大唐国际发电股份有限公司
DATANG INTERNATIONAL POWER GENERATION CO., LTD.

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 00991)

ANNOUNCEMENT
CONNECTED TRANSACTION
ACQUISITION OF 95% EQUITY INTEREST IN THE TARGET COMPANY

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 29 May 2024, the Company entered into the Equity Transfer Agreement with Datang Solar Energy, pursuant to which Datang Solar Energy conditionally agreed to dispose of and the Company conditionally agreed to acquire 95% equity interest in the Target Company at a consideration of RMB98,151,705.

Upon completion of the Acquisition, the Company will hold 95% equity interest in the Target Company, and the Target Company will become a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CDC and its subsidiaries hold approximately 53.09% of the issued share capital of the Company in aggregate. Datang Solar Energy is a wholly-owned subsidiary of CDC, and therefore Datang Solar Energy is a connected person of the Company. The Acquisition constitutes a connected transaction of the Company.

Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the independent Shareholders' approval requirement.

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Upon completion of the Acquisition, the Company will hold 95% equity interest in the Target Company, and the Target Company will become a subsidiary of the Company.

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

Date

29 May 2024

Parties

(A) The Company (as the transferee); and

(B) Datang Solar Energy (as the transferor)

Subject Matter

Datang Solar Energy conditionally agreed to dispose of and the Company conditionally agreed to acquire 95% equity interest in the Target Company, subject to the relevant terms and conditions of the Equity Transfer Agreement.

Consideration and Payment Terms

The consideration for the Acquisition is RMB98,151,705. In view of the fact that Datang Solar Energy has outstanding capital contribution of RMB0.12 million, after arm's length negotiation, the consideration for the Acquisition has been adjusted for the outstanding capital contribution and determined based on the result of the following formula:

Consideration for the Acquisition = (value of entire shareholders' equity as at the Valuation Base Date + outstanding capital contribution payable) x proportion of capital contribution subscribed – outstanding capital contribution payable

As of the Valuation Base Date, the carrying amount of net assets of the Target Company was RMB99.8026 million; according to the Valuation Report, the appraised value of entire shareholders' equity of the Target Company by using the income approach was RMB103.3239 million, representing an appraised appreciation of RMB3.5213 million and an appreciation rate of 3.53%.

The Company shall pay Datang Solar Energy the full consideration of the transfer with monetary funds in one lump sum within 30 working days after signing of the Equity Transfer Agreement.

Completion

From the date of signing of the Equity Transfer Agreement, all rights and obligations of Datang Solar Energy in the Target Company as a shareholder holding 95% equity interest in the Target Company shall be enjoyed and assumed by the Company. Such rights and obligations include but not limited to, corresponding to 95% equity interest in the Target Company, the profits of the Target Company, conversion of capital reserves into share capital and capital increase, participation in the distribution of residual properties, any other rights provided for and conferred by laws, regulations and the articles of association of the Target Company, as well as all obligations under the 95% equity interest in the Target Company.

The Company shall organize the Target Company to complete the change in industrial and commercial registration procedures in relation to the Acquisition within 30 working days from the date of signing of the Equity Transfer Agreement, and Datang Solar Energy shall actively cooperate in this regard.

Arrangement for Transitional Period

The period from the Valuation Base Date to the date of signing of the Equity Transfer Agreement is the transitional period. The profits and losses during the transitional period shall be enjoyed and borne by the Company.

Conditions Precedent

The Equity Transfer Agreement shall come into effect after being signed by the legal representatives or authorized representatives of both parties to the agreement and affixed with their respective company seals, and the authorized decision-making bodies of both parties to the agreement have respectively passed the resolution to approve the Acquisition.

PROFIT FORECAST

The income approach has been adopted in preparing the appraised value of the entire shareholders' equity interest in the Target Company (the "**Valuation**"), which constitutes a profit forecast under Rule 14.61 of the Listing Rules (the "**Profit Forecast**"). For details of the principal assumptions upon which the Valuation is based as required to be included under Rule 14.60A of the Listing Rules and other relevant information, please refer to Appendix I to this announcement.

