Notes receivable: notes receivable are trade bills received by business entities from sale of goods or rendering of services. All notes receivable examined in the valuation scope are trade acceptances. For notes receivable, the appraisers checked accounting records, reviewed the register of notes receivable, and carried out notes stocktaking. For some significant notes receivable, they examined relevant sales contracts and delivery orders (shipping orders), among other original records. After all of these are confirmed to be error-free, the appraisal value of the notes receivable without interest-bearing shall be determined by the principal; and the appraisal value of the interest-bearing notes receivable shall be determined by the principal and the interests of the holding period.

- 3) Trade receivables and other receivables: after all receivables are confirmed to be error-free, the appraisal value of each receivable is determined according to the estimated recoverable amount. Where an receivable is believed to be fully recoverable, the whole amount is taken as the appraisal value; if it is only partially recoverable, and it is impossible to determine the unrecoverable amount, the unrecoverable amount is estimated using the ageing analysis method, based on historical data, site investigation findings, and upon an analysis of the amount, time and reason for delinquency, recovery status, financial position, credit standing and current performance of the debtor, and is deducted as a loss to arrive at the net appraisal value; if there is solid evidence of an unrecoverable receivable, the appraisal value is taken as zero; bad debt provisions are stated at zero.

- 4) Receivables financing: receivables financing are trade bills received by business entities from sale of goods or rendering of services. All notes receivable examined in the valuation scope are bank acceptances. For notes receivable, the appraisers checked accounting records, reviewed the register of notes receivable, and carried out notes stocktaking. For some significant notes receivable, they examined relevant sales contracts and delivery orders (shipping orders), among other original records. After all of these are confirmed to be error-free, the appraisal value of the receivables financing without interest-bearing shall be determined by the principal; and the appraisal value of the interest-bearing receivables financing shall be determined by the principal and the interests of the holding period.

- 5) Prepayment: Prepayments are determined according to the value of goods receivable or rights. For recoverable goods or rights, the book value is the appraisal value. Where solid evidence shows that the goods are not recoverable and the prepayment are unable to form corresponding assets or equity, the appraisal value of the prepayment is zero. For deferred expenses in the prepayments, the appraisal value shall be determined at the value of assets and rights still owned by Pingzhuang Energy after the Valuation Benchmark Date. The appraisal value shall be nil for the items that have no corresponding rights and value or that have been included in other assets after the benchmark date. For deferred expense items with corresponding rights or value after the benchmark date, the appraisal value shall be determined based on the original amount incurred and the ratio of remaining benefit period to the total amortization period.
- 6) Inventories
- A. Purchased inventories: mainly include raw materials, the appraisal value is determined by multiplying the verified quantity by the current purchase price of the market, and taking into consideration of the reasonable freight and miscellaneous expenses, wastage, acceptance, management and storage fees and other expenses in the process of material purchase. For the purchased inventories due to invalidation, deterioration, damage, scrapping, uselessness or elimination, the appraisal value shall be determined after deducting the corresponding depreciation amount (retained net realizable value) through analysis and calculation on the basis of appraisal.
- B. Finished products: finished products can be assessed using the cost method or the market method. In this case, the market method is adopted. The value of a finished product is determined based on the full cost of the products, and depending on its sales in the market, the value may be adjusted upward to reflect its profit or adjusted lower than the cost. For popular products, the appraisal value is their ex-factory prices less selling expenses and all taxes; for products that sell normally, the assessed value is determined by ex-factory prices less selling expenses, all taxes, and an appropriate amount of after-tax net profit; for products that have to be sold with great efforts, the assessed value is determined by ex-factory prices less selling expenses, all taxes, and after-tax net profit; for products that are unsalable, overstocked or have to be sold at lower prices, the net realizable value is taken as the appraisal value.

(2) *Specific valuation approach of non-current assets*

The non-current assets of Pingzhuang Energy included in the valuation scope include building assets, sinking and driving engineering, machinery assets, construction in progress, intangible assets, development expenses and long-term deferred assets.

1) The valuation approach of building assets

Based on the specific purpose of this valuation, and combined with the characteristics of each buildings to be valued, the valuation will be conducted by adopting the replacement cost approach according to different uses, structural features and the nature of uses of the buildings.

Appraisal value = full replacement price × integrated newness rate

The introduction of the specific valuation approach are as following:

Cost approach is adopted for valuation (excluding the value of land use rights), that is, on the assumption of continuous use at the current place, the appraisal value is calculated based on the reconstruction cost (replacement cost) (determined based on the current market value for reconstruction of such asset). The formula is as follows:

Reconstruction cost (replacement cost) = construction and installation cost (excluding tax) + upfront and other expenses (including tax) + cost of capital-upfront deductible value-added taxes

A. Determination of full replacement price

(A) Determination of construction and installation cost

a. Final account adjustment approach

Final account adjustment approach is adopted to determine the construction and installation cost of large and high value buildings (structures) with final account information. Under this approach, buildings within the valuation scope are classified based on structural types, and one or two representative building(s) in each structural type are chosen to valuate workload of major construction based on the drawings, final account report and final account information upon completion and the construction acceptance report, the construction cost is determined based on the current budget, and adjustment shall be

made for the other workload and construction cost based on its difference with the current budget quota to calculate the quota direct cost as at the Valuation Benchmark Date, and then current quota cost standard shall be applied to calculate the construction and installation cost.

b. Cost per square meter approach

Cost per square meter approach is adopted to determine the construction and installation cost of buildings (structures) with small value and simple structure.

(B) Determination of upfront and other expenses

The upfront and other expenses of the construction project shall be calculated according to the investment amount of project construction of the appraised entities and the charging standards stipulated by the industry, the state or the local government. The calculation base is set out as following:

Table of the preliminary and other expenses of coal production enterprises

No.	Name of expenses	Liujia coal mine Rate	Fengshuigou Rate	Laogongyingzi Rate	Xilutian Rate	Reference Basis
1	Management cost of the contractor	2.27%	2.27%	1.59%	2.84%	NB/T51064-2016
2	Project supervision cost	1.60%	1.60%	1.60%	1.60%	Fa Gai Jia Ge [2007] No. 670
3	Agent service fee for bidding	0.08%	0.08%	0.08%	0.09%	Ji Jia Ge [2002] No.1980
4	Project quality technical service charge	0.35%	0.35%	0.35%	0.35%	NB/T51064-2016
5	Feasibility study cost	0.20%	0.20%	0.20%	0.20%	Ji Tou Zi [1999] No. 1283
6	Survey and design cost	2.99%	2.99%	2.99%	3.05%	Ji Jia Ge [2002] No. 10
7	Environmental impact assessment cost	0.07%	0.07%	0.07%	0.07%	Ji Jia Ge [2002] No. 125
8	Labor safety and hygiene evaluation fee	0.10%	0.10%	0.10%	0.10%	NB/T51064-2016
9	Construction insurance fees	0.15%	0.15%	0.15%	0.15%	NB/T51064-2016
10	Water and soil conservation evaluation fee	0.20%	0.20%	0.20%	0.20%	NB/T51064-2016
11	Costs for prevention and control of geological disasters	0.02%	0.02%	0.02%	0.02%	NB/T51064-2016
12	Mine location determination fee	0.01%	0.01%	0.01%	0.02%	NB/T51064-2016
13	Relocation fees of the construction units	1.20%	1.20%	1.20%	1.20%	NB/T51064-2016
14	Expenses for site preparation and temporary facilities	0.11%	0.11%	0.11%	0.14%	NB/T51064-2016
	Total	9.35%	9.35%	8.67%	10.03%	

Headquarters and other departments' preliminary and
other expenses table

No.	Item	Headquarter and other departments		Reference Basis
		Gushan Rate	Rate	
1	Management cost of the contractor	1.03%	1.09%	With reference to Cai Jian [2016] No. 504
2	Project supervision cost	1.30%	1.40%	With reference to Fa Gai Jia Ge (2007) No. 670
3	Environmental assessment cost	0.07%	0.09%	With reference to Ji Jia Ge (2002) No. 125
4	Feasibility study cost	0.20%	0.30%	With reference to Ji Jia Ge (1999) No. 1283
5	Survey cost	0.50%	0.50%	With reference to Ji Jia Ge (2002) No. 10
6	Design cost	2.52%	2.62%	With reference to Ji Jia Ge (2002) No. 10
7	Agent service fee for bidding	0.09%	0.11%	With reference to Ji Jia Ge (2011) No. 534
	Subtotal	<u>5.71%</u>	<u>6.11%</u>	

(C) Determination of capital cost

The capital cost was calculated based on the sum of the construction and installation costs, preliminary and other expenses in accordance with the even input of capital within the reasonable construction period of the appraised entity, with reference to the Loan Prime Rate (LPR) and Foreign Exchange Rate Published by the National Interbank Funding Centre with authorization granted by the People's Bank of China on 21 December 2020 published by the People's Bank of China at the Valuation Benchmark Date. The formula for calculating the capital cost is as follows:

Capital cost = (construction and installation costs (tax inclusive) + period costs (tax inclusive)) x interest rate x reasonable construction period/2 + preliminary and other expenses (tax inclusive) x interest rate x reasonable construction period

(D) VAT deductible

According to the documents of Cai Shui [2016] No. 36, Cai Shui [2018] No. 32 and Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No.39 of 2019, for those eligible for VAT deduction, the calculated VAT is deducted from the replacement cost of the buildings. The formula for its calculation is as follows:

Deductible VAT = comprehensive construction and installation cost before tax/1.09 x 9% + preliminary expense rate (9% of deductible VAT)/1.09 x 9% + preliminary expense rate (6% of deductible VAT)/1.06 x 6%

Note: The management cost of the contractor of preliminary and other expense is not deductible; for site preparation and temporary facilities cost and construction agency relocation cost, the tax deductible will be calculated at the rate of 9%, and for others, the tax deductible will be calculated at the rate of 6%.

B. Determination of integrated newness rate

For buildings (structures) with small unit value and relatively simple structures, the newness rate will be determined by age limit method with modifications according to the specific situations.

For high-valued and important buildings (structures), the newness rate will be determined comprehensively by scoring approach and useful life approach. The formula of its calculation is:

Integrated newness rate = (newness rate under useful life approach × 40% + newness rate under scoring approach × 60%) × (1 – economic depreciation rate)

(A) Newness rate under useful life approach

The newness rate of buildings (structures) is calculated and determined based on the economic durability of the buildings (structures), serviced life and remaining service life. The formula of its calculation is:

Newness rate under useful life approach (%) = remaining service life \div (serviced life + remaining service life) x 100%

In the formula, the remaining service life is comprehensively determined based on the economic durability and serviced life of the buildings (structures) within the scope of the valuation, taking into consideration the site survey, the renovation and upgrading over the years and the maintenance condition of the buildings (structures).

For buildings (structures) closely related to coal production, when the remaining production service life of the mine is shorter than the remaining service life, the remaining service life is determined based on the remaining service life of the mine.

(B) Newness rate by scoring approach

The appraisers conduct a site survey of the use condition of the valued buildings (structures), investigate and understand the maintenance and renovation of the buildings (structures), conduct site surveys of their main structural parts, renovation parts and facilities parts, and determines the newness rate by taking into account the damage condition of the buildings and the corresponding weighting factors for different structural parts.

Newness rate by scoring approach = total score for the structure x ratio + total score for decoration x ratio + score of equipment x ratio

(C) Economic depreciation rate

Economic depreciation of assets, also known as external loss, refers to the value loss caused by the external influence of assets. It mainly manifests as that the utilization rate of equipment in operation decreases or even idles, which leads to the decrease in operating income of equipment. The amount of economic depreciation is mainly determined based on factors such as product marketing difficulties, under capacity operation (relatively excess production capacity) or idle assets caused by production halt. As certain coal mines included in the appraisal were operating under capacity, which led to idleness of the assets, their assets suffered significant economic depreciation. The economic depreciation is measured and calculated through scale and efficiency index method:

$$\text{Economic depreciation rate} = 1 - \left(\frac{\text{Production quantity}}{\text{Design production capacity}} \right)^{\text{Scale efficiency index}}$$

Where the production quantity is the actual production capacity due to the underloading of assets caused by external economic factors. Generally, the actual production capacity is less than the design production capacity, and the scale efficiency index is usually taken as 0.6~0.7.

2) The valuation method for tunnel engineering

According to the features and the valuation purposes of the reported assets, cost method was adopted to conduct valuation on the tunnel engineering.

A. Determination of the total price of replacement

Total price of replacement = Construction and installation cost + Preliminary and other expenses + Capital cost

(A) Construction and installation cost

It was calculated according to the work amount of the project and the current coal quota and the charge standard.

Construction and installation cost = quota of direct cost + quota of auxiliary cost + enterprise management fee + profit + organizational measures fee + regulation fee + safety and civilization construction fee + tax

Of which: quota of direct cost – the quotas are selected separately based on different project categories, support patterns, support thickness, rock hardness coefficient, section size, etc., and adjusted accordingly in accordance with relevant regulations.

Quota of auxiliary cost – the quotas are selected based on the methods of development and the tunnel in the construction areas of the first, second, third phases and tail-out period, the total work amount, the tunnel cross-sections and the length of tunnel, and adjusted accordingly in accordance with relevant regulations.

Calculation of cost – According to the Cost Quotas for Coal Construction Projects and Relevant Provisions on Cost Management (Zhong Mei Jian Xie Zi 2016), the Consumption Quotas of Shaft Sinking and Drifting Project for Coal Construction (2015 basic price excluding tax) (Zhong Mei Jian Xie Zi [2016] No. 115) and Comprehensive Quotas for Auxiliary Cost of Shaft Sinking and Drifting Project for Coal Construction (2015 basic price excluding tax) (Zhong Mei Jian Xie Zi [2016] No. 115), the cost is calculated taking into account the construction of mines.

(B) Preliminary and other expenses

The preliminary and other expenses shall be charged based on the investment in the project construction of the appraised entities according to the charge standards stipulated by the industry, the state or local governments. The name, the charge basis, the charge standard, the charge reference of the preliminary and other expenses are set out as follows:

No.	Name of expenses	Liuji coal mine Rate	Fengshuigou Rate	Laogongyingzi Rate	Xilutian Rate	Reference Basis
1	Management cost of the contractor	2.27%	2.27%	1.59%	2.84%	NB/T51064-2016
2	Project supervision cost	1.60%	1.60%	1.60%	1.60%	Fa Gai Jia Ge [2007] No. 670
3	Agent service fee for bidding	0.08%	0.08%	0.08%	0.09%	Ji Jia Ge [2002] No.1980
4	Project quality technical service charge	0.35%	0.35%	0.35%	0.35%	NB/T51064-2016
5	Feasibility study cost	0.20%	0.20%	0.20%	0.20%	Ji Tou Zi [1999] No. 1283
6	Survey and design cost	2.99%	2.99%	2.99%	3.05%	Ji Jia Ge [2002] No. 10
7	Environmental impact assessment cost	0.07%	0.07%	0.07%	0.07%	Ji Jia Ge [2002] No. 125
8	Labor safety and hygiene evaluation fee	0.10%	0.10%	0.10%	0.10%	NB/T51064-2016
9	Construction insurance fees	0.15%	0.15%	0.15%	0.15%	NB/T51064-2016
10	Water and soil conservation evaluation fee	0.20%	0.20%	0.20%	0.20%	NB/T51064-2016
11	Costs for prevention and control of geological disasters	0.02%	0.02%	0.02%	0.02%	NB/T51064-2016
12	Mine location determination fee	0.01%	0.01%	0.01%	0.02%	NB/T51064-2016
13	Relocation fees of the construction units	1.20%	1.20%	1.20%	1.20%	NB/T51064-2016
14	Expenses for site preparation and temporary facilities	0.11%	0.11%	0.11%	0.14%	NB/T51064-2016
	Total	<u>9.35%</u>	<u>9.35%</u>	<u>8.67%</u>	<u>10.03%</u>	

(C) Cost of capital

The reasonable cost of capital is calculated based on the construction period of the shaft sinking and drifting projects of the appraised entity and with reference to the Loan Prime Rate (LPR) and Foreign Exchange Rate Published by the National Interbank Funding Centre on 21 December 2020 under Authorization of the People's Bank of China published by the People's Bank of China on the Valuation Benchmark Date.

B. Determination of integrated newness rate

Integrated newness rate = (newness rate under useful life approach \times 40% + newness rate under scoring approach \times 60%) \times (1 – economic depreciation rate)

- a. Determination of newness rate under useful life approach: Unlike buildings (structures) on the ground, the shaft sinking and drifting projects of coal mines are special structures attached to the coal resources and are closely related to reserves mined at this mine. Their economic lives are reduced as more coal resources are mined; when the coal resources are mined out, their economic lives end.
- b. For the underground projects, the geological structure is complex, with many unforeseeable factors and poor construction conditions. The stability of the shaft is closely related to its location, stratum properties and geological conditions. According to the mine development system, the underground mine can be classified as development roadway, preparation roadway and mining roadway, and the service life of each kind of roadway is determined by the reserves in its service area. Therefore, prior to the determination of the integrated newness rate, the appraisers firstly looked up the geological report and the mine design information to understand the strata, stratum properties, supporting methods of various underground roadways and the influence of geological structure and mining on roadways; secondly, they went underground to

select a representative roadway and checked the supporting condition and maintenance condition of such roadway on the site, learned and checked the maintenance records and methods from the on-site engineers and technicians; thirdly, they calculated the serviced life based on the completion date of various types of roadways, and then calculated the serviceable life of various types of roadways based on the mine geological reserves, industrial reserves and recoverable reserves provided by the geological survey department according to levels, coal seams and mining areas.

- c. Determination of economic depreciation rate: Economic depreciation of an asset, also known as an external loss, is a loss in value due to an external influence on the asset itself. This is mainly reflected in the reduced utilisation rate of equipment in operation or even idle equipment, resulting in a reduction in the operating income of the equipment. The amount of economic depreciation is mainly determined based on factors such as difficulties in the sales of products, insufficient construction (relative excess production capacity), or idle assets due to the cessation of production. As the idle assets are formed due to the insufficient construction of some coal mines included in the scope of assessment, the economic depreciation of assets is obvious. The economic depreciation is measured by using the scale and efficiency index method:

$$\text{Economic depreciation rate} = 1 - \left(\frac{\text{production volume}}{\text{designed production capacity}} \right)^{\text{scale and efficiency index}}$$

Wherein, the production volume represents the actual production capacity due to insufficient assets caused by external economic factors. Generally, the actual production capacity is less than the designed production capacity, and the scale and efficiency index is generally 0.6~0.7.

In this valuation, economic depreciation was only considered for the shaft sinking and drifting projects of Fengshuigou Coal Mine and Liujia Coal Mine. In particular, according to the Development and Utilisation Plan and the audit opinion of Fengshuigou Coal Mine, the designed production capacity is 2.1 million tonnes per year, and based on the actual production of the enterprise from 2016 to 2020, the production capacity is 1.85 million tonnes per year; according to the Development and Utilisation Plan and the audit opinion of the Liujia Coal Mine, the designed production capacity is 1.8 million tonnes per year, and based on the actual production of the enterprise from 2016 to 2020, the production capacity is 1.6 million tonnes per year.

C. Determination of appraised value

Appraised value = full replacement price × integrated newness rate

3) Valuation method of equipment

Based on the characteristics of various types of equipment, types of appraised value, data collection and other relevant conditions, the cost method is mainly adopted for evaluation, while the market method is adopted to appraise some equipment.

A. Cost method

The calculation formula is:

Appraisal value= full replacement price × newness rate

(A) Determination of replacement cost

a. Determination of replacement cost of machinery and equipment

For equipment that needs to be installed, the replacement cost generally includes: equipment purchase price, transportation and miscellaneous fees, installation fee and upfront and other expenses for construction and capital cost. For equipment that does not need to be installed, the replacement cost generally includes: equipment purchase price and transportation and miscellaneous fees. For equipment eligible for VAT deduction, corresponding VAT should be deducted from replacement cost of equipment. The calculation formula of the replacement cost of equipment is as follows:

Replacement cost of equipment that needs to be installed = equipment purchase price + transportation and miscellaneous fees + installation fees + upfront and other expenses + capital cost – deductible VAT

Replacement cost of equipment that does not need to be installed = equipment purchase price + transportation and miscellaneous fees – deductible VAT

(a) Equipment purchase price

The purchase price of large critical equipment shall be determined by consulting manufacturers about the market price on the Valuation Benchmark Date or with reference to contract prices of similar equipment around the Valuation Benchmark Date, or to the Quotation Manual for Electromechanical Products in 2020 (《2020年機電產品報價目錄》); the purchase price of small equipment shall be determined by the market quotation information on the Valuation Benchmark Date; the purchase price of equipment without available market quotation information shall be determined with reference to the price index of similar equipment.

(b) Transportation and miscellaneous fees

Transportation and miscellaneous fees represent the transportation fees, loading and unloading fees and other relevant miscellaneous fees during transportation of equipment. It is determined based on factors such as the distance between the equipment manufacturer and the equipment user, the size of the equipment (whether it can be packaged into the container or in bulk), the weight and value (valuable or at a low price) of the equipment and the means of transport used, depending on the specific circumstances. For this time, where actual transportation fees are available, it shall be determined based on the actual conditions. Where the supply terms stipulate that the supplier shall be responsible for transportation (which is included in the purchase price), no transportation and miscellaneous fees will be applied.

Transportation and miscellaneous fees =
(equipment purchase price × transportation
and miscellaneous fee rate

(c) Installation fee

It is calculated by different installation rates based on the purchase price and according to the features, weight and complexity of installation of the equipment and with reference to the Method for the Establishment of Budget Estimates and Various Budget Estimates Indicators for Mechanical Industry Construction Projects (Ji Xie Ji (1995) No. 104).

For small devices that do not need to be installed, there is no installation and debugging expense.

(d) Upfront and other expenses

The upfront and other expenses of the construction project are calculated based on the investment in the project construction of the appraised entity and according to the charging standard stipulated by the industry, the state or the local government.

Preliminary and other expenses of coal mine production enterprises

No.	Fees	Liujia Coal Mine Rates	Fengshuigou Rates	Laogongyingzi Rates	Xilutian Rates	Reference basis
1	Construction entity management fee	2.27%	2.27%	1.59%	2.84%	NB/T51064-2016
2	Project supervision fees	1.60%	1.60%	1.60%	1.60%	Fa Gai Jia Ge [2007] No. 670
3	Tendering agency service fee	0.08%	0.08%	0.08%	0.09%	Ji Jia Ge [2002] No. 1980
4	Technical service fee for engineering quality	0.35%	0.35%	0.35%	0.35%	NB/T51064-2016
5	Feasibility study fee	0.20%	0.20%	0.20%	0.20%	Ji Tou Zi [1999] No.1283
6	Survey and design fee	2.99%	2.99%	2.99%	3.05%	Ji Jia Ge [2002] No. 10
7	Environmental impact assessment fees	0.07%	0.07%	0.07%	0.07%	Ji Jia Ge [2002] No. 125
8	Occupational safety and health assessment fees	0.10%	0.10%	0.10%	0.10%	NB/T51064-2016
9	Site preparation and temporary facilities fee	0.11%	0.11%	0.11%	0.14%	NB/T51064-2016
10	Engineering insurance premium	0.15%	0.15%	0.15%	0.15%	NB/T51064-2016
11	Joint trial run fee	0.51%	0.43%	0.51%	0.43%	NB/T51064-2016
12	Personnel training fees	0.45%	0.45%	0.18%	0.32%	NB/T51064-2016
13	Early entry fee for production personnel	0.83%	0.83%	0.33%	0.59%	NB/T51064-2016
14	Soil and water conservation assessment fees	0.20%	0.20%	0.20%	0.20%	NB/T51064-2016
15	Geological disaster prevention and control fee	0.02%	0.02%	0.02%	0.02%	NB/T51064-2016
16	Mine well level determination fee	0.01%	0.01%	0.01%	0.02%	NB/T51064-2016
17	Construction agency relocation fee	1.20%	1.20%	1.20%	1.20%	NB/T51064-2016
	Total	<u>11.14%</u>	<u>11.06%</u>	<u>9.69%</u>	<u>11.37%</u>	

**Preliminary and other expenses of
headquarters and other departments**

No.	Project name	Headquarters and other departments		Reference basis
		Gushan Rates	departments Rates	
1	Construction entity management fee	1.03%	1.09%	Referring to Cai Jian [2016] No.504
2	Project supervision fee	1.30%	1.40%	Referring to Fa Gai Jia Ge(2007) No. 670
3	Environmental assessment fee	0.07%	0.09%	Referring to Ji Jia Ge (2002) No. 125
4	Feasibility study fee	0.20%	0.30%	Referring to Ji Jia Ge (1999) No. 1283
5	Survey fee	0.50%	0.50%	Referring to Ji Jia Ge (2002) No. 10
6	Design fee	2.52%	2.62%	Referring to Ji Jia Ge (2002) No. 10
7	Tendering and bidding agency fee	0.09%	0.11%	Referring to Ji Jia Ge (2011) No. 534
8	Joint trial run fee	1.00%	1.00%	Referring to Cai Jian [2016] No.504
	Sub-total	<u>6.71%</u>	<u>7.11%</u>	

In particular, construction entity management fee, project supervision fee are expenses for the period, survey and design fees, tendering agency service fee and feasibility study report preparation fee are upfront expenses.

(e) Finance cost

The finance cost is calculated based on the reasonable construction period of the appraised asset, and adopting the quoted loan prime rate (LPR) published by the National Interbank Funding Centre under the authorization of the People's the Bank of China. The calculation formula of finance cost is as follows:

$$\text{Finance cost} = (\text{equipment purchase price} + \text{transportation and miscellaneous fees} + \text{installation fee} + \text{expenses for the period}) \times \text{reasonable construction period} \times \text{interest rate} \times 1/2 + \text{upfront expenses} \times \text{reasonable construction period} \times \text{interest rate}$$

In particular, construction entity management fee and project supervision fee are expenses for the period; the remaining are upfront expenses.

(f) Deductible VAT

In accordance with the provisions of documents such as the "Cai Shui [2016] No. 36, Cai Shui [2018] No. 32 and Announcement [2019] No.39 by Ministry of Finance, State Taxation Administration and General Administration of Customs", the deductible VAT shall be calculated for equipment that meet the VAT deduction criteria.

$$\text{Deductible VAT} = \text{equipment purchase price}/1.13 \times 13\% + (\text{transportation and miscellaneous fees} + \text{installation fees})/1.09 \times 9\% + \text{Deductible VAT from upfront and other expenses}$$

Note: Among the upfront and other expenses, the construction entity management fee, joint trial run fee, personnel training fees and early entry fee for production personnel shall not be deducted; the site preparation and temporary facilities fee and construction agency relocation fee can be calculated at a deductible tax rate of 9% and other items can be calculated at a deductible tax rate of 6%.

- b. Determination of replacement cost of transportation equipment

The replacement cost of vehicles is determined according to the market price on the Valuation Benchmark Date, adding the vehicle purchase tax, license plate fee and other reasonable fees and deducting the deductible VAT.

The vehicle purchase tax is calculated according to the relevant provisions of Interim Regulations of the People's Republic of China on Vehicle Purchase Tax (Order of the State Council No. 294) in 2001.

The handling fee of license plate is determined according to the relevant provisions of the place where the vehicle is located and based on the content as well as amount of such fee.

The deductible VAT is calculated based on the relevant provisions of the "Cai Shui [2008] No. 170, Cai Shui [2016] No. 36, Cai Shui [2018] No. 32 and Announcement [2019] No.39 by Ministry of Finance, State Taxation Administration and General Administration of Customs".

The calculation formula of replacement cost of vehicles is as follows:

Replacement cost = vehicle purchase price + vehicle purchase tax + license plate and other expenses – deductible VAT

Wherein,

Deductible VAT = vehicle purchase price/(1 + VAT rate) × VAT rate

Vehicle purchase tax = vehicle purchase price/(1 + VAT rate) × purchase tax rate

- c. Determination of replacement cost of electronic devices

The replacement cost of electronic devices shall be determined according to the market purchase price on the benchmark date. At the same time, in accordance with the provisions of the “Cai Shui [2016] No. 36, Cai Shui [2018] No. 32 and Announcement [2019] No.39 by Ministry of Finance, State Taxation Administration and General Administration of Customs 9” and other documents, in respect to the general VAT payers, the replacement cost shall deduct the corresponding VAT for equipment that meet the deduction criteria of the VAT.

- (B) Determination of integrated newness rate

Through the on-site inspection on the utilization of the equipment (instruments), working condition, maintenance, physical appearance, operating rate and good operational performance, the integrated newness rate is determined after the amendment by referring to necessary equipment records of (equipment) instruments such as operation, incidents, maintenance and performance assessment.

- a. Special equipment and general machinery equipment

For special equipment and general machinery equipment, the newness rate shall be determined by the newness rate under observation approach of on-site investigation to understand working condition of, existing technological conditions and recent technological information, the information on the

maintenance record and operational record as the score value (with full score of 100) of technological condition in on-site investigation, which weights 0.60 and in combination with the newness rate under useful life approach, which weights 0.40; the calculation formula is as follows:

$$\eta \text{ Integrated} = (\eta 1 \times 40\% + \eta 2 \times 60\%) \times (1 - \text{economic depreciation rate})$$

Wherein, $\eta 1$ = newness rate under useful life approach

$\eta 2$ = newness rate under observation approach

Wherein, the newness rate under useful life approach is determined based on the economic lives of such equipment and its used service lives. The specific formula is as follows:

$$\text{Newness rate under useful life approach} = (\text{economic service life} - \text{used service life}) / \text{economic service life} \times 100\%$$

$$\text{Or: Newness rate under useful life approach} = \text{remaining service life} / (\text{used service life} + \text{remaining service life}) \times 100\%$$

Determination of economic depreciation rate: Economic depreciation of an asset, also known as an external loss, is a loss in value due to an external influence on the asset itself. This is mainly reflected in the reduced utilisation rate of equipment in operation or even idle equipment, resulting in a reduction in the operating income of the equipment. The amount of economic depreciation is mainly determined based on factors such as difficulties in the sales of products, insufficient construction (relative excess production capacity), or idle assets

due to the cessation of production. As the idle assets are formed due to the insufficient construction of some coal mines included in the scope of assessment, the economic depreciation of assets is obvious. The economic depreciation is measured by using the scale and efficiency index method:

$$\text{Economic depreciation rate} = 1 - \left(\frac{\text{production volume}}{\text{designed production capacity}} \right)^{\text{scale and efficiency index}}$$

Wherein, the production volume represents the actual production capacity due to insufficient assets caused by external economic factors. Generally, the actual production capacity is less than the designed production capacity, and the scale and efficiency index is generally 0.6~0.7.

- b. The integrated newness rate of electronic devices, air conditioner and other small devices is determined mainly based on their economic service life; the integrated newness rate of large electronic equipment shall also refer to their working conditions, operational condition of such equipment and others.

- c. The newness rate of vehicles shall refer to the requirements of the Provisions on the Criteria for Compulsory Discard of Motor Vehicles (Decree No. 12 [2012]) jointly promulgated by the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security, and the Ministry of Environmental Protection on 27 December 2012. The theoretical newness rate is determined by mileage traveled and useful life of vehicles, whichever is the lower. In particular,

useful life approach is also applicable to the vehicles without compulsory retirement life. Lastly, the theoretical newness rate is determined by useful life newness rate and mileage newness rate, whichever is the lower, adjusted after on-site inspection and the integrated newness rate is generated. The formulae are set out below:

Newness rate under useful life approach (without compulsory retirement life) = remaining useful life / (used useful life + remaining useful life) × 100%

Newness rate under useful life approach (with compulsory retirement life) = (compulsory retirement life – used useful life) / compulsory retirement life × 100%

Newness rate under VMT approach = (guidance retirement mileage – mileage travelled) / guidance retirement mileage × 100%

Integrated newness rate = MIN (useful life approach newness rate, VMT approach newness rate) × 50% + observation approach newness rate × 50%

(C) Determination of appraisal value

Appraisal value = Replacement cost × integrated newness rate

B. Market approach

The appraisal value of part of equipment with a relative long useful life and relative low value shall be determined based on the secondary market price (tax exclusive) on the Valuation Benchmark Date, and the appraisal value of the retired equipment shall be determined based on the recoverable amount.

4) Valuation approaches for the projects under construction

Based on the characteristics, type of appraisal value, collection of information and others of the projects under construction, the valuation is conducted by cost approach.

As part of the projects entrusted for valuation only have the preliminary investment, there is less than half a year between the date of commencement of the project under construction and the Valuation Benchmark Date, such projects fall into the projects under construction with normal construction, and the price changes was modest for the equipment, materials and labor invested in during such period, therefore, the replacement cost of the projects under construction shall be determined based on book cost, and the appraisal value is arrived at by considering certain economic depreciation with reference to the house and building on the basis of the replacement cost.

5) Valuation methods for intangible assets

A. Land use rights

Through on-site investigation and careful analysis and study on the information they collected, the valuers decide to value the land price of the appraisal targets by adopting the market comparison method and cost approach method on the basis of the valuation principles, the actual condition of the land of the appraisal targets and in combination with the valuation purpose of the land of the appraisal targets.

In accordance with the Practising Guidelines for Asset Valuation-Real Estate and with reference to the Procedures for Appraisal on Urban Land (《城鎮土地評估規程》), in general, the valuation methods include market comparison method, income method, residual method, cost approach method, and benchmark land price coefficient correction method, etc. An appropriate valuation method is selected based on the local land market situation, valuation purpose, characteristics of appraisal targets and others. In this valuation, we primarily took the following into consideration when selecting and determining valuation methods:

- (A) The appraisal target is the allocated land. There are no cases of publicly traded land of same type or similar type in the area where the appraisal targets are located in recent years, and it is unable to select the enough number of comparable cases. Therefore the market comparison method is not applicable;
- (B) The houses built on the land of the appraisal targets have been put into normal use. There is no plan for reconstruction. And there are few cases of the lease and sales after the construction of the similar house and a stable and public lease or trading market has not been formed. As such, the residual method is not applicable in this valuation;
- (C) The appraisal targets are not in the area covered by the benchmark land price, therefore, the benchmark land price coefficient correction method is not adopted in this valuation;
- (D) The buildings on the industrial land of the appraisal targets are similar to industrial production plants and their ancillary premises. The buildings within this area are mostly built for their own use, and there are few cases of lease. The profits or the potential profits are difficult to be quantified, and the total profits of the real estate of the appraisal targets cannot be determined reasonably with the rental standard of the real estate in the area where the appraisal targets is located; therefore, the income method is not applicable for the appraisal targets;
- (E) The unified annual output of newly acquired land in the area where the land to be valued is located has been published. The unified annual data of the acquired land is complete and the value of the land can be arrived at with the costs for acquiring the land, therefore, the cost approach method is considered to be adopted in this valuation.

To sum up, based on the purpose of the valuation, the cost approach have been adopted for the land use rights in the valuation.

Cost approach method refers to the appraisal method for confirmation of the land price primarily based on the sum of various expenses consumed for development of land, plus a certain amount of profit, interest, taxes payable and land appreciation gain. The basic principle for cost approach method is to obtain the land price by using all the investments of land, including the two parts of land acquisition cost and infrastructure development cost as “basic costs”, and the reasonable profit and interest accrued on from the “basic cost” as the basic part of the land price through application of the principle of obtaining equivalent profit by equivalent capital and then as well as the land appreciation gain according to the needs for realization of land ownership in economics in the country. The basic formula is as follow:

Land price = (land acquisition cost + land development cost + relevant tax and surcharge + investment interest + investment profit + land appreciation gain) x correction coefficient of tenure x correction coefficient of locational and individual factor

6) Valuation method for mining rights

The mine under the entrusted valuation is a large-scale coal mine for production, and related exploration and design has been completed. The expected revenue and risks can be predicted and measured in currency, and the expected revenue years can be predicted. According to the Guidelines on Mining Rights Valuation in China (《中國礦業權評估準則》), the discounted cash flow method has been adopted for the valuation. The calculation formula is as follows:

$$P = \sum_{t=1}^n (CI - CO)_t \bullet \frac{1}{(1+i)^t}$$

Wherein: P – appraisal value of mining rights;

CI – annual cash inflow;

CO – annual cash outflow;

i – discount rate;

t – year number;

n – years for valuation calculation.

The total book value of the mining rights involved in the valuation is RMB356,080,700. There are 4 mining rights in total, of which the original book value, the book value, the provision for impairment and the net book value of Fengshuigou Coal Mine were RMB524,396,600, RMB146,394,100, RMB146,394,100 and RMB0, respectively; the book values of Laogongyingzi Coal Mine, Liujia Coal Mine and Xilutian Coal Mine were RMB164,894,500, RMB153,566,000 and RMB37,620,200, respectively. According to the requirements of this economic behaviour, the mining rights included in the valuation scope have been appraised and the Valuation Report on the Mining Rights of Fengshuigou Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No.1480), Valuation Report on the Mining Rights of Liujia Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1478), Valuation Report on the Mining Rights of Laogongyingzi Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1477) and Valuation Report on the Mining Rights of Xilutian Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1479) have been issued by China United Assets Appraisal Group Co., Ltd.*, which was engaged by Pingzhuang Energy.

Upon verification, the valuation purpose and the valuation benchmark date set out in the mining rights valuation reports are consistent with this asset valuation report and meet the requirements of this economic behaviour and this asset valuation report. However, there is a discrepancy between the scope of valuation and that in this asset valuation report due to the fact that the value of the mining rights of Laogongyingzi is based on the total retained reserves of resources as at the benchmark date, without regard to the income from transfer of mining rights that needs to be paid for compensatory disposal of resource reserves after the benchmark date. In this valuation, such discrepancy in the scope has been deducted from the other payables during the citation process, and there has been no adjustment during the citation process of the remaining mining rights, which has been summarized in this valuation report.

The amount deducted was the appreciation over the valuation of other payables of RMB254,451,200.00 resulting from the difference in mining rights.

The Pricing Benchmark Date for the evaluation of disposal of assets is 31 December 2020. Zhong Ming Appraisal has issued the Valuation Report on the Assets to be Disposed of in respect of the Assets to be Disposed of. For the mining rights of the Assets to be Disposed of, the valuation has quoted the Valuation Report on Mining Rights of the Assets to be Disposed of, among which, for the Laogongyingzi mining rights, according to the Confirmation of the Ministry of Land and Resources on the Valuation Results of the Mining Rights (Guo Tu Zi Cai Kuang Ping Ren (2003) No. 296) issued by the Ministry of Land and Resources in October 2003, 36,000,000 tonnes of recoverable reserves to be utilized were disposed of by Laogongyingzi mine in 2003. According to the Contract of Transfer of the Mining Rights in the Inner Mongolia Autonomous Region (payment of transfer proceeds) entered into between Pingzhuang Energy and the Department of Natural Resources of the Inner Mongolia Autonomous Region on 15 January 2021, 88,125,700 tonnes of resources were newly acquired by Laogongyingzi coal mine. Laogongyingzi mine has to pay the proceeds from transfer of the mining rights with an amount of RMB297,975,500 in 13 installments, among which the first installment amounting to RMB59,595,100 has been paid on 21 January 2021, and the remaining RMB238,380,400 will be paid in installments on each 20 January of the next 12 years.

As the valuation of the mining rights of Laogongyingzi Coal Mine made by China United Appraisal was based on the total retained reserves of resources as at the Valuation Benchmark Date, without regard to that Laogongyingzi Coal Mine had not actually obtained the remaining additional resources of 88,125,700 tonnes as of the Valuation Benchmark Date. In the valuation of the mining rights of Laogongyingzi Coal Mine, Zhong Ming Appraisal directly quoted the conclusion of China United Appraisal, which will result in an overestimation of the value of mining rights of Laogongyingzi Coal Mine based on the actual reserves mining rights owned by Pingzhuang Energy at 31 December 2020. The overestimated amount is the consideration payable for the acquisition of the remaining additional resources by Laogongyingzi Coal Mine.

According to the Contract of Transfer of the Mining Rights in the Inner Mongolia Autonomous Region (payment of transfer proceeds) entered into between Inner Pingzhuang Energy and the Department of Natural Resources of the Inner Mongolia Autonomous Region, Laogongyingzi has to pay the proceeds from transfer of the mining rights with an amount of RMB297,975,500 in 13 installments, among which the first installment amounting to RMB59,595,100 has been paid on 21 January 2021, and the remaining RMB238,380,400 will be paid in installments on each 20 January of the next 12 years. Upon discounting the expected cash outflow at a certain discount rate, Pingzhuang Energy calculated the cost of the current period to be RMB254,451,200.

