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**龍源電力集團股份有限公司**

**CHINA LONGYUAN POWER GROUP CORPORATION LIMITED\***

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

**(Stock Code: 00916)**

**CONNECTED TRANSACTIONS  
ACQUISITION OF 100% EQUITY INTEREST IN  
SEVEN TARGET COMPANIES**

**ACQUISITIONS**

The Board of the Company announces that on 29 December 2023, Longyuan Shanghai, a wholly-owned subsidiary of the Company, has entered into the Equity Transfer Agreement with each of Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund, respectively. Pursuant to which Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund have conditionally agreed to transfer and Longyuan Shanghai has conditionally agreed to acquire 100% equity interest and its related interest in each of the seven Target Companies at a total consideration of RMB679.6953 million (the “**Transactions**”).

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund are subsidiaries of CHN Energy and constitute connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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

## I. Equity Transfer Agreements

The Board of the Company announces that on 29 December 2023, Longyuan Shanghai, a wholly-owned subsidiary of the Company, has entered into the Equity Transfer Agreement with each of Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund, respectively. Pursuant to which Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund have conditionally agreed to transfer and Longyuan Shanghai has conditionally agreed to acquire 100% equity interest and its related interest in each of the seven Target Companies at a total consideration of RMB679.6953 million (the “**Transactions**”). The principal terms of the Equity Transfer Agreements are set out as follows:

### Date

29 December 2023

### Parties

Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund (as the Transferors)

Longyuan Shanghai (being a subsidiary of the Company, as the Transferee)

### Transfer Subject and Consideration

The total consideration under the Transactions is RMB679.6953 million, and the Target Companies to be acquired and the transfer consideration thereof are set out below:

No.	Transferors	Transferee	Target Companies	Proportion of Equity Interest to be Acquired	Transfer Consideration (RMB'0,000)	Photovoltaic Project Capacity of the Target Companies (MW)
1.	Dongneng Xinyuan	Longyuan Shanghai	Qinzhou Jingneng	100%	9,026.68	150
2.	Dongneng Xinyuan	Longyuan Shanghai	Hechi Shengbu	100%	9,318.76	100
3.	Dongneng Xinyuan	Longyuan Shanghai	Hechi Jinghong	100%	13,329.03	150
4.	Xinyuan No.1	Longyuan Shanghai	Xinxusheng New Energy	100%	9,400.00	100
5.	Xinyuan No.1	Longyuan Shanghai	Jinghong Photovoltaic	100%	6,200.00	50
6.	Guoneng Low-Carbon Fund	Longyuan Shanghai	Chicheng New Energy	100%	12,496.32	100
7.	Guoneng Low-Carbon Fund	Longyuan Shanghai	Senyong New Energy	100%	8,198.74	70
Total					<u>67,969.53</u>	<u>720</u>

Each party shall bear the relevant taxes and fees in respect of the equity transfer in accordance with the provisions of the laws and regulations or the relevant regulatory authorities.

Upon completion of the Transactions, the Target Companies will become indirect wholly-owned subsidiaries of the Company.

### **Basis for Determination of the Consideration**

The consideration for the Transactions was determined after arm's length negotiations between the Company and the Transferors with reference to the appraised value of the entire equity interests in the Target Companies and taking into consideration the market conditions and future business expectations of the Target Companies.

According to the assets valuation report issued from China Enterprise Appraisals Co., Ltd. (the “**China Enterprise Appraisals**”), an independent and qualified asset appraisal institution, in respect of the Target Companies, as at the valuation benchmark date (i.e. 30 September 2023, the “**Valuation Benchmark Date**”), the appraised value of each of the Target Companies is set out below:

<b>No.</b>	<b>Target Companies</b>	<b>Appraised Value</b> <i>(RMB'0,000)</i>
1.	Qinzhou Jingneng	9,026.68
2.	Hechi Shengbu	9,318.76
3.	Hechi Jinghong	13,329.03
4.	Xinxusheng New Energy	10,016.51
5.	Jinghong Photovoltaic	6,389.15
6.	Chicheng New Energy	12,496.32
7.	Senyong New Energy	8,198.74
		<hr/>
Total		<u><u>68,775.19</u></u>

The valuation of the assets of the Target Companies, namely Qinzhou Jingneng, Hechi Shengbu, Hechi Jinghong, Jinghong Photovoltaic, Chicheng New Energy and Senyong New Energy, was conducted by adopting the asset-based approach, taking into account the impact of appreciation in the appraised value of the Target Projects such companies owned arrived at by adopting the income approach. The valuation of the assets of the Target Company Xinxusheng New Energy was conducted by adopting the income approach.