In addition, the Company is required to set out the respective letters from the auditor and the Board in respect to the Profit Forecast under Rule 14.60A of the Listing Rules. As more time is required for preparation, a separate announcement is expected to be published by the Company to include the above letters within 15 business days from the date of publication of this announcement.

Expert and Consent

Name	Qualification
Guozhonglian Asset Valuation and Land and Real Estate Appraisal Co., Ltd. (國眾聯資產評估土地房地產估價有限公司)	a qualified Chinese appraisal agency

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the above expert is a third party independent of the Group and its connected persons. As at the date of this announcement, the above expert does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities of any member of the Group. The above expert has issued and has not withdrawn its written consent to the publication of this announcement with a copy of its letter and/or references to its name (including its qualification) and its advice included in the form and context in which they are included in this announcement.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC in November 2019. As at the date of this announcement, the registered capital of the Target Company is RMB87.20 million (with paid-in capital of RMB87.08 million), which is held as to 95% and 5% by Datang Solar Energy and Yingde Baishiyao Hydropower Investment Co., Ltd. (英德市白石窯水電投資有限責任公司), respectively. The Target Company is mainly engaged in the operation of solar power projects.

Since the Target Company was incorporated by Datang Solar Energy, there is no original acquisition cost.

The main financial data of the Target Company for the years ended 31 December 2022 and 2023 prepared in accordance with the Chinese Accounting Standards for Business Enterprises are set out below:

	For the year ended 31 December 2022 *RMB'0,000* (Audited)	**For the year ended 31 December 2023** *RMB'0,000* (Audited)
Profit before taxation	283.28	193.00
Profit after taxation	289.42	172.19

As at 31 December 2023, the audited total assets and net assets of the Target Company were approximately RMB243.0825 million and RMB99.7006 million, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition could increase the proportion of installed capacity of new energy business of the Group, promote the large-scale development of the new energy industry, accelerate the adjustment of energy structure, optimize the Company's industrial layout, and enhance the expansion and development capabilities of the new energy market in Guangdong region, laying a foundation for further realizing the transformation from a traditional energy enterprise to a green and low-carbon energy enterprise.

The Directors (including independent non-executive Directors) are of the view that the Equity Transfer Agreement is entered into on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

APPROVAL BY THE BOARD

The "Resolution on the Acquisition of 95% Equity Interest in Datang Solar Energy Industry (Yingde) Co., Ltd." has been considered and approved at the twenty-eighth meeting of the eleventh session of the Board, details of which were set out in the overseas regulatory announcement of the Company dated 29 May 2024.

None of the Directors has any material interest in the Equity Transfer Agreement. Mr. Ying Xuejun, Mr. Tian Dan and Mr. Ma Jixian, the connected Directors, have abstained from voting on the relevant resolution in accordance with the requirements of the listing rules of the Shanghai Stock Exchange.

INFORMATION ON THE RELATED PARTIES

1. The Company was established in December 1994 and is principally engaged in the construction and operation of power plants, the sale of electricity and thermal power; the repair and maintenance of power equipment; power related technical services. The main service areas of the Company are in the PRC.

2. CDC was established on 9 April 2003 with a registered capital of RMB37.0 billion. It is principally engaged in the development, investment, construction, operation and management of power energy; organisation of power (thermal) production and sales; manufacturing of power equipment and repair and commissioning of equipment; power technology development and consultation; power engineering, contracting and consultation of environmental power engineering; development of new energy; self-operation and agent for the import and export of various commodities and technologies.

3. Datang Solar Energy was established on 1 April 2019 with a registered capital of RMB1,000.00 million. It is principally engaged in the development, investment, operation and management of photovoltaic power generation, solar power generation and relevant energy storage projects and other businesses. As of the date of this announcement, Datang Solar Energy is a wholly-owned subsidiary of CDC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CDC and its subsidiaries hold approximately 53.09% of the issued share capital of the Company in aggregate. Datang Solar Energy is a wholly-owned subsidiary of CDC, and therefore Datang Solar Energy is a connected person of the Company. The Acquisition constitutes a connected transaction of the Company.

Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 0.1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but is exempt from the independent Shareholders' approval requirement.

DEFINITIONS

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

"Acquisition"	the acquisition of 95% equity interest in the Target Company by the Company from Datang Solar Energy pursuant to the terms and conditions of the Equity Transfer Agreement
"Board"	the board of Directors of the Company
"CDC"	China Datang Corporation Ltd., a wholly state-owned company established under the laws of the PRC, whose ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC, and is the controlling shareholder of the Company. For details, please refer to the section headed "Information on the Related Parties" of this announcement
"Company"	Datang International Power Generation Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC on 13 December 1994, whose H shares are listed on the Stock Exchange and the London Stock Exchange and whose A shares are listed on the Shanghai Stock Exchange. For details, please refer to the section headed "Information on the Related Parties" of this announcement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules

"Datang Solar Energy"	China Datang Group Solar Energy Industry Co., Ltd. (中國大唐集團太陽能產業有限公司), details of which please refer to the section headed "Information on the Related Parties" in this announcement
"Director(s)"	the director(s) of the Company
"Equity Transfer Agreement"	the equity transfer agreement entered into between the Company and Datang Solar Energy on 29 May 2024 in relation to the transfer of 95% equity interest in the Target Company
"Group"	the Company and its subsidiaries
"Independent Valuer"	the independent valuer, Guozhonglian Asset Valuation and Land and Real Estate Appraisal Co., Ltd. (國眾聯資產評估土地房地產估價有限公司)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Datang Solar Energy Industry (Yingde) Co., Ltd., details of which please refer to the section headed "Information on the Target Company" in this announcement
"Valuation Base Date"	31 July 2023
"Valuation Report"	the Asset Valuation Report on the Value of Entire Shareholders' Equity of Datang Solar Energy Industry (Yingde) Co., Ltd. Involved in the Proposed Equity Transfer by China Datang Group Solar Energy Industry Co., Ltd. (Guo Zhong Lian Ping Bao Zi (2023) No. 2-1771) issued by the Independent Valuer based on the Valuation Base Date on 19 April 2024
"%"	percent

By order of the Board
Sun Yanwen
Joint Company Secretary

Beijing, the PRC, 29 May 2024

As at the date of this announcement, the Directors of the Company are:

Wang Shunqi, Ying Xuejun, Xu Guang, Tian Dan, Ma Jixian, Zhu Shaowen, Cao Xin, Zhao Xianguo, Jin Shengxiang, Sun Yongxing, Niu Dongxiao, Zong Wenlong*, Zhao Yi*, Zhu Dahong*, You Yong**

* *Independent non-executive Directors*

APPENDIX I: PRINCIPAL ASSUMPTIONS ON WHICH THE VALUATION IS BASED

VALUATION METHOD

Based on the Valuation Report, the Independent Valuer has analyzed the applicability of the three valuation approaches, namely the market approach, the asset-based approach and the income approach.

Considering that it is currently not possible to find a sample company in the same or similar industry with the same or similar capital structure and size as the Target Company in the capital market, and it is also not possible to collect three transaction cases of comparable enterprises in the same or similar industry as the Target Company in the open market, and it is not possible to make reasonable comparisons and corrections to the Target Company, the Independent Valuer did not adopt the market approach in its valuation.

In respect of the asset-based approach and the income approach, the asset-based approach indirectly assesses the fair market value of assets from the perspective of asset replacement, and the application of asset-based approach in overall asset evaluation cannot reasonably reflect the comprehensive profitability of each asset and the actual operating status of the enterprise; and the income approach assesses the value of an asset from the perspective of its expected profitability, which is the essential basis for determining the prevailing fair market value of the asset, and conforms to the concept of value under market economy conditions. Compared with the asset-based approach, the valuation conclusion of the income approach theoretically can better reflect the value of entire shareholders' equity. Besides, for a photovoltaic power generation enterprise, the future income, costs and operational risks can be reasonably predicted, and the conclusion by using the income approach can better reflect the actual value of the enterprise. The valuation by asset-based approach is based on the balance sheet of the enterprise, which reflects the market value of the assets owned by the enterprise on the base date, but cannot reflect the profitability of the assets. In summary, the Independent Valuer chooses to adopt the valuation results of the income approach as the final conclusion of the valuation.