Therefore, in the process of evaluating the assets to be disposed of, Zhong Ming Appraisal increased the assessment of the liabilities – other payables by RMB254,451,200 after taking into account the mining rights of Laogongyingzi Coal Mine in the assets quoted from the valuation results of China United Appraisal, which have been overestimated from the actual situation as at the Valuation Benchmark Date, so that the final valuation results of the net assets to be disposed of can still fairly reflect the actual situation of the assets.

7) Valuation method for other intangible assets

A. Outsourced software

For outsourced software that is available on the market as at the Valuation Benchmark Date but without an upgraded version, the replacement cost is determined according to the market price of similar software as at the Valuation Benchmark Date; for outsourced software that is currently available on the market with an upgraded version, the replacement cost is determined as the prevailing market price deducting the cost for software upgrade. The estimated value is calculated based on the replacement cost with reference to certain economic depreciation of machine and equipment.

B. Patent right

For patents of which future income cannot be predicted, the cost method is adopted for valuation. The replacement value is determined based on the value of the reacquired or repurchased patent. The replacement value of a patent includes design costs, administrative fees charged by the State Patent Office and other fees (fees charged by agencies). The calculation formula is as follows:

$$\text{Appraisal value} = \text{replacement value} \times \text{remaining utilization rate}$$
$$\text{Replacement value} = \text{design costs} + \text{administrative charges} + \text{other fees}$$

8) Valuation method for development expenditures

During the valuation, the appraisers first got knowledge of the main functions and characteristics of the above development expenditures, checked the purchase contracts, invoices, payment vouchers and other materials in relation to the development costs, and consulted relevant departments of the company for knowledge of the progress, application prospect, technological advancement, achievements made and other information about the projects corresponding to the development expenditures. According to the different characteristics of the projects, different methods have been adopted in valuation of the development expenditures. The development expenditures included in the scope of valuation are mainly those for the equipment management and project management system for the group's coal sector, which has been put into use in August 2020. Therefore, the appraisal value has been determined as the audited book value.

9) Valuation method for long-term deferred expenses

The appraisers checked the detailed accounts, vouchers, etc. of the long-term deferred expenses for knowledge of the original amount, amortization period and remaining benefit period of the expenses. For prepaid long-term deferred expenses still with a certain benefit period, the appraisal value has been determined as the book balance upon verification of their benefit period, amortization method and amount to be amortized; for expenditures for which no surviving rights exist and no assets can be formed, and for research development expenses leading to unsuccessful technology, the appraisal value is zero; for equipment overhaul expenses and house decoration expenses that have been incurred, the appraisal value is also zero since they will extend the life of the corresponding fixed assets and their value has been reflected in the appraisal value of the fixed assets.

(3) *Specific valuation method for liabilities*

Pingzhuang Energy's liabilities included in the scope of valuation comprise bills payables, trade payables, advances from customers, contract liabilities, employee salary payables, other payables, other current liabilities, long-term employee salary payables, long-term payables and estimated liabilities.

The liabilities within the scope of valuation have been verified on a case-by-case basis, and the appraisal value has been determined according to the actual liabilities items and amounts that Pingzhuang Energy needs to bear after the valuation purpose is achieved. For liabilities items that Pingzhuang Energy is actually not required to bear, the value has been calculated as zero.

As the valuation result of the mining rights of Laogongyingzi Coal Mine was based on the total retained reserves of resources as at the benchmark date, without regard to the income from transfer of mining rights that needs to be paid for compensatory disposal of resource reserves after the benchmark date. According to the Contract of Transfer of the Mining Rights in the Inner Mongolia Autonomous Region, after the benchmark date, Pingzhuang Energy has completed the payment of the first installment on 21 January 2021, and the remaining amount will be paid by installments on 20 January of each year in the following 12 years. Book value is recognized for the appraised entity after the benchmark date so as to be listed in the item of other payables in the valuation.

VIII. PROCESSES AND CONDITIONS OF IMPLEMENTATION OF VALUATION PROCEDURES

The valuation procedures have been implemented mainly in four stages, and the main valuation processes are as follows:

(I) Acceptance of Engagement

We negotiated with the client, identified the basic matters of the valuation business, conducted a comprehensive analysis and assessment on our own professional competence, independence and engagement risks, and signed an assets valuation entrustment contract; we determined the project leader, formed a valuation project team and prepared a valuation plan; and we provided guidance when appraised entity checked the assets, filled in the asset valuation declaration form and prepared the materials required for valuation.

(II) On-Site Investigation and Collection of Valuation Data

According to the specific situation of the valuation engagement, and the requirements of the guidelines on valuation procedures and other relevant regulations, the appraisers conducted necessary check and verification on the assets and liabilities in relation to the appraisal target by way of enquiry, confirmation, verification, monitoring, survey, inspection, random inspection, etc., made necessary due diligence on the operation and management status of the appraised entity, obtained valuation data from various possible channels, verified the scope of valuation, got knowledge of the current status of the appraisal target and paid attention to the legal ownership of the appraisal target.

(III) Valuation and Estimation

The appraisers performed necessary analysis, summarization and sorting of the valuation data collected and formed the basis for valuation and estimation, selected applicable valuation methods according to the appraisal target, value type, valuation data collection and other relevant conditions, and selected corresponding formulas and parameters for analysis, calculation and judgment to form preliminary valuation results.

According to the preliminary valuation result on various types of assets, we prepared relevant valuation notes. When relevant valuation was verified and the valuation results of the specific asset project was stated to be accurate and valuation works were not repeated or omitted, we carried out a summary analysis of asset valuation based on individual asset valuation notes to determine the final valuation conclusion and prepared the asset valuation report.

(IV) Preparation and Submission of the Asset Valuation Report

In accordance with relevant laws, regulations, guidelines on asset valuation and the internal quality control system of the valuation agency, we conducted necessary internal review on the valuation report and the implementation of the valuation procedures, carried out necessary communication with Pingzhuang Energy or relevant parties accepted by the clients in respect of relevant contents of the valuation report, and submitted a formal asset valuation report to Pingzhuang Energy in accordance with the requirements of the assets valuation entrustment contract.

IX. VALUATION ASSUMPTIONS

Due to the changes in the environment where the enterprise is operating and the changing factors affecting the value of assets, it is necessary to establish some assumptions so that appraisal professionals conduct judgement on the value of the assets, to support our conclusion on the valuation. This valuation is based on the following premises and assumptions:

(I) General Assumptions**1. Transaction Assumption**

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the appraisal professionals make estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is the most fundamental premise assumption for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going concern Assumption

The going concern assumption is to assume that the business of the appraised entity is legitimate, and there are no unforeseen factors that would cause it to fail to continue as a going concern.

(II) Special Assumptions

1. This valuation is premised on the specific valuation purpose listed in this asset valuation report;
2. Assumption of no significant change: It is assumed that there will be no major changes in the current laws and regulations of the country and the macro-economic situation of the country, and that the external economic environment such as interest rate, exchange rate, tax base and tax rate, and policy-based fee collection will not experience unforeseeable and significant changes;
3. Assumption of no adverse effects: It is assumed that no other force majeure or unforeseeable factors will have a significant adverse impact on the assets and liabilities of the appraised entity to be valued;
4. Assumption of consistent direction: It is assumed that the business scope and mode of the appraised entity will be consistent with current direction on the basis of the current management mode and management level, regardless of future changes in business capability that may result from management and business strategy adjustments;
5. Assumption of policy coherence: It is assumed that the accounting policies to be adopted by the appraised entity in the future will be generally consistent in important respects with the accounting policies adopted in the preparation of this report;
6. Assumption of equipment invoice compliance: It is assumed that the appraised entity is an ordinary VAT taxpayer and it can obtain VAT invoices in compliance with regulations and laws when purchasing equipment, and the tax authorities in the place where the appraised entity is located allow it to deduct input tax on the equipment purchased;
7. The scope of the valuation is only subject to the valuation declaration form provided by Pingzhuang Energy without considering any contingent assets or contingent liabilities that may exist outside the list provided by Pingzhuang Energy;
8. It is assumed that there are no significant technical failures of machinery and equipment that would affect their continued use and that there are no hazardous materials or other harmful environmental conditions in the places where these assets are located that would adversely affect the value of these assets;
9. It is assumed relevant basic data and financial data provided by Pingzhuang Energy are true, accurate and complete;
10. It is assumed that assets to be valued have no ownership defectiveness or that the existing ownership defectiveness have been fully revealed;

11. It is assumed that the assets to be valued involve no mortgage guarantee or litigation, or the existing mortgage guarantee or litigation have been fully revealed;

Should there be occurrences of events not in line with the aforesaid assumptions, the valuation results would generally lapse.

X. VALUATION CONCLUSION

After implementation of the valuation procedures, on the Valuation Benchmark Date, the valuation conclusion of the underlying assets and liabilities to be disposed of under the premise of going concern assumption is as follows:

The book value of the total assets is RMB4,098,254,500, and the appraisal value is RMB4,730,214,200, representing an appreciation of RMB631,959,700 or 15.42% over the book value; the book value of the total liabilities is RMB1,100,704,000, and the appraisal value is RMB1,293,488,600, representing an appreciation of RMB192,784,600 or 17.51% over the book value; the book value of the net assets is RMB2,997,550,500, and the appraisal value is RMB3,436,725,600, representing an appreciation of RMB439,175,100 or 14.65% over the book value. For details, please refer to the following table:

Summary of Asset Valuation Results

Appraised entity: Inner Mongolia Pingzhuang Energy Co., Ltd.

Unit: RMB0'000

Items		Book value	Appraisal value	Increase or decrease	Appreciation rate (%)
		A	B	C=B-A	D=C/A × 100%
Current assets	1	282,552.14	282,468.10	-84.04	-0.03
Non-current assets	2	127,273.31	190,553.32	63,280.01	49.72
Including: fixed assets	3	60,458.94	113,199.55	52,740.61	87.23
Project under construction	4	513.46	581.71	68.25	13.29
Intangible assets	5	37,559.62	48,030.77	10,471.15	27.88
Development expenditure	6	273.62	273.62	-	
Long-term deferred expenses	7	28,467.67	28,467.67	-	
Total assets	9	409,825.45	473,021.42	63,195.97	15.42
Current liabilities	10	97,744.65	123,189.77	25,445.12	26.03
Non-current liabilities	11	12,325.75	6,159.09	-6,166.66	-50.03
Total liabilities	12	110,070.40	129,348.86	19,278.46	17.51
Net assets	13	299,755.05	343,672.56	43,917.51	14.65

For details of the valuation conclusion, please refer to the statement of valuation by asset-based approach.

XI. NOTES ON SPECIAL ISSUES

The valuation and estimation of the following issues are beyond the practicing capacity and capability of our Company's valuers. However, these issues may do affect the valuation conclusion. Thus, users of this valuation report should pay particular attention to the followings:

(I) Incomplete or defective ownership and others

- Some of the buildings included in the scope of this valuation have not yet applied for property ownership certificates, which include 268.00 items in total, involving a total floor area of 130,591.90 square meters, all of which are located in the mining areas. In this valuation, the floor area of buildings without property ownership certificates was calculated on the basis of construction drawings and on-site measurements by valuers and asset management personnel of the enterprise. When Pingzhuang Energy obtains a property ownership certificate, it shall make adjustments to the valuation conclusion in accordance with the area contained in the certificate. For details, please refer to the Appendix I of the defectiveness in property ownership in the appendices of the asset valuation report.
- Some of the buildings of Pingzhuang Energy included in the scope of this valuation have property ownership certificates, but there are inconsistency in the relevant information contained in the certificates, the specific details of which are as follows:

No.	Property ownership certificate No.	Building name	Area contained in the certificate	Number of floors contained in the certificate		Inconsistency between the actual information and the information contained in the certificate		Notes
				Actual area	in the certificate	Actual number of floors	the certificate	
1	CFQZY Zi No. 55066	Office building of electro-mechanical team in district one	2,234.66	480.46	2	2	Inconsistency of floor areas contained in the certificate	
2	CFQZY Zi No. 55046	West workshop of electro-mechanical team in district two	200.90	200.90	1	1	Repeated application for certificate	Included in the property ownership certificate of CFQZY Zi No. 55101

No.	Property ownership certificate No.	Building name	Area contained in the certificate	Actual area	Number of floors contained in the certificate	Actual number of floors	Inconsistency	Notes
							between the actual information and the information contained in the certificate	
3	CFQZY Zi No. 55101	West workshop of electro-mechanical team in district two	200.66	200.90	1	1	Repeated application for certificates	Including building of CFQZY Zi No. 55046
		Office building of electro-mechanical team in district two	441.92		1	2	Wrong number of floors in property ownership certificate	
		Office building in selection and transportation area	366.52		1	2	Wrong number of floors in property ownership certificate	
4	CFQZY Zi No. 55062	Office building in the south of selection and transportation area	508.26	401.59	2	2	Repeated application for certificates and inconsistency in floor areas	Included in the property ownership certificate of CFQZY Zi No. 55095
5	CFQZY Zi No. 55095	Personal garages	240.87	240.87	1	1		Included in the property ownership certificate of CFQZY Zi No. 55062
		Coal sampling room in selection and transportation area	102.52	102.52	1	1	Repeated application for certificates	
			299.07		1	2	Inconsistency between the parameters marked in the attached drawing and the areas	
6	CFQZY Zi No. 55071	Office building of security team in district two	451.80	452.80	1	2	Inconsistency between the number of floors contained in the certificate and the actual floors	
7	CFQZY Zi No. 55078	Office building of mine timber factory	400.24	400.24	4	4	Inconsistency between the drawing and the table attached to the certificate	Area of 4,000.24 square meters in the attached table

No.	Property ownership certificate No.	Building name	Area contained in the certificate	Actual area	Number of floors contained in the certificate	Actual number of floors	Inconsistency	Notes
							between the actual information and the information contained in the certificate	
8	CFQZY Zi No. 55195	Safety training room (safety inspection building)	331.48	662.96	2	2	Inconsistency of floor areas contained in the certificate	The area set out in the certificate refers to that of one floor, but actually the building consists of two floors. The area was determined as that of 2 floors calculated according to the drawing attached to the property ownership certificate in this valuation
9	CFQZY Zi No. 55217	Machine maintenance plant	696.00	510.00	1	1	Inconsistency in areas contained in the certificate	Part of the area of 186.00 square meters has been scrapped or impaired
10	CFQZY Zi No. 55200	Boiler auxiliary workshop	867.72	429.00	1	1	Inconsistency in areas contained in the certificate	Part of the area is boiler workshop with area of 438.72 square meters which has been scrapped or impaired
11	CFQZY Zi No. 55228	Down-the-hole drill workshop	663.89	179.00	1	1	Inconsistency in areas contained in the certificate	Part of area of 139.89 square meters has been scrapped or impaired
12		Processing workshop		345.00	1	1		
13	CFQZY Zi No. 55250	Staff bathing pool (coal selection)	785.00	414.00			Inconsistency in areas contained in the certificate	Subject to the floor area of 722.00 square meters calculated based on the attached drawing
14		forklift garage		308.00				

3. The property ownership certificate of part of the buildings of Pingzhuang Energy included in the scope of this valuation is lost, which includes one item. Details are as follows:

No.	Building name	Structure	Month/year of completion	Floor area (m ²)	Original book value	Net book value	Note
1	Guest house	Brick and concrete	1989.01	3,446.77	1,300,000.00		

4. The driving license of one vehicle of Pingzhuang Energy included in the scope of this valuation is lost, and a new driving license for such vehicle is in application, details of which are as follows:

No.	License plate number of the vehicle	Name and specification and model of the vehicle	Unit	Number	Date of purchase	Date of coming into use	Mileage traveled (km)	Note
1	Meng DF9616	SUV Touareg 3597CC	Vehicle	1	2009.04	2009.04	130,139.00	

5. There is inconsistency between the ownership holders contained in the driving licenses of some of the vehicles of Pingzhuang Energy included in the scope of valuation and the appraised entities, which is due to the transfer of assets at the time of asset acquisition, etc., and the driving licenses have not been changed. The details are set out in the following table:

No.	License plate number of the vehicle	Name and specification and model of vehicle	Unit	Ownership holders contained in driving license	Original book value	Net book value	Note
1	Meng D76895	King Long passenger car (Meng D76895)	Vehicle	Chifeng Ruian Mining Co., Ltd. (赤峰瑞安礦業有限責任公司)	800,222.00	57,554.43	The driving license of the purchased asset has not been changed
2	Meng D76792	King Long passenger car (Meng D76792)	Vehicle	Chifeng Ruian Mining Co., Ltd. (赤峰瑞安礦業有限責任公司)	800,222.00	57,554.43	The driving license of the purchased asset has not been changed

No.	License plate number of vehicle	Name and specification and model of vehicle	Unit	Ownership holders contained in driving license	Original book value	Net book value	Note
3	Meng D9D593	Buick business purpose vehicle (Meng D9D593)	Vehicle	Chifeng Ruian Mining Co., Ltd. (赤峰瑞安礦業有限責任公司)	412,478.00	30,420.25	The driving license of the purchased asset has not been changed
4	Meng D81596	King Long passenger car (Meng D81596)	Vehicle	Chifeng Ruian Mining Co., Ltd. (赤峰瑞安礦業有限責任公司)	666,709.00	52,417.87	The driving license of the purchased asset has not been changed
5	Meng D94837	Jinbei business purpose vehicle (Meng D94837)	Vehicle	Chifeng Ruian Mining Co., Ltd. (赤峰瑞安礦業有限責任公司)	29,400.00	1,470.00	The driving license of the purchased asset has not been changed
6	Meng D78562	Jinbei business purpose vehicle (Meng D78562)	Vehicle	Shan Fuyu (單福玉)	9,800.00	490.00	The driving license of the purchased asset has not been changed
7	Meng D90889	(Buick car (Meng D90889)	Vehicle	Song Fengjin (宋鳳金)	355,000.00	17,750.00	The driving license of the purchased asset has not been changed
8	Meng D66029	King Long passenger car (Meng D66029)	Vehicle	Chifeng Ruian Mining Co., Ltd. (赤峰瑞安礦業有限責任公司)	691,025.13	34,551.26	The driving license of the purchased asset has not been changed
9	Meng D70290	JMC Quanshun brand JX6465-M ordinary middle-sized passenger car with hard seats	Vehicle	Inner Mongolia Pingzhuang Coal (Group) Xilutian Coal Mine Co., Ltd. (內蒙古平莊煤業(集團)西露天煤礦有限責任公司)	133,800.00	6,690.00	Change of company name
10	Meng D90555	Audi brand FV7201TCVT car with soft seats	Vehicle	Inner Mongolia Pingzhuang Coal (Group) Xilutian Coal Mine Co., Ltd. (內蒙古平莊煤業(集團)西露天煤礦有限責任公司)	423,333.00	17,682.60	Change of company name

In respect of the above issues, Pingzhuang Energy has issued a statement that the ownership belongs to Pingzhuang Energy and there is no dispute over the property ownership. The valuation is conducted subject to the condition that the holder of property ownership is clear and there is no dispute. In the event of any legal disputes arising therefrom, Pingzhuang Energy shall assume all relevant legal liabilities, which have nothing to do with the valuation agency and valuation personnel that are responsible for this valuation.

Other than the above issues, it is confirmed that the other assets and liabilities included in the scope of the valuation do not have any defects in property ownership according to the undertaking of Pingzhuang Energy.

(II) Uncertainties including unresolved matters and legal disputes

According to the commitment of Pingzhuang Energy, it has been confirmed that the assets and liabilities included in the scope of valuation do not involve legal, economic or other unresolved matters.

(III) Significant use of expert work and relevant report

1. The book value involved in this valuation was audited by ShineWing Certified Public Accountants (Special General Partnership) appointed by Pingzhuang Energy, and an unqualified audit report No. XYZH/2021BJAA161581 was issued. The audited assets to be valued covered six categories, i.e. current assets, fixed assets, construction in progress, intangible assets, development expenditures and long-term deferred expenses, and the total assets amounted to RMB4,098,254,500. The liabilities to be valued covered two categories, i.e. current liabilities and non-current liabilities, and the total liabilities amounted to RMB1,100,704,000. The total net assets amounted to RMB2,997,550,500.
2. The book value of the mining rights involved in this valuation is RMB356,080,700. There are 4 mining rights in total, of which the original book value, the book balance, the provision for impairment and the book value of Fengshuigou Coal Mine were RMB524,396,600, RMB146,394,100, RMB146,394,100 and RMB0, respectively; the book values of Laogongyingzi Coal Mine, Liujia Coal Mine and Xilutian Coal Mine were RMB164,894,500, RMB153,566,000 and RMB37,620,200, respectively. According to the requirements of this economic behaviour, the mining rights included in the valuation scope have been appraised and the Valuation Report on the Mining Rights of Fengshuigou Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No.1480), Valuation Report on the Mining

Rights of Liujia Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1478), Valuation Report on the Mining Rights of Laogongyingzi Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1477) and Valuation Report on the Mining Rights of Xilutian Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1479) have been issued by China United Assets Appraisal Group Co., Ltd.*, which was engaged by Pingzhuang Energy. The valuation method was cash flow method. The appraisal values of the 4 mining rights were RMB431,998,500 in total, of which the appraisal values of Fengshuigou mining rights, Laogongyingzi mining rights, Liujia mining rights and Xilutian mining rights were RMB0, RMB394,534,100, RMB37,464,400 and RMB0, respectively.

Upon verification, the valuation purpose and the valuation benchmark date set out in the mining rights valuation reports are consistent with this asset valuation report and meet the requirements of this economic behaviour and this asset valuation report. However, there is a discrepancy between the scope of valuation and that in this asset valuation report due to the fact that the value of the mining rights of Laogongyingzi is based on the total retained reserves of resources as at the benchmark date, without regard to the income from transfer of mining rights that needs to be paid for compensatory disposal of resource reserves after the benchmark date. In this valuation, such discrepancy in the scope has been deducted from the other payables during the citation process, and there has been no adjustment during the citation process of the remaining mining rights, which has been summarized in this valuation report.

(IV) Significant subsequent events

1. According to the Confirmation of the Ministry of Land and Resources on the Valuation Results of the Mining Rights (Guo Tu Zi Cai Kuang Ping Ren (2003) No. 296) (《國土資源部采礦權評估結果確認書》國土資采礦評認(2003)第296號) issued by the Ministry of Land and Resources in October 2003, 36,000,000 tonnes of recoverable reserves to be utilized were disposed of by Laogongyingzi in 2003. According to the Contract of Transfer of the Mining Rights in the Inner Mongolia Autonomous Region (payment of transfer proceeds) (Contract No. 1500022021C008, the “Transfer Contract”) entered into between Inner Mongolia Pingzhuang Energy Co., Ltd. and the Department of Natural Resources of the Inner Mongolia Autonomous Region on 15 January 2021, 88,125,700 tonnes of resources were newly acquired. On 21 January 2021, Laogongyingzi has paid all the outstanding proceeds from transfer of the mining rights, amounting to RMB297,975,500, which were to be paid in 13 installments. In particular, the first installment amounted to RMB59,595,100, and

the remaining RMB238,380,400 was to be paid in installments on each 20 January of the next 12 years. The enterprise recognised the book value of such mining rights as RMB254,451,200.

2. The patents incorporated in the scope of valuation are all utility model patents, two of which are owned by Zhao Hui (趙輝), and according to the Notification of Procedure Satisfaction (《手續合格通知書》) provided by the enterprise, the patentee of the two individual patents was changed from Zhao Hui to Liujia Coal Mine on 16 March 2021. The specific breakdown is as follows:

No.	Patent no.	Name	Application date	Type of patent	Notes
1	ZL201820196653.5	Mine's main ventilator shutdown alarm device	2018.02	Utility model	Off-book assets
2	ZL201820192897.6	Over-temperature fault early warning monitoring device for main hoist	2018.02	Utility model	Off-book assets

Save for the above matters, according to the commitment of Pingzhuang Energy, from the Valuation Benchmark Date to the valuation report date, there were no other significant matters which would affect the valuation premise and the valuation conclusion so that adjustments were needed to be made to the valuation conclusion.

(V) Limitations of the valuation procedures, remedial measures adopted by the valuation agency and the impact on the valuation conclusion

1. Due to the particularity of coal production, the purpose of safety and the complexity of the buildings and structures under the well, the appraisal experts reviewed the amount of working on the buildings and structures under the well as reported by Pingzhuang Energy mainly relying on the engineering drawings, engineering design, engineering construction contracts and other documents provided by Pingzhuang Energy before making spot check on the buildings under the well. They failed to conduct on-site review on the amount of working on the buildings under the well on a case-by-case basis.

2. During the valuation, the appraisal experts observed the appearance of the appraised houses, buildings and structures, and examined the interior decoration and the use of the buildings as practical as possible, while no test on the structures or materials was conducted; in the investigation of the equipment, due to the restriction of detection methods, the operation of certain equipment and other reasons, judgments were made mainly relying on the appearance observation by the appraisers, the recent detection data provided by the appraised entity and the inquiry with relevant operators and users.

(VI) Nature and amount of guarantees, leases, their contingent liabilities (or contingent assets) and other matters, and their relation with the appraisal target

According to the commitment of Pingzhuang Energy, it has been confirmed that the assets and liabilities included in the scope of valuation do not involve guarantees, leases their contingent liabilities (or contingent assets) or other matters.

(VII) Deficiencies in the economic behaviour corresponding to this asset valuation that may have a material impact on the valuation conclusion

According to the commitment of Pingzhuang Energy, it has been confirmed that the economic behaviour corresponding to the valuation would not have a material impact on the valuation conclusion.

- (VIII)** This valuation report was made based on the valuation-related information provided by the clients and the appraised entity and relevant parties. The clients and relevant parties were responsible for provision of necessary information and guarantee for its truthfulness, legality and completeness; the appraisal professionals were responsible for analyzing and estimating the value of the appraisal target for specific purposes as at the Valuation Benchmark Date and issuing professional opinions. Necessary verification, examination and disclosure of the information and its resource by the appraisal professionals does not provide any guarantee for the truthfulness, legality and completeness of the above information. Confirmation of the information and its sources or issuance of opinions is beyond the practice scope of the appraisal professionals.

(IX) Other significant matters

1. Certain buildings and structures of Pingzhuang Energy included in the scope of valuation have been scrapped, and the enterprise has made full provision for impairment which has been confirmed by the accountant of the special audit of the assets to be disposed of. For details, please refer to the Appendix I of other disclosed matters in the appendices of the asset valuation report.

2. Certain machinery equipment and electric equipment of Pingzhuang Energy included in the scope of valuation has been scrapped, totaling 2,493.00 items. The enterprise has made full provision for impairment which has been confirmed by the accountant of the special audit of the assets to be disposed of. For details, please refer to the Appendix II of other disclosed matters in the appendices of the asset valuation report.
 3. Certain machinery equipment and electric equipment of Pingzhuang Energy included in the scope of valuation has been idle, totaling 409.00 items. For details, please refer to Appendix III of other disclosed matters in the appendices of the asset valuation report.
 4. Certain vehicles of Pingzhuang Energy included in the scope of valuation have been scrapped, totaling 57.00 items. The enterprise has made full provision for impairment which has been confirmed by the accountant of the special audit of the assets to be disposed of. For details, please refer to Appendix IV of other disclosed matters in the appendices of the asset valuation report.
- (X) In this asset valuation report, any minor discrepancies between total and sum of each sub-total or upon conversion between RMB and RMB0'000 in all tables or textual expressions with RMB0'000 as the unit are due to rounding.

Users of the valuation report should pay attention to the impact of the above-mentioned special matters on the valuation conclusion.

XII. RESTRICTIONS ON THE USE OF THE ASSET VALUATION REPORT

- (I) The valuation report can only be used by the users of the valuation report set out in the assets valuation entrustment contract, and can only be used for the valuation objectives and purposes as stated in the assets valuation entrustment contract;
- (II) The asset valuation agency and its asset valuers take no responsibility if the clients or other users of the asset valuation report fail to use the asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use set out in the asset valuation report;
- (III) Except for the clients, the other users of the asset valuation report under the assets valuation entrustment contract and the users of the asset valuation report as stipulated in the laws and administrative regulations, no other agency or individual shall be the user of the asset valuation report;

- (IV) Users of the asset valuation report should correctly interpret the valuation conclusion, which is not equivalent to the realizable value of the appraisal target and should not be considered as a guarantee for the realizable value of the appraisal target;
- (V) In case of extraction, quotation or disclosure of this asset valuation report in full or in part to public media, related contents shall be reviewed by the valuation agency, and for the related contents which are not reviewed by the valuation agency, no extraction, quotation or disclosure of this valuation report shall be made to public media, unless as required by laws and regulations or as otherwise agreed among related parties;
- (VI) This asset valuation report can be used officially only after being signed by the asset valuers and sealed by the valuation agency with filing for record with the state-owned assets supervision and administration authority of Pingzhuang Energy;
- (VII) The valuation conclusion is an objective and fair reflection of the market value of the relevant assets and liabilities disposed of by Pingzhuang Energy with 31 December 2020 as the Valuation Benchmark Date. The valuation conclusion cannot be used directly when significant matters occur after the Valuation Benchmark Date;
- (VIII) In accordance with the provision of the Practicing Standards for Asset Valuation – Asset Valuation Reports that “the asset valuation report can only be used when the distance between the Valuation Benchmark Date and the economic behaviour realization date is less than one year,” the valuation conclusion is valid for one year from the Valuation Benchmark Date, i.e., from 31 December 2020 to 30 December 2021. If the asset conditions and the market conditions change significantly as compared with the relevant conditions as at the Valuation Benchmark Date, Pingzhuang Energy shall engage the valuation agency to update the valuation or conduct revaluation.

XIII. DATE OF THE ASSET VALUATION REPORT

The official submission date of this valuation report is 8 June 2021, which is the date of the reaching the valuation conclusion.

18 June 2021

To the Directors of China Longyuan Power Group Corporation Limited

Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing
The People's Republic of China

REPORT ON THE ARITHMETICAL ACCURACY OF THE CALCULATIONS OF THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN GUODIAN NORTHEAST NEW ENERGY DEVELOPMENT CO., LTD., GUONENG DINGBIAN NEW ENERGY CO., LTD, GUODIAN GUANGXI NEW ENERGY DEVELOPMENT CO., LTD., GUONENG YUNNAN NEW ENERGY CO., LTD., GUODIAN GANSU NEW ENERGY CO., LTD., TIANJIN GUODIAN JIENENG ELECTRIC POWER CO., LTD., GUODIAN NORTH CHINA INNER MONGOLIA NEW ENERGY CO., LTD., GUODIAN SHANXI JIENENG CO., LTD. AS WELL AS FENGSHUIGOU MINING RIGHT, LAOGONGYINGZI MINING RIGHTS, LIUJIA MINING RIGHTS AND XILUTIAN MINING RIGHTS OF INNER MONGOLIA PINGZHUANG ENERGY CO., LTD.

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecasts (the “**Forecasts**”) on which the valuations dated 28 April 2021 prepared by China United Assets Appraisal Group Co., Ltd. (“**China United Appraisal**”) in respect of the appraisal of the fair value of 100% equity interest in Guodian Northeast New Energy Development Co., Ltd., Guoneng Dingbian New Energy Co., Ltd., Guodian Guangxi New Energy Development Co., Ltd., Guoneng Yunnan New Energy Co., Ltd., Guodian Gansu New Energy Co., Ltd., Tianjin Guodian Jieneng Electric Power Co., Ltd., Guodian North China Inner Mongolia New Energy Co., Ltd., Guodian Shanxi Jieneng Co., Ltd. (the “**Acquisition Targets**”) as well as the valuations dated 8 June 2021 prepared by China United Appraisal in respect of the appraisal of fair value of Fengshuigou mining rights, Laogongyingzi mining rights, Liujia mining rights and Xilutian mining rights of Inner Mongolia Pingzhuang Energy Co., Ltd. (the “**Disposed Targets**”; together, the “**Targets**”) as at 31 December 2020 are based. The valuations are set out in the Announcement of China Longyuan Power Group Corporation Limited (the “**Company**”) dated 18 June 2021 (the “**Announcement**”) in connection with the Acquisition Targets and the Disposed Targets. The valuations based on the Forecasts are 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 Forecasts. The Forecasts have 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 Assumptions are set out in Appendix I and Appendix II 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 Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and 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 Forecasts based on our work. The Forecasts do 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 Forecasts in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecasts 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 Forecasts are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Targets. The Assumptions used in the preparation of the Forecasts 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 Forecasts and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(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 Forecasts are concerned, the Forecasts have been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young
Certified Public Accountants
Hong Kong

18 June 2021

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

Room 2006, 20th Floor
Block c, 6 Fuchengmen North Street
Xicheng District
Beijing
PRC

Dear Sirs,

We refer to (i) the announcement on the date of the second Board meeting in respect of the Transaction dated 18 June, 2021 (the “**Announcement**”), in relation to the proposed transaction which comprises three parts, namely (i) absorption and merger of Inner Mongolia Pingzhuang Energy Co., Ltd. (內蒙古平莊能源股份有限公司, “**Pingzhuang Energy**”) through share swap by the issuance of A shares by the Company to all the Conversion Shareholders of Pingzhuang Energy; (ii) the transfer of the Assets to be Disposed of by Pingzhuang Energy to Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司, “**Pingzhuang Coal Group**”) with a consideration payable by Pingzhuang Coal Group in cash to the Company; (iii) purchase of assets by the Company from CHN Energy Northeast Electric Power Co., Ltd. (國家能源集團東北電力有限公司), CHN Energy North China Electric Power Co., Ltd. (國家能源集團華北電力有限公司), CHN Energy Guangxi Electric Power Co., Ltd. (國家能源集團廣西電力有限公司), CHN Energy Gansu Electric Power Co., Ltd. (國家能源集團甘肅電力有限公司), CHN Energy Shaanxi Electric Power Co., Ltd. (國家能源集團陝西電力有限公司), and CHN Energy Yunnan Electric Power Co., Ltd. (國家能源集團雲南電力有限公司) with a consideration payable by the Company in cash, (together, the “**Transaction**”), in relation to, among other things, the Transaction. Unless otherwise defined or if the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Announcement refers to valuation reports dated 28 April 2021 and 8 June 2021 prepared by China United Assets Appraisal Group Co., Ltd. (the “**Valuer**”) in respect of the Assets to be Purchased and the Assets to be disposed respectively (the “**Valuation Reports**”). We note that the Valuer have represented in the Valuation Reports that the Valuation has been arrived at using the discounted cash flow method is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules.

For the purpose of giving this letter, we have (i) reviewed the Forecast disclosed in the Announcement, for which you as the Directors are solely responsible; and (ii) discussed with you, the management of the Target Assets and Disposed Assets, and the Valuer regarding the qualifications, bases and assumptions upon which the Forecast has been made; and (iii) considered the report from Ernst & Young, Certified Public Accountants, Hong Kong dated 18 June 2021 as set out in the Announcement addressed to you regarding arithmetical accuracy of the calculations of the discounted cash flows in accordance with the bases and assumptions adopted by the Directors. We noted that in the opinion of Ernst & Young, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, that the Forecast has been properly compiled, in all material respects, in accordance with the assumptions adopted by the Directors.

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 Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry. 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.

Having regard to the information made available to us as at the date of this letter, without giving any other opinion or expressing any other view on the Valuation Reports, for which the Valuer and the Company are responsible, we are satisfied that: (i) the qualifications, bases and assumptions have been made by the Valuer with due care and objectivity and on a reasonable basis; (ii) the Forecast disclosed in the Announcement, for which you as the Directors are solely responsible, has been made with due and careful enquiry, care and consideration by you; and (iii) the Valuer is qualified and experienced to prepare the Valuation Reports.

The work undertaken by us is for the sole purpose of reporting to you under Rule 14.62(3) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of, arising out or in connection with such work.

Yours faithfully,
For and on behalf of CLSA Capital Markets Limited

Edmund Chan
Managing Director, Head of M&A

**A SHARE PRICE STABILIZATION PLAN OF
CHINA LONGYUAN POWER GROUP CORPORATION LIMITED***

China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) (the “**Company**”) proposes to absorb and merge Inner Mongolia Pingzhuang Energy Co., Ltd. (內蒙古平莊能源股份有限公司) (“**Pingzhuang Energy**”, collectively referred to as the “**Merger Parties**” together with the Company) through Share Swap by the issuance of A Shares to the shareholders of Pingzhuang Energy (the “**Merger**”). To reinforce the obligations of honesty and integrity of Shareholders and the management and protect the interest of public Shareholders, particularly minority Shareholders, the Company has prepared a plan for stabilizing the A Share price of the Company as follows:

I. CONDITIONS FOR INITIATING SHARE PRICE STABILIZING MEASURES

Within three years (36 months) from the official listing date of the A Shares of the Company, if the closing prices of the A Shares of the Company for 20 consecutive trading days (except for trading days on which A Shares of the Company have been suspended trading for full day, the same for below) are lower than the latest audited net asset per Share of the Company (if changes in the net assets or the total number of Shares of the Company have occurred due to, among other things, profit distribution, conversion of capital reserve into share capital, placement and rights issue after the audit benchmark date of the latest period, the net asset per Share shall be adjusted accordingly), and the conditions of the Company have also satisfied the requirements of the securities regulatory authorities of the PRC, such as the China Securities Regulatory Commission, on actions for variation of Shares such as repurchase or increase in shareholding, the controlling shareholder, the Company, the Directors and the senior management will initiate share price stabilizing measures to protect the interests of Shareholders at large, enhance the confidence of investors and maintain stable A Share prices of the Company.

II. SPECIFIC MEASURES AND IMPLEMENTATION PROCEDURES FOR STABILIZING SHARE PRICES

When the Company needs to adopt the Share price stabilizing measures, it may implement the same in the following sequence depending on the actual circumstances of the Company and the conditions of the stock market. After implementation of the Share price stabilizing measures, the shareholding structure of the Company shall comply with the listing requirements of the place where the Company’s Shares are listed.

(I) Measures to be taken by the controlling shareholder

Within 10 trading days after the conditions for initiating the Share price stabilizing measures have been triggered, the controlling shareholder shall notify the Company in writing whether there is any specific plan of increasing the shareholding in A Shares of the Company, and that an announcement will be made by the Company accordingly. If there is a specific plan, disclosure of information on, inter alia, the intended size of increase in quantity, price range and completion time shall be made, and the total incremental amount of such plan must not be less than RMB50 million.

(II) Measures to be taken by the Company

If the controlling shareholder is unable to duly announce the aforesaid specific plan to shareholding in A Shares, or expressly indicates the non-existence of such plan to increase shareholding in A Share, the Board of the Company shall make an announcement on whether there is any specific A Share repurchase plan within 20 trading days after the conditions for initiating the Share price stabilizing measures have been triggered for the first time. If such specific plan exists, disclosure of information on, inter alia, the intended size of Share repurchase in quantity, price range and completion time shall be made, and the total amount of such repurchase must not be less than RMB50 million. The Company shall implement measures to stabilize the Share price after fulfilling the relevant procedures required by relevant laws, regulations and regulatory documents and obtaining the required approvals.

(III) Measures to be taken by Directors (excluding independent non-executive Directors and Directors who do not receive remuneration from the Company, the same for below) and senior management

If the Board of the Company is unable to duly announce the aforesaid Share repurchase plan, or the aforesaid A Share repurchase plan fails to obtain approval from the general meeting due to various reasons, the prevailing Directors and senior management of the Company shall unconditionally increase shareholding in the A Shares of the Company within 30 trading days after the conditions for initiating Share price stabilizing measures have been triggered for the first time (or within 30+N trading days after the conditions for initiating A Share price stabilizing measures have been triggered for the first time if the Directors and senior management have been restricted from trading A Shares within N trading days during the period) or within 10 trading days after the aforesaid A Share repurchase plan fails to obtain approval from the general meeting (or within 10+N trading days after the aforesaid A Shares repurchase plan fails to obtain approval from the general meeting if the Directors and senior management have been restricted from trading A Shares within N trading days during the period), and notify the Company in writing of the specific plan to increase shareholding of the Company's A Shares. The Company shall make an announcement, which sets out

information including but not limited to the planned increase in the number of Shares, price range, completion time and others. The aggregate amount of the respective increase in shareholding of Directors and senior management shall not be less than 20% of the total amount of remuneration (after tax) received by them from the Company during the previous year.

- (IV) Since the conditions for initiating the Share price stabilization measures are triggered, if the closing price of the Company's A Shares for 5 consecutive trading days is not lower than the latest audited net assets per Share, and the Share price stabilization plan has not been announced, it can be regarded as no need to compulsorily initiate Share price stabilization measures, and no longer announce the Share price stabilization plan. If the Share price stabilization plan has been announced, it can be regarded as the completion of implementation of the Share price stabilization measure and fulfillment of undertakings, and the Share price stabilization plan is terminated.

The obligation to initiate the mandatory measures for Share price stabilization is limited to one time per financial year.