## Payment Method of Consideration

### Transactions

Transfer of 100% equity interest :  
in Qinzhou Jingneng, Hechi  
Shengbu and Hechi Jinghong

### Payment Method of Consideration

First installment: upon fulfilment of all of the following matters, Longyuan Shanghai shall pay 60% of the consideration for the equity transfer to the dedicated account of Dongneng Xinyuan as agreed in the agreements for the collection of payment within 10 business days:

1. the agreements have been signed and became effective;
2. the filing of the asset valuation report has been completed.

Second installment: upon fulfilment of the following conditions, Longyuan Shanghai shall pay 30% of the consideration for the equity transfer to the dedicated account of Dongneng Xinyuan as agreed in the agreements for the collection of payment within 10 business days:

1. 50% equity interest in the Target Company under the agreement held by Dongneng Xinyuan has completed the changes on industrial and commercial registration in relation to the transfer to Longyuan Shanghai.

Third installment: upon fulfilment of the following conditions, Longyuan Shanghai shall pay 10% of the consideration for the equity transfer to the dedicated account of Dongneng Xinyuan as agreed in the agreements for the collection of payment within 10 business days.

## Transactions

## Payment Method of Consideration

1. Upon prior written confirmation from Longyuan Shanghai, Dongneng Xinyuan has instructed Jinko Power to transfer its 50% equity in the Target Companies to Longyuan Shanghai at a transaction consideration of RMB0 as agreed in the agreements, and has completed the registration of the corresponding industrial and commercial changes.

In respect of each of the aforesaid equity transfer prices, Dongneng Xinyuan shall issue and deliver a formal, legal, equal and valid receipt voucher with the said amount to Longyuan Shanghai.

Transfer of 100% equity interest :  
in Jinghong Photovoltaic and  
Xinxusheng New Energy

First installment: Longyuan Shanghai shall pay 50% of the total consideration for the equity transfer to the dedicated account of Xinyuan No.1 for the collection of payment within 20 business days upon fulfilment of the following matters:

1. the merger and acquisition scheme of Longyuan Shanghai has been approved by the superior company;
2. the filing of the asset valuation report has been completed.

## Transactions

## Payment Method of Consideration

Second installment: Longyuan Shanghai shall pay 50% of the total consideration for the equity transfer to the designated account of Xinyuan No.1 for the collection of payment within 20 business days upon completion of the following matters by Xinyuan No.1:

1. the Target Company under the agreement has amended its articles of association accordingly and has obtained a new business license and handed it over to Longyuan Shanghai, and has completed the change of tax registration in accordance with the agreement;
2. the changes on industrial and commercial registration in respect of the target equity under the agreement have been completed.

In respect of each of the aforesaid equity transfer prices, Xinyuan No.1 shall issue and deliver a formal, legal, equal and valid receipt voucher with the said amount to Longyuan Shanghai.

Transfer of 100% equity interest :  
in Chicheng New Energy

First installment: Longyuan Shanghai shall pay 50% of the total consideration for the equity transfer to the dedicated account of Guoneng Low-Carbon Fund for the collection of payment within 20 business days upon fulfilment of the following matters:

1. the merger and acquisition scheme of Longyuan Shanghai has been approved by the superior company;
2. the filing of the asset valuation report has been completed.

## Transactions

## Payment Method of Consideration

Second installment: Longyuan Shanghai shall pay 50% of the total consideration for the equity transfer to the designated account of Guoneng Low-Carbon Fund for the collection of payment within 20 business days upon completion of the following matters by Guoneng Low-Carbon Fund:

1. Chicheng New Energy has amended its articles of association accordingly in accordance with the agreement and has obtained a new business license and handed it over to Longyuan Shanghai, and has completed the change of tax registration;
2. the changes on industrial and commercial registration for equity transfer in respect of the equity of Chicheng New Energy have been completed.

In respect of each of the aforesaid equity transfer prices, Guoneng Low-Carbon Fund shall issue and deliver a formal, legal, equal and valid receipt voucher with the said amount to Longyuan Shanghai.