VALUATION ASSUMPTIONS

(I) Basic Assumptions

1. Open market assumption: The open market assumption is a hypothetical description or qualification of the conditions of the market where the assets are intended to be entered and the impact on the assets in such market conditions. The open market refers to well-developed and comprehensive market conditions and a competitive market with voluntary buyers and sellers where each of the buyer and the seller is offered with equal status, enough opportunity and time to have access to sufficient market information, and where the transactions between both the buyer and the seller are all conducted under voluntary, rational, non-compulsory and unrestricted conditions.

2. Continuous use assumption: Firstly, it is assumed that the appraised assets are in use (including assets in use and reserved assets); secondly, based on relevant information and data, it is assumed that the assets in use will continue to be used. The continuous use assumption explains what market conditions or market environment for the appraised asset while emphasizing on the survival status of assets. Specifically, it includes continuing to be used as existing usage; continuing to be used with a change of usage; continuing to be used at a different location or space. Continuing to be used as existing usage refers to the case when the appraised assets in use will continue to be used in accordance with the existing usage and form after the ownership is changed or asset business occurs. Continuing to be used with a change of usage refers to the case when the appraised asset will continue to be used with a change of usage where the existing usage is replaced by a new usage after the ownership is changed or asset business occurs. Continuing to be used at a different location or space refers to the case when the appraised asset will continue to be used with a change of location or space and continue to be used at another location or space after the ownership is changed or asset business occurs. It is assumed that the appraised assets continues to be used as existing usage for this valuation.

3. Going-concern assumption: The appraised entity is assumed to legally continue as a going concern based on its existing assets and resource conditions in the limited operating period, and its operation will not suspend due to various reasons.

4. Transactional assumption: The transactional assumption assumes that all assets to be appraised are in the trading process, and the valuer conducts valuation based on a simulated market including trading conditions of the assets to be appraised. The transactional assumption is the most fundamental prerequisite of the appraisal of assets.

(II) General Assumptions and Confining Conditions

1. There will not be significant changes in the accounting policies and auditing methods of the appraised entity after the Valuation Base Date;

2. The appraised entity can achieve its planned production scale and profitability;

3. It is assumed that there are no significant changes in the political, economic, social and other macro environment of the appraised entity and the region where it operates which would affect its operation after the Valuation Base Date;

4. Except for those laws and regulations already enacted or enacted but not yet enforced by the government as at the Valuation Base Date which affect the operations of the appraised entity, it is assumed that there are no significant changes in the laws and regulations related to the operations of the appraised entity during the income period;

5. It is assumed that ever since the Valuation Base Date, there are no changes to the currency exchange rate, interest rate, tax bearing and inflation involved in the operations of the appraised entity that will cause material effects on the business condition of the appraised entity during the income period;

6. It is assumed that the appraised entity will continue to operate and its assets will continue to be used in the future income period;

7. It is assumed that the operator of the appraised entity is a responsible party and the management is capable of undertaking its duties, that there are no significant changes in the future income period to the key management and technical personnel of the appraised entity affecting its operations with reference to the conditions as at the Valuation Base Date, and that the management team will be under stable development without any material change to the management system that would affect its operations;

8. There are no significant adverse effects of other force majeure and unpredictable factors.

(III) Special Assumptions

1. In this valuation, it is assumed that the appraised entity generates electricity strictly according to the local electricity production indicators as of the Valuation Base Date, without considering adjustments to the production indicators in future years and the occurrence of temporary power restrictions;

2. Except for the fixed assets investments for which there is definite evidence as of the Valuation Base Date showing that the production capacity will change subsequently, it is assumed that the appraised entity will not make significant investment activities on fixed assets that will affect its operations in the future income period, and its production capacity will be estimated based on the status as of the Valuation Base Date;