- (V) In performing their obligations of shareholding increase or repurchase, the controlling shareholder, the Company, the Directors and senior management shall fulfil the corresponding obligations of information disclosure pursuant to the listing rules of the place(s) where the Shares of the Company are listed and other applicable regulatory requirements, and shall comply with the requirements in relation to the supervision of the state-owned assets.

III. RELEVANT SAFEGUARD MEASURES

- (I) In respect of the controlling shareholder, if a specific plan to increase shareholding in A Shares has been announced but failed to be actually implemented due to subjective reasons, the Company shall withhold the cash dividends payable to the controlling shareholder in an amount equivalent to the obligation to increase shareholding by the controlling shareholder until the obligation to increase shareholding in A Shares has been fulfilled by the controlling shareholder. If the obligation to increase shareholding in A Shares has been triggered twice consecutively and the controlling shareholder has failed to propose any specific plan to increase shareholding in A Shares, the Company may withhold the cash dividends payable to the controlling shareholder of an amount equivalent to the obligation to increase shareholding in A Shares by the controlling shareholder for use in the share repurchase plan, and the controlling shareholder will lose the right of recourse for the corresponding amount of cash dividends. If the controlling shareholder has abstained from voting on or has voted against the A Share repurchase plan proposed by the Board of the Company to stabilize Share prices and the repurchase plan cannot be implemented, the Company may withhold the cash dividends payable to the controlling shareholder of an amount equivalent to the

obligation to increase shareholding in A Shares by the controlling shareholder for use in the next Share repurchase plan, and the controlling shareholder will lose the right of recourse for the corresponding amount of cash dividends.

- (II) If the Company has announced an A Share repurchase plan of the Company but failed to actually implement it due to subjective reasons, it shall bear corresponding responsibilities according to the relevant laws, regulations, normative documents as well as the provisions of the listing rules of the place(s) where Shares of the Company are listed and the requirements of regulatory authorities.
- (III) The Directors and senior management of the Company shall voluntarily fulfill their obligations to increase their shareholdings in A Shares. If any individual fails to fulfill his obligations to increase his shareholdings in A Shares as agreed in the Plan due to subjective reasons during his tenure, the Company shall fulfill his obligations on his behalf to increase his shareholdings in A Shares with his salary and emolument in an amount equivalent to his obligations to increase his shareholdings in A Shares; if any individual fails to fulfill his obligations to increase his shareholdings in A Shares for two consecutive times, a proposal will be proposed by the controlling shareholders or the Board at the general meeting for approval of change of relevant Directors, and relevant senior management members will be proposed to be removed by the Board of the Company.
- (IV) If the controlling shareholder, the Company, the Directors and senior management fail to fulfill their obligations of shareholding increase in A Shares or share repurchase within a certain period of time due to the minimum shareholding ratio of Shares by public shareholders stipulated in the securities regulatory regulations such as the listing rules of the place(s) where the Company's Shares are listed, the relevant responsible subjects may be exempted from the aforementioned punishment, but other measures shall be actively taken to stabilize the price of the A Shares.

IV. OTHERS STATEMENTS

During the validity period of the Plan, the newly appointed Directors and senior management of the Company shall fulfil the obligations of Directors and senior management stipulated in the Plan and other obligations undertaken by the Directors and senior management of the Company at the time of the listing of A Shares of the Company according to the same standards. Directors and senior management to be appointed by the Company shall agree in writing to fulfill the aforementioned undertakings and obligations before being nominated.

V. VALIDITY PERIOD OF THE PLAN

The Plan shall, subject to the consideration and approval at general meeting of the Company, take effect from the date of listing of A Shares of the Company on the main board of the SZSE, and shall be valid for a term of three years (36 months) from then on.

**DIVIDEND DISTRIBUTION PLAN FOR THE THREE YEARS AFTER
THE ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH SHARE
SWAP BY THE ISSUANCE OF A SHARES BY THE COMPANY AND DISPOSAL
OF MATERIAL ASSETS AND PURCHASE OF ASSETS THROUGH CASH PAYMENT**

**DIVIDEND DISTRIBUTION PLAN FOR THE THREE YEARS AFTER THE ABSORPTION
AND MERGER OF INNER MONGOLIA PINGZHUANG ENERGY CO., LTD. THROUGH
SHARE SWAP BY THE ISSUANCE OF A SHARES BY CHINA LONGYUAN POWER GROUP
CORPORATION LIMITED* AND DISPOSAL OF MATERIAL ASSETS AND PURCHASE OF
ASSETS THROUGH CASH PAYMENT**

To improve and regulate the dividend mechanism of China Longyuan Power Group Corporation Limited* (hereinafter referred to as the “**Company**”), enhance the transparency and operability of dividend distribution decision making and ensure the reasonable return on investment of Shareholders and other rights, in accordance with the Decisions on Amending Certain Provisions on Cash Dividends by Listed Companies issued by China Securities Regulatory Commission, the Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies, the Guideline No.3 on Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies and the requirements of other laws, administrative regulations and normative documents and the Articles of Association of China Longyuan Power Group Corporation Limited* (hereinafter referred to as the “**Articles of Association**”) and taking into account the actual situation of the Company. The Company has formulated the plan as follows:

I. FACTORS CONSIDERED IN FORMULATING THE DIVIDEND RETURN PLAN

The Company will focus on its long-term and sustainable development. Taking into overall consideration on factors such as the Company’s actual situation and development goals, Shareholders’ wills, cost of social capital and external financing environment, and giving full consideration to the Company’s current and future profit scale, cash flow position, stage of development, project investment capital needs, bank credit and debt financing environment. The Company has established a sustained, stable and scientific return plan and mechanism for investors.

II. PRINCIPLES ON FORMULATION OF THE DIVIDEND RETURN PLAN

The Company’s profit distribution shall attach importance to providing reasonable returns on investment for investors. Continuity and stability shall be maintained for profit distribution. The Company’s dividend return plan shall give full consideration to the opinions of Shareholders, especially minority Shareholders and independent non-executive Directors. Provided that the capital requirements for the normal production and operation of the Company are met, the Company shall insist on the basic principle of giving priority to cash dividend distribution.

III. DIVIDEND DISTRIBUTION PLAN FOR THE THREE YEARS AFTER THE LISTING OF A SHARES OF THE COMPANY

(I) The basic principles of the Company's profit distribution policy

The Company shall take the investment return for investors into full account, and the accumulated profit distributed in cash in the last three years shall not be less than 30% of the annual distributable profit realized in the last three years;

The Company shall maintain a sustainable and steady profit distribution policy and at the same time take into consideration the Company's long-term interest, general interest of all the Shareholders and the sustainable development of the Company;

The Company shall give priority to cash dividends as its profit distribution manner.

(II) Specific policy on the Company's profit distribution

The Company may distribute profits in the form of cash or Shares or a combination of cash and Shares or other forms permitted under the laws and regulations and regulatory documents;

The Company may distribute its dividend in cash under the condition that the Company is profitable in the current year and its accumulated undistributed profit is positive, and the audit institution has issued a standard audit report with unqualified opinions towards the Company's annual financial report. The accumulated profit of the Company distributed in cash for the latest three years shall be no less than 30% of the annual average distributable profit for the latest three years. The undistributed distributable profit of the year may be retained for distribution for future years. The distribution of the Company's profit shall not exceed its accumulated distributable profit nor damage the Company's sustainable operation ability;

While satisfying the requirements of cash dividend stipulated in the Articles of Association, the Company will proactively distribute dividend in cash. In principle, the cash dividend is distributed once a year. The Board of the Company will make the proposal of conducting mid-term profit distribution according to the Company's profitability and capital demand;

To keep equity expansion in line with performance growth, the Company may distribute profit in stock dividend according to the situation of accumulated distributable profit, capital reserves and cash flow and under the premise that the conditions of the minimum cash dividend ratio and the above-mentioned cash dividend have been satisfied.

(III) The Company may adjust the profit distribution policy in the event of the following

1. where there is war, natural disasters and other force majeure;
2. where there are new laws, regulations or regulatory documents issued by relevant state authorities in respect of the profit distribution policy of listed companies;
3. where there is a change in the external business environment, which has a significant impact on the production and operation of the Company;
4. where there are relatively significant changes in the Company's operational position, which requires the Company to adjust its profit distribution policy;
5. where it is necessary to adjust the profit distribution policy of the Company in the principle of protecting shareholders' rights or maintaining the sustainable development of the Company on a normal basis.

(IV) When proposing a differentiated cash dividend distribution policy, the Board of the Company shall take into account, among other things, features of the industries where the Company operates, its development stage, business model, profit level and whether it has any significant capital expenditure arrangements in accordance with the provisions set out below and procedures provided in the Articles of Association

1. If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the ratio of cash dividends shall be at least 80% in this profit distribution;
2. If the Company is at the mature stage of development and has a significant capital expenditure arrangement, the ratio of cash dividends shall be at least 40% in this profit distribution;
3. If the Company is at the growing stage and has a significant capital expenditure arrangement, the ratio of cash dividends shall be at least 20% in this profit distribution;

If it is difficult to identify the Company's phase of development but significant capital expenditure has been arranged, it can proceed according to the previous provision.

IV. FUTURE DIVIDEND RETURN PLAN FORMULATION CYCLE AND PROCEDURES FOR CONSIDERATION

The Board of the Company shall formulate the dividend return plan at least once every three years, based on the profit distribution policy formulated or revised by the general meeting, taking into account the opinions of Shareholders (especially minority Shareholders) and independent non-executive Directors, and propose to the Board and the supervisory board of the Company for consideration.

The consideration procedures of profit distribution plan of the Company are as follows:

1. The profit distribution plan of the Company is proposed and formulated by the management of the Company based on the requirements, profitability and funding requirements plan of the Articles of Association, and it is proposed to the Board of the Company for consideration. The Board of the Company shall fully discuss the reasonableness of the profit distribution plan, and it is submitted to the general meeting for consideration after forming special resolution.

The Board shall carefully conduct research and discussion about the timing, conditions, minimum ratio, adjustment conditions, and requirements for its decision-making procedures when formulating a specific profit distribution plan, and the independent non-executive Directors shall express clear opinion on such plan. The independent non-executive Directors may solicit the opinions of the minority Shareholders to make the bonus proposal for direct submission to the Board for consideration. The Company should take the initiative to communicate with the Shareholders, especially minority Shareholders, through various channels to fully listen to the opinions and demands of minority Shareholders on the specific cash dividend distribution plan, and timely reply to the concerns of minority Shareholders.

2. The Company shall provide the access to online voting for Shareholders when the profit distribution plan is considered at the general meeting, or the Board, independent non-executive Directors and Shareholders who meet the relevant required conditions collect voting rights from Shareholders, particular the minority Shareholders, for the voting of profit distribution plan between the share record date of the general meeting and the date of general meeting.

3. Subject to the conditions of cash dividend required by the Articles of Association, when the Company proposes to not perform cash dividend plan under special conditions such as material investment opportunity, promising investment and material funding requirements of the Company, the Board of the Company shall specifically explain the specific reason for not proceeding cash dividend distribution, the plan of use of fund not to distribute and set aside, which submitting to the general meeting for consideration after opinions expressed by independent non-executive Directors and disclosed in the designated media of the Company.
 4. Protection of interest of Shareholders shall be highly regarded while adjustment to or change in the cash dividend policy required by the Articles of Association when necessary. The Board shall fully discuss the reasonableness of adjustment to or change in the profit distribution plan, and it shall be submitted to the general meeting for consideration after forming special resolution. It shall be approved by more than two-thirds of the votes of the Shareholders attending the general meeting when considering at the general meeting.
- V. THIS PLAN, UPON THE APPROVAL OF THE GENERAL MEETING, SHALL TAKE EFFECT AND BE IMPLEMENTED FROM THE DATE OF THE FIRST PUBLIC ISSUING AND LISTING OF THE RMB ORDINARY SHARES (A SHARES) OF THE COMPANY**

**EXPLANATION ON THE DILUTION OF IMMEDIATE RETURNS BY THE TRANSACTION
AND PROPOSED REMEDIAL MEASURES BY THE BOARD OF CHINA LONGYUAN POWER
GROUP CORPORATION LIMITED***

China Longyuan Power Group Corporation Limited* (“**Longyuan Power**”) intends to absorb and merge Inner Mongolia Pingzhuang Energy Co., Ltd. (內蒙古平莊能源股份有限公司) (“**Pingzhuang Energy**”) through the Share Swap by the Issuance of A Shares to the shareholders of Pingzhuang Energy, while Pingzhuang Energy will transfer the Assets to be Disposed of to Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司) (“**Pingzhuang Coal Group**”) and Longyuan Power will purchase the assets from the Other Subsidiaries of CHN Energy (the “**Transaction**”).

In accordance with the requirements under the Notice of the General Office of the State Council on Further Strengthening Protection of the Lawful Rights of Small and Medium Investors in Capital Markets (Guo Ban Fa [2013] No. 110) , the Several Opinions of the State Council on Further Promoting the Sound Development of Capital Markets (Guo Fa [2014] No. 17) and the Guiding Opinions on the Matters relating to the Dilution of Immediate Returns in Initial Public Offering, Refinancing and Material Asset Reorganization (CSRC Announcement [2015] No. 31) and other laws, regulations and normative documents, Longyuan Power conducted an analysis on the impact of dilution of immediate return in the Transaction in a conscientious, careful and objective manner and implemented the relevant requirements as stated in the above-mentioned regulations, and the implementation of such requirements are as follows:

I. GENERAL INFORMATION ON THE TRANSACTION

The Transaction comprises three parts, i.e. the Absorption and Merger through Share Swap, the Assets Disposal and the Purchase through Cash.

1. Absorption and Merger through Share Swap

Longyuan Power will absorb and merge Pingzhuang Energy through Share Swap by the Issuance of A Shares to all the Conversion Shareholders of Pingzhuang Energy. Upon completion of the Merger, Pingzhuang Energy will be delisted and finally disqualified as a legal person. Longyuan Power, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, the assets and liabilities of Pingzhuang Energy other than the Assets to be Disposed of. Meanwhile, Longyuan Power will apply for listing and trading of the A Shares to be issued for the Absorption and Merger and the original Domestic Shares on the Main Board of the SZSE (thereinafter referred to as the “**Merger**”).

2. Assets Disposal

The Assets to be Disposed of will be transferred by Pingzhuang Energy to Pingzhuang Coal Group at the price as agreed by the parties, and the consideration of the Assets to be Disposed shall be paid by Pingzhuang Coal Group in cash to Longyuan Power, the Surviving Company after the Merger. On the Closing Date, the Assets to be Disposed of will be delivered directly to Pingzhuang Coal Group.

3. Purchase through Cash

Longyuan Power will purchase the assets from CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd. and CHN Energy North China Electric Power Co., Ltd., all being the Other Subsidiaries of CHN Energy, and the consideration of the Assets to be Purchased shall be paid by Longyuan Power, the Surviving Company, in cash. On the Closing Date, the Assets to be Purchased will be directly delivered to Longyuan Power, the Surviving Company, or its subsidiaries.

The Absorption and Merger through Share Swap, the Assets Disposal and the Purchase through Cash comprise the overall transaction and are inter-conditional upon each other, failing any of which, the other two transactions will not be implemented. Upon the completion of the Transaction, Pingzhuang Energy will be delisted and disqualified as a legal person. Longyuan Power, as the Surviving Company, will inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets and liabilities of Pingzhuang Energy other than the Assets to be Disposed of. Longyuan Power will apply for the listing and trading of the A Shares to be issued for the Absorption and Merger and the original Domestic Shares on the Main Board of the SZSE. Meanwhile, the Assets to be Disposed of will be directly delivered to Pingzhuang Coal Group, and the Assets to be Purchased will be directly delivered to Longyuan Power, the Surviving Company, or its subsidiaries, pursuant to the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. and its supplemental agreement and the Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. and its supplemental agreement.

The Issue Price of A Shares of Longyuan Power is RMB11.42 per share. On 28 May 2021, an annual general meeting was held by Longyuan Power, at which, the annual profit distribution plan for the year 2020 was considered and approved for distributing the cash dividend of RMB0.1176 per Share (tax inclusive) to Shareholders whose names appear on the register of members of Longyuan Power on 7 June 2021.

Pursuant to the above annual profit distribution plan, the Issue Price of Shares under the Absorption and Merger through Share Swap shall be adjusted by Longyuan Power on the ex-right or ex-dividend basis, the formula of which is set out as follow:

$$P1 = (P0 - D + A \times K) / (1 + K + N)$$

In particular, P0 is the pre-adjustment Issue Price, N is the number of bonus shares or shares converted into capital for each share, K is the number of new shares issued or allocated for each share, A is the price for new share issuance or allotment of shares, D is the amount of dividend declared per share, and P1 is the post-adjustment Issue Price. Given that the profit distribution plan for the year 2020 of the Company comprises only cash dividend, according to the above formula, the adjusted Issue Price is RMB11.42 – RMB0.1176 = RMB11.3024 per share. As the minimum change unit of the transaction price of A Shares is RMB0.01, the Issue Price (being rounded to two decimal places) is RMB11.30 per share. If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Longyuan Power from the next date upon completion of profit distribution to the Share Swap Exercise Date (both days inclusive), the above Issue Price shall be adjusted accordingly. Under other circumstances, the Issue Price will no longer be adjusted.

The Conversion Price of Pingzhuang Energy is based on the average price of RMB3.50 per share in the 20 trading days prior to the Pricing Benchmark Date, with a premium rate of 10%, which is RMB3.85 per share. If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve being converted into share capital and rights issue of Pingzhuang Energy from the Pricing Benchmark Date to the date of the Share Swap (both days inclusive), the above Conversion Price shall be adjusted accordingly. Under other circumstances, the Conversion Price will no longer be adjusted.

The calculation formula for Conversion Ratio is: Conversion Ratio = Conversion Price of A Shares of Pingzhuang Energy \div Issue Price of A Shares of Longyuan Power (calculation result is rounded to four decimal places). The Conversion Ratio for the Merger is 1:0.3407, that is, each A Share of Pingzhuang Energy held by the Conversion Shareholders of Pingzhuang Energy can be converted into 0.3407 A Share to be issued by Longyuan Power. The Conversion Ratio for the Absorption and Merger through Share Swap will be adjusted based on the Issue Price after the interest distribution of Longyuan Power. From the the next date upon completion of interest distribution by Longyuan Power to the Share Swap Exercise Date (both days inclusive), unless there occurs any ex-right or ex-dividend event such as cash dividends, stock dividends, capital reserve being converted into share capital and rights issue of either the Merger Parties or the circumstances where the Issue Price or the Conversion Price shall be adjusted in accordance with relevant laws, regulations and the requirements of regulatory authorities, the Conversion Ratio shall not be adjusted under any other circumstances.

II. ANALYSIS ON DILUTION OF IMMEDIATE RETURNS AS A RESULT OF THE TRANSACTION

According to the audit report on the pro forma consolidated financial statements of Longyuan Power for 2020, audit reports on the annual financial statements of Longyuan Power for 2018, 2019 and 2020 and audit reports on the annual financial statements of the Assets to be Purchased for 2018, 2019 and 2020 issued by Baker Tilly China Certified Public Accountants (Special General Partnership), the audit reports on the annual financial statements of the Assets to be Disposed of for 2018, 2019 and 2020 issued by ShineWing Certified Public Accountants (Special General Partnership), and audit report on the financial statements of Pingzhuang Energy for 2020 issued by ShineWing Certified Public Accountants (Special General Partnership), upon the completion of the Transaction, the earnings per share before and after deducting the non-recurring profit and loss of Longyuan Power are set out as follows:

Unit: RMB/share

Company Name	Item	2020 pro forma		Percentage of Changes
		Before the Merger	after the Merger	
Longyuan Power	Basic earnings per share attributable to ordinary shareholders	0.58	0.62	6.42%
Longyuan Power	Basic earnings per share attributable to ordinary shareholders after deducting the non-recurring profit and loss	0.56	0.59	6.87%

Before the Transaction, the basic earnings per share attributable to ordinary shareholders of Longyuan Power in 2020 is RMB0.58 per share, and the basic earnings per share attributable to ordinary shareholders after deducting the non-recurring profit and loss is RMB0.56 per share; Upon the completion of the Merger, the basic earnings per share attributable to ordinary shareholders of Longyuan Power in 2020 is RMB0.62 per share, and the basic earnings per share attributable to ordinary shareholders after deducting the non-recurring profit and loss is RMB0.59 per share. Thus, upon the completion of the Merger, the basic earnings per share attributable to the ordinary shareholders of Longyuan Power is increased.

III. SPECIFIC MEASURES TO FILL THE RETURNS AND ENHANCE THE ABILITY OF THE SURVIVING COMPANY TO DELIVER CONTINUOUS RETURNS

In order to protect the interests of investors, prevent the risk of dilution of immediate returns and improve the ability to deliver returns to the Company's shareholders, Longyuan Power, as the Surviving Company, will follow and adopt the following principles and measures to further improve its management capabilities and deal with the risk of dilution of immediate returns. However, formulation of the following return remedial measures does not represent any guarantee on future profits of Longyuan Power.

1. To accelerate the development of the main business and improve the profitability of the Surviving Company

After the completion of the Transaction, Longyuan Power will become an A+H shares listed company. Through the Transaction, Longyuan Power will integrate some of the high-quality new energy assets of CHN Energy into its own, further expand its business scale, and the scale effect will be fully released, which will be conducive to driving Longyuan Power to get better and stronger, improving its quality as a listed company, promoting its high-quality development and continuously enhancing its core competitiveness, influence in the industry and sustainable profitability.

2. To strengthen the internal management and cost control of the Surviving Company

After the completion of the Transaction, Longyuan Power will, on the one hand, further strengthen its internal management, improve the efficiency of its operation and management, and actively explore and improve its existing management mode, strengthen cost control, and conduct comprehensive pre-event, in-process and post-event management and control of various operating, management, and financial expenses incurred in its business operations and management. On the other hand, Longyuan Power will continue to optimize its governance structure, strengthen its internal control, and improve and consolidate the investment decision-making procedures, so as to improve the efficiency of its capital utilization, and comprehensively and effectively control the risks in operation and capital management and control facing the Surviving Company.

3. To continuously improve the corporate governance and provide systematic guarantee for the development of the Surviving Company

Longyuan Power has established and improved its corporate governance structure to regulate its operation. It has a sound, independent operating mechanism for general meetings, the Board, the supervisory board and the management. Longyuan Power has set up independent, efficient and capable functional departments that adapt to the production and operation of the Surviving Company, and has in place different positions to perform their respective duties. All functional departments have clear division of duties with checks and balances. The organizational structure of the Surviving Company has been properly developed and running effectively. There is a clear division of powers and duties between the general meetings, the Board, the supervisory board and the management, which formed checks and balances and created a reasonable, complete and effective corporate governance and operation and management structure.

Longyuan Power will strictly comply with the requirements of laws and regulations and normative documents, including the Company Law, the Securities Law and the Listing Rules. Longyuan Power will continue to improve its corporate governance structure to effectively protect the rights and interests of investors, especially small and medium investors, and provide institutional guarantees for the development of the Surviving Company.

4. To further improve the profit distribution system and strengthen the investor return mechanism

Longyuan Power will continue to attach importance to deliver reasonable returns on investment to shareholders, while taking into account the sustainable development of the Surviving Company, and formulate a sustainable, stable and scientific dividend policy.

Longyuan Power will constantly amend and improve the Articles of Association, and formulate return plans for the Shareholders accordingly in accordance with the Notice on Further Implementing Provisions Relevant to Cash Dividend Distribution by Listed Companies and the Guideline No. 3 on Supervision and Administration of Listed Companies – Distribution of Cash Dividends by Listed Companies issued by the CSRC. Under the profit distribution policy of the Surviving Company, great importance will be attached to reasonable investment returns for investors, especially small and medium investors, opinions of investors and independent Directors will be fully heard, the dividend distribution policy will be improved, transparency in implementation of the distribution policy will be enhanced and the mechanism for protection of rights and interests of small and medium investors will be consolidated, so as to provide reasonable returns to investors and demonstrate the Surviving Company’s long-term development concept to positively deliver returns to Shareholders.

IV. UNDERTAKINGS OF THE DIRECTORS AND SENIOR MANAGEMENT OF LONGYUAN POWER IN RELATION TO EFFECTIVE IMPLEMENTATION OF THE RETURN REMEDIAL MEASURES

The Directors and senior management of Longyuan Power have made following undertakings to guarantee the effective implementation of the return remedial measures of the Surviving Company:

- “1. I undertake to perform my duties honestly and diligently, and safeguard the legitimate interests of Longyuan Power and all Shareholders.
2. I undertake not to transfer benefits to other entities or individuals at nil consideration or under unfair terms, and not to damage the interest of Longyuan Power otherwise.
3. I undertake to restrain my official consumption behavior.
4. I undertake not to utilize the assets of Longyuan Power in investing and consumption activities unrelated to my performance of duties.
5. I undertake to strive for procuring a linkage between the remuneration system established by the Board and the implementation of the return remedial measures of Longyuan Power.
6. I undertake, if Longyuan Power implements equity incentives, to procure a linkage between the exercise right under the equity incentives to be announced and the implementation of the return remedial measures of the Company.

7. I undertake that, from the date of making these undertakings to the completion of the Transaction, if the China Securities Regulatory Commission, the Shenzhen Stock Exchange or other regulatory authorities issues new regulatory requirements in relation to return remedial measures and its undertakings, and the above undertakings cannot satisfy such requirements, I will make supplementary undertakings by then in accordance with the latest requirements.
8. I undertake to implement effectively the relevant return remedial measures formulated by Longyuan Power and any of my undertakings made in respect of such relevant return remedial measures, and that, if I violate such undertakings and cause Longyuan Power or the investors to incur any losses, I am willing to be liable for making compensation to Longyuan Power or such investors.”

V. UNDERTAKINGS OF THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER OF LONGYUAN POWER IN RELATION TO THE ADOPTION OF THE RETURN REMEDIAL MEASURES FOR DILUTION OF IMMEDIATE RETURNS IN THE TRANSACTION

In order to ensure that the return remedial measures are implemented effectively, CHN Energy, the controlling shareholder of Longyuan Power, has made the following undertakings:

- “1. Not to interfere with the operation and management of Longyuan Power ultra vires or infringe the interests of Longyuan Power.
2. From the date of making these undertakings to the completion of the Transaction by Longyuan Power, if the China Securities Regulatory Commission, the Shenzhen Stock Exchange or other regulatory authorities issues new regulatory requirements in relation to return remedial measures and its undertakings, and the above undertakings cannot satisfy such requirements, supplementary undertakings will be made by then in accordance with the latest requirements.
3. If the Company violates above undertakings or refuses to fulfil the same, the Company will agree to accept relevant punishment or be subject to relevant regulatory measures imposed on it by the China Securities Regulatory Commission, the Shenzhen Stock Exchange or other regulatory authorities in accordance with relevant requirements or rules it/they has/have formulated or issued.”

COMPARISON TABLE OF AMENDMENTS
TO ARTICLES OF ASSOCIATION

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 1	<p>In a bid to safeguard the legitimate rights and interests of China Longyuan Power Group Corporation Limited (the “Company”), its Shareholders and creditors, and to regulate the organization and activities of the Company, the Company formulated the Articles of Association in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Company (the “Special Regulations”), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Letter of Opinions on Supplementary Amendments to Articles of Association of Companies to be Listed in Hong Kong, the Guidelines on Articles of Association of Listed Companies (as amended in <u>2006</u>) and other relevant regulations.</p>	Article 1	<p>In a bid to safeguard the legitimate rights and interests of China Longyuan Power Group Corporation Limited (the “Company”), its Shareholders and creditors, and to regulate the organization and activities of the Company, the Company formulated the Articles of Association in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China (the “Securities Law”), the Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Company (the “Special Regulations”), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (the “Mandatory Provisions for Articles of Association”), the Letter of Opinions on Supplementary Amendments to Articles of Association of Companies to be Listed in Hong Kong (the “Letter of Opinions on Supplementary Amendments”), the Guidelines on Articles of Association of Listed Companies (as amended in <u>2019</u>) (the “Guidelines on Articles of Association”), the Rules Governing the Listing of Stock on the Shenzhen Stock Exchange (as amended in 2020) (the “SSE Listing Rules”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”) and other relevant regulations.</p>
Article 2	<p>The Company is a joint stock limited company incorporated pursuant to the Company Law, the Special Regulations and other relevant laws in PRC and administrative regulations.</p> <p>The Company was established with the approval of the State-owned Assets Supervision and Administration Commission of the State Council, as evidenced by the approval document Guo Zi Gai Ge [2009] No. 468, the Company was registered with the State Administration for Industry and Commerce and was granted the corporate legal person’s business license on 9 July 2009. The unified social credit code of the Company is: 911100001000127624.</p> <p>The promoters of the Company <u>include China Energy Investment Corporation Limited and Guodian Northeast Power Co., Ltd.</u></p>	Article 2	<p>The Company is a joint stock limited company incorporated pursuant to the Company Law, the Special Regulations and other relevant laws in PRC and administrative regulations.</p> <p>The Company was established with the approval of the State-owned Assets Supervision and Administration Commission of the State Council, as evidenced by the approval document Guo Zi Gai Ge [2009] No. 468, the Company was registered with the State Administration for Industry and Commerce and was granted the corporate legal person’s business license on 9 July 2009. The unified social credit code of the Company is: 911100001000127624.</p> <p>The promoters of the Company: <u>China Guodian Corporation Ltd. and Guodian Northeast Electric Power Co., Ltd. China Energy Investment Corporation Limited absorbed and merged with China Guodian Corporation Ltd. in 2018. China Guodian Corporation Ltd. was deregistered, and China Energy Investment Corporation Limited continued to survive after the merger.</u></p> <p><u>Upon the approval by the China Securities Regulatory Commission, the Company made initial public offering of 2,464,289,000 RMB ordinary Shares on 4 December 2009, and was listed on the main board of the Hong Kong Stock Exchange on 10 December 2009.</u></p>

APPENDIX IX

**COMPARISON TABLE OF AMENDMENTS TO
ARTICLES OF ASSOCIATION AND ITS APPENDICES**

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 7	<p><u>Upon approval at the general meeting of the Company by way of special resolution and approval by the relevant authorities in the PRC, the Articles of Association came into effect from the date on which the overseas listed foreign Shares were listed and traded on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), and replaced the original Articles of Association registered and filed with the industry and commerce administration authorities.</u></p> <p>From the date of the Articles of Association becoming effective, the Articles of Association constitute a legally binding document regulating the Company’s organization and activities, and the rights and obligations between the Company and each Shareholder and among the Shareholders’ interest.</p>	Article 7	<p>The Articles of Association was approved at the general meeting of the Company by way of special resolution.</p> <p>From the date of the Articles of Association becoming effective, the Articles of Association constitute a legally binding document regulating the Company’s organization and activities, and the rights and obligations between the Company and each Shareholder and among the Shareholders’ interest.</p>
Article 8	<p>The Articles of Association are binding on the Company and its Shareholders, Directors, supervisors, general managers and other senior management members, all of whom are entitled to claim rights regarding the Company’s affairs in accordance with the Articles of Association.</p> <p>Subject to Article 218 of the Articles of Association, the Articles of Association are actionable by a Shareholder against the Company and vice versa, by the Company against Shareholders, by Shareholders against each other and by a Shareholder of the Company against the Directors, supervisors, general manager and other senior management members of the Company.</p> <p>The actions referred to in the preceding paragraph include court proceedings and arbitration proceedings.</p> <p>Other senior management members referred to in the preceding paragraph refer to deputy general managers, Chief Accountant, Secretary to the Board and other persons appointed by the Board.</p>	Article 8	<p>The Articles of Association are binding on the Company and its Shareholders, Directors, supervisors, general managers and other senior management members, all of whom are entitled to claim rights regarding the Company’s affairs in accordance with the Articles of Association.</p> <p>Subject to Article 218 257 of the Articles of Association, the Articles of Association are actionable by a Shareholder against the Company and vice versa, by the Company against Shareholders, by Shareholders against each other and by a Shareholder of the Company against the Directors, supervisors, general manager and other senior management members of the Company.</p> <p>The actions referred to in the preceding paragraph include court proceedings and arbitration proceedings.</p> <p>Other senior management members referred to in the preceding paragraph refer to deputy general managers, Chief Accountant, Secretary to the Board and other persons appointed by the Board.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 13	<p>The scope of business of the Company shall be limited to activities approved by the approving department of the Company and the industry and commercial administration authorities.</p> <p>The business scope of the Company consists of: <u>licensed business activities (nil), and general business activities including technology of renewable energies such as wind power generation, project investment management and energy-saving technology</u>; technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and patent transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs, sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, automobile parts, vehicles designated for power systems and leasing office.</p> <p>Based on the demand from domestic and international markets as well as its development capability and business requirements, the Company may be entitled to adjust its business scope.</p>	Article 13	<p>The scope of business of the Company shall be limited to activities approved by the approving department of the Company and the industry and commercial administration authorities.</p> <p>The business scope of the Company consists of: technology renovation, technical services and production maintenance of power system and electrical equipment; research, development, production and patent transfer of new technology, new equipment, new materials and new skills related to power; pollution control of power stations; <u>wind power generation, energy-saving technology and technology development for other new energy, and project investment management; import and export business</u>; leasing of power equipment; consultation services related to principal activities; host of exhibitions and fairs, sales of mechanical and electrical products, raw chemical materials and products (other than dangerous chemicals), construction materials, hardware and electric appliance, <u>general merchandise</u>, automobile parts, vehicles designated for power systems and leasing office. <u>(Market entities shall select operating projects and conduct operating activities at its discretion in accordance with the laws; for projects subject to approval pursuant to the laws, operating activities shall commence in accordance with the business scope approved upon receipt of the approval from relevant authorities; no operating activities which are prohibited or restricted by the state or local municipal industrial policies shall be engaged in.)</u></p> <p>Based on the demand from domestic and international markets as well as its development capability and business requirements, the Company may be entitled to adjust its business scope.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 20	<p>Upon establishment, the Company may issue not more than 2,464.29 million overseas listed foreign Shares (including 321.43 million Shares upon the exercise of over-allotment option), subject to the approval by the securities regulatory authority of the State Council. The state-owned Shareholders of the Company will transfer not more than 246.43 million state-owned Shares to the National Council for Social Security Fund at the time of the issuance of overseas listed foreign Shares pursuant to relevant PRC regulations in respect of the disposal of state-owned Shares.</p> <p>Upon the issuance of overseas listed foreign Shares as aforementioned (including the exercise of the over-allotment option in full), the shareholding structure of the Company shall be as follows: 4,658,498,600 Shares are held by China Energy Investment Corporation Limited, representing 62.41% of the total ordinary share capital, 95,071,400 Shares are held by Guodian Northeast Power Co., Ltd., representing 1.27% of the total ordinary share capital, 246,430,000 Shares are held by the National Council for Social Security Fund, representing 3.3% of the total ordinary share capital; 2,464,289,000 Shares are held by H Shareholders, representing 33.02% of the total ordinary share capital.</p> <p>Upon the approval by the general meeting, the domestic shareholders meeting, and the foreign shareholders Meeting with special resolution respectively and the approval by the securities regulatory authority of the State Council, the Company may additionally issue 572,100,000 overseas listed foreign Shares in December 2012 and the state-owned Shareholders of the Company will transfer 57,210,000 state-owned Shares to the National Council for Social Security Fund at the time of the issuance of overseas listed foreign Shares pursuant to relevant PRC regulations in respect of the disposal of state-owned Shares. Upon the issuance of overseas listed foreign Shares as aforementioned, the shareholding structure of the Company shall be as follows: 4,602,432,800 Shares are held by China Energy Investment Corporation Limited, representing 57.27% of the total ordinary share capital, 93,927,200 Shares are held by Guodian Northeast Power Co., Ltd., representing 1.17% of the total ordinary share capital, 303,640,000 Shares are held by the National Council for Social Security Fund, representing 3.78% of the total ordinary share capital; 3,036,389,000 Shares are held by H Shareholders, representing 37.78% of the total ordinary share capital.</p>	Article 20	<p>Upon establishment, the Company may issue not more than 2,464.29 million overseas listed foreign Shares (including 321.43 million Shares upon the exercise of over-allotment option), subject to the approval by the securities regulatory authority of the State Council. The state-owned Shareholders of the Company will transfer not more than 246.43 million state-owned Shares to the National Council for Social Security Fund at the time of the issuance of overseas listed foreign Shares pursuant to relevant PRC regulations in respect of the disposal of state-owned Shares.</p> <p>Upon the issuance of overseas listed foreign Shares as aforementioned (including the exercise of the over-allotment option in full), the shareholding structure of the Company shall be as follows: 4,658,498,600 Shares are held by China Energy Investment Corporation Limited, representing 62.41% of the total ordinary share capital, 95,071,400 Shares are held by Guodian Northeast Power Co., Ltd., representing 1.27% of the total ordinary share capital, 246,430,000 Shares are held by the National Council for Social Security Fund, representing 3.3% of the total ordinary share capital; 2,464,289,000 Shares are held by H Shareholders, representing 33.02% of the total ordinary share capital.</p> <p>Upon the approval by the general meeting, the domestic shareholders meeting, and the foreign shareholders Meeting with special resolution respectively and the approval by the securities regulatory authority of the State Council, the Company may additionally issue 572,100,000 overseas listed foreign Shares in December 2012 and the state-owned Shareholders of the Company will transfer 57,210,000 state-owned Shares to the National Council for Social Security Fund at the time of the issuance of overseas listed foreign Shares pursuant to relevant PRC regulations in respect of the disposal of state-owned Shares. Upon the issuance of overseas listed foreign Shares as aforementioned, the shareholding structure of the Company shall be as follows: 4,602,432,800 Shares are held by China Energy Investment Corporation Limited, representing 57.27% of the total ordinary share capital, 93,927,200 Shares are held by Guodian Northeast Power Co., Ltd., representing 1.17% of the total ordinary share capital, 303,640,000 Shares are held by the National Council for Social Security Fund, representing 3.78% of the total ordinary share capital; 3,036,389,000 Shares are held by H Shareholders, representing 37.78% of the total ordinary share capital.</p> <p><u>Upon the approval by the securities regulatory authorities under the State Council with [], the Company publicly issued [] A Shares. Upon the issuance of A Shares, the share capital structure of the Company is as follows: the total share capital of the Company is [] Shares, including [] A Shares and [] H Shares, accounting for [] and [] of the Company's total share capital, respectively.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 23	Upon the issuance of overseas listed foreign Shares as aforementioned (including the exercise of the over-allotment option in full), the registered capital of the Company is RMB8,036.389 million.	Article 23	<p>Upon the issuance of overseas listed foreign Shares as aforementioned (including the exercise of the over-allotment option in full), the registered capital of the Company is RMB8,036.389 million.</p> <p><u>Domestic Shares issued by the Company are under centralized depository of China Securities Depository and Clearing Corporation Limited. The overseas listed foreign Shares issued by the Company are under depository in accordance with Article 42 of the Articles of Association.</u></p>
Article 25	Unless otherwise provided by laws, administrative regulations and the <u>Hong Kong Stock Exchange</u> , Shares of the Company are freely transferable and are not subject to any lien.	Article 25	Unless otherwise provided by laws, administrative regulations and the <u>securities regulatory rules in the place where the Shares of the Company are listed</u> , Shares of the Company are freely transferable and are not subject to any lien.
Article 30	<p>The Company shall prepare a balance sheet and an inventory of assets when it reduces its registered capital.</p> <p>The Company shall notify its creditors within ten (10) days from the date of the Company's resolution on reduction of capital and shall publish an announcement in newspapers authorized by the stock exchange(s) where the Company's Shares are listed within thirty (30) days from the date of such resolution. A creditor has the right, within thirty days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty-five (45) days from the date of the announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.</p> <p>The registered share capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.</p>	Article 30	<p>The Company shall prepare a balance sheet and an inventory of assets when it reduces its registered capital.</p> <p>The Company shall notify its creditors within ten (10) days from the date of the Company's resolution on reduction of capital and shall publish an announcement in newspapers authorized by the stock exchange(s) where the Company's Shares are listed within thirty (30) days from the date of such resolution. A creditor has the right, within thirty days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty-five (45) days from the date of the <u>first</u> announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.</p> <p>The registered share capital of the Company following the reduction of capital shall not fall below the minimum statutory requirement.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 54	<p>The ordinary Shareholders of the Company shall be entitled to the following rights:</p> <ol style="list-style-type: none"> (1) the right to dividends and other distributions in proportion to the number of Shares held; (2) the right to attend or appoint a proxy to attend general meetings and to exercise the voting right thereat in accordance with the laws; (3) the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries; (4) the right to transfer Shares in accordance with the laws, administrative regulations and provisions of the Articles of Association; (5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including: <ol style="list-style-type: none"> (i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy; (ii) the right to inspect and copy, subject to payment of a reasonable charge: <ol style="list-style-type: none"> 1. the register of all Shareholders; 2. personal particulars of each of the Company's Directors, Supervisors, general managers and other senior management members including: <ol style="list-style-type: none"> (a) present name and alias and any former name and alias; (b) principal address (residence); (c) nationality; (d) primary and all other part-time occupations; (e) identification document and its number. 	Article 54	<p>The ordinary Shareholders of the Company shall be entitled to the following rights:</p> <ol style="list-style-type: none"> (1) the right to dividends and other distributions in proportion to the number of Shares held; (2) the right to attend or appoint a proxy to attend general meetings and to exercise the voting right thereat in accordance with the laws; (3) the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries; (4) the right to transfer, bestow or pledge Shares held by them in accordance with the laws, administrative regulations and provisions of the Articles of Association; (5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including: <ol style="list-style-type: none"> (i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy; (ii) the right to inspect and copy, subject to payment of a reasonable charge: <ol style="list-style-type: none"> 1. the register of all Shareholders; 2. personal particulars of each of the Company's Directors, Supervisors, general managers and other senior management members including: <ol style="list-style-type: none"> (a) present name and alias and any former name and alias; (b) principal address (residence); (c) nationality; (d) primary and all other part-time occupations; (e) identification document and its number.