Transfer of 100% equity interest :  
in Senyong New Energy

First installment: upon mutual fulfilment of the following matters, Longyuan Shanghai shall pay 50% of the total consideration for the equity transfer to the dedicated account of Guoneng Low-Carbon Fund as agreed in the agreement for the collection of payment within 20 business days:

1. the merger and acquisition scheme of Longyuan Shanghai has been approved by the superior company;
2. the filing of the asset valuation report has been completed.

## Transactions

## Payment Method of Consideration

Second installment: upon completion of all of the following matters by Guoneng Low-Carbon Fund, Longyuan Shanghai shall pay 50% of the total consideration for the equity transfer to the dedicated account of Guoneng Low-Carbon Fund as agreed in the agreement for the collection of payment within 20 business days:

1. Senyong New Energy has amended its articles of association accordingly in accordance with the agreement and has obtained a new business license and handed it over to Longyuan Shanghai, and has completed the change of tax registration;
2. the changes on industrial and commercial registration in respect of the transfer of 99% equity interest in Senyong New Energy held by Guoneng Low-Carbon Fund to Longyuan Shanghai have been completed;
3. Guoneng Low-Carbon Fund has instructed Sungrow New Energy to transfer its 1% equity interest in the Target Company to Longyuan Shanghai at a transaction consideration of RMB0, and has completed the registration of the corresponding industrial and commercial changes.

In respect of each of the aforesaid equity transfer prices, Guoneng Low-Carbon Fund shall issue and deliver a formal, legal, equal and valid receipt voucher with the said amount to the Longyuan Shanghai.



## **Completion**

### **Transactions**

Transfer of 100% equity interest :  
in Qinzhou Jingneng, Hechi  
Shengbu and Hechi Jinghong

### **Arrangement for completion**

“Completion” includes, but is not limited to, the changes on industrial and commercial registration and the transfer of de facto control of the equity transfer, etc.

When the agreements become effective, it shall be deemed as that Dongneng Xinyuan transfers the actual control of the Target Companies under the agreements to Longyuan Shanghai. All parties shall complete the handover of the Target Companies’ stamps, licenses, seals, contracts and other documents in accordance with the agreements. Within 5 business days after Dongneng Xinyuan has confirmed receipt of the first installment of the equity transfer payment as agreed in the agreements, both parties hereto shall cooperate with the Target Companies under the agreements to complete the changes on industrial and commercial registration in respect of 50% equity interest.

Upon the effective date of the agreements, all shareholders’ rights (including those shareholders’ rights, if any, which have been transferred to Longyuan Shanghai for enjoyment as from the effective date of the Dongneng Xinyuan Transfer Agreements in accordance with the transitional provisions of the agreements) and obligations corresponding to the target equity under the agreements shall be transferred to Longyuan Shanghai for enjoyment or assumption by Longyuan Shanghai. Longyuan Shanghai is entitled to exercise all of its shareholders’ rights in respect of the Target Companies under the agreements on behalf of Dongneng Xinyuan, and Dongneng Xinyuan shall not exercise any of its shareholders’ rights on its own without the consent of Longyuan Shanghai.

## Transactions

## Arrangement for completion

Upon the effective date of the agreements, and subject to prior written confirmation by Longyuan Shanghai, Dongneng Xinyuan shall instruct Jinko Power to transfer the remaining 50% equity interest in the Target Companies thereunder at a consideration of RMB0 to Longyuan Shanghai, and complete the changes on industrial and commercial registration.

Longyuan Shanghai may, if it deems necessary, upon completion of the changes on industrial and commercial registration in respect of the transfer of the target equity under the agreements, require the Target Companies under the agreements to apply for registration of state-owned property rights with the competent authorities in accordance with the relevant provisions, and Dongneng Xinyuan shall provide assistance and cooperation.

Transfer of 100% equity interest :  
in Xinxusheng New Energy,  
Jinghong Photovoltaic and  
Chicheng New Energy

Within 15 business days (for Xinxusheng New Energy and Jinghong Photovoltaic)/10 business days (for Chicheng New Energy) after the Transferors have confirmed receipt of the first installment of the equity transfer payment as agreed in the agreements, the parties shall cooperate to complete the submission of the application for equity change to the industrial and commercial administration authorities, so as to facilitate the completion of the equity transfer of the Target Companies under the agreements.