3. In this valuation, the impact on its value of the external equity investments made by the appraised entity following the Valuation Base Date is not considered;

4. In this valuation, it is assumed that the appraised entity will have steady cash inflows and cash outflows in the future income period;

5. In this valuation, it is assumed that the income period of the appraised entity is 25 years after grid connected power generation in December 2020. This assumption is made on the basis of the economic service life of the main equipment for solar power generation, as well as the feasibility study report and investment estimation indicators prepared by the appraised entity at the beginning of investment, and is arrived at after comprehensive judgment fully based on the operating period of other solar energy enterprises in the industry. No assumptions of going concern have been made in this valuation;

6. In this valuation, it is assumed that the basic information and financial information provided by the entrusting party and the appraised entity are true, accurate and complete, and that the appraised entity is able to complete the corresponding production and operation activities according to the plan and realize corresponding revenues, costs and expenses;

7. Changes in business structure that may arise in the future due to changes in management, business strategies, additional investments and business environment, and changes in the scale of operations are not considered. The Target Company's main business structure, revenue and cost composition, as well as future business strategies and cost control will maintain its development trend in recent years during the future operating period;

8. Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration in relation to the Issues on Preferential Policies on Corporate Income Tax for Public Infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation (Cai Shui [2012] No. 10) (《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》(財稅[2012] 10號)), the enterprises engaged in industries such as energy saving and environmental protection, comprehensive utilization of biogas and seawater desalination are entitled to preferential treatment of "three-year full exemption and three-year half exemption (三免三減半)". The appraised entity is entitled to full exemption from corporate income tax from 2020 to 2022, and half exemption from corporate income tax from 2023 to 2025.

KEY INPUTS AND CALCULATION PROCESS FOR VALUATION

(I) Selection of Income Model

Based on the due diligence of this valuation as well as the composition of the valuation target's assets and the characteristics of its main business, the basic idea of this valuation is to arrive at the business value of the appraised entity by summing up after discounting using an appropriate discount rate on the basis of cash flows of the enterprise in the future limited period. After arriving at the business value of the appraised entity, the value of entire shareholders' equity is calculated by adding the value of other assets and subtracting the value of other liabilities.

In the income model, the following matters are further explained in details:

1. Free cash flows of the enterprise in the forecast period = net profit after tax + depreciation and amortization + interest expense net of tax effect – capital expenditure – changes in working capital

2. Calculation of the business value of the appraised entity

   The business value of the appraised entity refers to the value of the operating assets of the enterprise.

The formula for calculating the business value of the appraised entity is as follows:

$$P = \sum_{t=1}^{n} \frac{FCFE_t}{(1+WACC)^t}$$

Where: P – Value of operating assets of the enterprise

$FCFE_t$ – Operating free cash flows of the enterprise in the next t year(s)

WACC – Weighted average cost of capital

t – Income forecast year

Where: operating free cash flows of the enterprise = net profit after tax + depreciation and amortization + interest expense net of tax effect – capital expenditure – changes in working capital

In this valuation, it is assumed that the income period of the appraised entity is 25 years from the commencement of production. Upon the expiration of the operating period, certain assets are still valuable, and the recovery value of these assets will be considered in the last instalment of the operating free cash flows of the enterprise.

3. Scope of other assets and liabilities

(1) Surplus assets and non-operating assets

In the income model, the scope of other assets includes surplus assets and non-operating assets, and accordingly, the value of other assets is equal to the sum of surplus assets value and non-operating assets value.

Surplus assets refer to superfluous assets that are held by the enterprise for operational purpose, but have no direct relationship with the income of the enterprise and exceed the required amount for the operation of the enterprise in a specific period of time. The valuer analyzed the appraised entity's asset allocation and profitability status, as well as its operational status to determine whether the appraised entity has surplus assets.