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
	<p>(iii) the state of the Company's share capital;</p> <p>(iv) the latest audited financial statements and the reports of the Board, auditors and the supervisory board;</p> <p><u>(v) the special resolution of the Company;</u></p> <p>(vi) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;</p> <p>(vii) a copy of the latest annual review report, which shall be submitted to the State Administration for Industry and Commerce of the PRC or other authorities for inspection; and</p> <p>(viii) minutes of general meetings.</p> <p>The Company shall lodge documents (i) to <u>(vii)</u> aforementioned and any other applicable documents with the Company's Hong Kong address under the requirements of the listing rules, for the purpose of inspection by the public and holders of overseas-listed foreign Shares free of charge.</p> <p>Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding provision shall provide to the Company written documents evidencing the class and number of Shares of the Company they hold. Upon verification of the Shareholder's identity, the Company shall provide such information at the Shareholder's request.</p> <p>(6) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held; and</p> <p>(7) other rights conferred by laws, administrative regulations and the Articles of Association.</p>		<p>(iii) the state of the Company's share capital;</p> <p>(iv) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;</p> <p>(v) minutes of general meetings</p> <p>(vi) the latest audited financial statements and the reports of the Board, auditors and the supervisory board;</p> <p><u>(vii) resolutions of the general meetings, Board meetings and meetings of the supervisory board of the Company; and</u></p> <p>(viii) a copy of the latest annual review report, which shall be submitted to the State Administration for Industry and Commerce of the PRC or other authorities for inspection</p> <p>The Company shall lodge documents (i) to <u>(viii)</u> aforementioned and any other applicable documents with the Company's Hong Kong address under the requirements of the listing rules, for the purpose of inspection by the public and holders of overseas-listed foreign Shares free of charge.</p> <p>Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding provision shall provide to the Company written documents evidencing the class and number of Shares of the Company they hold. Upon verification of the Shareholder's identity, the Company shall provide such information at the Shareholder's request.</p> <p>(6) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held;</p> <p><u>(7) the right to acquire Shares held by Shareholders (upon their request) who vote against any resolution proposed in any general meeting on the merger or division of the Company; and</u></p> <p>(8) other rights conferred by laws, administrative regulations, <u>regulatory rules in the place where the Shares of the Company are listed</u> and the Articles of Association.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 59	<p>In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which Shares of the Company are listed, a controlling Shareholder (as defined in the following provision) shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or some of the Shareholders of the Company:</p> <p>(1) to relieve a Director or supervisor of his duty to act honestly in the best interests of the Company;</p> <p>(2) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company’s assets, including (without limitation) opportunities beneficial to the Company;</p> <p>(3) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (without limitation) rights to distributions and voting rights save for a company restructuring submitted to the general meeting for approval in accordance with the Articles of Association.</p> <p>The controlling Shareholder and the de facto controller of the Company shall not use their connected relationship to act in detriment to the interests of the Company. If they have violated the provision and caused damage to the Company, they shall be liable for such damages.</p> <p>The controlling Shareholder and the de facto controller of the Company shall have fiduciary duties towards the Company and its public Shareholders. The controlling Shareholder shall exercise its rights as a contributor in strict compliance with the laws. The controlling Shareholder shall not take advantage of profit distribution, asset restructuring, foreign investment, possession of capital, lending and provision of guarantees to the detriment of the statutory interests of the Company and public Shareholders and shall not make use of its controlling status against the interests of the Company and public Shareholders.</p>	Article 59	<p>In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchange on which Shares of the Company are listed, a controlling Shareholder (as defined in the following provision) shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or some of the Shareholders of the Company:</p> <p>(1) to relieve a Director or supervisor of his duty to act honestly in the best interests of the Company;</p> <p>(2) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company’s assets, including (without limitation) opportunities beneficial to the Company;</p> <p>(3) to approve the expropriation by a Director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (without limitation) rights to distributions and voting rights save for a company restructuring submitted to the general meeting for approval in accordance with the Articles of Association.</p> <p>The controlling Shareholder and the de facto controller of the Company shall not use their connected relationship to act in detriment to the interests of the Company. If they have violated the provision and caused damage to the Company, they shall be liable for such damages.</p> <p><u>If a Shareholder holding 5% or more voting rights of the Company pledges his/her shares, he/she should report to the Company in writing on the day of such occurrence.</u></p> <p>The controlling Shareholder and the de facto controller of the Company shall have fiduciary duties towards the Company and its public Shareholders. The controlling Shareholder shall exercise its rights as a contributor in strict compliance with the laws. The controlling Shareholder shall not take advantage of profit distribution, asset restructuring, foreign investment, possession of capital, lending and provision of guarantees to the detriment of the statutory interests of the Company and public Shareholders and shall not make use of its controlling status against the interests of the Company and public Shareholders.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 62	<p>The general meeting may exercise the following functions and powers:</p> <p>(1) to decide on the operating policies and investment plans of the Company;</p> <p>(2) to elect and remove Directors (not being staff representatives) and to fix the remuneration of the relevant Directors;</p> <p>(3) to elect and remove supervisors (not being staff representatives), and to fix the remuneration of the relevant supervisors;</p> <p>(4) to consider and approve the reports of the Board;</p> <p>(5) to consider and approve the reports of the supervisory board;</p> <p>(6) to consider and approve the proposed annual financial budgets and final accounts of the Company;</p> <p>(7) to consider and approve the profit distribution plans and loss recovery plans of the Company;</p> <p>(8) to adopt resolutions on any increase or reduction of registered capital of the Company;</p> <p>(9) to adopt resolutions on matters such as merger, division, dissolution, liquidation or conversion of corporate form of the Company;</p> <p>(10) to adopt resolutions on the issue of bonds or other securities and listing plans of the Company;</p> <p>(11) to adopt resolutions on the appointments, dismissals or non-reappointments of accounting firms;</p> <p>(12) to amend the Articles of Association;</p>	Article 62	<p>The general meeting may exercise the following functions and powers:</p> <p>(1) to decide on the operating policies and investment plans of the Company;</p> <p>(2) to elect and remove Directors (not being staff representatives) and to fix the remuneration of the relevant Directors;</p> <p>(3) to elect and remove supervisors (not being staff representatives), and to fix the remuneration of the relevant supervisors;</p> <p>(4) to consider and approve the reports of the Board;</p> <p>(5) to consider and approve the reports of the supervisory board;</p> <p>(6) to consider and approve the proposed annual financial budgets and final accounts of the Company;</p> <p>(7) to consider and approve the profit distribution plans and loss recovery plans of the Company;</p> <p>(8) to adopt resolutions on any increase or reduction of registered capital of the Company;</p> <p>(9) to adopt resolutions on matters such as merger, division, dissolution, liquidation or conversion of corporate form of the Company;</p> <p>(10) to adopt resolutions on the issue of bonds or other securities and listing plans of the Company;</p> <p>(11) to adopt resolutions on the appointments, dismissals or non-reappointments of accounting firms;</p> <p>(12) to amend the Articles of Association;</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
	<p>(13) to consider and approve matters relating to external guarantees under <u>laws and regulations</u>;</p> <p>(14) to consider and approve matters relating to the purchases and disposals of the Company’s material assets which exceed 10% of the Company’s latest audited total assets within one (1) year;</p> <p>(15) to consider and approve the equity incentive plans;</p> <p>(16) to consider the proposals submitted by Shareholders holding 3% or more of the Company’s voting Shares;</p> <p>(17) other matters required by laws, administrative regulations, and the Articles of Association to be resolved by the general meeting.</p> <p>General meeting may authorize or engage the Board to attend to matters authorized or engaged by the general meeting under the condition that the laws, regulations and listing rules of the places of listing of the Company will not be contravened.</p>		<p>(13) to consider and approve matters relating to external guarantees under <u>the Article 63 of the Articles of Association</u>;</p> <p>(14) to consider and approve matters relating to the purchases and disposals of the Company’s material assets which exceed 10% of the Company’s latest audited total assets within one (1) year;</p> <p><u>(15) to consider and approve the changes in the use of proceeds;</u></p> <p>(16) to consider and approve the equity incentive plans;</p> <p>(17) to consider the proposals submitted by Shareholders holding 3% or more of the Company’s voting Shares;</p> <p><u>(18) to consider other matters required by the regulatory rules of the place where the Shares of the Company are listed to be resolved by the general meeting;</u></p> <p>(19) other matters required by laws, administrative regulations, and the Articles of Association to be resolved by the general meeting.</p> <p>General meeting may authorize or engage the Board to attend to matters authorized or engaged by the general meeting under the condition that the laws, regulations and listing rules of the places of listing of the Company will not be contravened.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 63	<p><u>The following external guarantees by the Company are subject to consideration and approval of the general meeting:</u></p> <ol style="list-style-type: none"> <u>(1) any guarantee provided by the Company and its controlled subsidiaries after the total amount of external guarantees meets or exceeds 50% of the latest audited net assets;</u> <u>(2) any guarantee provided after the total amount of the Company's external guarantees meets or exceeds 30% of the latest audited total assets;</u> <u>(3) guarantees provided for the target of guarantees with asset-liability ratio exceeding 70%;</u> <u>(4) a single guarantee exceeding 10% of the latest audited net assets;</u> <u>(5) guarantees provided to Shareholders, de facto controllers and their related parties;</u> <u>(6) other guarantees required to be considered and approved by the general meeting as stipulated by the listing rules and the stock exchange of the place in which the Company's Shares are listed or by the Company's Articles of Association.</u> <p><u>When the general meeting considers the resolution in relation to the provision of guarantees to the Shareholders, the de facto controller and their related parties, such Shareholders or the Shareholders controlled by the de facto controller shall refrain from the voting, and this voting shall be passed by more than half of the voting rights represented by other Shareholders present at the general meeting.</u></p> <p><u>External guarantees other than above shall be reviewed and approved by the Board under authorisation, but shall be reviewed, agreed and resolved by more than two-thirds of the Directors present at the meeting of the Board and passed by more than half of all Directors of the Company.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 64	<p>General meetings of Shareholders shall be annual general meetings and extraordinary general meetings. A general meeting shall be convened by the Board. The annual general meeting shall be held once every year within six months after the end of the previous accounting year.</p> <p>The Board shall hold an extraordinary general meeting within two months upon the occurrence of one of the following circumstances:</p> <ol style="list-style-type: none"> (1) the number of Directors is less than the number required by the Company Law or less than two-thirds of the number required by the Articles of Association; (2) the uncovered losses are in excess of one third of the Company's total share capital; (3) Shareholders individually or jointly holding 10% or more of the Company's issued Shares with voting rights request in writing to hold an extraordinary general meeting; (4) the Board considers it necessary or the supervisory board proposes to hold such a meeting; or one half or more of the independent Directors propose to hold such a meeting. 	Article 65	<p>General meetings of Shareholders shall be annual general meetings and extraordinary general meetings. A general meeting shall be convened by the Board. The annual general meeting shall be held once every year within six months after the end of the previous accounting year.</p> <p>The Board shall hold an extraordinary general meeting within two months upon the occurrence of one of the following circumstances:</p> <ol style="list-style-type: none"> (1) the number of Directors is less than the number required by the Company Law or less than two-thirds of the number required by the Articles of Association; (2) the uncovered losses are in excess of one third of the Company's total share capital; (3) Shareholders individually or jointly holding 10% or more of the Company's issued Shares with voting rights request in writing to hold an extraordinary general meeting; (4) the Board considers it necessary or the supervisory board proposes to hold such a meeting; or one half or more of the independent Directors propose to hold such a meeting.
Article 66	<p>A twenty (20) days' prior written notice for convening the annual general meeting shall be given; a fifteen (15) days' prior written notice for convening the extraordinary general meeting shall be given. Where the relevant rules otherwise stipulated by the regulatory authorities and the stock exchange of where the Company's Shares are listed, such provisions shall prevail.</p> <p>When calculating the time limit, the date of convening the meeting shall not be included.</p> <p>For the purpose of the notice to be issued under this article, the issuance date thereof shall be the date on which the notice has been delivered to the postal office for posting by the Company or the share registrar appointed by the Company.</p>	Article 67	<p>An at least twenty (20) clear business days' prior written notice for convening the annual general meeting shall be given; a fifteen (15) days' or at least ten (10) business days' (whichever is longer) prior written notice for convening the extraordinary general meeting shall be given. Where the relevant rules of the regulatory authorities and the stock exchange of the place where the Company's Shares are listed provide otherwise for that, such provisions shall prevail.</p> <p>When calculating the time limit, the date of convening the meeting and the date of issuing the notice of the meeting shall not be included.</p> <p>For the purpose of the notice to be issued under this article, the issuance date thereof shall be the date on which the notice has been delivered to the postal office for posting by the Company or the share registrar appointed by the Company.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 67	<p>In the event the Company convenes an annual general meeting, the Shareholders holding an aggregate of 3% or more of the Company’s Shares with voting rights are entitled to propose ad hoc motions in writing to the Company. The Company incorporates any matters under such motions which fall within the scopes of the duties and functions of the general meeting into the agenda of the meeting.</p> <p>The ad hoc motions by Shareholders shall be subject to the following requirements:</p> <ol style="list-style-type: none"> (1) the contents shall not contravene with the requirements of the laws and regulations and shall fall within the duties and functions of general meetings; (2) with definite topics to discuss and specific matters to resolve; and (3) shall be proposed ten (10) days prior to the convening of the general meeting and be submitted or delivered in writing to the Board. 	Article 68	<p>In the event the Company convenes a general meeting, the Shareholders individually or jointly holding an aggregate of 3% or more of the Company’s Shares with voting rights are entitled to propose ad hoc motions in writing to the Company. The Company incorporates any matters under such motions which fall within the scopes of the duties and functions of the general meeting into the agenda of the meeting.</p> <p><u>Unless otherwise provided in the preceding paragraph, the convenor may not amend the motions set out in the notice of the general meeting, or add new motions after issuing an announcement on the notice of the general meeting.</u></p> <p>The ad hoc motions proposed by Shareholders shall be subject to the following requirements:</p> <ol style="list-style-type: none"> (1) the contents shall not contravene with the requirements of the laws and regulations and shall fall within the scopes of operation and the scopes of the duties and functions of general meetings of the Company; (2) with definite topics to discuss and specific matters to resolve; and (3) shall be proposed ten (10) days prior to the convening of the general meeting and be submitted or delivered in writing to the Board.

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 69	<p>A notice of general meeting shall meet the following requirements:</p> <ol style="list-style-type: none"> (1) it shall be in written form; (2) it shall specify the place, date and time of the meeting; (3) it shall state the matters to be discussed at the meeting; (4) it shall state the date of registration of equity entitlements for Shareholders having the right to attend the general meeting; (5) it shall provide Shareholders with such information and explanation as are necessary for them to make informed decisions in connection with the matters to be discussed. This principle shall include (but not be limited to) where the Company proposes to merge, repurchase its Shares, restructure share capital or undergo other reorganization. The specific conditions and contracts (if any) of the proposed transactions must be provided and the reasons and effects of the same must be properly explained; (6) if any Director, supervisor, general manager and other senior management members have material interests in the matters subject to discussion, the nature and extent of such material interests shall be disclosed, and if the effect of the proposed matters on such Director, supervisor, general manager and other senior management members in their capacity as Shareholders is different from that of other Shareholders of the same class, the differences shall also be specified; (7) it shall set out the full text of the special resolutions proposed for approval at the meeting; (8) it shall contain a clear statement that a Shareholder who has the right to attend and vote at the meeting shall have the right to appoint one or more proxies to attend and vote at the meeting on his behalf and that such proxies need not be Shareholders; and 	Article 70	<p>A notice of general meeting shall meet the following requirements:</p> <ol style="list-style-type: none"> (1) it shall be in written form; (2) it shall specify the place, date and time of the meeting; (3) it shall state the matters to be discussed at the meeting; (4) it shall state the date of registration of equity entitlements for Shareholders having the right to attend the general meeting; (5) it shall provide Shareholders with such information and explanation as are necessary for them to make informed decisions in connection with the matters to be discussed. This principle shall include (but not be limited to) where the Company proposes to merge, repurchase its Shares, restructure share capital or undergo other reorganization. The specific conditions and contracts (if any) of the proposed transactions must be provided and the reasons and effects of the same must be properly explained; (6) if any Director, supervisor, general manager and other senior management members have material interests in the matters subject to discussion, the nature and extent of such material interests shall be disclosed, and if the effect of the proposed matters on such Director, supervisor, general manager and other senior management members in their capacity as Shareholders is different from that of other Shareholders of the same class, the differences shall also be specified; (7) it shall set out the full text of the special resolutions proposed for approval at the meeting; (8) it shall contain a clear statement that a Shareholder who has the right to attend and vote at the meeting shall have the right to appoint one or more proxies to attend and vote at the meeting on his behalf and that such proxies need not be Shareholders;

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
	<p>(9) it shall state the date and place for the service of the proxy forms for the meeting; the names and contact telephone numbers of the contact persons in connection with the meeting.</p>		<p>(9) it shall state the date and place for the service of the proxy forms for the meeting; and</p> <p>(10) it shall state the names and contact telephone numbers of the contact persons in connection with the meeting.</p> <p><u>The notice and supplementary notice of a general meeting shall adequately and completely disclose the specific contents of all proposals. Where the opinions of the independent Directors are required on the issues to be discussed, such opinions and reasons thereof shall be disclosed when the notice or supplementary notice of the general meeting is served.</u></p> <p><u>The period between the date of registration of equity and the date of the meeting shall be no more than seven (7) working days. Once the date of registration of equity is confirmed, it shall not be changed.</u></p>
		Article 71	<p><u>If the election of Directors or supervisors is proposed to be discussed at a general meeting, the notice of the meeting shall adequately specify the detailed information on the Director or supervisor candidates, which shall at least include:</u></p> <p>(1) <u>personal information including educational background, work experience and other positions undertaken on a part-time basis;</u></p> <p>(2) <u>whether the candidates are connected with the Company, its controlling Shareholders or de facto controllers;</u></p> <p>(3) <u>disclosing the candidates' shareholdings in the Company;</u></p> <p>(4) <u>whether the candidates have been subject to any punishment by the securities regulatory authority under the State Council or other relevant departments or to any sanction by any stock exchange;</u></p> <p>(5) <u>other matters required to be disclosed under the listing rules of the place where the Shares of the Company are listed.</u></p> <p><u>In addition to the adoption of the cumulative voting mechanism to elect Directors and supervisors, each candidate for Directors or supervisors shall be proposed in a separate proposal.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 73	<p>The instrument appointing a proxy shall be in writing under the hand of the appointing Shareholder or his attorney duly authorized in writing; where the appointing Shareholder is a legal person, such instrument shall be under its seal or under the hand of its Director or attorney duly authorized. The instrument appointing a proxy shall state <u>the number of Shares in respect of which the proxy is given. If more than one (1) person are appointed as proxies, the instrument shall state the number of Shares in respect of which the proxy is given to each such person.</u></p>	Article 75	<p>The instrument appointing a proxy shall be in writing under the hand of the appointing Shareholder or his attorney duly authorized in writing; where the appointing Shareholder is a legal person, such instrument shall be under its seal or under the hand of its Director or attorney duly authorized. The instrument appointing a proxy shall state <u>the following:</u></p> <ol style="list-style-type: none"> <li data-bbox="922 570 1394 634">(1) <u>the name of the appointing Shareholder and the name of the proxy;</u> <li data-bbox="922 676 1394 846">(2) <u>the number of Shares in respect of which the proxy is given (if more than one (1) person are appointed as proxies, the instrument shall state the number of Shares in respect of which the proxy is given to each such person);</u> <li data-bbox="922 889 1241 915">(3) <u>whether the proxy has voting rights;</u> <li data-bbox="922 957 1394 1053">(4) <u>the instructions on whether to vote for or against or abstain from voting on each matter included in the agenda of the general meeting;</u> <li data-bbox="922 1095 1394 1223">(5) <u>whether the proxy has voting rights in respect of the ad hoc motions as might be included in the agenda of the general meeting, and, if yes, the specific instructions on how to exercise the voting rights;</u> <li data-bbox="922 1266 1385 1291">(6) <u>the date of issue and effective period of the instrument;</u> <li data-bbox="922 1334 1343 1359">(7) <u>signature (or seal) of the appointing Shareholder;</u> <li data-bbox="922 1402 1394 1470">(8) <u>other requirements of regulatory rules of the place in which the Company's Shares are listed.</u>
		Article 79	<p><u>The Company shall be responsible for compiling the attendee register which shall include, among others, the name of attendee (or name of relevant unit), ID number, domicile, the number of voting Shares that he/she holds or represents, and name of the person (or name of relevant unit) who attends the meeting by proxy.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 80	<u>The convener and the lawyer appointed by the Company shall examine legality of the Shareholders' qualifications according to the register of Shareholders provided by the securities registrations and clearing organizations. The names (titles) of Shareholders and the number of voting Shares shall be registered. The registration at the meeting shall terminate before the chairman of the meeting announces the number of Shareholders and proxies attending the meeting in person and the total number of voting Shares held.</u>
		Article 82	<u>The Company formulates the Rules of Procedures for General Meetings, specifying in details the procedures for convening and voting at the general meeting, including notification, registration, reviewing, voting, counting of votes of proposals, announcement of voting results, formation of meeting resolutions, minutes of meeting and signing and announcement thereof, as well as principle for the authorization granted to the Board by the general meeting, and the authorization shall be clear and specific. The Rules of Procedures for General Meetings shall be appended to the Articles of Association, and shall be formulated by the Board and approved by the general meeting.</u>
		Article 83	<u>At the annual general meeting, the Board and the supervisory board shall report their work for the past year to the general meeting. Each independent Director shall also present a work report.</u>
		Article 84	<u>Directors, supervisors and senior management shall provide explanations regarding and answer the enquiries and suggestions from Shareholders at the general meeting.</u>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 80	<p>Shareholders (including proxies) shall exercise their voting rights at a general meeting according to the number of voting Shares they represent, with one vote for each share.</p> <p>Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting Shares represented by Shareholders present at a general meeting.</p> <p>When connected transactions are being considered at a general meeting, the connected Shareholders shall abstain from voting (as required by the listing rules of the stock exchange on which the Company’s Shares are listed, if applicable), and the number of voting Shares held by them shall not be counted in the total number of valid votes.</p> <p>Pursuant to applicable laws and regulations as well as the listing rules of the stock exchange on which the Company’s Shares are listed, where any Shareholder is required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.</p>	Article 87	<p>Shareholders (including proxies) shall exercise their voting rights at a general meeting according to the number of voting Shares they represent, with one vote for each share.</p> <p><u>When material matters affecting the interests of small and medium investors are being considered at a general meeting, votes of small and medium investors shall be counted separately. The results of the separate vote count shall be disclosed publicly in a timely manner.</u></p> <p>Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting Shares represented by Shareholders present at a general meeting.</p> <p><u>The Board of the Company, the independent Directors and Shareholders who meet the relevant requirements can publicly solicit voting rights of Shareholders. In soliciting voting rights of Shareholders, information such as specific voting intention shall be sufficiently disclosed to the Shareholders from whom voting rights are being solicited. Solicitation of voting rights at any consideration, whether in direct or indirect form, is prohibited. The Company may not propose any minimum shareholding restriction on the solicitation of voting rights.</u></p> <p>When connected transactions are being considered at a general meeting, the connected Shareholders shall abstain from voting (as required by the listing rules of the stock exchange on which the Company’s Shares are listed, if applicable), and the number of voting Shares held by them shall not be counted in the total number of valid votes. <u>The announcement on the resolutions of the general meeting shall fully disclose the voting of the Shareholders who are not connected parties.</u></p> <p>Pursuant to applicable laws and regulations as well as the listing rules of the stock exchange on which the Company’s Shares are listed, where any Shareholder is required to abstain from voting on any particular resolution or restricted to voting only for (or only against) any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.</p>
		Article 88	<p><u>Provided that a general meeting is legally and validly held, the Company shall facilitate the participation of Shareholders in the general meeting by giving priority to online voting platform and other modern information technology means through a variety of ways and methods.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 86	<p>The following matters shall be resolved by ordinary resolutions at general meetings:</p> <ol style="list-style-type: none"> (1) work reports of the Board and the supervisory board; (2) plans formulated by the Board for distribution of profits and for making up losses; (3) the election and removal of members of the Board and the Shareholder representative supervisors and their remuneration and payment methods; (4) the Company's annual financial budgets and final accounts, balance sheets, income statements and other financial statements; <p>Matters other than these required by the laws, administrative regulations, the listing rules of the stock exchange on which the Company's Shares are listed or by the Articles of Association to be adopted by special resolutions.</p>	Article 94	<p>The following matters shall be resolved by ordinary resolutions at general meetings:</p> <ol style="list-style-type: none"> (1) work reports of the Board and the supervisory board; (2) plans formulated by the Board for distribution of profits and for making up losses; (3) the election and removal of members of the Board and the Shareholder representative supervisors and their remuneration and payment methods; (4) the Company's annual financial budgets and final accounts, balance sheets, income statements and other financial statements; (5) <u>the Company's annual report; and</u> <p>Matters other than these required by the laws, administrative regulations, the listing rules of the stock exchange on which the Company's Shares are listed or by the Articles of Association to be adopted by special resolutions.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 87	<p>The following matters shall be resolved by special resolutions at general meetings:</p> <p>(1) increase or reduction of the share capital, repurchase of the Company's Shares and issue of Shares of any class, stock warrants or other similar securities;</p> <p>(2) issuance of corporate bonds;</p> <p>(3) the division, merger, dissolution, liquidation or change of corporate forms of the Company;</p> <p>(4) amendments to the Articles of Association; and</p> <p>(5) any other matters considered and approved at a general meeting, by way of an ordinary resolution, to have a substantial impact on the Company and subject to approval by a special resolution.</p>	Article 95	<p>The following matters shall be resolved by special resolutions at general meetings:</p> <p>(1) increase or reduction of the share capital, repurchase of the Company's Shares and issue of Shares of any class, stock warrants or other similar securities;</p> <p>(2) issuance of corporate bonds;</p> <p>(3) the division, merger, dissolution, liquidation or change of corporate forms of the Company;</p> <p>(4) amendments to the Articles of Association;</p> <p>(5) <u>the purchase and disposal of the Company's material assets or the amount of guarantee which exceed 30% of the Company's latest audited total assets within one (1) year;</u></p> <p>(6) <u>equity incentive plans; and</u></p> <p>(7) any other matters <u>required by laws, administrative regulations, the listing rules of the place where the Shares of the Company are listed or the Articles of Association to be passed by a special resolution and</u> considered and approved at a general meeting, by way of an ordinary resolution, to have a substantial impact on the Company and subject to approval by a special resolution.</p>
		Article 96	<p><u>Regarding the proposal of the independent Director(s) to convene an extraordinary general meeting, the Board shall, according to provisions of the laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting within ten (10) days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five (5) days after the resolution is made by the Board. If the Board does not agree to hold the extraordinary general meeting, it shall give the reasons and make an announcement in respect thereof.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 97	<p><u>The supervisory board shall have the right to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, according to provisions of the laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting within ten (10) days after receipt of the proposal.</u></p> <p><u>If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five (5) days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of the supervisory board is required.</u></p> <p><u>If the Board does not agree to hold the extraordinary general meeting or fails to give a written reply within ten (10) days after receipt of the proposal, it shall be deemed as unable to perform or failing to perform the duty of convening the general meeting, and the supervisory board may convene and preside over the meeting by itself.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 88	<p>When requesting the convening of an extraordinary general meeting or a Class Meeting, Shareholders or the supervisory board shall comply with the following procedures:</p> <p>(1) Two (2) or more Shareholders individually or jointly holding 10% or more of the Shares carrying the right to vote at the forthcoming meeting, or the supervisory board shall sign one (1) or more written requests of the same form stating the object of the meeting and demanding that the Board convene an extraordinary general meeting or a Class Meeting thereof. The Board shall, following the receipt of such written requests, convene the extraordinary general meeting or a Class Meeting as soon as practicable. The above-mentioned number of Shares held shall be calculated as at the date when the written request was put forward by the Shareholders.</p> <p>(2) In the event that the Board fails to issue a notice to convene a meeting within thirty (30) days from the date of receipt of such request, Shareholder(s) individually or jointly holding 10% or more of the Shares carrying the right to vote at the forthcoming meeting shall be entitled to propose to the supervisory board in writing for the purpose of convening an extraordinary general meeting or a Class Meeting. The supervisory board may convene such meeting on its own within four (4) months upon receipt of such request by the Board; if the supervisory board does not convene and chair such meeting, Shareholder(s) individually or jointly holding 10% or more of the Company’s Shares carrying the right to vote for more than consecutive ninety (90) days may convene such meeting on their own and in which case, the procedures for convening such meeting should follow those provided for convening a general meeting by the Board as closely as practicable.</p> <p>In the event that Shareholders or the supervisory board convene, a meeting due to the failure by the Board to duly convene the same upon the above requests, all reasonable expenses so incurred shall be borne by the Company, by deducting from such sums owed by the Company to the Director who is in breach of his duty.</p>	Article 98	<p>When requesting the convening of an extraordinary general meeting or a Class Meeting, Shareholders shall comply with the following procedures:</p> <p>(1) Two (2) or more Shareholders individually or jointly holding 10% or more of the Shares carrying the right to vote at the forthcoming meeting, shall sign one (1) or more written requests of the same form stating the object of the meeting and demanding that the Board convene an extraordinary general meeting or a Class Meeting thereof. The Board shall furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting or a Class Meeting within ten (10) days following the receipt of such written requests pursuant to the provisions of laws, administrative regulations and the Articles of Association.</p> <p><u>In the event that the Board agrees to convene a general meeting or a Class Meeting, it shall issue the notice of the general meeting or the Class Meeting within five (5) days after making the resolution of the Board. If there is any change to the original requests in the notice, it shall be approved by the relevant Shareholders.</u></p> <p>(2) In the event that the Board disagrees to convene a general meeting or a Class Meeting, or fails to furnish any reply within ten (10) days from the date of receipt of such request, Shareholder(s) individually or jointly holding 10% or more of the Shares carrying the right to vote at the forthcoming meeting shall be entitled to propose to the supervisory board in writing for the purpose of convening an extraordinary general meeting or a Class Meeting.</p> <p><u>In the event that the supervisory board agrees to convene a general meeting or a Class Meeting, it shall issue the notice of the general meeting or the Class Meeting within five (5) days from the date of receipt of such request. If there is any change to the original proposals in the notice, it shall be approved by the relevant Shareholders.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
	Save for the trade secrets of the Company, the Board and the supervisory board shall reply to or explain on enquiries and advice from the Shareholders at general meetings.		<p><u>In the event that no notice of the general meeting or the Class Meeting is issued by the supervisory board within the stipulated period, the supervisory board is deemed not to convene and chair the general meeting or the Class Meeting, in which case the Shareholder(s) individually or jointly holding 10% or more of the Company's Shares for more than consecutive ninety (90) days may convene and chair such meeting on their own.</u></p> <p>In the event that Shareholders or the supervisory board convene a meeting due to the failure by the Board to duly convene the same upon the above requests, all reasonable expenses so incurred shall be borne by the Company, by deducting from such sums owed by the Company to the Director who is in breach of his duty.</p> <p>Save for the trade secrets of the Company, the Board and the supervisory board shall reply to or explain on enquiries and advice from the Shareholders at general meetings.</p>
		Article 99	<p><u>In the event that the supervisory board or Shareholders decide to convene the general meeting on its/their own, it/ they shall send a written notice to the Board, and at the same time file the notice with the local branch of the CSRC and the stock exchange of the place where the Company is located.</u></p> <p><u>Before the resolutions of general meeting are announced, the shareholding proportion of the convening Shareholders should not be less than 10%.</u></p> <p><u>When issuing the notice of the general meeting and the announcement of resolutions of the general meeting, the supervisory board and convening Shareholders shall submit relevant supporting materials to the local branch of the CSRC and the stock exchange of the place where the Company is located.</u></p>
		Article 100	<p><u>In the event that the supervisory board or Shareholders convene a general meeting on its/their own, the Board and the Secretary to the Board shall assist. The Board shall provide the register of Shareholders as at the equity registration date.</u></p> <p><u>In the event that the supervisory board or Shareholders convene a general meeting on its/their own, all necessary expenses arising therefrom shall be borne by the Company.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 89	<p>A general meeting shall be convened and presided over by the Chairman of the Board; where the Chairman of the Board fails to attend the meeting, Vice Chairman of the Board shall convene and preside over the meeting; where both of Chairman of the Board and Vice Chairman of the Board fail to attend the meeting, one Director of the Company designated by the Board shall convene and preside over the meeting; where the Board fails to designate the Director to preside over the meeting, one person shall be elected by the Shareholders present to preside over the meeting; where the Shareholders fail to elect such person, the Shareholder (including the proxy) who holds the Shares carrying the most voting rights shall preside over the meeting.</p>	Article 101	<p>A general meeting shall be convened and presided over by the Chairman of the Board; where the Chairman of the Board fails to attend the meeting, Vice Chairman of the Board (<u>Vice Chairman of the Board jointly elected by more than half of the Directors if the Company has two or more Vice Chairmen of the Board</u>) shall convene and preside over the meeting; where both of Chairman of the Board and Vice Chairman of the Board fail to attend the meeting, one Director of the Company designated by the Board shall convene and preside over the meeting; where the Board fails to designate the Director to preside over the meeting, one person shall be elected by the Shareholders present to preside over the meeting; where the Shareholders fail to elect such person, the Shareholder (including the proxy) who holds the Shares carrying the most voting rights shall preside over the meeting.</p> <p><u>A general meeting convened by the supervisory board on its own shall be presided over by the chairman of the supervisory board. In the event that the chairman of the supervisory board is unable or fails to perform the duty thereof, more than half of the supervisors shall elect a supervisor to preside over the meeting.</u></p> <p><u>A general meeting convened by Shareholders on their own shall be presided over by a representative recommended by the convener.</u></p> <p><u>Where the chairman of the meeting violates the rules of procedure during the general meeting and renders it impossible for the general meeting to continue, a person may be elected at the general meeting to act as the chairman of the meeting to proceed with the meeting, subject to the approval of more than half of Shareholders carrying voting rights present at the meeting.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 102	<p><u>The general meeting shall be recorded in minutes, for which the Secretary to the Board shall be responsible. The minutes of meeting shall cover the following:</u></p> <ol style="list-style-type: none"> <u>(1) the date, place and agenda of the meeting, and the name or title of the convener;</u> <u>(2) the name of the chairman of the meeting, and the Directors, supervisors, general managers and other senior management attending or present at the meeting;</u> <u>(3) the number of Shareholders or their proxies attending the meeting, the total number of voting Shares held them, and its proportion to the total number of Shares of the Company;</u> <u>(4) the process of consideration, highlights of speeches and the voting results in respect of each proposal;</u> <u>(5) details of the inquiries or suggestions of Shareholders, and the corresponding response or explanations;</u> <u>(6) the name(s) of the lawyer(s), vote counter(s) and scrutineer(s);</u> <u>(7) other contents that shall be recorded in the minutes of the meeting in accordance with the Articles of Association.</u> <p><u>The attending Directors, supervisors, Secretary to the Board, convener or its representative, and the chairman of the meeting shall sign the minutes of the meeting.</u></p>
Article 92	<p>In the event that the votes are counted at the general meeting, the counting results shall be recorded in the minutes of the meeting.</p> <p>The minutes of the meeting together with the attendance book for Shareholders' signing and the proxy forms for proxies attending the meeting shall be kept at the domicile of the Company. The abovementioned minutes of the meeting, the attendance book and the proxy forms for proxies shall not be destroyed within ten (10) years.</p>	Article 105	<p>In the event that the votes are counted at the general meeting, the counting results shall be recorded in the minutes of the meeting.</p> <p>The minutes of the meeting together with the attendance book for Shareholders' signing and the proxy forms for proxies attending the meeting, and the valid information of online voting and other means of voting shall be kept at the domicile of the Company. The abovementioned minutes of the meeting, the attendance book and the proxy forms for proxies shall not be destroyed within ten (10) years.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 107	<p><u>The list of candidates for Directors and supervisors shall be submitted to the general meeting for voting by way of proposal.</u></p> <p><u>When the general meeting votes for election of Directors or supervisors, the cumulative voting system may be adopted according to the provisions of the Articles of Association or the resolutions of the general meeting.</u></p> <p><u>The cumulative voting system as referred to in the preceding paragraph means that in the election of Directors or supervisors at a general meeting, each share shall carry the same number of voting rights as the number of Directors or supervisors to be elected, and the voting rights owned by Shareholders may be cumulatively used. The Board shall announce biography and basic information of candidates for Directors and supervisors to the Shareholders.</u></p>
		Article 108	<p><u>Other than the cumulative voting system, the general meeting shall vote on all proposals one by one. For different proposals on the same matter, such proposals shall be voted in chronological order. Unless such special reasons as force majeure result in the interruption of the meeting or make it impossible to come to resolution, the general meeting shall not set aside the proposals or withhold from voting.</u></p>
		Article 109	<p><u>A proposal being considered at the general meeting shall not be amended; otherwise, any amendment made to such proposal shall be considered as a new proposal, which shall not be eligible for voting at the same meeting.</u></p>
		Article 110	<p><u>The same voting right shall be exercised only by either on-site voting, online voting or other voting form. The first vote shall prevail when a given voting right is exercised repeatedly.</u></p>
		Article 111	<p><u>Voting at the general meeting will be in registered form.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 112	<p><u>Two Shareholder representatives shall be elected to participate in counting and scrutinizing the votes before voting on proposals at the general meeting. In the event that the Shareholders have interests in the proposals to be considered, such relevant Shareholders or their proxies shall not participate in counting and scrutinizing the votes.</u></p> <p><u>The lawyers, Shareholder representatives, supervisor representatives and other inspectors appointed according to the listing rules of the stock exchange in the place where the Company's Shares are listed shall be jointly responsible for counting and scrutinizing the votes when voting on proposals at the general meeting. The voting results shall be announced on the spot. The voting results on resolutions shall be recorded in the minutes of the meeting.</u></p> <p><u>The Shareholders of the Company or their proxies who cast their votes online or by other means shall be entitled to check their respective voting results through corresponding voting systems.</u></p>
		Article 113	<p><u>The on-site general meeting shall not close earlier than that held online or by other means. The chairman of the meeting shall announce the voting details and results of each proposal and declare whether each proposal has been passed according to such results.</u></p> <p><u>The Company, vote counters, scrutineers, significant Shareholders, the internet service providers and other parties involved in on-site, online or other means of voting at the general meeting are obliged to keep the voting results confidential before such results are officially announced.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 114	<p><u>Shareholders attending the general meeting shall express their opinions on every proposal submitted at the meeting in one of the following manners: For, Against or Abstain, unless the securities registration and clearing institution, acting as the nominal holder of Shares under the connection mechanism between Mainland and Hong Kong stock markets, makes reporting in accordance with the instructions of the de facto holders of relevant Shares.</u></p> <p><u>Any unfilled, improperly filled or illegible votes or votes not cast shall be deemed as having waived the voting rights and the voting result in respect of their shares shall be counted as “Abstain”.</u></p> <p><u>Any abstention votes or abstaining from voting shall not be treated as the votes carrying voting rights while the Company calculating the voting results on such matter.</u></p>
		Article 115	<p><u>Resolutions of a general meeting shall be announced in a timely manner, and the announcement shall contain the number of Shareholders and proxies attending the meeting, the total number of voting Shares held by them and its proportion to the total number of voting Shares of the Company, the means of voting, the voting result for each proposal and the details of each resolution passed and other contents which shall be published according to the listing rules of the stock exchange in the place where the Company's Shares are listed.</u></p>
		Article 116	<p><u>A special note should be made in the announcement on the resolutions of general meeting if a proposal is not passed or any resolution passed at previous meeting is amended at the general meeting.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 117	<p><u>Where a proposal on the election of Directors or supervisors is passed at the general meeting, the term of office of such new Directors or supervisors shall commence on the date on which the relevant resolution is passed at the general meeting or on the date determined by the general meeting.</u></p> <p><u>Where the staff representative Director in the new session of the Board and the staff representative supervisor in the new session of the supervisory board are determined through democratic election before the new session of the Board and the new session of supervisory board are determined, the term of office of the staff representative Director and the staff representative supervisor shall commence on the date on which the new session of the Board and the new session of the supervisory committee are determined. In any other cases, the term of office of the staff representative Director and the staff representative supervisor shall commence on the date of democratic election.</u></p>
		Article 118	<p><u>Where the general meeting has passed proposals regarding cash distribution, bonus issue or conversion of statutory surplus reserve into share capital, the specific proposals shall be implemented by the Company within two (2) months after the conclusion of the general meeting.</u></p>
		Article 119	<p><u>When convening a general meeting, the Company shall engage lawyers to provide legal opinions on the follow matters and make announcements:</u></p> <ol style="list-style-type: none"> <u>(1) Whether the convening of the meeting and its procedures are in compliance with laws, administrative regulations and the Articles of Association;</u> <u>(2) Whether the qualifications of attendees and convener are legal and valid;</u> <u>(3) Whether the procedures of voting and the voting results of the meeting are lawful and valid;</u> <u>(4) Legal opinions on other related matters at the request of the Company.</u>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 95	<p>Any variation or abrogation of the rights of any class of Shareholders proposed by the Company may only come into effect upon the adoption of a special resolution at a general meeting and approval by the affected Shareholders of that class at a separate meeting held in accordance with <u>Articles 97 to 101</u>.</p> <p>Transfer of all or part of the shares held by holders of domestic shares of the Company to overseas investors or conversion of domestic shares to foreign shares listed overseas, and arrange to deal with on overseas securities stock exchange, shall not be deemed to be a proposed variation or abrogation of the rights conferred on class shareholders.</p>	Article 121	<p>Any variation or abrogation of the rights of any class of Shareholders proposed by the Company may only come into effect upon the adoption of a special resolution at a general meeting and approval by the affected Shareholders of that class at a separate meeting held in accordance with <u>Articles 123 to 127</u>.</p> <p>Transfer of all or part of the shares held by holders of domestic shares of the Company to overseas investors or conversion of domestic shares to foreign shares listed overseas, and arrange to deal with on overseas securities stock exchange, shall not be deemed to be a proposed variation or abrogation of the rights conferred on class shareholders.</p>
Article 96	<p>The following circumstances shall be deemed to be a variation or abrogation of the rights of Shareholders of a certain class:</p> <p>(1) to increase or decrease the number of shares of a particular class, or increase or decrease the number of shares of another class having rights on voting, distribution or other privileges equal or superior to those of the shares of such class;</p> <p>(2) to effect an exchange of all or part of shares of such class into shares of other classes, or to effect an exchange or grant a right of exchange of all or part of the shares of other classes into shares of such class;</p> <p>(3) to remove or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;</p> <p>(4) to reduce or remove the rights to a dividend preference or a liquidation preference to distribution of property attached to shares of such class;</p>	Article 122	<p>The following circumstances shall be deemed to be a variation or abrogation of the rights of Shareholders of a certain class:</p> <p>(1) to increase or decrease the number of shares of such particular class, or increase or decrease the number of shares of another class having rights on voting, distribution or other privileges equal or superior to those of the shares of such class;</p> <p>(2) to effect an exchange of all or part of shares of such class into shares of other classes, or to effect an exchange or grant a right of exchange of all or part of the shares of other classes into shares of such class;</p> <p>(3) to remove or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;</p> <p>(4) to reduce or remove the rights to a dividend preference or a liquidation preference to distribution of property attached to shares of such class;</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
	<p>(5) to add, remove or reduce the rights to conversion, options, voting, transfer, pre-emptive rights to placement and acquire securities of the Company attached to shares of such class;</p> <p>(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;</p> <p>(7) to create a new class of shares having rights on voting, distribution or other privileges equal or superior to those of the shares of such class;</p> <p>(8) to restrict the transfer or ownership of the shares of such class or increase such restrictions;</p> <p>(9) to issue subscription rights or share conversion rights for shares of such class or other classes;</p> <p>(10) to increase the rights and privileges of shares of other classes;</p> <p>(11) to restructure the Company where the proposed restructuring scheme will result in different classes of Shareholders bearing a disproportionate burden of obligations of such restructuring; and</p> <p>(12) to vary or abrogate the terms provided in this chapter.</p>		<p>(5) to add, remove or reduce the rights to conversion, options, voting, transfer, pre-emptive rights to placement and acquire securities of the Company attached to shares of such class;</p> <p>(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;</p> <p>(7) to create a new class of shares having rights on voting, distribution or other privileges equal or superior to those of the shares of such class;</p> <p>(8) to restrict the transfer or ownership of the shares of such class or increase such restrictions;</p> <p>(9) to issue subscription rights or share conversion rights for shares of such class or other classes;</p> <p>(10) to increase the rights and privileges of shares of other classes;</p> <p>(11) to restructure the Company where the proposed restructuring scheme will result in different classes of Shareholders bearing a disproportionate burden of obligations of such restructuring; and</p> <p>(12) to vary or abrogate the terms provided in this chapter.</p> <p><u>No approval by a class meeting is required for variation or abrogation of rights of class Shareholders resulting from any change in the laws and regulations in and outside of the PRC, listing rules of the place where the Company's Shares are listed, and those resulting from the decisions made by the regulatory authorities in and outside of the PRC.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 97	<p>Shareholders of the affected class, whether or not having the right to vote at the general meeting, shall nevertheless have the right to vote at class Shareholders’ meetings on matters referred to in clause (2) to (8) and (11) to (12) of Article 96 of the Articles of Association, but interested Shareholders shall not be entitled to vote at class Shareholders’ meetings.</p> <p>The interested Shareholders mentioned in the preceding paragraph shall have the following meanings:</p> <p>(1) in the case of a repurchase of its own shares by the Company by making offers to all Shareholders on a same pro rata basis or through public dealing on a stock exchange in accordance with Article 32 of the Articles of Association, “interested Shareholder” shall refer to the controlling Shareholders as defined in Article 59 of the Articles of Association;</p> <p>(2) in the case of a repurchase of its own shares by the Company through an off-market agreement in accordance with the provisions of Article 32 of the Articles of Association, “interested Shareholders” shall refer to the Shareholders to which the proposed agreement relates;</p> <p>In the case of a restructuring of the Company, “interested Shareholder” shall refer to a Shareholder within a class who bears liabilities less than the proportion burden imposed on other Shareholders of that class or who has interests different from those held by Shareholders of the same class.</p>	Article 123	<p>Shareholders of the affected class, whether or not having the right to vote at the general meeting, shall nevertheless have the right to vote at class Shareholders’ meetings on matters referred to in clause (2) to (8) and (11) to (12) of Article 122 of the Articles of Association, but interested Shareholders shall not be entitled to vote at class Shareholders’ meetings.</p> <p>The interested Shareholders mentioned in the preceding paragraph shall have the following meanings:</p> <p>(1) in the case of a repurchase of its own shares by the Company by making offers to all Shareholders on a same pro rata basis or through public dealing on a stock exchange in accordance with Article 32 of the Articles of Association, “interested Shareholder” shall refer to the controlling Shareholders as defined in Article 59 of the Articles of Association;</p> <p>(2) in the case of a repurchase of its own shares by the Company through an off-market agreement in accordance with the provisions of Article 32 of the Articles of Association, “interested Shareholders” shall refer to the Shareholders to which the proposed agreement relates;</p> <p>In the case of a restructuring of the Company, “interested Shareholder” shall refer to a Shareholder within a class who bears liabilities less than the proportion burden imposed on other Shareholders of that class or who has interests different from those held by Shareholders of the same class.</p>
Article 98	<p>A resolution of the class Shareholders’ meeting shall be passed in accordance with Article 97 of the Articles of Association by Shareholders present in the meeting representing not less than two-thirds of voting rights.</p>	Article 124	<p><u>The quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of that class.</u> A resolution of the class Shareholders’ meeting shall be passed in accordance with Article 123 of the Articles of Association by Shareholders present in the meeting representing not less than two-thirds of voting rights.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 102	<p>The Company shall establish a Board. The Board consists of nine (9) Directors. The Board shall comprise one (1) Chairman, two (2) Vice Chairmen and three (3) independent non-executive Directors.</p>	Article 128	<p>The Company shall establish a Board. The Board consists of seven (7) to thirteen (13) Directors. The Board shall comprise one (1) Chairman, one (1) to two (2) Vice Chairman (men) and at least one third of Directors in the Board are independent non-executive Directors.</p>
Article 103	<p>Directors shall be elected at the general meeting. The term of office of the Directors shall be three (3) years. Upon expiration of the current term of office, a Director shall be eligible to offer himself for re-election and reappointment.</p> <p>The Chairman of the Board and Vice Chairman of the Board shall be elected and removed by more than one-half of all Directors. The term of office of the Chairman shall be three (3) years, renewable upon re-election. The term of office of Vice Chairman of the Board shall be three (3) years, renewable upon re-election.</p> <p>The Directors shall not be required to hold shares of the Company.</p>	Article 129	<p>Directors shall be elected at the general meeting. The term of office of the Directors shall be three (3) years. Upon expiration of the current term of office, a Director shall be eligible to offer himself for re-election and reappointment.</p> <p>The Chairman of the Board and Vice Chairman of the Board shall be elected and removed by more than one-half of all Directors. The term of office of the Chairman shall be three (3) years, renewable upon re-election. The term of office of Vice Chairman of the Board shall be three (3) years, renewable upon re-election.</p> <p><u>The term of office of a Director shall commence from his accession till the expiry of the term of the current session of the Board. Where no new election is made upon expiry of the term of a director, the original director shall, before the newly-elected director assumes his/her office, continue to perform his/her duties as a director in accordance with the provisions of laws, administrative regulations, departmental rules and the Articles of Association.</u></p> <p><u>The managers or other senior management may serve concurrently as Directors, provided that the number of Directors who serve concurrently as the managers or other senior management and the Directors who also serve as the staff representatives shall not exceed half of the total number of Directors of the Company.</u> The Directors shall not be required to hold Shares of the Company.</p> <p><u>Subject to the provisions of the relevant laws and administrative regulations, a Director can be removed by an ordinary resolution passed at the general meeting before the expiry of his/her term of office, but such removal does not affect the Director's claim for compensation under any contract.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 109	<p>Any Director who has withdrawn from his office without authorization prior to the expiration of his term of office, and whereby a loss is incurred to the Company, shall be liable for compensation of such loss.</p> <p>The general meeting may, dismiss by way of an ordinary resolution any Director whose term of office has not yet expired, subject to provisions of the relevant laws and administrative regulations and without prejudice to any potential claim which may be made under any contract.</p> <p>Any Director who has been absent from two consecutive Board meetings and failed to designate other Directors as proxies shall be regarded as having failed to fulfill his/her/its duty. The Board may propose to the general meeting to dismiss and replace such Director.</p>	Article 135	<p>Any Director who has withdrawn from his office without authorization prior to the expiration of his term of office, and whereby a loss is incurred to the Company, shall be liable for compensation of such loss.</p> <p>The general meeting may, dismiss by way of an ordinary resolution any Director whose term of office has not yet expired, subject to provisions of the relevant laws and administrative regulations and without prejudice to any potential claim which may be made under any contract.</p> <p>Any Director who has been absent from two consecutive Board meetings and failed to designate other Directors as proxies shall be regarded as having failed to fulfill his/her/its duty. The Board shall propose to the general meeting to dismiss and replace such Director.</p>
Article 110	<p>The Company shall establish an independent director system. Independent Directors are Directors who do not hold any positions in the Company other than as Director and do not maintain with the Company and its substantial Shareholders a connection which may possibly hamper their independent and objective judgments.</p> <p>An independent Director shall serve a term of office of three years and is eligible for reelection but shall not serve for more than nine years, except required by relevant laws, regulations and the listing rules of the stock exchange with which the Company is listed.</p>	Article 136	<p>The Company shall establish an independent director system. Independent Directors are Directors who do not hold any positions in the Company other than as Director and do not maintain with the Company and its substantial Shareholders a connection which may possibly hamper their independent and objective judgments.</p> <p>An independent Director shall serve a term of office of three years and is eligible for reelection but shall not serve for more than six years, except required by relevant laws, regulations and the listing rules of the stock exchange with which the Company is listed.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 112	<p>In addition to those powers vested to independent Directors by the Company Law, other relevant laws and regulations and the listing rules of the stock exchanges on which the Company's shares are listed, independent Directors shall have the following special functions and powers:</p> <ol style="list-style-type: none"> (1) proposing to the Board with respect to the engagement or dismissal of accounting firms; (2) proposing to the Board with respect to the holding of extraordinary general meetings; (3) proposing the holding of Board meetings; (4) with the consensus of all independent Directors, the independent Directors can appoint external audit firms and consultancies to carry out audits and provide consultancy on specific issues, the Company shall bear all related expenses. <p>Saved as aforementioned sub-clause (4), independent Directors shall obtain the unanimous consents of not less than one half of all independent Directors before exercising other powers referred to above. If any of the aforesaid proposals are not adopted or any of the aforesaid powers could not be exercised properly, the Company shall disclose the details thereof.</p>	Article 138	<p>In addition to those powers vested to independent Directors by the Company Law, other relevant laws and regulations and the listing rules of the stock exchanges on which the Company's shares are listed, independent Directors shall have the following special functions and powers:</p> <ol style="list-style-type: none"> (1) proposing to the Board with respect to the engagement or dismissal of accounting firms; (2) proposing to the Board with respect to the holding of extraordinary general meetings; (3) proposing the holding of Board meetings; (4) with the consensus of all independent Directors, the independent Directors can appoint external audit firms and consultancies to carry out audits and provide consultancy on specific issues, the Company shall bear all related expenses. (5) <u>major connected transactions shall be recognised by independent Directors before submitted to the Board for discussion; prior to independent Directors make judgment, intermediary agencies may be engaged to issue an independent financial adviser's report as a basis for judgment;</u> (6) <u>publicly collecting voting rights from Shareholders prior to the convening of the general meetings.</u> <p>Saved as aforementioned sub-clause (4), independent Directors shall obtain the unanimous consents of not less than one half of all independent Directors before exercising other powers referred to above. If any of the aforesaid proposals are not adopted or any of the aforesaid powers could not be exercised properly, the Company shall disclose the details thereof.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 113	<p>The office of an independent Director cannot be terminated without any reason before expiration. In case of termination of a Director's office prior to expiration, it shall be disclosed as a special issue by the Company.</p> <p>If any independent Director fails to attend Board meetings in person for three (3) consecutive times, the Board shall propose to the general meeting to replace the said Director.</p>	Article 139	<p>The office of an independent Director cannot be terminated without any reason before expiration. In case of termination of a Director's office prior to expiration, it shall be disclosed as a special issue by the Company.</p> <p>If any independent Director fails to attend Board meetings in person for three (3) consecutive times, the Board <u>proposes</u> to the general meeting to replace the said Director.</p>
Article 115	<p>The Board shall report to the general meeting and exercise the following powers:</p> <ol style="list-style-type: none"> (1) to be responsible for the convening of general meetings and report its work to the general meeting; (2) to implement the resolutions of general meetings; (3) to decide on the Company's business plans and investment plans, specific annual business goals as well as financing plans other than the issue of debentures or other securities and listing by the Company; (4) to formulate the Company's plans on annual financial budgets and final accounts; (5) to formulate the Company's profit distribution plans and plans on making up losses; (6) to formulate the proposal for increase or decrease of the registered capital of the Company and issuance of bonds or other securities of the Company and listing thereof; (7) to formulate plans for substantial acquisition, repurchase of shares of the Company or merger, division, dissolution and alteration of corporate form of the Company; (8) to decide on the establishment of an internal management organization of the Company; decide the establishment or revocation of the subsidiaries or branches of the Company; (9) to elect Chairman of the Board and Vice Chairman of the Board of the Company, nominate, appoint or dismiss general manager of the Company; 	Article 141	<p>The Board shall report to the general meeting and exercise the following powers:</p> <ol style="list-style-type: none"> (1) to be responsible for the convening of general meetings and report its work to the general meeting; (2) to implement the resolutions of general meetings; (3) to decide on the Company's business plans and investment plans, specific annual business goals as well as financing plans other than the issue of debentures or other securities and listing by the Company; (4) to formulate the Company's plans on annual financial budgets and final accounts; (5) to formulate the Company's profit distribution plans and plans on making up losses; (6) to formulate the proposal for increase or decrease of the registered capital of the Company; (7) to formulate the proposal for issuance of bonds or other securities of the Company and listing thereof; (8) to formulate plans for substantial acquisition, repurchase of shares of the Company or merger, division, dissolution and alteration of corporate form of the Company; (9) to decide on the establishment of an internal management organization of the Company; decide the establishment or revocation of the subsidiaries or branches of the Company;