## **Transactions**

### **Arrangement for completion**

Equity transfer includes, but is not limited to, the transfer of actual control, the changes on industrial and commercial registration in respect of equity transfer, the filing of the new articles of association as well as the issuance of documents and resolutions in relation thereto, and the issuance of relevant documents as agreed in the agreements.

Upon the effective date of the agreements, all shareholders' rights (including those shareholders' rights which have been transferred to Longyuan Shanghai for enjoyment as from the effective date of the agreements in accordance with the transitional provisions of the agreements) and obligations corresponding to the target equity under the agreements shall be transferred to Longyuan Shanghai for enjoyment or assumption by Longyuan Shanghai.

Longyuan Shanghai may, if it deems necessary, upon completion of the changes on industrial and commercial registration in respect of the transfer of the target equity under the agreements, require the Target Company under the agreements to apply for registration of state-owned property rights with the competent authorities in accordance with the relevant provisions, and the Transferors shall provide assistance and cooperation.

The relevant contents of the agreements and the transactions are specifically subject to the approval documents of the parties for the transactions under the agreements.

## **Transactions**

Transfer of 100% equity interest :  
in Senyong New Energy

## **Arrangement for completion**

Within 10 business days after Guoneng Low-Carbon Fund has confirmed receipt of the first installment of the equity transfer payment as agreed in the agreement, Guoneng Low-Carbon Fund shall cooperate with Longyuan Shanghai to complete the application for the changes on industrial and commercial registration in respect of 99% equity interest, and facilitate the completion of the equity transfer of Senyong New Energy for the first time.

Before the second equity transfer payment of Longyuan Shanghai, Guoneng Low-Carbon Fund shall instruct Sungrow New Energy to transfer 1% equity interest in the Target Company held on behalf of Guoneng Low-Carbon Fund to Shanghai Investment Company at a consideration of RMB0, and complete the 100% equity transfer of Senyong New Energy.

Equity transfer includes but is not limited to the transfer of actual control, the registration of industrial and commercial changes in respect of equity transfer, the filing of the new articles of association as well as the issuance of documents and resolutions in relation thereto and the issuance of relevant documents as agreed in the agreement.

## **Transactions**

### **Arrangement for completion**

Upon the effective date of the agreement, all shareholders' rights (including those shareholders' rights which have been transferred to Longyuan Shanghai for enjoyment as from the effective date of the agreement in accordance with the transitional provisions of the agreement) and obligations corresponding to the target equity shall be transferred to Longyuan Shanghai for enjoyment or assumption by Longyuan Shanghai.

Longyuan Shanghai may, if it deems necessary, upon completion of the changes on industrial and commercial registration in respect of the transfer of the target equity, require Senyong New Energy to apply for registration of state-owned property rights with the competent authorities in accordance with the relevant provisions, and Guoneng Low-Carbon Fund shall provide assistance and cooperation.

## Arrangements in Transitional Period

### Transactions

Transfer of 100% equity interest :  
in Qinzhou Jingneng, Hechi  
Shengbu and Hechi Jinghong

### Arrangements in transitional period

The period from the Valuation Benchmark Date up to the date of completion (inclusive) shall be the transitional period.

Longyuan Shanghai shall be entitle to the portion of the revenue, profit or otherwise increase in the net assets of the Target Companies under the agreements arising from operation during the transitional period. Dongneng Xinyuan shall disclose any gain or loss, profit or reverse incurred during the transitional period to Longyuan Shanghai in a timely manner. Both parties have agreed to confirm that the operating gains or losses during the transitional period shall not result in any change in the consideration for transfer of the equity interest under the agreements.

Dongneng Xinyuan and the Target Companies under the agreement undertake that: the retained earnings after the Valuation Benchmark Date shall be owned by Longyuan Shanghai, and the Target Companies shall not distribute dividends to Dongneng Xinyuan during the transitional period; if such distribution has been made, Longyuan Shanghai shall be entitle to deduct the corresponding amount from the equity transfer prices payable.

## **Transactions**

Transfer of 100% equity interest :  
in Xinxusheng New Energy,  
Jinghong Photovoltaic,  
Chicheng New Energy and  
Senyong New Energy

## **Arrangements in transitional period**

The period from the Valuation Benchmark Date up to the date of completion (inclusive) shall be the transitional period.