Non-operating assets refer to assets that are held by the enterprise for non-operating purpose, and have no direct relationship with production and operating activities of the enterprise, such as the properties and vehicles not in production and operation, short-term equity and bond investments concerning industrial and manufacturing companies, and transaction amounts with related companies irrelevant to the main business of the enterprise.

The valuation of other assets is based on asset characteristics and is determined using the cost approach.

(2) Scope of other liabilities

In the income model, the scope of other liabilities includes surplus liabilities, non-operating liabilities, etc., and accordingly, the value of other liabilities is equal to the sum of the value of the surplus liabilities and the non-operating liabilities. The value of other liabilities is determined using the cost approach.

4. Calculation of the value of entire shareholders' equity

The formula for calculating the value of entire shareholders' equity is:

Value of entire shareholders' equity = value of the enterprise – interest-bearing debts

Value of the enterprise = value of operating assets + value of surplus and non-operating assets (including long-term investment value) – value of surplus and non-operating liabilities

(II) Determination of Income Period

In this valuation, it is assumed that the income period of the appraised entity is 25 years. This assumption is made on the basis of the economic service life of the main equipment for solar power generation, as well as the feasibility study report and investment estimation indicators prepared by the appraised entity at the beginning of investment, and is arrived at after comprehensive judgment fully based on the operating period of other solar power generation enterprises in the industry. Besides, as the discount factor calculated based on the discount period gradually decreases, and the discounted cash flow value has a smaller impact on the overall value of the enterprise, no assumptions of going concern have been made in this valuation.

On the basis of determining the income period of the appraised entity as 25 years, and taking into account the operating cycle of the enterprise and the extent of future income realization, the forecast period for the appraised entity using the income approach is finally determined to be from August 2023 to November 2045, and no further forecast will be made after November 2045.

(III) Determination of Future Income

1. Forecast of operating income

The operating income of the Target Company includes income from main business and income from other businesses, and the income from main business is the income from photovoltaic power generation; and the income from other businesses is the income from sale of green certificates. The data for the period of August 2023 to December 2023 are the actual data of the enterprise. The enterprise forecasts the electricity generation and generation revenues that may be realized in subsequent years based on its production plan and the unified planning of the national power grid in the province.

Electricity forecast: The total electricity generation of the appraised entity is divided into on-grid electricity and plant electricity consumption. The power generation in historical years has been relatively stable, with no occurrence of power restrictions. As the photovoltaic power generation mainly relies on the solar energy resources at the location of power plants, in order to consolidate the impact of various conditions in the historical years on the on-grid power generation, the forecast of total electricity generation in 2024 in this valuation is mainly based on the average power generation hours in the complete historical years from 2021 to 2023. The attenuation rate of the appraised entity is calculated based on relevant normative documents and information disclosed in the feasibility study report.

Forecast of electricity price: the benchmark on-grid electricity price of the appraised entity is determined according to the local electricity price policies. The appraised entity commenced participation in the green certificate transaction since 2023. In this valuation, the monthly average trading price of the green certificate trading platform in the trading month of the Valuation Base Date is regarded as the forecast unit price of the green certificate income for the subsequent years.

2. Forecast of operating costs

The operating costs of the appraised entity are mainly the costs of main business, including depreciation and amortization, maintenance costs, labor costs, safety production costs and other costs.

Forecast of depreciation: the future annual depreciation is calculated according to the depreciation policies of the appraised entity.

Forecast of amortization: the future annual amortization is calculated according to the depreciation policies of the appraised entity.

Forecast of maintenance cost: the maintenance cost in 2024 is predicted based on the average level from 2021 to 2023, combined with due diligence, the equipment maintenance rate is predicted according to the echelon increase rate along with the increase of service life.

Forecast of labor cost: the labor cost is predicted according to the latest staffing situation and enterprise interview (enterprise management optimization and project development condition).

Forecast of safety production fee: the safety production fee is predicted according to the provision standards of safety production fee of electric power production enterprises.

Forecast of other costs: Other costs of the year are predicted based on the average unit cost from 2021 to 2023.