APPENDIX IX

COMPARISON TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION AND ITS APPENDICES

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
	<p>(10) according to the nomination of the Chairman, appoint or dismiss the Board secretary, appoint or dismiss the Director of each special committee of the Board;</p> <p>(11) upon the nomination of the general manager, appoint or dismiss deputy general manager and the chief accountant of the Company, and decide their remunerations, incentives and punishments;</p> <p>(12) to formulate the basic management system of the Company;</p> <p>(13) to formulate proposals for amendment to the Articles of Association;</p> <p>(14) to formulate stock option incentive plan of the Company;</p> <p>(15) to manage information disclosure of the Company;</p> <p>(16) to decide the establishment of the special committee;</p> <p>(17) to decide upon the risk management system of the Company, including risk assessment, financial control, internal audit, legal risk control, and supervise its enforcement;</p> <p>(18) to propose to the general meeting to appoint or change accounting firm in charge of the audition of the Company;</p> <p>(19) to listen to the report of work by the general manager or senior management members appointed by him on a regular or irregular basis, and to approve the report of work by the general manager;</p> <p>(20) issue of guarantee made by the Company which is not necessary for the examination of the general meeting, as provided in the Articles of Association;</p> <p>(21) to decide upon projects for which the investment amount for each project will not exceed RMB1 billion and is not within the budget;</p>		<p>(10) to elect Chairman of the Board and Vice Chairman of the Board of the Company, nominate, appoint or dismiss general manager of the Company;</p> <p>(11) according to the nomination of the Chairman, appoint or dismiss the Board secretary, appoint or dismiss the Director of each special committee of the Board;</p> <p>(12) upon the nomination of the general manager, appoint or dismiss deputy general manager and the chief accountant of the Company, and decide their remunerations, incentives and punishments;</p> <p>(13) to formulate the basic management system of the Company;</p> <p>(14) to formulate proposals for amendment to the Articles of Association;</p> <p>(15) to formulate stock option incentive plan of the Company;</p> <p>(16) to manage information disclosure of the Company;</p> <p>(17) to decide the establishment of the special committee;</p> <p>(18) to decide upon the risk management system of the Company, including risk assessment, financial control, internal audit, legal risk control, and supervise its enforcement;</p> <p>(19) to propose to the general meeting to appoint or change accounting firm in charge of the audition of the Company;</p> <p>(20) to listen to the report of work by the general manager or senior management members appointed by him on a regular or irregular basis, and to approve the report of work by the general manager;</p> <p>(21) issue of guarantee made by the Company which is not necessary for the examination of the general meeting, as provided in the Articles of Association;</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
	<p>(22) to authorize the managing staff of the Company to decide expense out of budget which will not exceed RMB50 million accumulatively in twelve (12) months;</p> <p>(23) other authorities provided by laws and regulations, and listing rules of the stock exchange where the stock of the Company is listed, and by general meeting of the Shareholder and the Articles of Association.</p> <p>Except for the Board resolutions in respect of the matters specified in sub-clauses (6), (7) and (13) of the preceding sub-section which shall be passed by not less than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by more than one half of the Directors. The Board shall perform its duties in accordance with laws, administrative regulations, the Articles of Association and Shareholder's resolution.</p> <p>The Board shall explain to the general meeting when a registered accountancy firm issues an audit report with reservations regarding the Company's financial report.</p>		<p>(22) to decide upon projects for which the investment amount for each project will not exceed RMB1 billion and is not within the budget;</p> <p>(23) to authorize the managing staff of the Company to decide expense out of budget which will not exceed RMB50 million accumulatively in twelve (12) months;</p> <p>(24) other authorities provided by laws and regulations, and listing rules of the stock exchange where the stock of the Company is listed, and by general meeting of the Shareholder and the Articles of Association.</p> <p>Except for the Board resolutions in respect of the matters specified in sub-clauses (6), (7), (8) and (14) of the preceding sub-section which shall be passed by not less than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by more than one half of the Directors. The Board shall perform its duties in accordance with laws, administrative regulations, the Articles of Association and Shareholder's resolution.</p> <p>The Board shall explain to the general meeting when a registered accountancy firm issues an audit report with reservations regarding the Company's financial report.</p>
		Article 142	<u>The Board shall formulate the rules of procedures of Board meetings to ensure the Board to implement the resolutions of the general meeting, improve work efficiency and guarantee scientific decision-making.</u>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 122	<p>At least four meetings of the Board shall be convened every year by the Chairman of the Board, notice of the meeting shall be served on all of the Directors ten (10) days before the date of the meeting.</p> <p>In the event of any of the following circumstances, the Board shall convene extraordinary meetings:</p> <p>(1) when proposed by three (3) or more (including three (3)) Directors;</p> <p>(2) when proposed by the Supervisory Board;</p> <p>(3) when proposed by not less than one half of the independent Directors;</p> <p>(4) whenever the Chairman deems necessary;</p> <p>(5) when proposed by the Shareholders representing not less than 10% of the voting rights;</p> <p>(6) when proposed by the general manager.</p>	Article 149	<p>At least four meetings of the Board shall be convened every year by the Chairman of the Board, notice of the meeting shall be served on all of the Directors at least fourteen (14) days before the date of the meeting.</p> <p>In the event of any of the following circumstances, the Board shall convene extraordinary meetings:</p> <p>(1) when proposed by three (3) or more (including three (3)) Directors jointly;</p> <p>(2) when proposed by the Supervisory Board;</p> <p>(3) when proposed by not less than one half of the independent Directors;</p> <p>(4) whenever the Chairman deems necessary;</p> <p>(5) when proposed by the Shareholders representing not less than 10% of the voting rights;</p> <p>(6) when proposed by the general manager.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
<p>Article 123</p>	<p>Notices of the Board and extraordinary Board meetings should be served by phone, facsimile or email. Time limit for notice: fourteen (14) days prior to the date of the meeting. The notice requirement is not applicable to extraordinary Board meetings.</p> <p>The time and place of a meeting of the Board may be prescribed in advance, and recorded in the minutes, which are distributed to all Directors at least 14 days prior to the convening of the next Board meeting. No further notice shall be required to be served to the Directors in respect of the convening of the meeting.</p> <p>Directors who have attended the meeting will be deemed to have been issued a notice of Board meeting if he had not raised any issues of not having received such notice before or during the Board meeting.</p> <p>A meeting or extraordinary Board meeting may be convened by means of telephone conference or other similar communications equipment through which Directors participating in the meeting can communicate with each other simultaneously and instantaneously and such participation shall constitute presence at a meeting as if those participating were present in person.</p>	<p>Article 150</p>	<p>Notices of the Board and extraordinary Board meetings should be served by phone, facsimile or email. Time limit for notice: fourteen (14) days prior to the date of the meeting. The notice requirement is not applicable to extraordinary Board meetings.</p> <p>The time and place of a meeting of the Board may be prescribed in advance, and recorded in the minutes, which are distributed to all Directors at least 14 days prior to the convening of the next Board meeting. No further notice shall be required to be served to the Directors in respect of the convening of the meeting.</p> <p><u>A notice of the Board meeting shall at least include the following:</u></p> <p><u>(1) date and place of the meeting;</u></p> <p><u>(2) duration of the meeting;</u></p> <p><u>(3) reasons of the meeting and proposals to be considered;</u></p> <p><u>(4) date of the notice.</u></p> <p><u>Oral meeting notice shall at least include items (1) and (2) above, and the explanation that an interim Board meeting shall be held as early as possible under the urgent circumstances.</u></p> <p>Directors who have attended the meeting will be deemed to have been issued a notice of Board meeting if he had not raised any issues of not having received such notice before or during the Board meeting.</p> <p>A meeting or extraordinary Board meeting may be convened by means of telephone conference or other similar communications equipment through which Directors participating in the meeting can communicate with each other simultaneously and instantaneously and such participation shall constitute presence at a meeting as if those participating were present in person.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 124	<p>In addition to the circumstance stipulated in Article 126 herein that the Board to consider connected transaction, the Board meeting may be not be held unless not less than half of the Directors are present.</p> <p>Each Director shall have one vote. Unless otherwise stipulated in Article 126 herein for connected transactions, resolutions of the Board must be passed by more than half of the Directors.</p> <p>When the number of votes cast for and against a resolution equals, the Chairman of the Board shall have an additional casting vote.</p> <p>Resolution signed by each and every Director and where the number of affirmative votes meet the requirements of laws and regulations and the Articles of Association shall be equally effective as the resolution passed at a Board meeting convened according to laws. Such written resolutions may consist of several counterparts each signed by one or more Directors. A resolution signed by a Director and transmitted to the Company by post, facsimile or personal delivery and a resolution bearing the name of a Director and transmitted to the Company by telegram or telex shall be deemed to be a document signed by him for the purposed of this Article.</p>	Article 151	<p>In addition to the circumstance stipulated in Article 153 herein that the Board to consider connected transaction, the Board meeting may be not be held unless not less than half of the Directors are present.</p> <p>Each Director shall have one vote. Unless otherwise stipulated in Article 153 herein for connected transactions, resolutions of the Board must be passed by more than half of the Directors.</p> <p>When the number of votes cast for and against a resolution equals, the Chairman of the Board shall have an additional casting vote.</p> <p>Resolution signed by each and every Director and where the number of affirmative votes meet the requirements of laws and regulations and the Articles of Association shall be equally effective as the resolution passed at a Board meeting convened according to laws. Such written resolutions may consist of several counterparts each signed by one or more Directors. A resolution signed by a Director and transmitted to the Company by post, facsimile or personal delivery and a resolution bearing the name of a Director and transmitted to the Company by telegram or telex shall be deemed to be a document signed by him for the purposed of this Article.</p>
Article 128	<p>For matters which would need to be passed at an extraordinary meeting, if the content of the proposed resolution to be passed has been sent to all the Directors in writing (including by fax and email) and each Director is ensured to be able to fully express his opinions, voting could be made by means of telecommunications without convening a Board meeting. A resolution is effective only when the number of Directors who signed such resolution meets the required number provided under Article 115 to the Articles of Association.</p>	Article 155	<p>For matters which would need to be passed at an extraordinary meeting, if the content of the proposed resolution to be passed has been sent to all the Directors in writing (including by fax and email) and each Director is ensured to be able to fully express his opinions, voting could be made by means of telecommunications without convening a Board meeting. A resolution is effective only when the number of Directors who signed such resolution meets the required number provided under Article 141 to the Articles of Association.</p>
Article 134	<p>Directors or senior management members other than general manager of the Company and chief accountant may also act as the Secretary to the Board. The accountant(s) of the certified public accountants' firm appointed by the Company shall not act as the Secretary to the Board.</p> <p>Provided that where the office of the Secretary to the Board is held concurrently by a Director, and an act is required to be made by a Director and the Secretary to the Board separately, the person who concurrently holds the offices of Director and Secretary to the Board shall not perform the act in dual capacity.</p>	Article 161	<p>Directors or senior management members may also act as the Secretary to the Board. The accountant(s) of the certified public accountants' firm appointed by the Company shall not act as the Secretary to the Board.</p> <p>Provided that where the office of the Secretary to the Board is held concurrently by a Director, and an act is required to be made by a Director and the Secretary to the Board separately, the person who concurrently holds the offices of Director and Secretary to the Board shall not perform the act in dual capacity.</p>

APPENDIX IX

COMPARISON TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION AND ITS APPENDICES

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 137	The general manager of the Company shall attend Board meetings.	Article 164	The general manager of the Company shall attend Board meetings. <u>The general manager who is not a Director shall not be entitled to vote at any meeting of the Board.</u>
Article 139	The general manager of the Company shall formulate the detailed working rules of the general manager, which shall be submitted to the Board for approval before implementation.	Article 166	The general manager of the Company shall formulate the detailed working rules of the general manager, which shall be submitted to the Board for approval before implementation. <u>The detailed working rules for general managers consist of the followings:</u> <u>(1) the conditions to convene, procedures for and participants of the general manager meeting;</u> <u>(2) the specific duties and each respective division of general managers and other senior members;</u> <u>(3) the Company’s funds, assets utilisation, the authority of entering into significant contracts, and the system for reporting to the board of directors and the supervisory board;</u> <u>(4) the other matters considered necessary by the board of directors.</u>
		Article 167	<u>The general managers and other senior management members may resign prior to the expiration of his/her term of office. The detailed procedures and methods in relation to resignation of the general managers and other senior management members shall be referred to the employment contracts between such persons and the Company, unless otherwise provided by the laws, administrative regulations and the rules of the place where the shares of the Company are listed.</u>
		Article 168	<u>The general managers and other senior management members shall be liable for any losses caused to the Company by their breach of any laws, administrative regulations, departmental rules or Articles of Association during performance of their duties to the Company.</u>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 142	<p>The supervisory board shall be composed of three supervisors. The term of office of a supervisor shall be three years, renewable upon re-election and re-appointment.</p> <p>The supervisory board shall have one chairman, the appointment and dismissal of the chairman of the supervisory board shall be passed by at least two-thirds (including two-thirds) of its members.</p>	Article 171	<p>The supervisory board shall be composed of three supervisors. The term of office of a supervisor shall be three years, renewable upon re-election and re-appointment.</p> <p><u>If, upon the expiry of a supervisor’s term of office, a new supervisor cannot be elected on a timely basis, or if any supervisor resigns before the expiry of his/her term of office so that the number of the members of the supervisory board is below the quorum, before the re-elected supervisor starts his/her term of office, such supervisor shall continue to perform his/her duties in accordance with provisions of laws, administrative regulations and the Articles of Association.</u></p> <p>The supervisory board shall have one chairman, the appointment and dismissal of the chairman of the supervisory board shall be passed by at least two-thirds (including two-thirds) of its members.</p>
Article 153	<p>A person may not serve as a Director, supervisor, general manager or any other senior management members of the Company if any of the following circumstances applies:</p> <ol style="list-style-type: none"> (1) a person without legal or with restricted legal capacity; (2) a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his political rights, in each case where less than five (5) years have elapsed since the date of the completion of implementation of such punishment or deprivation; (3) a person who is a former director, factory manager or general manager of a company or enterprise which has entered into insolvent liquidation and he is personally liable for the insolvency of such company or enterprise, where less than three (3) years have elapsed since the date the completion of the insolvency and liquidation of the company or enterprise; (4) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where less than three (3) years has elapsed since the date of the revocation of the business license; 	Article 182	<p>A person may not serve as a Director, supervisor, general manager or any other senior management members of the Company if any of the following circumstances applies:</p> <ol style="list-style-type: none"> (1) a person without legal or with restricted legal capacity; (2) a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his political rights, in each case where less than five (5) years have elapsed since the date of the completion of implementation of such punishment or deprivation; (3) a person who is a former director, factory manager or general manager of a company or enterprise which has entered into insolvent liquidation and he is personally liable for the insolvency of such company or enterprise, where less than three (3) years have elapsed since the date the completion of the insolvency and liquidation of the company or enterprise; (4) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where less than three (3) years has elapsed since the date of the revocation of the business license;

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
	<p>(5) a person who has a relatively large amount of debts due and outstanding;</p> <p>(6) a person who is under criminal investigation or prosecution by a judicial organization for violation of the criminal law where said investigation or prosecution is not yet concluded;</p> <p>(7) a person who is not eligible for enterprise leadership according to laws and administrative regulations;</p> <p>(8) a non-natural person;</p> <p>(9) a person convicted of the contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years has elapsed since the date of the conviction;</p> <p>(10) other circumstances required by relevant laws and regulations of places where the Company's Shares are listed.</p> <p>Persons who hold positions other than Directors in any entity of the controlling Shareholders or beneficial controller shall not be appointed as senior management members of the Company.</p>		<p>(5) a person who has a relatively large amount of debts due and outstanding;</p> <p>(6) <u>a person who is banned by the China Securities Regulatory Commission from access to the securities market for a term which has not expired;</u></p> <p>(7) a person who is under criminal investigation or prosecution by a judicial organization for violation of the criminal law where said investigation or prosecution is not yet concluded;</p> <p>(8) a person who is not eligible for enterprise leadership according to laws and administrative regulations;</p> <p>(9) a non-natural person;</p> <p>(10) a person convicted of the contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years has elapsed since the date of the conviction;</p> <p>(11) other circumstances required by relevant laws and regulations of places where the Company's Shares are listed.</p> <p><u>If the Directors, supervisors and senior management are elected or appointed in breach of this Article, such election, appointment or employment shall be null and void. Any Directors, supervisors or senior management becoming the subject of any circumstances set out in this Article shall be removed from office by the Company.</u></p> <p>Persons who hold positions other than Directors in any entity of the controlling Shareholders or beneficial controller shall not be appointed as senior management members of the Company.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 166	<p>A loan guarantee provided by the Company in breach of provision under paragraph (1) of Article 164 shall be unenforceable against the Company, provided that:</p> <p>(1) a loan was advanced to an associate of any of the Directors, supervisors, general manager and other senior management members of the Company or of the Company's parent company where the lender did not know the relevant circumstances; or</p> <p>(2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.</p>	Article 195	<p>A loan guarantee provided by the Company in breach of provision under paragraph (1) of Article 193 shall be unenforceable against the Company, provided that:</p> <p>(1) a loan was advanced to an associate of any of the Directors, supervisors, general manager and other senior management members of the Company or of the Company's parent company where the lender did not know the relevant circumstances; or</p> <p>(2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.</p>
Article 169	<p>The Company shall enter into a contract in writing with a Director, supervisor and other senior management member, which shall at least include the following provisions:</p> <p>(1) a Director, supervisor and senior management member shall undertake in favour of the Company to comply with the Company Law, the Special Regulations, the Articles of Association and other regulations as stipulated under the Hong Kong Stock Exchange, and agree that the Company is entitled to remedies provided by the Articles of Association, and such contract and his position were not transferable;</p> <p>(2) a Director, supervisor and senior management member shall undertake in favour of the Company to perform the duties to Shareholders pursuant to and as required by the Articles of Association; and</p> <p>An arbitration provision stipulated under Article 218 of the Articles of Association.</p>	Article 198	<p>The Company shall enter into a contract in writing with a Director, supervisor and other senior management member, which shall at least include the following provisions:</p> <p>(1) a Director, supervisor and senior management member shall undertake in favour of the Company to comply with the Company Law, the Special Regulations, the Articles of Association and other regulations as stipulated under the Hong Kong Stock Exchange, and agree that the Company is entitled to remedies provided by the Articles of Association, and such contract and his position were not transferable;</p> <p>(2) a Director, supervisor and senior management member shall undertake in favour of the Company to perform the duties to Shareholders pursuant to and as required by the Articles of Association; and</p> <p>An arbitration provision stipulated under Article 259 of the Articles of Association.</p>
Article 174	<p>The Board shall place before the Shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.</p>	Article 203	<p>The Board shall place before the Shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 178	The Company shall <u>publish its financial reports twice</u> every fiscal year, <u>that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.</u>	Article 207	<p>The Company shall <u>submit its annual financial and accounting reports to the securities regulatory authority under the State Council and the stock exchange within four (4) months from the end of</u> every fiscal year, <u>submit its half-year financial and accounting reports to the local offices of securities regulatory authority under the State Council and the stock exchange within two (2) months from the end of the first six (6) months of every fiscal year, and submit quarterly financial and accounting reports to the local offices of the securities regulatory authority under the State Council and the stock exchange within one (1) month from the end of the first three (3) months and nine (9) months respectively of every fiscal year.</u></p> <p><u>The aforesaid financial and accounting reports shall be prepared in accordance with the provisions of relevant laws, regulations and departmental rules and published in accordance with the relevant rules of the securities regulatory rules in the place where the shares of the Company are listed.</u></p> <p><u>Where the securities regulatory rules in the place where the shares of the Company are listed has provided otherwise, such provisions shall be followed.</u></p>
		Article 213	<p><u>The Company's profit distribution policy aims at maximizing the value of the Company and the interests of Shareholders, in order to continuously and stably provide reasonable return on investment to Shareholders of the Company. The Company's Board will comprehensively consider the company's operating conditions, financial performance, cash flow conditions, investment demands and future development plans, decide whether to recommend the distribution of dividends and determine the amount of dividends. The Company intends to distribute dividends to Shareholders after each accounting year, and may also pay interim dividends or distribute special dividends at appropriate times.</u></p> <p><u>Cash dividend shall take precedence in the Company's profit distribution.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 214	<p><u>The profit distribution conditions and proportion of distribution of the Company are as follows:</u></p> <p>(I) <u>Where the audited net profit of the Company for the year is positive and the conditions of dividend distribution as stipulated in the Company Laws are met, except for the special circumstances, the Company shall distribute dividends by way of cash provided that sufficient allocations have been made to statutory reserve and discretionary reserve, and the dividends distributed to the Shareholders in cash each year shall not be less than 20% of the distributable profit realized by the Company for the year.</u></p> <p><u>Special circumstances refer to:</u></p> <p>(1) <u>where the production and operation of the Company are materially affected by force majeure events such as war, natural disasters, epidemics, etc.;</u></p> <p>(2) <u>where the net cash flow generated from operating activities for the year is negative, and cash dividend will have an effect on the subsequent existence of the Company as a going concern;</u></p> <p>(3) <u>where the auditor did not issue a standard unqualified audit report regarding the financial reports of the Company for the year;</u></p> <p>(4) <u>where the Company has major investment plans or other major cash expenditures (other than any fund raising projects);</u></p> <p>(5) <u>other special circumstances considered and approved at the general meetings.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
			<p>(II) <u>Where the Company distributes profit by way of shares, all following conditions shall be satisfied:</u></p> <p>(1) <u>the Company is in a sound operating condition;</u></p> <p>(2) <u>the stock price of the Company does not match its share capital size and profit distribution by way of shares are in interests of all the Shareholders of the Company as a whole;</u></p> <p>(3) <u>the proportion of cash dividends to stock dividends is in line with the requirements under the Articles of Association;</u></p> <p>(4) <u>other conditions as required under laws, regulations and normative documents.</u></p> <p><u>In determining the specific amount for profit distribution by way of shares, the Company shall take into full consideration whether the total share capital after profit distribution by way of shares corresponds to the Company's current scale of operation and profit growth rate, and consider the impact on the cost of debt financing in the future, so as to ensure that the distribution plan is in the interests of all Shareholders as a whole.</u></p> <p>(III) <u>The Company may distribute interim dividend. The Board of the Company may propose to distribute interim dividend based on the capital needs of the Company, and submit the same to the general meeting of the Company for approval.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 215	<p><u>No arbitrary change shall be made to the profit distribution policies of the Company. In the event of conflict between the current policies and the production and operation, investment plans and long-term developmental needs of the Company, the profit distribution policies shall be adjusted. The adjusted profit distribution policies shall not violate relevant requirements of the CSRC.</u></p> <p><u>Amendments to the profit distribution policies by the Board of the Company shall be subject to approval by more than half of the Directors before they are submitted to the general meeting of the Company for consideration. The Company shall, with an aim to protect the Shareholders' interests, provide explanation on the reasons for the amendments in the relevant resolutions submitted to the general meeting, and independent Directors shall express their independent opinions on the reasonableness of the amendments to the profit distribution plan. The amendments to the profit distribution policies of the Company shall be submitted to the general meeting of the Company for consideration and subject to approval by more than two-thirds of the voting rights represented by the Shareholders present at the general meeting.</u></p> <p><u>The Board of the Company shall put forward a differentiated cash dividend policy in accordance with different situations, taking into full account various factors such as the characteristics of the industry in which the Company operates, the stage of development of the Company, its own business model and level of profitability, and whether there is significant capital expenditure arrangement:</u></p> <p><u>(1) If the Company is at the mature stage of development and has no significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 80% when the profit distribution is made;</u></p> <p><u>(2) If the Company is at the mature stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 40% when the profit distribution is made;</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
			<p><u>(3) If the Company is at the growing stage of development and has significant capital expenditure arrangement, the proportion of cash dividends in the profit distribution shall be at least 20% when the profit distribution is made;</u></p> <p><u>If it is difficult to distinguish the development stage of the Company but there are major capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.</u></p>
		Article 216	<u>After the profit distribution plan is resolved at the general meeting of the Company, the Board of the Company shall finish dividends (or shares) distribution within 2 months after conclusion of the general meeting.</u>
		Article 217	<p><u>The reserve of the Company shall be used to make up for losses of the Company, and expand the Company's production and operation or for conversion to increase the capital of the Company, but the capital reserve shall not be used to make up for losses of the Company.</u></p> <p><u>Where the statutory reserve is converted into capital, the balance of such reserve shall not fall below 25% of the Company's registered capital prior to such conversions.</u></p>
		Article 220	<u>The Company shall implement an internal audit system staffed with designated audit personnel to conduct the internal audit and supervision on the financial receipts and outlays and economic activities of the Company.</u>
		Article 221	<u>The internal audit system of the Company and the duties and responsibilities of the audit personnel shall be put into effect upon approval by the Board. The person in charge of the audit work shall be accountable to and report to the Board.</u>
Article 186	The Company shall appoint an independent firm of certified public accountants which is qualified under the relevant regulations of the State to audit the annual financial statements and other financial reports of the Company.	Article 222	The Company shall appoint an independent firm of certified public accountants which is qualified under the relevant regulations of the State to audit the annual financial statements and other financial reports of the Company. <u>The term of service shall be one year, which is renewable upon expiry.</u>
Article 187	The certified public accountants' firm appointed by the Company shall hold office from the conclusion of the annual general meeting at which the appointment is made until the conclusion of the next annual general meeting.	Article 223	The certified public accountants' firm appointed by the Company shall hold office from the conclusion of the annual general meeting at which the appointment is made until the conclusion of the next annual general meeting.