All parties agree that, unless otherwise agreed in the agreements, the profit or loss arising from the normal production of the Target Companies during the transitional period shall be enjoyed/borne by Longyuan Shanghai, and there is no need to adjust the equity transfer price based on the profit or loss generated from the normal operation during the transitional period. The Transferors and the Target Companies under the agreement undertake that the retained earnings after the Valuation Benchmark Date shall be owned by Longyuan Shanghai, and the Target Companies shall not distribute dividends to the Transferors during the transitional period; if such distribution has been made, Longyuan Shanghai shall be entitle to deduct the corresponding amount from the equity transfer prices payable.

## **Liability for Breach of Contract**

### **1. Transferors' Liability for Breach of Contract**

Transferors shall be deemed to be in breach if they violate their warranties and commitments under the agreements, or if such warranties or commitments are untrue or not fully fulfilled. If the Target Company or Longyuan Shanghai under the agreements assumes responsibility, incurs losses, or actually incurs expenses as a result, the Transferors shall make full compensation.

Transferors shall be obligated to cooperate with Longyuan Shanghai in completing all tasks related to the transfer of rights and equity interest within the agreed term as stipulated in the agreements. In the event of any delay in the transfer of rights and equity interest caused by the Transferors, as a result of which the Target Company under the agreement or Longyuan Shanghai assumes responsibility, incurs losses, or actually incurs expenses, the Transferors shall make full compensation.

### **2. Transferee's Liability for Breach of Contract**

Longyuan Shanghai shall be deemed to be in breach if it violates its warranties and commitments under the agreements, or if such warranties or commitments are untrue or not fully fulfilled. If the Target Company under the agreement or the Transferors assume responsibility, incurs losses, or actually incurs expenses as a result, Longyuan Shanghai shall make full compensation to the Transferors.

If Longyuan Shanghai violates the agreements and fails to pay the equity transfer payment to the Transferors as stipulated in the agreements, as a result of which the Transferors assume responsibility, incur losses, or actually incur expenses, Longyuan Shanghai shall make full compensation.



## II. PROFIT FORECAST

The income approach has been adopted in preparing the appraised value of the 100% equity interest in the Target Companies (the “**Valuation**”), which constitutes a profit forecast under Rule 14.61 of the Listing Rules (the “**Profit Forecast**”). Please refer to Appendix I to this announcement for the principal assumptions underlying the valuation conducted by the Company as set out under Rule 14.60A of the Listing Rules.

Ernst & Young, the auditor of the Company, has reviewed and issued report on the calculations on which the Valuation is based. The Board has confirmed that the Profit Forecast has been prepared after due and careful enquiry. Pursuant to Rule 14.62 of the Listing Rules, the letters from Ernst & Young and the Board are set out in Appendix II and Appendix III to this announcement, respectively.

### Experts and Consents

<b>Names</b>	<b>Qualifications</b>
China Enterprise Appraisals	a qualified Chinese appraisal agency
Ernst & Young	the auditor of the Company, Certified Public Accountants, a Registered Public Interest Entity Auditor

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of China Enterprise Appraisals and Ernst & Young is a third party independent of the Group and its connected persons. As at the date of this announcement, neither China Enterprise Appraisals nor Ernst & Young has 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 in any member of the Group. On 28 and 29 December 2023, each of China Enterprise Appraisals and Ernst & Young has respectively issued and has not withdrawn its written consent to the publication of this announcement with the inclusion of its name, opinions, advice and references to its name (including its qualification) in the form and context in which it appears.

### **III. REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Transactions aim to strengthen the layout of the Group in photovoltaic industry, expand the market share of the Group in the field of new energy, realise cost savings through economies of scale, increase its power generation revenues and improve profitability, and improve the competitiveness of the Group.

The Directors (including independent non-executive Directors) consider that the terms of the Transactions are determined on normal commercial terms, are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

Mr. Tang Chaoxiong, Mr. Wang Yiguo and Mr. Ma Bingyan, all being Directors of the Company, hold positions in CHN Energy and therefore have material interests in the Transactions. They have abstained from voting on the Board resolution for the approval of the Transactions. Save as disclosed above, there are no other Directors who have any material interests in the Transactions.