3. Forecast of taxes and surcharges

Taxes and surcharges applicable to the appraised entity mainly include urban maintenance and construction tax, education surcharge, local education surcharge, vehicle and vessel tax, stamp duty, property tax and land use tax. The forecast of taxes and surcharges is based on the relevant tax policies mainly applicable to the appraised entity.

4. Forecast of sales expenses and administrative expenses

All the administrative and operating expenses of the appraised entity are directly reflected in the unified accounting of the costs of main business, and therefore the sales expenses and administrative will not be separately predicted in this valuation.

5. Forecast of financial expenses

As of the Valuation Base Date, the interest-bearing liabilities of the appraised entity are non-current liabilities and long-term borrowings due within one year. The calculation of loan interest is based on the repayment plan and interest rate of loans of the appraised entity. The calculation of interest income is calculated based on the interest rates of bank deposits and demand deposits that may be held by the appraised entity in subsequent years. The handling fees are small and fluctuates, which are not calculated in this valuation.

6. Forecast of corporate income tax

In this valuation, the income taxes for subsequent years are predicted based on the total profit may be realized by the appraised entity at the effective interest rate and for forecast period.

7. Estimation of depreciation and amortization

The depreciation and amortization expenses are estimated on the basis of the depreciation policies and amortization plan of the appraised entity.

Forecast of depreciation: the depreciation expenses of the entity for the forecast period is estimated on the basis of the fixed assets of the appraised entity on the Valuation Base Date and considering the depreciation policies of the entity.

Forecast of amortization: the amortization expenses of the entity for the forecast period is estimated on the basis of the intangible assets on the Valuation Base Date of the appraised entity and considering the amortization policies of the entity.

8. Forecast of capital expenditures

Capital expenditures refer to the capital expenditures that the entity needs for ensuring the normal development of production and operation each year. Capital expenditures mainly comprise of the normal renewal expenditure of existing assets and the capital expenditures of incremental assets.

Normal renewal expenditures of existing assets: the existing assets of the entity on the Valuation Base Date are mainly the existing fixed assets and right-of-use assets, mainly considering the capital expenditures incurred from the automatic renewal after the maturity of their economic durable life.

Capital expenditures of incremental assets: the capital expenditures of incremental assets are the acquisition cost of land use right in this valuation.

9. Increase in working capital for the forecast period

Increase in working capital refers to the increase in working capital required by the entity for continuing operation without change in prevailing main business conditions, such as cash required for maintaining normal production and operation, capital funds for acquisition of inventories including raw materials and products, unpaid business receivables from customers (accounts receivables) and payables, etc.

The increase in working capital in this Valuation Report represents:

Increase in working capital = working capital requirements in the current period - working capital requirements in the previous period

The working capital is predicted by applying the method of the minimum monetary capital in hand, based on the actual working capital requirements of the entity in the historical periods, the minimum forecast monetary capital in hand in the future under this valuation and according to the turnover requirements.

10. Estimation of the recovery value of assets upon the expiration of the operating period

In this valuation, it is assumed that the income period of the appraised entity is 25 years from the commencement of operation. Upon the expiration of the operating period, certain assets are still valuable, which are mainly the recovery of working capital, unexpired land use rights, fixed assets and other related assets.

(IV) Determination of Discount Rate

The weighted average cost of capital (WACC) using the same caliber of the appraised entity is calculated on the basis of estimating the free cash flow of the appraised entity in the forecast period, in which, the cost of interest-bearing debt capital is calculated on the basis of the lending rate used by the appraised entity, which is 2.77%, and the formula for calculating the weighted average cost of capital of the appraised entity is as follows:

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

Where: WACC – Weighted average cost of capital;

Re – Cost of equity capital;

Rd – Cost of interest-bearing debt capital;

E – Value of equity;

D – Value of interest-bearing debts;

T – Income tax rate of the appraised entity.

The calculation of weighted average cost of capital requires the determination of the following indicators: cost of equity capital, cost of interest-bearing debt capital and the ratio of interest-bearing debts to the value of equity.

1. Calculation of cost of equity capital (Re)

The cost of equity capital is determined using the capital asset pricing model (CAPM).