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 225	<u>The Company undertakes to provide the engaged accounting firm with true and complete accounting invoices, accounting books, financial and accounting reports and other relevant accounting information, and shall not withhold, conceal or misrepresent the same.</u>
Article 191	The remuneration of a certified public accountants' firm or the manner in which such firm is to be remunerated shall be determined by the Shareholders in general meeting. <u>The remuneration of a certified public accountants' firm appointed by the Board shall be determined by the Board.</u>	Article 228	The remuneration of a certified public accountants' firm or the manner in which such firm is to be remunerated shall be determined by the Shareholders in general meeting.
Article 202	<p>The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.</p> <p>In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution on merger and shall make newspaper announcement within thirty (30) days of the date of the Company's resolution on merger. Creditors may, within thirty (30) days after receipt of such notice from the Company, or within forty-five (45) days of the date of the newspapers announcement for those who do not receive such notice, to demand that the Company repay their debts to that creditor or provide a corresponding guarantee for such debts.</p> <p>After the merger, claims and liabilities of parties to the merger shall be taken over by the continuing company or the newly established company.</p>	Article 239	<p>The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.</p> <p>In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten (10) days of the date of the Company's resolution on merger and shall make newspaper announcement three times at least within thirty (30) days of the date of the Company's resolution on merger. Creditors may, within thirty (30) days after receipt of such notice from the Company, or within forty-five (45) days of the date of the newspapers announcement for those who do not receive such notice, to demand that the Company repay their debts to that creditor or provide a corresponding guarantee for such debts.</p> <p>After the merger, claims and liabilities of parties to the merger shall be taken over by the continuing company or the newly established company.</p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 203	<p>When the Company is divided, its assets shall be split up accordingly.</p> <p>In the event of a division of the Company, all the parties involved shall execute a division agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten (10) days of the date of the Company’s resolution on division and shall make an announcement on a newspaper approved by the stock exchange on which the Shares of the Company are listed within thirty (30) days of the date of the Company’s resolution on division.</p> <p>Unless otherwise agreed by the Company and creditors on settling liabilities in writing prior to the division, debts incurred by the Company before its division shall be jointly borne by the companies after the division.</p>	Article 240	<p>When the Company is divided, its assets shall be split up accordingly.</p> <p>In the event of a division of the Company, all the parties involved shall execute a division agreement and prepare balance sheets and inventories of assets. The Company shall notify its creditors within ten (10) days of the date of the Company’s resolution on division and shall make an announcement on a newspaper <u>three times at least</u> approved by the stock exchange on which the Shares of the Company are listed within thirty (30) days of the date of the Company’s resolution on division.</p> <p>Unless otherwise agreed between the Company and the creditors on settling liabilities in writing prior to the division, debts incurred by the Company before its division shall be jointly borne by the companies after the division.</p>
Article 205	<p>The Company shall be dissolved and liquidated upon the occurrence of any of the following events:</p> <ol style="list-style-type: none"> (1) a resolution on dissolution is passed by Shareholders at a general meeting; (2) dissolution is necessary due to a merger or division of the Company; (3) the Company is legally declared bankrupt due to its failure to repay debts due; (4) the Company’s business license is revoked or it is ordered to close down or it is cancelled according to law; (5) where the Company gets into serious trouble in operations and management and its continuation may cause substantial loss to the interests of its Shareholders, and no solution can be found through any other channel, Shareholders representing 10% or more of the total voting rights of the Company may request the people’s court to dissolve the Company; (6) other circumstances where the Company shall be dissolved pursuant to laws and regulations. 	Article 242	<p>The Company shall be dissolved and liquidated upon the occurrence of any of the following events:</p> <ol style="list-style-type: none"> (1) <u>expiration of business term;</u> (2) a resolution on dissolution is passed by Shareholders at a general meeting; (3) dissolution is necessary due to a merger or division of the Company; (4) the Company is legally declared bankrupt due to its failure to repay debts due; (5) the Company’s business license is revoked or it is ordered to close down or it is cancelled according to law; (6) where the Company gets into serious trouble in operations and management and its continuation may cause substantial loss to the interests of its Shareholders, and no solution can be found through any other channel, Shareholders representing 10% or more of the total voting rights of the Company may request the people’s court to dissolve the Company; (7) other circumstances where the Company shall be dissolved pursuant to laws and regulations. <p><u>Under the circumstances mentioned in subparagraph (1) of Article 242 of the Articles of Association, the Company may survive by amending the Articles of Association. Any amendment to the Articles of Association pursuant to the preceding paragraph shall be passed by Shareholders representing more than two-thirds of voting rights at the general meeting.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 206	<p>Where the Company is dissolved under subparagraph (1) of the preceding Article, a liquidation committee shall be set up within fifteen (15) days, and its members shall be determined by Shareholders at a general meeting by way of ordinary resolution.</p> <p>Where the Company is dissolved under subparagraphs (3) and (5) of the preceding Article, the people's court shall, according to the relevant laws, organise to form a liquidation committee comprising the Shareholders, relevant authorities and relevant professionals to carry out liquidation procedures.</p> <p>Where the Company is dissolved under subparagraph (4) of the preceding Article, the competent authority shall organize to form a liquidation committee comprising the Shareholders, relevant authorities and relevant professionals to carry out liquidation procedures.</p>	Article 243	<p>Where the Company is dissolved under subparagraph (1) and (2) of Article 242, a liquidation committee shall be set up within fifteen (15) days, and its members shall be determined by Shareholders at a general meeting by way of ordinary resolution.</p> <p>Where the Company is dissolved under subparagraph (4) of the preceding Article, the people's court shall, according to the relevant laws, organise to form a liquidation committee comprising the Shareholders, relevant authorities and relevant professionals to carry out liquidation procedures.</p> <p>Where the Company is dissolved under subparagraph (5) of the preceding Article, the competent authority shall organize to form a liquidation committee comprising the Shareholders, relevant authorities and relevant professionals to carry out liquidation procedures.</p>
Article 208	<p>The liquidation committee shall notify creditors within ten (10) days from the date of its establishment and make newspaper announcement within sixty (60) days of that date. Creditors shall, within thirty (30) days after receipt of the notice, or for those who do not receive the notice, within forty-five (45) days from the date of the announcement, declare their claims to the liquidation committee. The liquidation committee shall register the creditor's claims in accordance with laws. During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.</p>	Article 245	<p>The liquidation committee shall notify creditors within ten (10) days from the date of its establishment and make newspaper announcement three times at least within sixty (60) days of that date. Creditors shall, within thirty (30) days after receipt of the notice, or for those who do not receive the notice, within forty-five (45) days from the date of the announcement, declare their claims to the liquidation committee. <u>The creditors who declare their claims shall explain matters relating to their claims and provide relevant evidential documents.</u> The liquidation committee shall register the creditor's claims in accordance with laws. During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.</p>

APPENDIX IX

COMPARISON TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION AND ITS APPENDICES

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 250	<u>Any member of the liquidation committee shall dutifully and lawfully fulfill the liquidation obligation. Any member of the liquidation committee shall not abuse his/her official powers to accept bribes or other unlawful gains, and not to expropriate the Company’s assets. If any member of the liquidation committee causes any loss to the Company or the creditors with will or serious negligence, the said member shall be liable for compensation.</u>
		Article 251	<u>When the Company is declared bankrupt according to the law, the bankruptcy liquidation will be handled according to the relevant law on enterprise bankruptcy.</u>
Article 213	The Company may amend the Articles of Association under the requirements of laws, administrative regulations and the Articles of Association.	Article 252	<p>The Company may amend the Articles of Association under the requirements of laws, administrative regulations and the Articles of Association. <u>The Company shall amend the Articles of Association under any of the following conditions:</u></p> <p>(1) <u>Anything as stipulated in the Articles of Association is inconsistent with the amended laws and administrative regulations after the Company Law or the relevant laws and administrative regulations are revised;</u></p> <p>(2) <u>Any change to the Company is inconsistent with those set forth under the Articles of Association;</u></p> <p><u>The general meeting determines to make amendments to the Articles of Association.</u></p>

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
		Article 254	<u>The Board shall amend the Articles of Association according to the resolutions on amendments to the Articles of Association of the general meeting and the approval opinions of the relevant competent authorities.</u>
		Article 255	<u>Any amendments to the Articles of Association that involve information to be disclosed as required by the laws and regulations, shall be announced as required.</u>
Article 217	As specified in the preceding provision, corporate communications shall be provided and/or delivered to Shareholders in writing. However, for the ways of provision and/or delivery of corporate communications to Shareholders by the Company under the requirements of the Hong Kong Listing Rules, the Company may, upon obtaining the prior written consent or tacit consent of Shareholders, deliver or provide corporate communications to the Shareholders of the Company by electronic means or by publication of such information on the website of the Company, subject to the requirements of relevant laws and regulations as well as the Hong Kong Listing Rules as amended from time to time. Corporate communications include but are not limited to, among others, circulars, annual reports, interim reports, quarterly reports, notices of general meetings and other types of corporate communications as set out in the Hong Kong Listing Rules.	Article 258	As specified in the preceding provision, corporate communications shall be provided and/or delivered to Shareholders in writing. However, for the ways of provision and/or delivery of corporate communications to Shareholders by the Company under the requirements of the Main Board Listing Rules, the Company may, upon obtaining the prior written consent or tacit consent of Shareholders, deliver or provide corporate communications to the Shareholders of the Company by electronic means or by publication of such information on the website of the Company, subject to the requirements of relevant laws and regulations as well as the Main Board Listing Rules as amended from time to time. Corporate communications include but are not limited to, among others, circulars, annual reports, interim reports, quarterly reports, notices of general meetings and other types of corporate communications as set out in the Main Board Listing Rules.
Article 221	In these Articles of Association, “accounting firm” shall have the same meaning as “auditor”.	Article 262	In the Articles of Association, “accounting firm”, <u>“related”, “related parties” and “independent Directors”</u> shall have the same meaning as “auditor”, <u>“connected”, “connected persons” and “independent non-executive Directors”</u> in the Main Board Listing Rules .
		Article 264	<u>The Articles of Association was considered and approved at the general meeting of the Company and shall take effect and implement on the date of initial public issue of the RMB ordinary shares (A shares) by the Company and listing of such shares.</u>

**RULES OF PROCEDURES OF THE GENERAL MEETING OF CHINA
LONGYUAN POWER GROUP CORPORATION LIMITED****CHAPTER 1 GENERAL PROVISIONS**

Article 1 In a bid to safeguard the legitimate rights and interests of all Shareholders, regulate the activities of China Longyuan Power Group Corporation Limited (the “Company”), ensure the standardized and efficient operation of the Company’s general meetings, and guarantee the equal and efficient exercise of rights among Shareholders, the Company formulated these rules in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Securities Law of the People’s Republic of China, the Rules Governing General Meetings of Listed Companies (as amended in 2016), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of China Longyuan Power Group Corporation Limited (the “Articles of Association”) and other laws, regulations and normative documents.

Article 2 The Company shall convene the general meeting in strict compliance with the relevant requirements under the laws, administrative regulations, the Articles of Association and these rules in order to ensure that Shareholders can exercise their respective rights in accordance with the laws.

The Board of the Company shall effectively perform its duties and organize the general meeting in a careful and timely manner. All Directors of the Company shall perform their respective duties and responsibilities diligently in order to ensure the general meeting is properly convened and functions and powers are exercised in accordance with the laws.

Article 3 The general meeting is the organ of authority of our Company and shall exercise its functions and powers in accordance with the law.

- (1) to decide on the operating policies and investment plans of the Company;
- (2) to elect and remove Directors (not being staff representatives) and to fix the remuneration of the relevant Directors;
- (3) to elect and remove supervisors (not being staff representatives), and to fix the remuneration of the relevant supervisors;
- (4) to consider and approve the reports of the Board;

- (5) to consider and approve the reports of the supervisory board;
- (6) to consider and approve the proposed annual financial budgets and final accounts of the Company;
- (7) to consider and approve the profit distribution plans and loss recovery plans of the Company;
- (8) to adopt resolutions on any increase or reduction of registered capital of the Company;
- (9) to adopt resolutions on matters such as merger, division, dissolution, liquidation and conversion of corporate form of the Company;
- (10) to adopt resolutions on the issue of bonds or other securities and listing plans of the Company;
- (11) to adopt resolutions on the appointments, dismissals or non-reappointments of accounting firms;
- (12) to amend the Articles of Association;
- (13) to consider and approve matters relating to guarantees subject to approval at the general meeting under requirements of laws, regulations and the Articles of Association;
- (14) to consider and approve matters relating to the purchases and disposals of the Company's material assets which exceed 10% of the Company's latest audited total assets within one (1) year;
- (15) to consider and approve the changes in the use of proceeds;
- (16) to consider and approve the equity incentive plans;
- (17) to consider the proposals submitted by Shareholders holding 3% or more of the Company's voting Shares;
- (18) to consider other matters required by the regulatory rules of the place where the Shares of the Company are listed to be resolved by the general meeting;
- (19) other matters required by laws, administrative regulations, and the Articles of Association to be resolved by the general meeting.

Article 4 Matters shall be determined at the general meeting pursuant to laws and regulations and normative documents, listing rules where Shares of the Company are listed and the Articles of Associations shall be considered at the general meeting to guarantee the decision-making right of Shareholders on such matters.

Where necessary, reasonable and not violating laws and regulations, normative documents and mandatory provisions of the listing rules at the places where Shares of the Company are listed, the general meeting may authorize or entrust the Board the determine on specific matters which relate to matters to be resolved but cannot be determined immediately at the general meeting within the scope of authorization or entrustment of the general meeting.

Unless a prior approval is obtained at a general meeting, the Company shall not enter into any contract with any party other than the Directors, supervisors, general managers and other senior management members pursuant to which such party shall be responsible for managing the whole or any substantial part of the Company's business.

Article 5 General meetings of Shareholders shall be annual general meetings and extraordinary general meetings. A general meeting shall be convened by the Board. The annual general meeting shall be held once every year within six months after the end of the previous accounting year.

The Board shall hold an extraordinary general meeting within two months upon the occurrence of one of the following circumstances:

- (1) the number of Directors is less than the number required by the Company Law or less than two-thirds of the number required by the Articles of Association;
- (2) the uncovered losses are in excess of one third of the Company's total share capital;
- (3) Shareholders individually or jointly holding 10% or more of the Company's issued Shares with voting rights request in writing to hold an extraordinary general meeting;
- (4) the Board considers it necessary or the supervisory board proposes to hold such a meeting; or
- (5) One half or more of the independent Directors propose to hold such a meeting.

The shareholding ratio as specified in the aforesaid item (3) shall be calculated with the date as requested by Shareholders in writing as the base date.

If the Company fails to convene a general meeting during the above-mentioned period, it shall report to the local branch of the CSRC and the stock exchange, explaining the reasons, and shall make announcement.

Those Shareholders who hold different classes of Shares are class Shareholders. Except for other classes of shareholders, holders of domestic Shares and those of H Shares are deemed to be Shareholders of different classes. Change or abrogation of the rights of the class Shareholders by the Company shall be subject to approval at a general meeting by way of a special resolution and convening of a class meeting in accordance with the requirements of the Articles of Association. Only class Shareholders may attend class meetings.

Article 6 When holding a general meeting, the Company shall engage lawyers to issue legal advice on the following matters and make an announcement in respect thereof:

- (1) Whether the procedures for convening and holding the meeting are in compliance with the relevant requirements under the laws, administrative regulations, these rules and the Articles of Association;
- (2) Whether the qualifications of the attendees and the conveners are lawful and valid;
- (3) Whether the voting procedures and results of the meeting are lawful and valid;
- (4) Legal advice on other relevant matters at the request of the Company.

CHAPTER 2 CONVENING OF THE GENERAL MEETING

Article 7 The Board shall convene the general meeting within the period as prescribed in Article 5 hereof on a timely basis.

Article 8 Two (2) or more Shareholders individually or jointly holding 10% or more of the Shares with voting rights at the forthcoming meeting shall sign one (1) or more written requests of the same form and with the same content proposing that the Board convene an extraordinary general meeting or a class meeting and stating issues for discussion at the meeting. The above-mentioned number of Shares held shall be calculated as at the date when the written request was put forward by the Shareholders.

Article 9 The Board shall give a written reply on whether to agree or not to hold the extraordinary general meeting or class meeting within ten (10) days upon receipt of the written request as specified in Article 8 in accordance with the requirements of the laws, administrative regulations and the Articles of Association. Where the Board agrees to hold the general meeting or class meeting, a notice thereof shall be given within five (5) days after a resolution of the Board is made. Any change to the original proposal in the notice shall be subject to the approval from relevant Shareholders.

Where the Board does not agree to hold the general meeting or class meeting or fails to give a reply within ten (10) days upon receipt of the written request as specified in Article 8, Shareholders individually or jointly holding 10% or more of the Shares with voting rights at the forthcoming meeting of the Company shall have the right to propose, by way of a written request, to the supervisory board to convene an extraordinary general meeting or class meeting.

Where the supervisory board agrees to convene the general meeting or class meeting, a notice thereof shall be issued within five (5) days upon receipt of the request. Any change to the original proposal in the notice shall be subject to the approval from relevant Shareholders.

Where the supervisory board fails to issue the notice of the general meeting or class meeting within the prescribed period, it shall be deemed to fail to convene and preside over the general meeting or class meeting, in which case Shareholders individually or jointly holding more than 10% Shares of the Company for over ninety (90) consecutive days may convene and preside over the meeting at their own discretion.

Expenses reasonably incurred by Shareholders or the supervisory board in convening and holding the meeting at their own discretion arising from the failure by the Board to hold the meeting at the aforesaid request shall be borne by the Company and be deducted from amounts due to the defaulting Directors by the Company.

Article 10 Independent Directors shall have the right to propose to the Board to hold an extraordinary general meeting. For such a proposal, the Board shall give a written reply on whether to agree or not to hold the extraordinary general meeting within ten (10) days upon receipt of the proposal in accordance with the requirements of the laws, administrative regulations and the Articles of Association.

Where the Board agrees to hold the extraordinary general meeting, a notice thereof shall be given within five (5) days after a resolution of the Board is made. Where the Board does not agree to hold the extraordinary general meeting, its reasons shall be given and an announcement shall be made.

Article 11 The supervisory board shall have the right to propose to the Board to hold an extraordinary general meeting and such a proposal shall be made in writing. The Board shall give a written reply on whether to agree or not to hold the extraordinary general meeting within ten (10) days upon receipt of the proposal in accordance with the requirements of the laws, administrative regulations and the Articles of Association.

Where the Board agrees to hold the extraordinary general meeting, a notice thereof shall be issued within five (5) days after a resolution of the Board is made. Any change to the original proposal in the notice shall be subject to the approval from the supervisory board.

Where the Board does not agree to hold the extraordinary general meeting or fails to give a written reply within ten (10) days upon receipt of the proposal, it shall be deemed to be unable or fail to perform its duty of convening a general meeting, in which case the supervisory board may convene and preside over the general meeting at its own discretion.

Article 12 In the event that the supervisory board or Shareholders decide to convene the general meeting on its/their own, it/they shall send a written notice to the Board, and at the same time file the notice with the local branch of the CSRC and the stock exchange.

Before the resolutions of general meeting are announced, the shareholding proportion of the Shareholders who convene the meeting shall be not less than 10%.

When issuing the notice of the general meeting and the announcement of resolutions of the general meeting, the supervisory board and Shareholders who convene the meeting shall submit relevant supporting materials to the local branch of the CSRC and the stock exchange.

Article 13 In the event that the supervisory board or Shareholders convene a general meeting on its/their own, the Board and the Secretary to the Board shall assist. The Board shall provide the register of Shareholders as at the equity registration date. If the Board fails to do so, the convener may apply to the securities registration and clearing institution for the register of members by resorting to the announcement relating to the notice of convening the general meeting. The register of Shareholders obtained by the convener shall not be used for any purposes other than the holding of the general meeting.

CHAPTER 3 PROPOSALS AND NOTICES OF THE GENERAL MEETING

Article 14 The contents of proposals shall fall within the business scope of the Company and the authority scope of the general meeting, include definite issues for discussion and specific matters to be resolved, and comply with relevant provisions under laws, administrative regulations and the Articles of Association.

Article 15 When the Company holds a general meeting, the Board, the supervisory board and Shareholders individually or jointly holding 3% or more of the total Shares with voting rights of the Company shall have the right to make proposals to the Company in writing.

Shareholders individually or jointly holding more than 3% of Shares of the Company shall have the right to make ad hoc proposals and submit them in writing to the convener ten (10) days prior to the general meeting. The convener shall issue a supplementary notice of the general meeting announcing the contents of the ad hoc proposals within two (2) days upon receipt of the proposals.

Save for the provisions set forth in the preceding paragraph, neither modification nor addition shall be made to the proposals listed in the notice of the general meeting after issuing the notice thereof by the convener.

Proposals that are unlisted in the notice of the general meeting or do not comply with the provisions set forth in Article 14 shall not be voted on or resolved at the general meeting.

Article 16 If proposals in relation to investment, property disposal, acquisition and merger are made, details of relevant matters shall be fully explained, including amount involved, price (or pricing method), book value of assets, impact on the Company, information about approval, whether connected transactions are involved, etc.

Article 17 If the Board makes a proposal in relation to change of use of raised funds, reasons for the change of use of the raised funds, summary of the new project and impact on the future of the Company shall be explained in the notice of holding the general meeting.

Article 18 Matters in relation to public issuance of Shares and other matters which are required to be reported and submitted to the securities regulatory authorities of the State Council or other relevant regulatory authorities for approval shall be proposed as special proposals.

Article 19 After having considered and approved the annual report, the Board shall make a resolution on the profit distribution plan as a proposal of the annual general meeting. When the Board proposes a plan on capitalization of reserve, reasons for the capitalization shall be explained in details.

Article 20 The list of candidates for Directors and supervisors who are not employee representatives shall be put forward in the form of a proposal to a general meeting for resolution. Directors and supervisors who are employees shall be elected and removed by employees of the Company in a democratic way.

Article 21 For an annual general meeting of the Company, an at least twenty (20) business days' prior written notice thereof shall be given; for an extraordinary general meeting, a fifteen (15) days' or an at least ten (10) business days' (whichever is longer) prior written notice thereof shall be given. Where relevant rules of the regulatory authorities and the stock exchange at the place where the Company's Shares are listed provide otherwise, such rules shall prevail.

When calculating the time limit, the date of convening the meeting and the date of issuing the notice of the meeting shall not be included.

Matters not stated in the notice shall not be decided at the extraordinary general meeting.

Article 22 A notice of the general meeting shall be dispatched to Shareholders (regardless of their voting rights at the general meeting) by hand or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of members. For holders of domestic Shares, a notice of the general meeting may also be made by way of announcement.

The announcement referred in the preceding paragraph shall be published in one or more newspapers and journals designated by securities governing authorities of the State Council. Once an announcement is made, all holders of the domestic Shares are deemed to have received the relevant notice of the general meeting.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the meeting and the resolutions passed at the meeting.

Article 23 A notice of general meeting shall meet the following requirements:

- (1) it shall be in written form;
- (2) it shall specify the place, date and time of the meeting;
- (3) it shall state the matters to be discussed at the meeting;
- (4) it shall state the date of registration of equity entitlements for Shareholders having the right to attend the general meeting;
- (5) it shall provide Shareholders with such information and explanation as necessary for them to make informed decisions in connection with the matters to be discussed, which include (but not be limited to) specific conditions and contracts (if any) of proposed transactions and proper explanation on reasons for and effects of the same where the Company proposes merger, repurchase of Shares, restructure of share capital or other reorganization;
- (6) if any Director, supervisor, general manager and other senior management members have material interests in the matters subject to discussion, the nature and extent of such material interests shall be disclosed, and if the effect of the proposed matters on such Director, supervisor, general manager and other senior management members in their capacity as Shareholders is different from that on other Shareholders of the same class, the differences shall also be specified;
- (7) it shall set out the full text of the special resolutions proposed for approval at the meeting;

- (8) it shall contain a clear statement that a Shareholder who has the right to attend and vote at the meeting shall have the right to appoint one or more proxies to attend and vote at the meeting on his behalf and that such proxies need not be Shareholders;
- (9) it shall state the date and place for the service of the proxy forms for the meeting;
- (10) it shall state the names and contact telephone numbers of the contact persons in connection with the meeting;
- (11) other requirements of the regulatory rules of the place in which the Company's shares are listed.

Article 24 The notice and supplementary notice of the general meeting shall adequately and completely disclose all specific contents of all proposals. Where the opinions of the independent Directors are required on the issues to be discussed, such opinions and reasons thereof shall be disclosed when the notice or supplementary notice of the general meeting is served.

Article 25 If the election of Directors or supervisors is proposed to be discussed at a general meeting, the notice of the general meeting shall adequately disclose the detailed information on the Director or supervisor candidates, which shall at least include:

- (1) personal information including educational background, work experience and other positions undertaken on a part-time basis;
- (2) whether the candidates are connected with the Company, its controlling Shareholders or de facto controllers;
- (3) disclosing the candidates' shareholdings in the Company;
- (4) whether the candidates have been subject to any punishment by the securities regulatory authority under the State Council or other relevant departments or to any sanction by any stock exchange where the Company is listed;
- (5) other matters required to be disclosed under the listing rules at the place where the Shares of the Company are listed.

In addition to the adoption of the cumulative voting mechanism to elect Directors and supervisors, each candidate for Directors or supervisors shall be proposed in a separate proposal.

Article 26 When the Company intends to convene a general meeting, the Board or the convener of the general meeting shall designate a day to be the record day (date of registration of equity entitlements). Shareholders whose names appear in the register of members at the end of the record date (date of registration of equity entitlements) are Shareholders of the Company.

Interval between the date of registration of equity entitlements and the date of the meeting shall be not more than seven (7) working days. Once the date of registration of equity entitlements is confirmed, no change shall be made.

Where laws, administrative regulations, departmental rules, normative documents and the relevant stock exchange or regulatory authorities at the places where the Company's Shares are listed stipulate the period of closure of the register of Shareholders prior to a general meeting or the base date set by the Company for the purpose of distribution of dividends, such provisions shall prevail.

Article 27 After the convener has given a notice of holding a general meeting, without proper cause, the general meeting shall not be deferred or cancelled, nor shall the proposals specified in the notice be ruled out. In case of deferment or cancellation, the convener shall notify each Shareholder and state the reasons at least two (2) working days prior to the original date of holding the meeting in accordance with the requirements of the Articles of Association. In case of deferment of the general meeting, a new date of holding the meeting shall be specified in the notice.

CHAPTER 4 ATTENDANCE AND REGISTRATION OF THE GENERAL MEETING

Article 28 The place for holding a general meeting of the Company shall be the domicile of the Company or such other specific location as informed by the convener of the general meeting.

The general meeting shall have a venue and be held onsite. Provided that the legality and validity of the general meeting is guaranteed, the Company shall also hold the general meeting by telephone, online or by other safe, economic and convenient means to facilitate the participation of Shareholders in the general meeting. A Shareholder who participated in a general meeting in the aforesaid manners shall be deemed to have been present at the meeting.

Article 29 In case the Company holds the general meeting online or by other means, time and procedures for voting online or by other means shall be specified in the notice of the general meeting.

The beginning time for voting online or by other means for the general meeting shall not be earlier than 3:00 p.m. on the day prior to the date of the onsite general meeting nor later than 9:30 a.m. on the day when the onsite general meeting is held, and its closing time shall not be earlier than 3:00 p.m. on the day when the general meeting is closed.

Article 30 The Board and other conveners of the Company shall take necessary measures to ensure the normal order of the general meeting. For any disturbance to the order of the general meeting and acts infringing the legitimate rights and interests of the Shareholders, measures shall be taken by the Company to prevent them, and they shall be reported to the relevant authorities for investigation and punishment on a timely basis.

Article 31 All Shareholders whose names appear in the register of Shareholders as of the date of registration of equity entitlements or their proxies shall be entitled to attend a general meeting and exercise their voting rights in accordance with the provisions of relevant laws, regulations, normative documents, the Articles of Association and the listing rules at the places where Shares of the Company are listed, and the Company or the convener shall not refuse them for whatever reasons.

Article 32 Shareholders may attend a general meeting in person, or may appoint a proxy to attend and vote at the meeting on their behalf. A Shareholder shall appoint his/her proxy in writing and signed by the appointor or a proxy authorized by him/her for such purpose in writing; if the appointor is a legal person, the same shall be affixed with the seal of such legal person, or signed by its Directors or a duly authorized proxy. Such power of attorney shall specify the number of Shares represented by the proxy; where several Shareholder proxies are appointed, the power of attorney shall state the number of Shares in respect of which the Shareholder proxy is given to each such person.

Article 33 Individual Shareholders attending a meeting in person shall present their personal identification documents or other valid documents or proofs of their identities as well as the evidence of their shareholdings. Proxies attending a general meeting on behalf of Shareholders shall present their personal identification documents and written power of attorney signed by the appointor or a proxy entrusted by the appointor in writing, and the power of attorney shall specify the date of signature.

A corporate Shareholder shall be represented by its legal representative or a proxy entrusted by such legal representative in attending a meeting. In case of attendance by legal representatives, they shall present their personal identification documents and valid proofs of their capacities as legal representatives and, in the case of attendance by proxies of such legal representatives, such proxies shall present their personal identification documents and the written power of attorney sealed by the legal person or signed by their duly entrusted proxy, and the power of attorney shall specify the date of signature.

The power of attorney issued by the Shareholders entrusting others to attend the general meeting shall state the following contents:

- (1) the name of the appointer and the name of the proxy;
- (2) the number of Shares represented by the proxy on behalf of the appointer. If several proxies are appointed, the power of attorney shall state the number of Shares represented by each proxy;
- (3) whether the proxy has voting rights;
- (4) the instructions on whether to vote for or against or abstain from voting on each matter to be considered included in the agenda of the general meeting;

- (5) the specific instructions on whether the proxy has voting rights in respect of the temporary proposal as might be included in the agenda of the general meeting, and, if yes, how to exercise the voting rights;
- (6) the date of issue and effective period of the power of attorney;
- (7) the signature (or seal) of the appointer;
- (8) other requirements of the regulatory rules of the place in which the Company's shares are listed.

The form of any blank power of attorney issued by the Board to the Shareholders for the appointment of proxies shall give the Shareholder free choice to instruct their Shareholder proxies to cast an affirmative or dissenting vote, and to give separate instructions on each matter to be voted on at the meeting. The power of attorney shall state that the proxy may vote at his/her discretion if the appointer does not give any instruction.

Article 34 A power of attorney for voting shall be received and kept at the Company's premises or at other place as stipulated in the notice of the meeting at least twenty-four (24) hours prior to commencement of the relevant meeting or before the designated time of voting. If a power of attorney is signed by another party as authorised by the appointer, the power of attorney or other document of authorisation shall be subject to notarisation. The notarised power of attorney or other document of authorisation shall be kept with the power of attorney for voting at the Company's premises or other place as stipulated in the notice of the meeting.

Article 35 Where the appointer has deceased, incapacitated to act, withdrawn the appointment or the power of attorney, or where the relevant Shares have been transferred prior to the voting, a vote given in accordance with the power of attorney shall remain valid provided that no written notice of such event has been received by the Company prior to the commencement of the relevant meeting.

Article 36 Attendees shall be disqualified from attending the meeting in any of the following cases in relation to the certificates submitted by them:

- (I) The identification certificates of appointers or attendees are forged, expired or altered;
- (II) The identification certificates of appointers or attendees are beyond recognition;
- (III) When the same Shareholder entrusts multiple persons to attend the meeting, the signature samples on the power of attorney are obviously inconsistent;
- (IV) The power of attorney has no signature or seal of the appointer;

(V) The power of attorney for voting proxy has not been notarized which need to be notarized;

(VI) Relevant certificates submitted by appointer or personnel attending the meeting on his/her behalf obviously violate laws, regulations, normative documents and Articles of Associations.

Article 37 If the qualification of the appointer and his/her proxy to attend the meeting is recognized invalid due to unclear authorization of appointer or relevant certificates submitted by the proxy to prove the legal identity and entrustment relation failing to comply with laws, regulations, normative documents and Articles of Associations, the appointer or proxy shall undertake corresponding legal consequences.

CHAPTER 5 SIGN-IN FOR MEETINGS

Article 38 The Shareholders, Shareholder representatives and proxies attending the general meeting shall sign in on the registration office of the general meeting according to the time and requirements on the meeting notice.

Article 39 The meeting register of attendees shall be prepared by the Company, which shall record the name of the attendees (or name of unit), ID card numbers of the attendees, domiciles of the attendees, amount of Shares holding or representing voting rights, and name of appointer (or name of unit).

Article 40 The registered Shareholders shall sign on the meeting register with the certificates stated in Article 33.

The unregistered Shareholders shall not attend the general meeting in principle. Upon special approval of the Chairman of the meeting, the unregistered Shareholders shall submit the documents regulated in Article 33 of these Rules. After confirmed complying with the conditions regulated on the meeting notice, the unregistered Shareholders can attend the general meeting after sign on the meeting register.

Article 41 The Shareholders shall enter the venue before the meeting. Those who try to enter during the meeting shall gain approval of the Chairman of the meeting.

Article 42 All Directors, supervisors and the Secretary to the Board of the Company shall be present at the general meeting while other senior management members shall be in attendance at the meeting unless there is reasonable ground for absence.

Article 43 The Chairman of the meeting shall, prior to voting, announce the number of Shareholders and proxies attending the meeting in person as well as the total number of their voting Shares, which will be subject to that on the meeting register.

CHAPTER 6 RESOLUTIONS AND VOTING OF THE GENERAL MEETING

Article 44 A general meeting shall be convened and presided over by the Chairman of the Board; where the Chairman of the Board fails to attend the meeting, Vice Chairman of the Board shall convene and preside over the meeting (If there are two or more Vice Chairmen of the Board, a Vice Chairman of the Board jointly elected by more than half of the member of the Board shall preside over the meeting); where both of Chairman of the Board and Vice Chairman of the Board fail to attend the meeting, one Director of the Company designated by the Board shall convene and preside over the meeting; where the Board fails to designate the Director to preside over the meeting, one person shall be elected by the Shareholders present to preside over the meeting; where the Shareholders fail to elect such person due to any reason, the Shareholder (including the proxy) who holds the Shares carrying the most voting rights shall preside over the meeting.

Where the general meeting is convened by the supervisory board on its own discretion, the chairman of the supervisory board shall preside over the meeting; where the chairman of the supervisory board is unable to or fails to perform his/her duties, one supervisor shall be elected by more than half of the members of the supervisory board shall preside over the meeting.

The general meeting convened by Shareholders at their discretion shall be presided over by the representative recommended by the convener.

If a general meeting in process is discontinued by virtue of violation of these Rules by the Chairman of the meeting, the meeting may elect a Chairman to continue it upon approval of the Shareholders present with more than half of the voting Shares.

Article 45 The Chairman of the meeting shall announce opening at scheduled time. In case of special circumstances, the meeting can be announced opening after the scheduled time.

Article 46 After the Chairman of the meeting announced that the meeting is open, the Chairman shall firstly announce the number of Shareholders and proxies present and total amount of voting Shares they hold, which will be subject to that on the meeting register.

Article 47 The meeting, presided over by the Chairman, shall proceed according to the topics and proposals listed in agenda item by item. For the contents listed in meeting agenda, the Chairman can, according to actual situations, adopt the way of report first, centralized deliberation and centralized voting, or adopt reporting, deliberating and voting item by item for complex topics. The general meeting shall offer reasonable discussion time period for each topic.

Article 48 At the annual general meeting, the Board shall report to the general meeting on their work over the past year, and each of the independent Directors shall also submit his work report.

Article 49 At the annual general meeting, the Board shall read out the special supervision report on the Company in the past year, the contents of which contain:

- (i) the examination of the financial situation of the Company;
- (ii) the duty performance and the execution of the relevant laws, regulations, the Articles of Association and resolutions of general meeting by Directors and the senior management in discharging the duties of the Company; and
- (iii) other major events which the supervisory board of supervisors considers shall be reported to the general meeting.

Where necessary, the supervisory board can issue opinions on the proposals discussed at the general meeting and submit independent report.

Article 50 When a Shareholder or a proxy considers the issue, he shall demonstrate his opinions briefly and explicitly, propose the inquiry on any problem affecting his judgment and voting but not stated by the reporter, and request the reporter to make explanation and statement.

Article 51 The Directors, supervisors and senior management shall make explanation and statement on the inquiry and suggestions of Shareholders at a general meeting, except for those involving trade secrets of the Company which shall not be disclosed at a general meeting.

Article 52 When the general meeting deliberates matters concerning connected transactions, the Shareholder related to such connected transactions can attend the general meeting, but shall disclose such connected relationship to the general meeting on their own initiative. The connected Shareholder can explain his view to the Shareholder attending the meeting in accordance with the procedures of the meeting, but shall avoid participating in the voting, and the Shares with voting rights he represented shall not be counted into the total number of valid votes. The voting of non-connected Shareholders shall be fully explained in the resolution of the general meeting.

Article 53 When the general meeting deliberates matters concerning connected transactions, the Chairman shall announce the name list of connected Shareholders and make brief introduction about the connected matters. The Chairman shall announce the total number of the voting Shares held by non-connected Shareholders or their proxies and proportion to total Shares of the Company before deliberation and voting.

Article 54 When the general meeting deliberates the significant matters impacting profits of medium and small investors, the voting on medium and small investors shall be tallied separately. The separate tallying result shall be disclosed publicly in time.

Article 55 Matters included into the agenda shall all be passed by way of voting in the general meeting. Shareholders (including their proxies) may exercise their voting rights in accordance with the number of their voting Shares. Each Share shall have one vote. The way of voting shall be open ballot.

Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting Shares present at a general meeting.

Article 56 When voting by poll, a Shareholder (including a proxy) entitled to two (2) or more votes need not cast all his votes for approval or disapproval.

Article 57 The list of candidates for election of Directors and supervisors shall be submitted to the general meeting in the form of proposal for voting.

For voting at a general meeting in relation to the election of Directors and supervisors, the accumulative voting system may be adopted.

The cumulative voting system referred to in the preceding paragraph shall mean that when Directors or supervisors are elected at a general meeting, each Share shall have voting rights which are the same as the number of Directors or supervisors to be elected, and the voting rights held by a Shareholder may be used together. The Board shall make an announcement to Shareholders concerning the biographies and basic information of the candidates for election as Directors and supervisors.