### **IV. LISTING RULES IMPLICATIONS**

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund are subsidiaries of CHN Energy and constitute connected persons of the Company under Chapter 14A of the Listing Rules. Therefore, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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

## V. GENERAL INFORMATION

### 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. As at the date of this announcement, the ultimate beneficial owner of the Company is CHN Energy.

### 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. The ultimate beneficial owner of CHN Energy is the State-owned Assets Supervision and Administration Commission of the State Council.

### 3. Information on the Transferors

#### *3.1 Dongneng Xinyuan*

Dongneng Xinyuan is a limited partnership incorporated in the PRC, primarily engaged in equity investment, investment management, asset management and other activities with private equity funds. China Orient Asset Management Co., Ltd.\* (中國東方資產管理股份有限公司) (whose ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, "**Orient Asset Management**") and Guoneng Low-Carbon Fund are limited partners of Dongneng Xinyuan, holding 59.96% and 39.97% equity interest of Dongneng Xinyuan, respectively. Hangzhou Guangyaozhi Xinyudong Enterprise Management Partnership (Limited Partnership) \* (杭州光曜致新嶼冬企業管理合夥企業(有限合夥)), whose partners are Orient Asset Management and Orient Qianhai Asset Management (Hangzhou) Co., Ltd.) and National Energy (Beijing) Private Equity Fund Management Co., Ltd. (whose ultimate beneficial owner is CHN Energy, "**National Energy Fund Management Company**") are general partners of Dongneng Xinyuan, holding 0.03% and 0.03% equity interest of Dongneng Xinyuan, respectively. As at the date of this announcement, Dongneng Xinyuan is a subsidiary of CHN Energy.

### **3.2 *Xinyuan No.1***

Xinyuan No.1 is a limited partnership incorporated in the PRC, primarily engaged in equity investment, investment management and assets management. China Life Investment Insurance Asset Management Co., Ltd.\* (國壽投資保險資產管理有限公司), Guoneng Low-Carbon Fund and the Company, as limited partners of Xinyuan No.1, hold 49.97%, 33.31% and 16.66% equity interest of Xinyuan No.1, respectively. Guangzhou Jinhong Asset Management Co., Ltd. and National Energy Fund Management Company, as general partners of Xinyuan No.1, hold 0.03% and 0.03% equity interest of Xinyuan No.1, respectively. For further information on Xinyuan No.1 and its partners, please refer to the announcement of the Company dated 27 October 2021. As at the date of this announcement, Xinyuan No.1 is a subsidiary of CHN Energy.

### **3.3 *Guoneng Low-Carbon Fund***

Guoneng Low-Carbon Fund is a limited partnership incorporated in the PRC, primarily engaged in investment in non-securities business; equity investment; investment management and consultation, assets management. China Shenhua Energy Company Limited, China Energy Capital Holdings Co., Ltd., GD Power Development Co., Ltd. and the Company are limited partners of Guoneng Low-Carbon Fund, holding 33.33%, 33.33%, 16.66% and 16.66% equity interest of Guoneng Low-Carbon Fund, respectively. National Energy Fund Management Company is a general partner, holding 0.02% equity interest of Guoneng Low-Carbon Fund. For further information on Guoneng Low-Carbon Fund and its partners, please refer to the announcement of the Company dated 27 August 2021. As at the date of this announcement, Guoneng Low-Carbon Fund is a subsidiary of CHN Energy.

## 4. Information on the Target Companies

### 4.1 Qinzhou Jingneng

Qinzhou Jingneng is a company incorporated in the PRC with limited liability, principally engaged in development, construction and operation of solar photovoltaic power generation related projects and other business. As at the date of this announcement, Dongneng Xinyuan and Jinko Power Company Limited\* (晶科電力有限公司, “**Jinko Power**”, which is wholly owned by Jinko Power Technology Co., Ltd. (“**Jinko Technology**”), which is in turn a company listed on SSE, stock code: 601778) hold 50% and 50% equity interest in Qinzhou Jingneng, respectively. Dongneng Xinyuan has previously acquired from Jinko Power the 50% equity interest it held in Qinzhou Jingneng, subject to the completion of the procedures for industrial and commercial changes registration, and Dongneng Xinyuan is entitled to enjoy the beneficial interest in such shares.