That is: Re = RF + β (RM - RF) + △

Where: Re – cost of equity capital;

RF – risk-free rate of return;

RM-RF – market risk premium;

β – Beta coefficient;

△ – enterprise-specific risk.

2. Determination of risk-free rate of return (RF)

It is generally recognized that treasury bonds are a relatively safe investment, and therefore the interest rate on treasury bonds can be regarded as the safest and lowest rate of return, i.e., the risk-free rate of return, among the investment options. In this valuation, the valuer determined the risk-free rate of return as 3.66% by using the arithmetic average of the yields to maturity (compounded) of medium- and long-term treasury bonds with a remaining maturity of 10 years or more from the Valuation Base Date using data sourced from Wind Information.

3. China market risk premium RM-RF

The China securities market index was used to calculate the market risk premium, which is expressed by the following formula:

China market risk premium = average risk premium of China stock market – China risk-free interest rate

Where: the average rate of return of China stock market is calculated based on the monthly data of CSI 300 Index, on the basis of which the monthly yield was calculated and then annualized, with a time span from 31 December 2004 to 31 December 2021. The data is from Wind Information and is calculated using geometric average methodology. The China risk-free rate of return is represented by the yield to maturity (compounded) of all of the above treasury bonds with a remaining maturity of 10 years or more from the Valuation Base Date.

The China market risk premium is calculated as 6.36%.

4. Calculation of β

The risk factor (Beta: β) refers to an assessment tool of systematic risk of a security to measure the volatility of a security or a portfolio of investment securities relative to the overall market, and is usually used to reflect the sensitivity of an individual share to changes in the market. The calculation of the β coefficient usually involves three indicators: the statistical period, the statistical interval and the relative index. For this calculation of β coefficient, 60 months prior to the Valuation Base Date is used as the statistical period, the statistical interval is in months, and the relative index is CSI 300 Index.

The unlevered β coefficients of five comparable companies are selected for the β coefficient. The calculation process is as follows:

Stock name	**Solar Energy**	**Yinxing Energy**	**Jiaze Renewable**	**Zhejiang New Energy**	**Xichang Power**
Stock code	000591.SZ	000862.SZ	601619.SH	000791.SZ	600505.SH
Underlying index	CSI 300				
Calculation period	Month				
Timeframe	1 August 2018 to 31 July 2023				
Rate of return calculation method	Ordinary rate of return				
D/E	0.8003	0.4955	0.7255	0.9420	0.6964
Raw Beta	1.3379	1.4545	0.7748	1.2496	0.8274
Weighted adjusted Beta	1.2264	1.3045	0.8491	1.1673	0.8844
Weighted raw Beta excluding financial leverage	0.8654	0.9413	0.4960	0.7202	0.5150
Weighted adjusted Beta excluding financial leverage	0.7932	0.8442	0.5435	0.6727	0.5505
Average	0.6808				

Based on the data sourced from Wind Information, we obtained the average value of the unlevered financial β coefficient for the industry.

The unlevered financial β coefficient = 0.6808.

5. Determination of capital structure D/E

This valuation adopts the target capital structure of the industry and uses the average of the capital structure D/E of the five selected comparable companies as above to determine the capital structure of the appraised entity. For this Valuation, the value of the capital structure for each year is 0.7319.

6. Adjustment for enterprise-specific risks

The enterprise-specific risk adjustment factor is an adjustment factor based on the differences between the appraised entity and the selected comparable enterprises in terms of advantages and disadvantages generated by the aspects such as size, stage of operation, history of operation, financial risk, business market continuity, internal management and control mechanisms, and the experience and qualifications of management personnel. After comprehensive analysis and consideration, the specific risk adjustment factor $\triangle$ for the appraised entity is set at 0.50%.

7. Determination of discount rate

Based on the above indicators, the WACC (i.e. discount rate) for the periods from August 2023 to December 2025 and from January 2026 to November 2045 is 7.38% and 7.23%, respectively, using the formula for calculating the weighted average cost of capital, due to the difference in corporate income tax rates.