Article 58 Save for the election of Directors or supervisors under the accumulative voting system, the general meeting shall vote on all proposals one by one. When different proposals are put forward for a single matter, such proposals shall be voted in the same sequence in which they were raised. Unless a general meeting is suspended or no resolution can be made due to force majeure or other special reasons, no proposal shall be set aside or excluded from voting at the general meeting.

Article 59 When a proposal is put forward for consideration at a general meeting, no modification shall be made to the proposal. Otherwise, the relevant change shall be deemed as a new proposal, which shall not be voted on at that general meeting.

Article 60 Shareholders present at the general meeting should express their opinions on the proposal put forward for voting in one of the following options: “For”, “Against”, or “Abstention”, except for the securities registration and settlement institutions which, being the nominal holders of shares subject to the interconnection mechanism of the Mainland and Hong Kong stock market transactions, shall make declaration according to the intentions of actual holders.

In the situations of any incomplete, incorrectly completed or illegible or unused ballots, the voters concerned shall be deemed to have waived their rights to vote, and thus the voting results in respect of the Shares they hold shall be counted as “Abstention”.

Any abstention from or waiver of voting shall be taken as votes with voting rights when the Company counts the voting results of the matter.

Article 61 The same voting right shall only be exercised either on-site, online or by other means of voting. The first vote cast shall prevail if repeated voting occurs in relation to the same voting right.

Article 62 In case of equal affirmative and dissenting votes, whether on a show of hands or by poll, the Chairman of the meeting shall be entitled to extra one (1) casting vote.

Article 63 Before a proposal is voted on at a general meeting, two (2) Shareholder representatives shall be legally elected as vote counters and scrutinizers. Any Shareholder who is interested in the matter to be considered and his proxies shall not participate in vote counting or scrutinizing. When a proposal is voted on at a general meeting, the votes shall be counted and scrutinized jointly by lawyers, Shareholder representatives, supervisor representatives, as well as the monitor appointed in accordance with the listing rules of the place where the Shares of the Company are listed, and the voting results shall be announced in a timely manner. Voting results on the resolutions shall be recorded in the minutes of the meeting.

Upon completion of voting at a general meeting, the vote counters and scrutinizers shall count the votes for each of the resolutions. The Chairman of the meeting shall announce the voting and results of each of the proposals in a timely manner. Prior to the formal announcement of voting results, the companies, vote counters, scrutinizers, substantial Shareholders and other relevant parties involved in the voting at the general meeting shall be obliged to keep the status of voting confidential.

The on-site general meeting shall not conclude earlier than that online or by other means. Shareholders of the Company or their proxies who cast their votes online or by other means shall have the right to check the results of their votes through the pertinent voting system.

Article 64 The resolutions of the general meeting shall be announced in a timely manner. The announcement shall set out the number of Shareholders and their proxies present at the meeting, the total number of voting Shares held and the proportion to the total number of voting Shares of the Company, the voting method, the voting results of each proposal, the details of each of the resolutions passed and other requirements of the regulatory rules of the place in which the Company’s shares are listed.

Article 65 The Shareholder’s rights (including but not limited to the voting votes) exercised in this meeting by personnel who has no legal and valid qualification of attending the meeting are invalid. The invalid votes generated hereby will not be reckoned into the total number of effective voting Shares of this meeting.

Article 66 The general meeting shall form resolutions of the meeting for the matters voted and passed.

Resolutions shall be divided into ordinary resolutions and special resolutions. The ordinary resolutions adopted at a general meeting shall be approved by the Shareholders (or their proxies) present at the general meeting with one-half or more of the voting rights; the special resolutions adopted at a general meeting shall be approved by the Shareholders (or their proxies) present at the general meeting with two-thirds or more of the voting rights.

Article 67 The contents of all resolutions made at the general meeting shall comply with the provision of laws, the listing rules of the place where the Company's Shares are listed and the Articles of Association. The contents of a resolution of general meeting of the Company which violate laws, administrative regulations and the listing rules of the place where the Company's Shares are listed shall be invalid.

The controlling Shareholder and de facto controllers of the Company shall not restrict or hinder medium and small investors to exercise voting rights according to law and shall not harm the legitimate rights of the Company and medium and small investors.

If the convening procedures and voting methods of the general meeting violate laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, Shareholders can request the People's Court to cancel the resolution within sixty (60) days from the date when the resolution is adopted.

The Shareholders attending the meeting shall faithfully perform their duties, guarantee the authenticity, accuracy and completeness of resolution's contents, and shall not use any statement easily causing ambiguity.

Article 68 The following matters shall be approved by the general meeting with ordinary resolutions:

- (I) the work report of each of the Board and the supervisory board;
- (II) the profit distribution and loss recovery plans prepared by the Board;
- (III) the election and dismissal of Directors in the Board and supervisors in the supervisory board (excluding the Directors who are staff representatives and the supervisors who are staff representatives), and their remunerations and payment methods;
- (IV) the Company's annual budget plan, final accounting plan, balance sheet, income statement and other financial statements;

- (V) the Company's annual report; and
- (VI) any matters other than those required to be approved with special resolutions as provided by laws, administrative regulations, the listing rules of the place where the Shares of the Company are listed or the Articles of Association.

Article 69 The following matters shall be approved by the general meeting with special resolutions:

- (I) the increase or reduction of Share capital, repurchase of the Company's Shares and issuance of any stocks, warrants and other similar securities;
- (II) the issuance of corporate bonds;
- (III) the division, merger, dissolution, liquidation or changing the form of the Company;
- (IV) the amendments to the Articles of Association;
- (V) the acquisition or disposal of material assets or guarantee with an amount exceeding 30% of the latest audited total assets of the Company within one (1) year;
- (VI) the Share incentive plans; and
- (VII) any other matters required to be approved with special resolutions as provided by laws, administrative regulations, the listing rules of the place where the Shares of the Company are listed or the Articles of Association and those that would have substantial influence on the Company if approved by the general meeting with ordinary resolutions and thus shall be approved with special resolutions.

Article 70 If the Chairman of the meeting questions the results of any resolution put to the vote, he may check the number of votes casted; if the Chairman of meeting fails to check the votes, Shareholders or their proxies present at the meeting shall have the right to immediately require a vote-count if they have objections against the voting results announced by the Chairman of the meeting, in which case the Chairman of the meeting shall tally the count immediately.

A poll shall be taken at such time and place as specified in such manner (including the use of ballot box or voting papers or ballots) as the Chairman of the meeting directs. According to the listing rules of the place where the Shares of the Company are listed, the Company shall issue a notice for the poll in a timely manner. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken.

Article 71 If votes are counted at a general meeting, the counting result shall be recorded in the minutes of the meeting.

The minutes of meeting, together with the attendance register of the attending Shareholders and the power of attorney of proxies, shall be kept at the domicile of the Company. The aforesaid minutes of meeting, attendance register and power of attorney shall not be destroyed within ten (10) years.

Article 72 Where a resolution is voted on by a show of hands as permitted under the listing rules, the Chairman of the meeting shall declare that the resolution has been passed by a show of hands, or adopted unanimously, or passed by a particular majority, or has not been approved, and an entry to that effect in the minutes of meeting of the Company shall be conclusive evidence of that fact without the need to prove the number or proportion of the votes in favour of or against such resolution.

Article 73 The convener shall ensure that the general meeting continues to proceed until the final resolutions are made. If the general meeting is terminated or no resolution can be made due to special reasons such as force majeure, necessary action shall be taken to resume the general meeting as soon as possible, or directly terminate that general meeting and make a timely announcement. Meanwhile, the convener shall report the same to a dispatched institution of the CSRC and a stock exchange at the place where the Company is located.

CHAPTER 7 DISCIPLINES OF THE GENERAL MEETING

Article 74 The Shareholders, or entrusted proxies of Shareholders, Directors, supervisors, general managers, Secretary to the Board and other senior management personnel, notary as well as guests and journalists invited by the Board who have handled the registration procedures can attend the general meeting. Other personnel shall not enter the venue.

Article 75 The Chairman of the meeting can require the following personnel exiting the venue:

- (I) Persons without qualification;
- (II) Persons disturbing the order of meeting venue;
- (III) Persons who wear untidy cloths and offending against decency;
- (IV) Persons who carry dangerous goods;
- (V) Other persons who need to exit the venue.

If the above-mentioned persons disobey the order of exit, the Chairman of the meeting can adopt necessary measures to make them exit.

Article 76 When the proposals are deliberated, only the Shareholders or their proxies have the right of speech. The Shareholders shall firstly raise hand and make speech on their seat or in appointed speech place upon approval of the Chairman.

When several Shareholders raise hands for speech, the Chairman shall assign the speaker.

The Chairman shall regulate the speech time and frequency of each Shareholder according to specific situations. The speech of Shareholder shall not be interrupted within the regulated time period so that the Shareholders can enjoy sufficient right of speech.

If any Shareholder's speech violated the above-mentioned regulations, the Chairman of the meeting can reject or stop.

The attending Directors, supervisors, general managers and other senior management personnel as well as those approved by the Chairman of the meeting can deliver a speech.

Article 77 The speaking Shareholders or proxies shall firstly introduce their identification as Shareholder, units representing and number of Shares held before presenting the points of view.

Article 78 The Company shall insist on the principle of simplicity to convene the general meeting, and shall not offer additional economic benefits to Shareholders (or proxies) who attend the meeting.

CHAPTER 8 MINUTES OF GENERAL MEETINGS

Article 79 The general meeting shall keep minutes, which will be taken charge of by the Secretary to the Board. The minutes shall record the following contents:

- (I) Time, place and agenda of the meeting, as well as the name of the convener;
- (II) Name of the Chairman of the meeting and Directors, supervisors, Secretary to the Board, general managers and other senior management personnel who attend the meeting as voting or non-voting participants;
- (III) Number of Shareholders who attend the meeting in person or by proxies, the sum of voting Shares held by such Shareholders and the proportion of such Shares in the Company's total Shares;
- (IV) Deliberation process, main points of speech and voting results of each proposal;
- (V) Inquiries, opinions and suggestions of Shareholders and the corresponding answers or explanations;

(VI) Name of the lawyer, vote counters and scrutinizers;

(VII) Other aspects that shall be included in the minutes in accordance with Articles of Associations.

Article 80 The convener shall guarantee the authenticity, accuracy and integrity of minutes. Minutes of a general meeting shall be signed by the Directors, supervisors, Secretary to the Board, convener or its representatives who attend the meeting as well as the Chairman of the meeting; and be kept together with the attendance register, power of attorney of proxies present and valid materials relating to voting through internet or otherwise for a period of not less than ten (10) years.

Article 81 Shareholders may examine photocopies of the minutes of meetings during the Company's office hours free of charge. If any Shareholder demands from the Company a photocopy of relevant minutes of meetings, the Company shall send such photocopies within seven (7) days once the payment of reasonable charges received.

CHAPTER 9 ADJOURNMENT AND CLOSING OF MEETING

Article 82 The Chairman of the general meeting has the right to announce adjournment according to the progress and time arrangement or when he/she believes necessary.

Article 83 After the Chairman announced the voting results of all proposals at the general meeting and the Shareholders propose no objection, the Chairman will announce the meeting is closed.

CHAPTER 10 IMPLEMENTATION OF MEETING RESOLUTION

Article 84 The resolutions made at the general meeting for proposals of Shareholders shall list the name of proposing Shareholders, shareholding proportion and contents of proposal.

Article 85 If the proposals are not passed, or the resolutions at former general meeting are changed, the Board shall make special hints in the resolutions of this general meeting.

Article 86 The resolutions formed by the general meeting shall be implemented by the Board, and submitted to the general manager who will organize relevant personnel to implement or undertake specifically according to the contents of resolutions; the matters to be handled by the Board required by the resolutions of general meeting will be organized and implemented directly by the supervisory board.

Article 87 In the event that the general meeting passes the motions about the election of Directors and supervisors, the newly appointed Directors and supervisors shall resume duty according to the stipulations of the Articles of Association.

Article 88 In the event that the general meeting passes the motions about dividend distribution, bonus Shares or increase of capital by conversion of reserves, the Company shall implement concrete schemes within two (2) months after the closure of the general meeting.

CHAPTER 11 SPECIAL VOTING PROCEDURES FOR CLASS SHAREHOLDERS

Article 89 Shareholders who hold different classes of Shares shall be class Shareholders. Class Shareholders shall enjoy rights and assume obligations in accordance with the laws, administrative regulations and the Articles of Association.

Article 90 Where the capital of the Company includes non-voting Shares, the name of such Shares shall contain the term “non-voting right”.

Article 91 Where the Share capital includes Shares with different voting rights, the name of each class of Shares (other than Shares with most privileged voting rights) shall contain the term “restricted voting right” or “limited voting right”.

Article 92 Rights conferred on any class of Shareholders in the capacity of Shareholders may not be varied or abrogated unless approved by a special resolution of Shareholders in the general meeting and by Shareholders of Shares of that class at a separate meeting conducted in accordance with provisions of Articles 94 to 97 of the Articles of Association.

The Shareholders of domestic Shares of the Company may transfer all or part of their Shares to overseas investors, or convert the domestic Shares into overseas listed Shares and list and trade the said Shares on foreign stock exchanges, which shall not be deemed to be a proposed variation or abrogation of the rights conferred on any class of Shareholders.

Article 93 The following circumstances shall be deemed to be a variation or abrogation of the rights of a class Shareholder:

- (I) to increase or decrease the number of Shares of such class, or increase or decrease the number of Shares of a class having voting or distribution rights or other privileges equal or superior to the Shares of such class;

- (II) to effect an exchange of all or part of the Shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;
- (III) to remove or reduce rights to accrued dividends or rights to cumulative dividends of Shares of such class;
- (IV) to reduce or remove the rights attached to Shares of such class to have priority in receiving dividends or in receiving distribution of assets in the event that the Company is liquidated;
- (V) to add, remove or reduce the conversion, options, voting, transfer or pre-emptive rights or the rights to acquire securities of the Company attached to the Shares of such class;
- (VI) to remove or reduce the rights to receive payables from the Company in a particular currency attached to the Shares of such class;
- (VII) to create a new class of Shares with voting right, right to dividends or other privileges equal or superior to those of the Shares of such class;
- (VIII) to restrict the transfer or ownership of the Shares of such class or to impose additional restrictions thereon;
- (IX) to grant the right to subscribe for, or convert into, the Shares of such or another class;
- (X) to increase the rights and privileges of the Shares of another class;
- (XI) to cause the holders of different classes of Shares to bear a disproportionate burden of obligations in the restructuring as a result of the restructuring scheme of the Company;
- (XII) to amend or abrogate any provision of this Chapter.

Article 94 Shareholders of the affected class, whether or not entitled to vote at general meetings, shall nevertheless be entitled to vote at class meetings in respect of matters concerning sub-paragraphs (II) to (VIII), (XI) to (XII) of Article 93, but interested Shareholders shall not be entitled to vote at class meetings.

Article 95 “Interested Shareholder(s)” as mentioned in the preceding paragraph represents:

- (I) in case of the Company’s offer for Share repurchase on a pro rata basis to all Shareholders or a Share buyback through public dealings on a stock exchange in compliance with Article 32 of the Articles of Association, a controlling Shareholder within the meaning of Article 60 of the Articles of Association;
- (II) in case of the Company’s Share buyback by way of an off-market agreement in compliance with Article 32 of the Articles of Association, a Shareholder who is involved in the entering into of such agreement;
- (III) in case of the Company’s reorganization scheme, a Shareholder of one class who bears less than a proportionate burden imposed on other Shareholders of that class or who has an interest different from those of other Shareholders of that class.

Article 96 Resolutions at a class meeting shall be passed by Shareholders present at the class meeting representing two-thirds or more of the Shares with voting rights according to Article 94.

Article 97 Period for written notice of a class meeting convened by the Company shall be the same as the period for written notice of the non-class meeting to be convened together with such class meeting. The written notice specifying the matters to be considered at, and the date and location for, the meeting shall be issued to all Shareholders whose names appear on the register of members of such class.

Article 98 Notice of a class meeting shall be given only to Shareholders entitled to vote at the meeting.

A class meeting shall be conducted as similar in terms of procedures to a general meeting as possible. The provisions concerning the procedures of a general meeting set out in the Articles of Association shall also apply to class meetings.

Article 99 Apart from the holders of other classes of Shares, the holders of domestic Shares and overseas listed foreign Shares shall be taken to be Shareholders of different classes.

The special procedures for voting by class Shareholders shall not apply to the following circumstances:

- (I) where the Company issues, upon approval by way of a special resolution at a general meeting, either separately or concurrently once every twelve (12) months, domestic Shares and overseas listed foreign Shares, to the extent that the number of the Shares to be issued does not exceed 20% of the outstanding Shares in issue of their respective class;
- (II) where the Company's plan to issue domestic Shares and overseas listed foreign Shares upon its incorporation is completed within fifteen (15) months from the date of approval by the competent securities authorities of the State Council.

CHAPTER 12 SUPPLEMENTARY PROVISIONS

Article 100 If there are any matters not covered by these Rules, the relevant laws, regulations, normative documents, the listing rules of the place where the Company's Shares are listed and the Articles of Association shall prevail. In any event that these Rules are inconsistent with, contravene or contradict any relevant laws, regulations, the Articles of Association or the listing rules of the place where the Company's Shares are listed, the strictest requirements shall be followed.

Unless otherwise specified, the terms used in these Rules shall have the same meaning as those terms used in the Articles of Association.

Article 101 In these Rules, the terms "or more" and "within" include the figure itself, while the terms "exceed" or "exceeding" do not include the figure itself. In these Rules, the terms "related", "related party(ies)" and "independent Director(s)" referred to in the Rules shall have the same meaning as "connected", "connected person(s)" and "independent non-executive Director(s)".

Article 102 These Rules shall be subject to the interpretation of the Board. Any matters not covered by these Rules shall be submitted by the Board to the general meeting for approval by way of resolution.

Article 103 These Rules have been considered and approved by the general meeting of the Company, and shall be effective and implemented from the date of the initial public offering and listing of RMB-denominated ordinary Shares (A Shares) of the Company.

COMPARISON TABLE OF AMENDMENTS TO RULES OF PROCEDURES OF THE BOARD OF
DIRECTORS

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 1	In order to ensure the standardized operation of China Longyuan Power Group Corporation Limited (the “Company”), improve the working efficiency as well as the scientific and legal decision-making of the Board, standardize the composition, responsibilities, authority and operation procedures of the Board, and safeguard the interests of the Company and the legitimate rights and interests of the Shareholders, the rules have been formulated in accordance with the Company Law of the People’s Republic of China, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Guidelines on Articles of Association of Listed Companies, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and other domestic and overseas regulatory requirements, and the Articles of Association of China Longyuan Power Group Corporation Limited (the “Articles of Association”).	Article 1	In order to ensure the standardized operation of China Longyuan Power Group Corporation Limited (the “Company”), improve the working efficiency as well as the scientific and legal decision-making of the Board, standardize the composition, responsibilities, authority and operation procedures of the Board, and safeguard the interests of the Company and the legitimate rights and interests of the Shareholders, the rules have been formulated in accordance with the Company Law of the People’s Republic of China, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Guidelines on Articles of Association of Listed Companies, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) and other domestic and overseas regulatory requirements, and the Articles of Association of China Longyuan Power Group Corporation Limited (the “Articles of Association”).
Article 3	<p>The Board shall exercise the following powers:</p> <p>(1) to be responsible for the convening of general meetings and report its work to the general meetings;</p> <p>(2) to implement the resolutions of general meetings;</p> <p>(3) to decide on the Company’s business plans and investment plans, specific annual business goals as well as financing plans other than the issue of debentures or other securities and listing by the Company;</p> <p>(4) to formulate the Company’s plans on annual financial budgets and final accounts;</p> <p>(5) to formulate the Company’s profit distribution plans and plans on making up losses;</p> <p>(6) <u>to formulate the proposal for increase or decrease of the registered capital of the Company and issue and listing of bonds or other securities of the Company and listing thereof;</u></p> <p>(7) to formulate plans for substantial acquisition, repurchase of shares of the Company or merger, division, dissolution and alteration of corporate form of the Company;</p>	Article 3	<p>The Board shall exercise the following powers:</p> <p>(1) to be responsible for the convening of general meetings and report its work to the general meetings;</p> <p>(2) to implement the resolutions of general meetings;</p> <p>(3) to decide on the Company’s business plans and investment plans, specific annual business goals as well as financing plans other than the issue of debentures or other securities and listing by the Company;</p> <p>(4) to formulate the Company’s plans on annual financial budgets and final accounts;</p> <p>(5) to formulate the Company’s profit distribution plans and plans on making up losses;</p> <p>(6) <u>to formulate the proposal for increase or decrease of the registered capital of the Company;</u></p> <p>(7) <u>to formulate plans for the issue of bonds or other securities of the Company and listing thereof;</u></p>

APPENDIX IX

COMPARISON TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION AND ITS APPENDICES

Original articles	Contents of original articles	Amended articles	Contents of amended articles
	<p>(8) to decide on the establishment of an internal management organization of the Company; decide the establishment or revocation of the subsidiaries or branches of the Company;</p> <p>(9) to elect Chairman of the Board and Vice Chairman of the Board of the Company, nominate, appoint or dismiss general manager of the Company;</p> <p>(10) according to the nomination of the Chairman, appoint or dismiss the Board secretary, appoint or dismiss the Director of each special committee of the Board;</p> <p>(11) upon the nomination of the general manager, appoint or dismiss deputy manager and the chief accountant of the Company, and decide their remunerations, incentives and punishments;</p> <p>(12) to formulate the basic management system of the Company;</p> <p>(13) to formulate proposals for amendment to the Articles of Association;</p> <p>(14) to formulate stock option incentive plan of the Company;</p> <p>(15) to manage information disclosure of the Company;</p> <p>(16) to decide the establishment of the special committee of the Board;</p> <p>(17) to decide upon the risk management system of the Company, including risk assessment, financial control, internal audit, legal risk control, and supervise its enforcement;</p> <p>(18) to propose to the general meeting to appoint or change accounting firm in charge of the audit of the Company;</p> <p>(19) to listen to the report of work by the general manager or senior management members appointed by him on a regular or irregular basis, and to approve the report of work by the general manager;</p> <p>(20) issue of guarantee made by the Company which is not necessary for the examination of the general meeting, as provided in the Articles of Association.</p>		<p>(8) to formulate plans for substantial acquisition, repurchase of Shares of the Company or merger, division, dissolution and alteration of corporate form of the Company;</p> <p>(9) to decide on the establishment of an internal management organization of the Company; decide on the establishment or revocation of the subsidiaries and other branches of the Company;</p> <p>(10) to elect Chairman of the Board and Vice Chairman of the Board of the Company, nominate, appoint or dismiss general manager of the Company;</p> <p>(11) to appoint or dismiss the Board secretary, to appoint or dismiss the chairperson of each special committee of the Board upon the nomination of the Chairman;</p> <p>(12) to appoint or dismiss deputy general manager and the chief accountant of the Company upon the nomination of the general manager, and to determine their remunerations, incentives and punishments for them;</p> <p>(13) to formulate the basic management system of the Company;</p> <p>(14) to formulate proposals for amendment to the Articles of Association;</p> <p>(15) to formulate stock option incentive plan of the Company;</p> <p>(16) to manage information disclosure of the Company;</p> <p>(17) to decide on the establishment of the special committees of the Board;</p> <p>(18) to decide upon the risk management system of the Company, including risk assessment, financial control, internal audit, legal risk control, and supervise its enforcement;</p> <p>(19) to propose to the general meeting to appoint or change accounting firm in charge of the audit of the Company;</p> <p>(20) to listen to the report of work by the general manager or senior management members appointed by him/her on a regular or irregular basis, and to approve the report of work by the general manager;</p>

APPENDIX IX

**COMPARISON TABLE OF AMENDMENTS TO
ARTICLES OF ASSOCIATION AND ITS APPENDICES**

Original articles	Contents of original articles	Amended articles	Contents of amended articles
	<p>(21) to decide upon projects for which the investment amount for each project will not exceed RMB1 billion and is not within the budget;</p> <p>(22) to authorize the managing staff of the Company to decide expense out of budget which will not exceed RMB50 million accumulatively in twelve (12) months;</p> <p>(23) to carry out regular assessment on and continue with the improvement of the Company’s corporate governance, and evaluate its own performance, which shall include:</p> <ol style="list-style-type: none"> 1. to develop and review the policies and practices on corporate governance; 2. to review and monitor the training and professional development of the directors and senior management; 3. to review and monitor the policies and practices on the Company’s compliance with legal and regulatory requirements; 4. to develop, review and monitor the code of conduct and compliance code applicable to the employees and directors of the Company; 5. to review the Company’s compliance with the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) and the disclosure in the corporate governance report prepared in accordance with Appendix 14 to the Hong Kong Listing Rules; other powers as stipulated by laws, regulations and the listing rules of the stock exchange at the place where the shares of the Company are listed, as well as those granted at general meetings and under the Articles of Association. 		<p>(21) issue of guarantee made by the Company for which the examination by the general meeting is not necessary, as provided in the Articles of Association.</p> <p>(22) to decide upon projects for which the investment amount for each project will not exceed RMB1 billion and which are related to the principal business of the Company but not within the budget;</p> <p>(23) to authorize the managing staff of the Company to decide on expense out of budget which will not exceed RMB50 million accumulatively in twelve (12) months;</p> <p>(24) to carry out regular assessment on and continue with the improvement of the Company’s corporate governance, and evaluate its own performance, which shall include:</p> <ol style="list-style-type: none"> 1. to develop and review the policies and practices on corporate governance; 2. to review and monitor the training and professional development of the directors and senior management; 3. to review and monitor the policies and practices on the Company’s compliance with legal and regulatory requirements; 4. to develop, review and monitor the code of conduct and compliance code applicable to the employees and directors of the Company; 5. to review the Company’s compliance with the Code on Corporate Governance Practices in Appendix 14 to the Hong Kong Listing Rules and the disclosure in the corporate governance report prepared in accordance with Appendix 14 to the Hong Kong Listing Rules; other powers as stipulated by laws, regulations and the listing rules of the stock exchange at the place where the shares of the Company are listed, as well as those granted at general meetings and under the Articles of Association. <p>(25) to approve other matters which are subject to consideration and approval of the Board in accordance with the regulatory rules of the place in which the Company’s shares are listed.</p>

APPENDIX IX

**COMPARISON TABLE OF AMENDMENTS TO
ARTICLES OF ASSOCIATION AND ITS APPENDICES**

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 6	The Board consists of <u>nine (9)</u> Directors, including three (3) independent non-executive Directors . The Board shall have one (1) Chairman and two (2) Vice Chairmen, which shall be elected by more than half of all the Directors.	Article 6	The Board consists of <u>seven (7) to thirteen (13)</u> Directors. The independent non-executive Directors shall represent at least one-third of the members of the Board, at least one of the independent non-executive Directors shall have appropriate professional qualifications or appropriate accounting or related financial management expertise and at least one independent non-executive Directors must be ordinarily resident in Hong Kong . The Board shall have one (1) Chairman, one (1) to two (2) Vice Chairmen, which shall be elected by more than half of all the Directors.
Article 12	<p>The Chairman of the Board is entitled to the following powers:</p> <p>(1) to preside over general meetings and to convene and preside over Board meetings;</p> <p>(2) to procure and check on the implementation of resolutions of the Board and listen to relevant report of work;</p> <p>(3) to procure and to arrange for and formulate various rules and systems for the operation of the Board, and to coordinate the work of the Board;</p> <p>(4) to sign the securities certificates issued by the Company;</p> <p>(5) to sign important documents of the Board;</p> <p>(6) to sign important legally binding documents on behalf of the Company;</p> <p>(7) to exercise special rights of disposal over the Company's affairs that are in line with the requirements under the laws and the interests of the Company in the event of emergency caused by force majeure or significant crises and under the critical situation where a Board meeting cannot be held timely, and to report it to the Board afterwards;</p> <p>(8) to hold meeting with independent non-executive directors without other directors being present at least once a year;</p> <p>(9) to exercise other powers conferred by the laws and regulation or the Articles of Association and the Board.</p>	Article 12	<p>The Chairman of the Board is entitled to the following powers:</p> <p>(1) to preside over general meetings and to convene and preside over Board meetings;</p> <p>(2) to procure and check on the implementation of resolutions of the Board and listen to relevant report of work;</p> <p>(3) to procure and to arrange for and formulate various rules and systems for the operation of the Board, and to coordinate the work of the Board;</p> <p>(4) to sign the securities certificates issued by the Company;</p> <p>(5) to sign important documents of the Board;</p> <p>(6) to sign important legally binding documents on behalf of the Company;</p> <p>(7) to exercise special rights of disposal over the Company's affairs that are in line with the requirements under the laws and the interests of the Company in the event of emergency caused by extraordinarily serious natural disasters or other force majeure and significant crises and under the critical situation where a Board meeting cannot be held timely, and to report it to the Board afterwards;</p> <p>(8) to hold meeting with independent non-executive directors without other directors being present at least once a year;</p> <p>(9) to exercise other powers conferred by the laws and regulation or the Articles of Association and the Board.</p>

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 14	<p>The board of directors may establish nomination committee, strategic committee, remuneration and assessment committee, audit committee and other special committees. These special committees shall consider specific matters and give their opinions and proposals for the Board's reference when the Board makes decisions.</p> <p>All members of Board committees shall be directors, among which, the independent non-executive directors shall represent the majority of remuneration and assessment committee; the members of the audit committee are all non-executive directors, most of which are independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or appropriate accounting or related financial management expertise, and the chairman of the audit committee must be an independent non-executive director; the independent non-executive directors shall represent the majority in number of the nomination committee, and the chairman of the nomination committee must be an independent non-executive director or the chairman of the Board.</p>	Article 14	<p>The board of directors shall establish nomination committee, strategic committee, remuneration and assessment committee, audit committee and other special committees. These special committees shall consider specific matters and give their opinions and proposals for the Board's reference when the Board makes decisions.</p> <p>All members of Board committees shall be directors, among which, the independent non-executive directors shall represent the majority of remuneration and assessment committee; the members of the audit committee are non-executive directors, most of which are independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, and the chairman of the audit committee must be an independent non-executive director; the independent non-executive directors shall represent the majority in number of the nomination committee, and the chairman of the nomination committee must be an independent non-executive director or the chairman of the Board.</p>
Article 15	<p>Duties of the Nomination Committee include:</p> <ol style="list-style-type: none"> (1) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy; (2) To identify individuals suitably qualified to become the members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; (3) To assess the independence of independent non-executive directors; (4) To make recommendations to the Board on the appointment of directors and senior management; (5) If necessary, the Committee may engage intermediary agencies to provide professional advices for its decision-making upon obtaining the authorization from the Board, and the reasonable expenses incurred thereby shall be borne by the Company; (6) other matters authorised by the Board; 	Article 15	<p>Duties of the Nomination Committee include:</p> <ol style="list-style-type: none"> (1) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy; (2) To identify individuals suitably qualified to become the members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; (3) To assess the independence of independent non-executive directors; (4) To make recommendations to the Board on the appointment of directors and senior management; (5) If necessary, the Committee may engage intermediary agencies to provide professional advices for its decision-making upon obtaining the authorization from the Board, and the reasonable expenses incurred thereby shall be borne by the Company; (6) other matters authorised by the Board; (7) other duties should be performed according to the regulatory rules of the place where the shares of the Company are listed.

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 17	<p>The Remuneration and Assessment Committee shall have the following primary duties and responsibilities:</p> <ol style="list-style-type: none"> (1) to review the criteria for appraisal of directors and senior management, conduct appraisals and make recommendations; (2) to study and review the remuneration policy and package for Directors and senior management (including compensations to Directors or senior management for, among others, loss of office or retirement) with reference to corporate goals and objectives resolved by the Board; (3) to make recommendations to the Board on the remuneration policies for executive Director(s) and senior management (including benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of office or appointment)) and submit them to the Board for approval; to make recommendations to the Board on the remuneration of non-executive Directors; and to implement the remuneration policy determined by the Board; (4) to conduct the evaluation of the performance of the general manager, and report it to the Board, and supervise the evaluation of the performance of other senior management of the Company led by the general manager; (5) to study the Company's incentive plan, remuneration system and share option scheme, monitor and evaluate the results of implementation, and make recommendations on reform and improvement thereof; (6) to ensure that no Director or any of his/her associates is involved in determine his/her own remuneration; (7) to handle other matters as required by relevant laws and regulations or listing rules of the place where the Shares of the Company are listed and as authorized by the Board. 	Article 17	<p>The Remuneration and Assessment Committee shall have the following primary duties and responsibilities:</p> <ol style="list-style-type: none"> (1) to review the criteria for appraisal of directors and senior management, conduct appraisals and make recommendations; (2) to study and review the remuneration policy and package for Directors and senior management (including compensations to Directors or senior management for, among others, loss of office or retirement) with reference to corporate goals and objectives resolved by the Board; (3) to make recommendations to the Board on the remuneration policies for executive Director(s) and senior management (including benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of office or appointment)) and submit them to the Board for approval; to make recommendations to the Board on the remuneration of non-executive Directors; and to implement the remuneration policy determined by the Board; (4) <u>to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;</u> (5) <u>to review and approve compensation payable to executive Directors and senior management for loss or termination of office or appointment to ensure that it is consistent with the contractual terms and is otherwise fair and reasonable and not excessive;</u> (6) <u>to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are consistent with the contractual terms and are otherwise reasonable and appropriate;</u> (7) to conduct the evaluation of the performance of the general manager, and report it to the Board, and supervise the evaluation of the performance of other senior management of the Company led by the general manager; (8) to study the Company's incentive plan, remuneration system and share option scheme, monitor and evaluate the results of implementation, and make recommendations on reform and improvement thereof; (9) to ensure that no Director or any of his/her associates is involved in determine his/her own remuneration; (10) to handle other matters as required by relevant laws and regulations or listing rules of the place where the Shares of the Company are listed and as authorized by the Board.

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 18	<p>The primary duties of the Audit Committee include:</p> <ol style="list-style-type: none"> (1) To review the annual internal audit plan of the Company; (2) To supervise the Company's internal audit quality and financial information disclosure, and review interim and annual financial statements prior to submission to the Board; (3) To meet, at least twice every year, with the external auditor for consideration of financial information and accounts of the Company; (4) To supervise the appointment and dismissal of the head of internal audit function and make relevant recommendations; (5) To supervise the appointment, replacement of and payment of remuneration for the intermediary auditor of the Company, to act as the main representative between the Company and the external auditor and to be responsible for monitoring the relations between the two; (6) To review the effectiveness of internal control procedure of the Company and accept complaints as to relevant aspects; (7) To review and monitor whether the external auditor is independent and objective and whether the audit procedure is effective pursuant to applicable criteria; the Audit Committee shall discuss with the auditor on the nature and scope of audit and relevant reporting responsibilities prior to the commencement of audit work; to approve the terms of remuneration for and appointment of the external auditor; (8) To develop and implement policies on the engagement of an external auditor to provide non-audit services; (9) To regulate the financial reporting system and internal control procedure of the Company; (10) To review the arrangements for employees to raise their concern about possible inappropriateness in financial reporting, internal control or other matters in an anonymous way. The Committee shall ensure that the Company has suitable arrangements for conducting fair and independent investigation of relevant matters and taking appropriate follow-up actions. (11) other significant audit matters. 	Article 18	<p>The primary duties of the Audit Committee include:</p> <ol style="list-style-type: none"> (1) To review the annual internal audit plan of the Company; (2) To supervise the Company's internal audit quality and financial information disclosure, and review interim and annual financial statements prior to submission to the Board; (3) To meet, at least twice every year, with the external auditor for consideration of financial information and accounts of the Company; (4) To supervise the appointment and dismissal of the head of internal audit function and make relevant recommendations; (5) To supervise the appointment, replacement of and payment of remuneration for the intermediary auditor of the Company, to act as the main representative between the Company and the external auditor and to be responsible for monitoring the relations between the two; (6) To review the effectiveness of internal control procedure of the Company and accept complaints as to relevant aspects; (7) To review and monitor whether the external auditor is independent and objective and whether the audit procedure is effective pursuant to applicable criteria; the Audit Committee shall discuss with the auditor on the nature and scope of audit and relevant reporting responsibilities prior to the commencement of audit work; to approve the terms of remuneration for and appointment of the external auditor; (8) To develop and implement policies on the engagement of an external auditor to provide non-audit services; (9) To regulate the financial reporting system and internal control procedure of the Company; (10) To review the arrangements for employees to raise their concern about possible inappropriateness in financial reporting, internal control or other matters in an anonymous way. The Committee shall ensure that the Company has suitable arrangements for conducting fair and independent investigation of relevant matters and taking appropriate follow-up actions. (11) other significant audit matters <u>and the duties as prescribed in the regulatory rules in the place where the Shares of the Company are listed.</u>

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 25	<p>Board meetings</p> <p>(1) In term of the certainty of the holding of the Board meeting, the Board meetings are categorized as regular Board meetings and extraordinary Board meetings.</p> <p>(2) The Board shall hold at least four (4) meetings every year.</p> <p>(3) The chairman, Shareholders representing more than one-tenth of the voting rights, more than three (3) Directors, one-half of independent non-executive Directors, the supervisory board or the general manager may propose to hold an extraordinary Board meeting. The chairman shall convene and preside over the Board meeting within ten (10) days upon receipt of the proposal.</p>	Article 25	<p>Board meetings</p> <p>(1) In term of the certainty of the holding of the Board meeting, the Board meetings are categorized as regular Board meetings and extraordinary Board meetings.</p> <p>(2) The Board shall hold at least four (4) meetings every year.</p> <p>(3) The chairman, Shareholders representing more than one-tenth of the voting rights, more than three (3) (inclusive) Directors, one-half of independent non-executive Directors, the supervisory board or the general manager may propose to hold an extraordinary Board meeting. The chairman shall convene and preside over the Board meeting within ten (10) days upon receipt of the proposal.</p>
Article 26	<p>Regular Board meetings shall comprise but be not limited to:</p> <p>(I) Board meeting for approval of the Company's results report:</p> <p>1. Board meeting for annual results</p> <p>The Board meeting shall be held within four (4) months, or three (3) months effective from 31 December 2010, subsequent to the end of the Company's accounting year, primarily to consider the Company's annual report and deal with any other relevant matters. An annual Board meeting shall be held at such time as to ensure that the annual report of the Company shall be despatched to Shareholders within the time frame required by relevant regulations and the Articles of Association, that preliminary annual financial results of the Company shall be announced within the time frame required by relevant regulations, and that the annual general meeting shall be held within six months subsequent to the end of the Company's accounting year.</p> <p>2. Board meeting for half-yearly results</p> <p>The Board meeting shall be held within three (3) months, or two (2) months effective from 30 June 2010, subsequent to the end of the first six-month period of the Company's accounting year, primarily to consider the Company's half-yearly report and deal with any other relevant matters.</p> <p>(II) Board meeting for year-end review</p> <p>The Board meeting shall be held in December of each year, to receive and consider the report of the general manager regarding the implementation of tasks scheduled for the year and the arrangements for tasks in the coming year.</p>	Article 26	<p>Regular Board meetings shall comprise but be not limited to:</p> <p>(I) Board meeting for approval of the Company's results report:</p> <p>1. Board meeting for annual results</p> <p>The Board meeting shall be held within three (3) months subsequent to the end of the Company's accounting year, primarily to consider the Company's annual results and annual report and deal with any other relevant matters. An annual Board meeting shall be held at such time as to ensure that the annual report of the Company shall be despatched to Shareholders within the time frame required by relevant regulations and the Articles of Association, that preliminary annual financial results of the Company shall be announced within the time frame required by relevant regulations, and that the annual general meeting shall be held within six months subsequent to the end of the Company's accounting year.</p> <p>2. Board meeting for half-yearly results</p> <p>The Board meeting shall be held within two (2) months subsequent to the end of the first six-month period of the Company's accounting year, primarily to consider the Company's half-yearly results and half-yearly report and deal with any other relevant matters.</p> <p>(II) Board meeting for year-end review</p> <p>The Board meeting shall be held in December of each year, to receive and consider the report of the general manager regarding the implementation of tasks scheduled for the year and the arrangements for tasks in the coming year.</p>