The key (unaudited) financial information of Qinzhou Jingneng prepared under the PRC Accounting Standards for Business Enterprises is as follows:

	<i>Unit: RMB</i>	
	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Total profit (Profit before taxation)	0	N/A
Net profit (Profit after taxation)	0	N/A
Revenue	0	N/A
		<b>As of 30 June 2023</b>
Total assets		84,000,000
Net assets		84,000,000

The initial purchase cost for the 100% equity interest in Qinzhou Jingneng acquired by Dongneng Xinyuan in 2022 was RMB84 million.

## 4.2 Hechi Shengbu

Hechi Shengbu is a company incorporated in the PRC with limited liability, principally engaged in power generation, transmission, supply and other business. As at the date of this announcement, Dongneng Xinyuan and Jinko Power hold 50% and 50% equity interest in Hechi Shengbu, respectively. Dongneng Xinyuan has previously acquired from Jinko Power the 50% equity interest it held in Hechi Shengbu, subject to the completion of the procedures for industrial and commercial changes registration, and Dongneng Xinyuan is entitled to enjoy the beneficial interest in such shares.

The key (unaudited) financial information of Hechi Shengbu prepared under the PRC Accounting Standards for Business Enterprises is as follows:

	<i>Unit: RMB</i>	
	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Total profit (Profit before taxation)	(2,552.78)	(1,120.40)
Net profit (Profit after taxation)	(2,552.78)	(1,120.40)
Revenue	–	0
		<b>As of 30 June 2023</b>
Total assets		81,504,000
Net assets		81,500,000

The initial purchase cost for the 100% equity interest in Hechi Shengbu acquired by Dongneng Xinyuan in 2022 and 2023 was RMB81.50 million in total.

### 4.3 Hechi Jinghong

Hechi Jinghong is a company incorporated in the PRC with limited liability, principally engaged in power generation, transmission, supply and other business. As at the date of this announcement, Dongneng Xinyuan and Jinko Power hold 50% and 50% equity interest in Hechi Jinghong, respectively. Dongneng Xinyuan has previously acquired from Jinko Power the 50% equity interest it held in Hechi Jinghong, subject to the completion of the procedures for industrial and commercial changes registration, and Dongneng Xinyuan is entitled to enjoy the beneficial interest in such shares.

The key (unaudited) financial information of Hechi Jinghong prepared under the PRC Accounting Standards for Business Enterprises is as follows:

	<i>Unit: RMB</i>	
	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Total profit (Profit before taxation)	(2,552.78)	(1,120.40)
Net profit (Profit after taxation)	(2,552.78)	(1,120.40)
Revenue	0	0
		<b>As of 30 June 2023</b>
Total assets		125,254,000
Net assets		125,250,000

The initial purchase cost for the 100% equity interest in Hechi Jinghong acquired by Dongneng Xinyuan in 2022 and 2023 was RMB125.25 million.

#### **4.4 Xinxusheng New Energy**

Xinxusheng New Energy is a company incorporated in the PRC with limited liability, principally engaged in photovoltaic power generation, new energy technology development and promotion services and other business. As at the date of this announcement, Xinyuan No.1 holds 100% equity interest in Xinxusheng New Energy.

The key (unaudited) financial information of Xinxusheng New Energy prepared under the PRC Accounting Standards for Business Enterprises is as follows:

	<i>Unit: RMB</i>	
	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Total profit (Profit before taxation)	1,125,450.26	(1,507,919.89)
Net profit (Profit after taxation)	1,125,450.26	(1,507,919.89)
Revenue	3,496,809.54	0
		<b>As of 30 June 2023</b>
Total assets		126,991,796.27
Net assets		67,875,584.76

The initial purchase cost for the 100% equity interest in Xinxusheng New Energy acquired by Xinyuan No.1 in 2022 was RMB82 million in total.



#### **4.5 Jinghong Photovoltaic**

Jinghong Photovoltaic is a company incorporated in the PRC with limited liability, principally engaged in development, investment, construction and operation of solar photovoltaic power generation projects and other business. As at the date of this announcement, Xinyuan No.1 holds 100% equity interest in Jinghong Photovoltaic.

The key (unaudited) financial information of Jinghong Photovoltaic prepared under the PRC Accounting Standards for Business Enterprises is as follows:

	<i>Unit: RMB</i>	
	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Total profit (Profit before taxation)	53,351.76	(670.75)
Net profit (Profit after taxation)	40,013.82	(670.75)
Revenue	0	0
		<b>As of 30 June 2023</b>
Total assets		53,847,139.19
Net assets		53,836,913.32

The initial purchase cost for the 100% equity interest in Jinghong Photovoltaic acquired by Xinyuan No.1 in 2022 was RMB53 million.