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 31	<p>Notice of meeting</p> <p>(1) A notice of meeting shall be despatched to all Directors, all supervisors and other non-voting attendees in advance before a Board meeting is held. Such notice shall generally set out:</p> <ol style="list-style-type: none"> 1. the <u>time</u> and venue of the meeting; 2. the duration of the meeting; 3. <u>the agenda, reasons, topics for discussion and relevant information;</u> 4. the despatch date of the notice. <p>(2) Notices of Board meetings are given in accordance with the following requirements and manner:</p> <ol style="list-style-type: none"> 1. Notice of Board meetings can be delivered by telephone, fax and email; 2. Notices of regular Board meetings shall be given <u>ten (10)</u> days in advance of the meetings; the requirement on the notice period is not applicable to extraordinary Board meetings; 3. Notices shall be given in Chinese, with English versions attached if needed. <p>Any Director may waive his/her right to receive notices of Board meetings. If a Director is present at a meeting and fails to, before and up to the beginning of the meeting, state that he/she did not receive the meeting notice, he/she shall be deemed to have been given notice of the meeting.</p>	Article 31	<p>Notice of meeting</p> <p>(1) A notice of meeting shall be despatched to all Directors, all supervisors and other non-voting attendees in advance before a Board meeting is held. Such notice shall generally set out:</p> <ol style="list-style-type: none"> 1. the <u>date</u> and venue of the meeting; 2. the duration of the meeting; 3. <u>the reasons and topics for discussion;</u> 4. the despatch date of the notice. <p>(2) Notices of Board meetings are given in accordance with the following requirements and manner:</p> <ol style="list-style-type: none"> 1. Notice of Board meetings can be delivered by telephone, fax and email; 2. Notices of regular Board meetings shall be given <u>fourteen (14)</u> days in advance of the meetings; the requirement on the notice period is not applicable to extraordinary Board meetings; 3. Notices shall be given in Chinese, with English versions attached if needed. <p>Any Director may waive his/her right to receive notices of Board meetings. If a Director is present at a meeting and fails to, before and up to the beginning of the meeting, state that he/she did not receive the meeting notice, he/she shall be deemed to have been given notice of the meeting.</p>

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 33	<p>Attendance of Meetings</p> <p>A Board meeting may not proceed until and unless more than one-half of the Directors (including Directors represented by proxies in accordance with the requirements) are present at the meeting.</p> <p>Directors shall attend Board meetings in person. If a Director is unable to attend a meeting due to any reasons, he/she may appoint another Director in writing to attend the meeting on his/her behalf (if an independent non-executive Director is unable to attend the meeting, he/she may appoint another independent non-executive Director to attend the meeting on his/her behalf). The letter of authorization shall contain the name of the proxy, the matters represented, scope of authorization and validity period and shall be signed or sealed by the principal. A director who acts as a proxy of another director at a meeting shall exercise director’s rights within the authorized scope.</p> <p>Any non-independent Director who fails to attend Board meetings in person nor appoint another Director to attend for two consecutive times shall be deemed to be unable to discharge his/her duties as a Director and shall be proposed by the Board to be dismissed and replaced at a general meeting.</p> <p>The Board shall propose a general meeting to dismiss and replace any independent non-executive Director who fails to attend Board meetings in person for two (2) consecutive times.</p> <p>The Board meetings shall be presided over by the chairman of the Board. Where the chairman of the Board is unable to preside at such meetings, the vice chairman or a Director may preside at the meetings in accordance with Article 7 hereof. After the election of a new session of the Board at a general meeting, the Director obtaining the most approving votes (if more than one Director have the largest number of approving votes, upon election, one of them) shall preside at the meeting to elect the chairman of the Board for the coming session.</p>	Article 33	<p>Attendance of Meetings</p> <p>A Board meeting may not proceed until and unless more than one-half of the Directors (including Directors represented by proxies in accordance with the requirements) are present at the meeting.</p> <p>Directors shall attend Board meetings in person. If a Director is unable to attend a meeting due to any reasons, he/she may appoint another Director in writing to attend the meeting on his/her behalf (if an independent non-executive Director is unable to attend the meeting, he/she may appoint another independent non-executive Director to attend the meeting on his/her behalf). The letter of authorization shall contain the name of the proxy, the matters represented, scope of authorization and validity period and shall be signed or sealed by the principal. A director who acts as a proxy of another director at a meeting shall exercise director’s rights within the authorized scope.</p> <p>Any non-independent Director who fails to attend Board meetings in person nor appoint another Director to attend for two consecutive times shall be deemed to be unable to discharge his/her duties as a Director and shall be proposed by the Board to be dismissed and replaced at a general meeting.</p> <p>The Board shall propose a general meeting to dismiss and replace any independent non-executive Director who fails to attend Board meetings in person for three (3) consecutive times.</p> <p>The Board meetings shall be presided over by the chairman of the Board. Where the chairman of the Board is unable to preside at such meetings, the vice chairman or a Director may preside at the meetings in accordance with Article 7 hereof. After the election of a new session of the Board at a general meeting, the Director obtaining the most approving votes (if more than one Director have the largest number of approving votes, upon election, one of them) shall preside at the meeting to elect the chairman of the Board for the coming session.</p>

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 38	<p>Minutes of Meetings</p> <p>The minutes of the Board meetings shall serve as formal evidence of the resolution on matters discussed in such meetings, and detailed minutes containing the matters discussed shall be kept by the Board meetings. The minutes of the Board meeting shall contain:</p> <ol style="list-style-type: none"> (1) the date and venue of, and <u>names of the convener and chairman</u> of the meeting; (2) <u>the names of the Directors present, and names of principals who appoint proxies to attend on their behalf and the proxies;</u> (3) the agenda of the meeting; (4) the main points of the speeches of the directors, <u>including any doubts raised or objections expressed by the Directors (in the event of a meeting in the form of written resolution, the written feedbacks of Directors shall prevail);</u> (5) the voting method for each resolution and the result (the numbers of approving votes, dissenting votes and abstention votes shall be clearly set out in voting results); (6) <u>signatures of the Directors.</u> <p>The secretary to the Board shall earnestly arrange to record and collate the matters considered at the meetings. Minutes of each Board meeting shall be provided to all Directors who have attended the meeting for review as soon as practicable. Directors who wish to make a revision or supplement to the minutes shall, within one week after receipt of the minutes, submit their opinions for revision to the chairman of the Board in writing. After the meeting minutes are finalized, Directors who have attended the meetings, the secretary to the Board and the recorder shall sign on the meeting minutes, and the secretary to the Board shall distribute a complete copy of the meeting minutes to each Director as soon as practicable. Minutes of Board meetings shall be properly and permanently kept at the domicile of the Company as important corporate documents. The Board shall provide any Director with relevant meeting minutes for review within a reasonable period upon such Director requires in any period.</p>	Article 38	<p>Minutes of Meetings</p> <p>The minutes of the Board meetings shall serve as formal evidence of the resolution on matters discussed in such meetings, and detailed minutes containing the matters discussed shall be kept by the Board meetings. The minutes of the Board meeting shall contain:</p> <ol style="list-style-type: none"> (1) the date and venue of, and <u>name of the convener</u> of the meeting; (2) <u>the names of the Directors present and names of directors (proxies) acting for other directors to attend the meeting;</u> (3) the agenda of the meeting; (4) the main points of the speeches of the directors, <u>including any concerns proposed or objections expressed by the Directors;</u> (5) the voting method for each resolution and the result (the numbers of approving votes, dissenting votes and abstention votes shall be clearly set out in voting results). <p>The secretary to the Board shall earnestly arrange to record and collate the matters considered at the meetings. Minutes of each Board meeting shall be provided to all Directors who have attended the meeting for review as soon as practicable. Directors who wish to make a revision or supplement to the minutes shall, within one week after receipt of the minutes, submit their opinions for revision to the chairman of the Board in writing. After the meeting minutes are finalized, Directors who have attended the meetings, the secretary to the Board and the recorder shall sign on the meeting minutes, and the secretary to the Board shall distribute a complete copy of the meeting minutes to each Director as soon as practicable. Minutes of Board meetings shall be properly and permanently kept at the domicile of the Company as important corporate documents. The Board shall provide any Director with relevant meeting minutes for review within a reasonable period upon such Director requires at any time.</p>

APPENDIX IX

COMPARISON TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION AND ITS APPENDICES

Original articles	Contents of original articles	Amended articles	Contents of amended articles
Article 41	The secretary to the Board shall be in charge of arranging to collate the text information and audio-video recordings including powers of attorney, minutes and summary of meetings and Board resolutions for permanent preservation as files of the Company.	Article 41	The secretary to the Board shall be in charge of arranging to collate the text information and audio-video recordings including powers of attorney, minutes and summary of meetings and Board resolutions for preservation for a term of ten (10) years as files of the Company.
		Article 47	<u>“Related”, “related party(ies)” and “independent Director(s)” referred to in the Rules shall have the same meaning as “connected”, “connected person(s)” and “independent non-executive Director(s)” referred to in the Hong Kong Listing Rules.</u>
Article 49	The Rules shall be subject to the interpretation of the Board.	Article 49	The Rules shall be subject to the interpretation of the Board. <u>Any matters not covered by the Rules shall be submitted by the Board to the general meeting for approval by way of resolution.</u>
Article 47	<u>The formulation of and any amendment to the Rules shall take effect upon unanimous approval by all Directors of the Company.</u>	Article 50	<u>These Rules shall be considered and approved at the general meeting of the Company first and take effect for implementation from the date of the initial public offering and listing of RMB-denominated ordinary shares (A shares) of the Company.</u>

COMPARISON TABLE OF AMENDMENTS TO RULES OF PROCEDURES OF THE
SUPERVISORY BOARD

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 1	For the purposes of regulating the operation of the supervisory board of China Longyuan Power Group Corporation Limited (the “Company”) and ensuring that the supervisory board perform the duties and responsibilities conferred upon by all Shareholders, these Rules have been formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Guidelines for Articles of Association of Listed Companies, Code of Corporate Governance for Listed Companies and other regulations governing listed companies and the Articles of Association of China Longyuan Power Group Corporation Limited (“Articles of Association”).	Article 1	For the purposes of regulating the operation of the supervisory board of China Longyuan Power Group Corporation Limited (the “Company”) and ensuring that the supervisory board performs the duties and responsibilities conferred upon by all Shareholders, these Rules have been formulated in accordance with the Company Law of the People’s Republic of China (the “Company Law”), the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Guidelines for Articles of Association of Listed Companies (as amended in 2019) , Code of Corporate Governance for Listed Companies, <u>listing rules of the place in which the Company’s shares are listed</u> and other regulations governing listed companies and the Articles of Association of China Longyuan Power Group Corporation Limited (“Articles of Association”).
		Article 9	<u>The supervisory board shall put forward written audit opinions on the periodic reports, stating whether the procedures for the preparation and audit of the periodic reports by the Board are in compliance with the provisions of the laws, administrative regulations, the CSRC and the stock exchange, and whether the contents of the reports can reflect the actual situation of the listed company authentically, accurately and completely.</u>

APPENDIX IX

**COMPARISON TABLE OF AMENDMENTS TO
ARTICLES OF ASSOCIATION AND ITS APPENDICES**

Original Articles	Contents of Original Articles	Amended Articles	Contents of Amended Articles
Article 10	<p>Regular meetings of the supervisory board shall be held at least twice a year, and shall be convened at least once every six months, including supervisory board meetings in relation to half-yearly results and annual results.</p> <p>The supervisory board meetings in relation to half-yearly results are held within three (3) months (or two (2) months from 30 June 2010) subsequent to the end of the first six-month period of the Company's accounting years, primarily to receive and consider the Company's half-yearly report and transact any other relevant matters.</p> <p>The supervisory board meetings in relation to annual results are held within four (4) months (or three (3) months from 31 December 2010) subsequent to the end of the Company's accounting years, primarily to receive and consider the Company's annual report and transact any other relevant matters.</p> <p>Issues, such as the work arrangement, working report and relevant subjects and resolutions, of the supervisory board, may be included in the agenda of regular meetings or extraordinary meetings upon approval by the chairman of the supervisory board.</p>	Article 11	<p>Regular meetings of the supervisory board shall be held at least twice a year, and shall be convened at least once every six months, including supervisory board meetings in relation to half-yearly results and annual results.</p> <p>The supervisory board meetings in relation to half-yearly results are held within two (2) months subsequent to the end of the first six-month period of the Company's accounting years, primarily to receive and consider the Company's half-yearly results and half-yearly report and transact any other relevant matters.</p> <p>The supervisory board meetings in relation to annual results are held within three (3) months subsequent to the end of the Company's accounting years, primarily to receive and consider the Company's annual results and annual report and transact any other relevant matters.</p> <p>Issues, such as the work arrangement, working report and relevant subjects and resolutions, of the supervisory board, may be included in the agenda of regular meetings or extraordinary meetings upon approval by the chairman of the supervisory board.</p>
Article 30	Where there is any discrepancy between these Rules and laws, administrative regulations, other relevant regulatory documents and rules in the Articles of Association, current laws, administrative regulations, other relevant regulatory documents and rules in the Articles of Association shall prevail.	Article 30	Where there is any discrepancy between these Rules and laws, administrative regulations, other relevant regulatory documents, the regulatory rules of the place where the shares of the Company are listed and rules in the Articles of Association, current laws, administrative regulations, other relevant regulatory documents, the regulatory rules of the place where the shares of the Company are listed and rules in the Articles of Association shall prevail.
Article 29	<u>The formulation and amendment of these Rules shall be subject to the voting and approval of the supervisory board of the Company.</u>	Article 31	These Rules shall be construed by the supervisory board, <u>and the matters not mentioned herein shall be proposed by the Board to the general meetings of the Company for consideration and approval.</u>
Article 31	These Rules shall be construed by the supervisory board.		
Article 32	These Rules shall be implemented <u>from the date of approval by the supervisory board.</u>	Article 32	These Rules <u>have been considered and approved at the general meeting of the Company and shall take effect and be implemented from the date of the initial public offering and listing of RMB-denominated ordinary shares (A Shares) of the Company.</u>

THE ADMINISTRATIVE MEASURES FOR EXTERNAL GUARANTEES OF CHINA LONGYUAN POWER GROUP CORPORATION LIMITED

CHAPTER I GENERAL PROVISIONS

Article 1 In order to standardize the external guarantee behaviors of China Longyuan Power Group Corporation Limited (hereinafter referred to as the “Company”) and its affiliated units, enhance management on external guarantee and reduce the risks of external guarantees, these Measures is specifically formulated according to the relevant laws and regulations, such as the Civil Code of the People’s Republic of China and the listing rules of the place where the Company’s shares are listed.

Article 2 These Measures is applicable to the Company’s headquarters, its wholly-owned and holding companies (hereinafter referred to as the “units”).

Article 3 The external guarantee mentioned in these Measures refers to the guarantee provided by the Company as a third party to provide guarantee for debts borne by the debtor to the creditor. When the debtor fails to perform the debt, the Company will perform the debt or assume the liability according to the agreement. The forms of guarantees include warranties, mortgages, pledges and other forms of guarantees recognized by laws, regulations and regulatory documents, the specific forms include, but not limited to, borrowing guarantees, guarantees of issuing letters of credit and bank acceptance bill by bank, and guarantees of issuing letter of guarantee, etc.

Article 4 The “total amount of external guarantees” mentioned in these Measures refers to the sum of the total amount of external guarantees of the Company (including guarantees provided by the Company on behalf of its subsidiaries) and the external guarantees of the Company’s subsidiaries (including guarantees among subsidiaries). “Total Assets” and “Net Assets” under these Measures shall be consistent with the figures set out in Company’s consolidated financial statements.

CHAPTER II DIVISION OF DUTIES

Article 5 The external guarantee works shall be under the unified leadership of the Company. The Finance Department of the Company is a designated management department, which is specifically responsible for managing the review and approval of the external guarantees. The Legal Affairs Department of the Company is responsible for reviewing and approving the guarantee contracts and the counter-guarantee contracts to be entered into by the headquarters of Company, and issuing legal review opinions.

Article 6 The specific business of the external guarantee shall be proposed by relevant subsidiaries or functional departments, reviewed by the Finance Department of the Company coordinated with the Legal Affairs Department, Investor Relationship Department and other relevant departments in accordance with these Measures, and submitted to the Board and the general meeting for review.

CHAPTER III APPROVAL AUTHORITY AND PROCEDURES FOR EXTERNAL GUARANTEES

Article 7 The guarantees of the Company and respective units subject to the consideration by the Board or the general meeting according to requirements of the Company's articles of association shall be reported to the superior for approval in accordance with relevant requirements of the Company before these guarantees are submitted to the Board and the general meeting of the Company for consideration in accordance with the authority and procedures stipulated in the Company's Articles of Association.

Article 8 The following external guarantees by the Company are subject to consideration and approval of the general meeting:

- (1) any guarantee provided by the Company and its controlled subsidiaries after the total amount of external guarantees meets or exceeds 50% of the latest audited net assets;
- (2) any guarantee provided after the total amount of the Company's external guarantees meets or exceeds 30% of the latest audited total assets;
- (3) guarantees provided for the target of guarantees with a gearing ratio exceeding 70%;
- (4) a single guarantee exceeding 10% of the latest audited net assets;
- (5) guarantees provided for Shareholders, de facto controllers and their related parties;
- (6) other guarantees required to be considered and approved by the general meeting as stipulated by the listing rules of the place where the Company's Shares are listed or by the Company's Articles of Association.

When the general meeting considers the resolution in relation to the provision of guarantees for the Shareholders, the de facto controllers and their related parties, such Shareholders or the Shareholders controlled by the de facto controller shall refrain from the voting, and this voting shall be passed by more than half of the voting rights represented by other Shareholders present at the general meeting.

Article 9 External guarantees, when considered by the Company, shall be considered and approved by at least two thirds of Directors attending a Board meeting with a resolution being made, and such resolution shall be approved by more than half of all Directors of the Company.

Article 10 When a Director is connected to the enterprises involved in the resolutions of the Board meeting, such Director shall not exercise his/her voting rights on such proposal nor can he/she exercise any voting rights on behalf of others Directors. The Board meeting may be held if it is quorate by more than half of the unconnected Directors. The resolutions of the Board meeting shall be passed by more than half of unconnected Directors. If the number of unconnected Directors attending the Board meeting is less than three, such matter shall be put forward to the general meeting of the Company for consideration.

Article 11 To provide an external guarantee, the Company shall require the target of the guarantee to provide a counter guarantee, and shall decide in a prudent manner the actual guarantee ability of the counter guarantee provider and the enforceability of the counter guarantee.

Article 12 When the Company provides guarantees for its controlled subsidiaries and invested companies, other shareholders of such controlled subsidiaries and invested companies shall provide risk control measures such as guarantees or counter guarantees in proportion to their capital contribution. If such shareholders fail to provide the controlled subsidiaries companies or invested companies of the Company with equal proportion of risk control measures such as guarantee or counter guarantee, the Board of the Company shall disclose the main reasons and fully explain whether the guarantee risk is controllable or damages the interests of the Company based on the analysis of the operation and solvency of the target of the guarantee.

Article 13 Where the Company provides guarantees for its controlled subsidiaries, if there is a large number of transactions each year, and it is difficult to submit them to the Board or the general meeting for consideration due to the need of entering into guarantee agreements on a recurring basis, the Company may estimate the total amount of new guarantees for the next 12 months of the two types of subsidiaries with a gearing ratio of over 70% and that of below 70%, and submit the estimation to the general meeting for consideration.

When the aforesaid guarantee actually takes place, the Company shall promptly make disclosure that the balance of the guarantee at any time shall not exceed the amount of guarantee considered and approved at the general meeting.

Article 14 Where the Company provides guarantees to its joint ventures or associates, and the following conditions are satisfied at the same time, if there is a large number of transactions each year, and it is difficult to submit them to the Board or the general meeting for consideration due to the need of entering into guarantee agreements on a recurring basis, the Company may make a reasonable estimation on the specific subjects to be guaranteed and the total amount of the corresponding new guarantees for the next 12 months, and submit the estimation to the general meeting for consideration:

- (1) the guaranteed party is not the Company's director, supervisor, senior management, shareholder holding more than 5% of the shares of the Company, the de facto controller and a legal person controlled by it or other organization;
- (2) each shareholder of the guaranteed party shall provide risk control measures such as guarantees or counter-guarantees in proportion to their capital contribution.

When the aforesaid guarantee actually takes place, the Company shall promptly make disclosure that the balance of the guarantee at any time shall not exceed the amount of guarantee considered and approved at the general meeting.

Article 15 The Company estimates the amount of guarantee provided to its joint ventures or associates. Provided that the following conditions are satisfied, the Company can adjust the amount of guarantee between its joint venture and associates, but the total cumulative amount of adjustment shall not exceed 50% of the total estimated guarantee amount:

- (1) the amount in a single adjustment for a concerned party shall not exceed 10% of the latest audited net assets of the Company;
- (2) where a guaranteed party has a gearing ratio exceeding 70% at the time of adjustment, the guarantee amount can only be obtained by the guaranteed party having a gearing ratio exceeding 70% (at the time when the guarantee amount is considered at the general meeting);
- (3) at the time of adjustment, a concerned party has no outstanding liability;
- (4) each shareholder of the concerned party shall provide risk control measures such as guarantees or counter-guarantees in proportion to their capital contribution.

When the aforesaid adjustment actually takes place, the Company shall promptly make disclosure.

Article 16 For provision of guarantees which is subject to consideration at general meeting, the gearing ratio shall be judged based on the higher of the audited financial statements for the most recent year or the financial statements for the most recent period of the guaranteed party when judging whether the gearing ratio of the guaranteed party exceeds 70%.

Article 17 Where there occur changes to the scope of consolidation of the statements of the Company as a result of a transaction or a related party transaction of the Company, if the Company provides guarantee to related parties after the completion of the transaction, corresponding consideration procedures and disclosure obligations shall be performed for the relevant related guarantee. If the Board or the general meeting refuses to consider and approve the aforesaid related guarantee, the parties to the transaction shall take effective measures, such as early termination of the guarantee or cancellation of relevant transactions or related party transactions, so as to avoid the development of non-compliance related guarantee.

Article 18 The Company shall keep alert on the financial position, solvency and other aspect of the guaranteed party. In the event of significant deterioration in the operating conditions of the guaranteed party being identified or the occurrence of material events such as dissolution or demerger, the Board of the Company shall take effective measures in a timely manner to minimize the losses.

When the debts in respect of guarantee provided is due, the Company should urge the guaranteed party to repay its debts within a specified period. If the guaranteed party fails to perform its obligations on time, the Company shall take necessary remedial measures in a timely manner.

Article 19 If the debt guaranteed by the Company needs to be renewed when it becomes due and needs further guarantee provided by the Company, it shall be deemed to be a new external guarantee, and subject to new consideration procedures and information disclosure obligations.

Article 20 Where a controlled subsidiary of the Company provides guarantee to a legal person or organization of other type within the scope of consolidation of the statements of the Company, the Company shall make timely disclosure after the controlled subsidiary performs the consideration procedures.

If a controlled subsidiary of the Company provides guarantee to other entities other than those specified in the previous article, such guarantee shall be deemed as one provided by the Company and shall comply with the relevant requirements of the Measures.

Article 21 In respect to the guarantee provided by the units as approved by the decision-making procedures of the Company, the guarantee contract shall be entered into by the units only after the entering into of the guarantee contract by the shareholders according to the guarantee limit they shall assume respectively.

CHAPTER IV DAILY MANAGEMENT OF EXTERNAL GUARANTEES

Article 22 Each of the units shall designate specific persons to be responsible for the daily management of the external guarantees, including the examination, submission for approval, record, following-up, reporting, etc., setting up standing book for the external guarantee business and regularly classifying, managing, filing and analyzing the external guarantee business.

Article 23 The guarantor shall be kept informed of the relevant information on the guaranteed party on a timely manner, strengthen its tracking of the situations in relation to the utilization of the borrowing funds, financial condition, implementation of the main debt contract and changes in the counter-guarantee asset values of the guaranteed party. Any problems identified shall be processed timely and reported level by level.

Article 24 Where each of the units assumes a material joint and several performance liability or there occurs a civil action as a result of guarantee, it shall be reported to the Company in a timely manner. The reasons, the guarantor's liability and solutions for assuming the material joint and several performance liability or the occurrence of a civil action shall be stated in the report.

CHAPTER V ADDITIONAL PROVISIONS

Article 25 Any figure herein referred to as "more than" shall be inclusive of such figure, whereas "exceed" shall be exclusive of such figure.

Article 26 The Measures shall be interpreted and amended by the Board.

Article 27 The Measures shall be effective and implemented from the date on which the initial public offering and listing of RMB denominated ordinary shares (A Shares) of the Company take place as considered and approved at the general meeting of the Company.



龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

**NOTICE OF THE THIRD EXTRAORDINARY
GENERAL MEETING IN 2021**

NOTICE IS HEREBY GIVEN that the third extraordinary general meeting in 2021 (the “**EGM**”) of China Longyuan Power Group Corporation Limited* (the “**Company**”) will be held at 9:00 a.m. on Friday, 23 July 2021 at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People’s Republic of China (the “**PRC**”) for consideration and approval of the following matters:

SPECIAL RESOLUTIONS

1. Resolution on absorption and merger of Pingzhuang Energy through Share Swap by the issuance of A Shares of the Company and disposal of material assets and purchase of assets through cash payment and proposal of related party transactions (to be voted separately)
 - 1.1 Summary for the Plan for the Transaction
 - 1.2 Parties involved in the Transaction of the Merger
 - 1.3 Class and nominal value of Shares to be issued under Share Swap
 - 1.4 Targets of the Share Swap and Registration Date of Implementation of the Merger
 - 1.5 Issue Price and Conversion Price

* *For identification purposes only*

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2021

- 1.6 Conversion Ratio
- 1.7 Number of Shares to be issued under the Share Swap
- 1.8 Listing and trading of A Shares of Longyuan Power
- 1.9 Treatment of fractional Shares
- 1.10 Treatment of Shares of Pingzhuang Energy with restricted rights
- 1.11 Lock-up period arrangement
- 1.12 Protection mechanism for the Dissenting Shareholders of Longyuan Power
- 1.13 Protection mechanism for the Dissenting Shareholders of Pingzhuang Energy
- 1.14 Arrangements in relation to the inheritance of assets, liabilities, rights, obligations, business, qualifications, responsibilities, and the disposal of credits and debts, and the protection of creditors in respect of the Merger
- 1.15 Arrangements for the transitional period of the Merger
- 1.16 Distribution of retained profits
- 1.17 Placement of staff
- 1.18 Parties involved in the Transaction of the Assets Disposal

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2021

- 1.19 Assets to be Disposed of
- 1.20 Transaction price and pricing basis for the Transaction of the Assets Disposal
- 1.21 Arrangement for the assets delivery of the Assets Disposal
- 1.22 Profit and loss of the Assets Disposal during the transitional period
- 1.23 Placement of staff involved in the Assets Disposal
- 1.24 Parties involved in the Transaction of the Purchase through Cash
- 1.25 Assets to be Purchased
- 1.26 Transaction price and pricing basis for the Transaction of the Purchase through Cash
- 1.27 Arrangement for the assets delivery of the Purchase through Cash
- 1.28 Profit and loss of the Purchase through Cash during the transitional period
- 1.29 Placement of staff involved in the purchase of assets through cash
- 1.30 Performance commitment and compensation involved in the purchase of assets through cash
- 1.31 Validity period of resolutions

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2021

2. Resolution on entering into the Agreement on Absorption and Merger through Share Swap of China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. between the Company and Pingzhuang Energy and its supplemental agreement with effective conditions
3. Resolution on entering into the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. and its supplemental agreement with effective conditions
4. Resolution on entering into the Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. and its supplemental agreement with effective conditions
5. Resolution on entering into the Profit Compensation Agreement of the Company and Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power with effective conditions
6. Resolution on A Share Price Stabilization Plan of China Longyuan Power Group Corporation Limited*
7. Resolution on Dividend Distribution Plan for the Three Years After the Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by the Issuance of A Shares by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets through Cash Payment
8. Resolution on the dilution of immediate returns by the Transaction and proposed remedial measures
9. Resolution on the Articles of Association (Draft) and its appendices applicable after the listing of A Shares of the Company
10. Resolution on authorization to the Board and its authorized persons to deal with matters relating to the Transaction by the general meeting
11. Resolution in relation to the Specific Mandate to the Board to grant the additional A Shares issue at the general meeting and Class Meetings
12. Resolution on the Supplemental Undertaking Letter in relation to Non-Competition with China Longyuan Power Group Corporation Limited* entered into by CHN Energy with effective conditions

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2021

ORDINARY RESOLUTIONS

13. Resolution on absorption and merger of Pingzhuang Energy through Share Swap by the Company and disposal of material assets and purchase of assets through cash payment meeting the requirements for initial public offering and listing
14. Resolution on the Report of the Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets through Cash Payment and Proposal of Related Party Transactions (Draft) and its summary
15. Resolution on the approval for the audit report related to the Transaction
16. Resolution on the approval for the assessment report related to the Transaction
17. Resolution on the independence of the valuation agency, the reasonableness of valuation assumptions, the relevance of valuation methods and valuation purposes, and the fairness of valuation and pricing
18. Resolution on the self-evaluation report of the internal control of the Company
19. Resolution on the confirmation of the valuation report related to the Merger
20. Resolution on the independence of the appraisal agency, the reasonableness of appraisal assumptions, the relevance of appraisal methods and appraisal purposes, and the fairness of appraisal and pricing
21. Resolution on the relevant commitments and restraint measures issued by the Company regarding the Transaction
22. Resolution on the Administrative Measures for External Guarantees applicable after the listing of A Shares of the Company
23. Resolution on the confirmation of the related party transactions during the reporting period (the year 2018, 2019 and 2020)

By order of the Board

China Longyuan Power Group Corporation Limited*

Tang Jian

Executive Director and President

Beijing, the PRC, 8 July 2021

As at the date of this notice, the executive directors of the Company are Mr. Li Zhongjun and Mr. Tang Jian; the non-executive directors are Mr. Liu Jinhuan, Mr. Tian Shaolin and Mr. Tang Chaoxiong; and the independent non-executive directors are Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang.

* *For identification purposes only*

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2021

Notes:

1. In order to determine the holders of shares who are eligible to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 20 July 2021 to Friday, 23 July 2021, both days inclusive, during which time no transfer of the Company's shares will be registered. To be eligible to attend the EGM, all share transfer documents accompanied by relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares of the Company), or the Company's head office in the PRC (for holders of domestic shares of the Company) for registration not later than 4:30 p.m. on Monday, 19 July 2021.
2. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the EGM on his, her or its behalf.
3. The instrument to appoint a proxy shall be signed by the appointer or his/her attorney duly authorized in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its director or attorney duly authorized.
4. To be valid, the form of proxy must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares of the Company) or the Company's head office in the PRC (for holders of domestic shares of the Company) not less than 24 hours prior to the holding of the EGM (i.e. not later than 9:00 a.m. on Thursday, 22 July 2021). If such form of proxy is signed by another person under a power of attorney or other authorization documents given by the appointer, such power of attorney or other authorization documents shall be notarized by a notary. The notarized power of attorney or other authorization documents shall, together with the form of proxy, be deposited at the specified place at the time set out in such form of proxy.
5. If the appointer is a legal person, its legal representative or any person authorised by resolutions of its board or other governing bodies may attend the EGM on behalf of the appointer.
6. The Company has the rights to request a Shareholder or a proxy who attends the EGM on behalf of a Shareholder to provide proof of identity.
7. The EGM is expected to take less than half a day. Shareholders who attend the EGM shall be responsible for their own travel and accommodation expenses.
8. The contact of the Company is as follows:

Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the PRC
Investor Relationship Department
Telephone number : (86)10 6657 9988



龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

**NOTICE OF THE FIRST DOMESTIC SHAREHOLDERS
CLASS MEETING IN 2021**

NOTICE IS HEREBY GIVEN that the first Domestic Shareholders Class Meeting for the year 2021 (the “**Domestic Shareholders Class Meeting**”) of China Longyuan Power Group Corporation Limited* (the “**Company**”) will be held on Friday, 23 July 2021 immediately after the conclusion of the third extraordinary general meeting in 2021 at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People’s Republic of China (the “**PRC**”) for the following purpose:

SPECIAL RESOLUTION

1. Resolution on the Articles of Association (Draft) and its appendices applicable after the listing of A Shares of the Company

By order of the Board

China Longyuan Power Group Corporation Limited*

Tang Jian

Executive Director and President

Beijing, the PRC, 8 July 2021

As at the date of this notice, the executive directors of the Company are Mr. Li Zhongjun and Mr. Tang Jian; the non-executive directors are Mr. Liu Jinhuan, Mr. Tian Shaolin and Mr. Tang Chaoxiong; and the independent non-executive directors are Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang.

* For identification purpose only

NOTICE OF THE FIRST DOMESTIC SHAREHOLDERS CLASS MEETING IN 2021

Notes:

1. Please refer to the circular of the Company dated 8 July 2021 of the third extraordinary general meeting of the Company in 2021, the First Domestic Shareholders Class Meeting in 2021 and the First H Shareholders Class Meeting in 2021 (the “**Circular**”) for details of the resolution. Capitalised terms used in this notice shall have the same meanings as those defined in the Circular unless the context otherwise requires.
2. In order to determine the holders of Shares who are eligible to attend and vote at the Domestic Shareholders Class Meeting, the register of members of the Company will be closed from Tuesday, 20 July 2021 to Friday, 23 July 2021 (both days inclusive). To be eligible to attend and vote at the Domestic Shareholders Class Meeting, unregistered holders of Domestic Shares of the Company shall lodge relevant share transfer documents with the Company’s head office in the PRC for registration not later than 4:30 p.m. on Monday, 19 July 2021.
3. A Shareholder entitled to attend and vote at the Domestic Shareholders Class Meeting may appoint one or more proxies (regardless of whether such proxy is a Shareholder) to attend and vote at the Domestic Shareholders Class Meeting on his or her behalf.
4. The instrument to appoint a proxy shall be signed by the appointer or his/her attorney duly authorised in writing or, in the case of a legal person, must be executed either under its common seal or under the hand of its directors or attorney duly authorised.
5. To be valid, the form of proxy must be lodged with the Company’s head office in the PRC not less than 24 hours prior to the holding of the Domestic Shareholders Class Meeting. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the instrument appointing the proxy, be deposited at the specified place at the time set out in such instrument.
6. If the appointer is a legal person, its legal representative or any person authorised by resolutions of the Board or other governing bodies may attend the Domestic Shareholders Class Meeting on behalf of the appointer.
7. The Company has the right to request a Shareholder or a proxy who attends the Domestic Shareholders Class Meeting on behalf of a Shareholder to provide proof of identity.
8. The Domestic Shareholders Class Meeting is expected to take less than half a day. Shareholders who attend the Domestic Shareholders Class Meeting shall be responsible for their own travel and accommodation expenses.
9. The contact information of the Company in the PRC is as follows:

Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the PRC
Investor Relationship Department
Telephone number: (86)10 6657 9988



龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING IN 2021

NOTICE IS HEREBY GIVEN that the first H Shareholders Class Meeting for the year 2021 (the “**H Shareholders Class Meeting**”) of China Longyuan Power Group Corporation Limited* (the “**Company**”) will be held on Friday, 23 July 2021 immediately after the conclusion of the first domestic shareholders class meeting in 2021 at the Conference Room, 22/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People’s Republic of China (the “**PRC**”) for the following purpose:

SPECIAL RESOLUTIONS

1. Resolution on absorption and merger of Pingzhuang Energy through Share Swap by the issuance of A Shares of the Company and disposal of material assets and purchase of assets through cash payment and proposal of related party transactions (to be voted separately)
 - 1.1 Summary for the Plan for the Transaction
 - 1.2 Parties involved in the Transaction of the Merger
 - 1.3 Class and nominal value of Shares to be issued under Share Swap
 - 1.4 Targets of the Share Swap and Registration Date of Implementation of the Merger
 - 1.5 Issue Price and Conversion Price

* *For identification purpose only*

NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING IN 2021

- 1.6 Conversion Ratio
- 1.7 Number of Shares to be issued under the Share Swap
- 1.8 Listing and trading of A Shares of Longyuan Power
- 1.9 Treatment of fractional Shares
- 1.10 Treatment of Shares of Pingzhuang Energy with restricted rights
- 1.11 Lock-up period arrangement
- 1.12 Protection mechanism for the Dissenting Shareholders of Longyuan Power
- 1.13 Protection mechanism for the Dissenting Shareholders of Pingzhuang Energy
- 1.14 Arrangements in relation to the inheritance of assets, liabilities, rights, obligations, business, qualifications, responsibilities, and the disposal of credits and debts, and the protection of creditors in respect of the Merger
- 1.15 Arrangements for the transitional period of the Merger
- 1.16 Distribution of retained profits
- 1.17 Placement of staff
- 1.18 Parties involved in the Transaction of the Assets Disposal

NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING IN 2021

- 1.19 Assets to be Disposed of
- 1.20 Transaction price and pricing basis for the Transaction of the Assets Disposal
- 1.21 Arrangement for the assets delivery of the Assets Disposal
- 1.22 Profit and loss of the Assets Disposal during the transitional period
- 1.23 Placement of staff involved in the Assets Disposal
- 1.24 Parties involved in the Transaction of the Purchase through Cash
- 1.25 Assets to be Purchased
- 1.26 Transaction price and pricing basis for the Transaction of the Purchase through Cash
- 1.27 Arrangement for the assets delivery of the Purchase through Cash
- 1.28 Profit and loss of the Purchase through Cash during the transitional period
- 1.29 Placement of staff involved in the purchase of assets through cash
- 1.30 Performance commitment and compensation involved in the purchase of assets through cash
- 1.31 Validity period of resolutions

NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING IN 2021

2. Resolution on entering into the Agreement on Absorption and Merger through Share Swap of China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. and its supplemental agreement with effective conditions
3. Resolution on entering into the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. and its supplemental agreement with effective conditions
4. Resolution on entering into the Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. and its supplemental agreement with effective conditions
5. Resolution on entering into the Profit Compensation Agreement of the Company and Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power with effective conditions
6. Resolution on Dividend Distribution Plan for the Three Years after the Absorption and Merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by the Issuance of A Shares by China Longyuan Power Group Corporation Limited* and Disposal of Material Assets and Purchase of Assets through Cash Payment
7. Resolution on the Articles of Association (Draft) and its appendices applicable after the listing of A Shares of the Company
8. Resolution on authorization to the Board and its authorized persons to deal with matters relating to the Transaction by the general meeting
9. Resolution in relation to the Specific Mandate to the Board to grant the additional A Shares issue at the general meeting and Class Meetings

By order of the Board

China Longyuan Power Group Corporation Limited*

Tang Jian

Executive Director and President

Beijing, the PRC, 8 July 2021

As at the date of this notice, the executive directors of the Company are Mr. Li Zhongjun and Mr. Tang Jian; the non-executive directors are Mr. Liu Jinhuan, Mr. Tian Shaolin and Mr. Tang Chaoxiong; and the independent non-executive directors are Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang.

* *For identification purposes only*

NOTICE OF THE FIRST H SHAREHOLDERS CLASS MEETING IN 2021

Notes:

1. Please refer to the circular of the Company dated 8 July 2021 of the third extraordinary general meeting and first Domestic Shareholders Class Meeting in 2021 and first H Shareholders Class Meeting in 2021 (the “**Circular**”) for details of the resolutions. Capitalised terms used in this notice shall have the same meanings as those defined in the Circular unless the context otherwise requires.
2. In order to determine the holders of Shares who are eligible to attend and vote at the H Shareholders Class Meeting, the register of members of the Company will be closed from Tuesday, 20 July 2021 to Friday, 23 July 2021 (both days inclusive). To be eligible to attend and vote at the H Shareholders Class Meeting, unregistered holders of H Shares of the Company shall lodge relevant share transfer documents with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, at 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 July 2021.
3. A Shareholder entitled to attend and vote at the H Shareholders Class Meeting may appoint one or more proxies (regardless of whether such proxy is a Shareholder) to attend and vote at the H Shareholders Class Meeting on his or her behalf.
4. The instrument to appoint a proxy shall be signed by the appointer or his/her attorney duly authorised in writing or, in the case of a legal person, must be executed either under its common seal or under the hand of its directors or attorney duly authorised.
5. To be valid, the form of proxy must be lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours prior to the holding of the H Shareholders Class Meeting. If such instrument is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarised. The notarised power of attorney or other authorisation documents shall, together with the instrument appointing the proxy, be deposited at the specified place at the time set out in such instrument.
6. If the appointer is a legal person, its legal representative or any person authorised by resolutions of the Board or other governing bodies may attend the H Shareholders Class Meeting on behalf of the appointer.
7. The Company has the right to request a Shareholder or a proxy who attends the H Shareholders Class Meeting on behalf of a Shareholder to provide proof of identity.
8. The H Shareholders Class Meeting is expected to take less than half a day. Shareholders who attend the H Shareholders Class Meeting shall be responsible for their own travel and accommodation expenses.
9. The contact information of the Company in the PRC is as follows:

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Investor Relationship Department
Telephone number: (86)10 6657 9988