#### 4.6 Chicheng New Energy

Chicheng New Energy is a company incorporated in the PRC with limited liability, principally engaged in solar power stations, wind power generation development and system design, system integration, installation and other business. As at the date of this announcement, Guoneng Low-Carbon Fund holds 100% equity interest in Chicheng New Energy.

The key (unaudited) financial information of Chicheng New Energy prepared under the PRC Accounting Standards for Business Enterprises is as follows:

	<i>Unit: RMB</i>	
	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Total profit (Profit before taxation)	(307,380.13)	(651.29)
Net profit (Profit after taxation)	(231,030.13)	(651.29)
Revenue	0	0
		<b>As of 30 June 2023</b>
Total assets		105,000,227.11
Net assets		104,998,747.11

The initial purchase cost for the 100% equity interest in Chicheng New Energy acquired by Guoneng Low-Carbon Fund in 2021 was RMB105 million.

#### 4.7 *Senyong New Energy*

Senyong New Energy is a company incorporated in the PRC with limited liability, principally engaged in new energy technology development, technology consultation, technology exchange, technology transfer, technology promotion and other business. As at the date of this announcement, Guoneng Low-Carbon Fund and Sungrow New Energy Development Co., Ltd.\* (陽光新能源開發股份有限公司, “**Sungrow New Energy**”, whose ultimate beneficial owner is Sungrow Power Supply Co., Ltd. (陽光電源股份有限公司), a company listed on the SZSE, stock code: 300274) hold 99% and 1% equity interest in Senyong New Energy, respectively. Dongneng Xinyuan has previously acquired from Sungrow New Energy the 100% equity interest it held in Hechi Jinghong and as of the date of this announcement, the remaining 1% equity interest in Hechi Jinghong is subject to the completion of the procedures for industrial and commercial changes registration, and Guoneng Low-Carbon Fund is entitled to enjoy the beneficial interest in such shares.

The key (unaudited) financial information of Senyong New Energy prepared under the PRC Accounting Standards for Business Enterprises is as follows:

	<i>Unit: RMB</i>	
	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
Total profit (Profit before taxation)	7,976,253.47	(192.22)
Net profit (Profit after taxation)	7,976,253.47	(192.22)
Revenue	32,117,316.28	0
		<b>As of 30 June 2023</b>
Total assets		69,888,000
Net assets		69,887,800

The initial purchase cost for the 100% equity interest in Senyong New Energy acquired by Guoneng Low-Carbon Fund in 2021 was RMB69.8681 million.

## VI. DEFINITIONS

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

“Board”	the board of Directors of the Company
“CHN Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), as at the date of this announcement, CHN Energy directly and indirectly holds 4,908,598,141 Shares (representing approximately 58.56% of the total issued share capital of the Company) in the Company in aggregate, and is the controlling shareholder of the Company
“Chicheng New Energy”	Chicheng County Nanjun New Energy Co., Ltd.* (赤城縣楠軍新能源有限公司), being one of the Target Companies in the Transactions
“Company”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 00916) and A Shares are listed on the Shenzhen Stock Exchange (Stock Code: 001289)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongneng Xinyuan”	Beijing Dongneng Xinyuan Equity Investment Partnership (Limited Partnership)* (北京東能新源股權投資合夥企業(有限合夥)), being a subsidiary of CHN Energy and one of the Transferors in the Transactions

“Equity Transfer Agreement(s)”	the equity transfer agreement(s) (individually or collectively) entered into between Longyuan Shanghai, a wholly-owned subsidiary of the Company, and each of Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund on 29 December 2023, pursuant to which Longyuan Shanghai proposed to acquire the 100% equity interest in each of the seven Target Companies from Dongneng Xinyuan, Xinyuan No.1 and Guoneng Low-Carbon Fund
“Group”	the Company and its subsidiaries
“Guoneng Low-Carbon Fund”	Beijing Guoneng Green and Low-Carbon Development Investment Fund (Limited Partnership) (北京國能綠色低碳發展投資基金(有限合夥)), being a subsidiary of CHN Energy and one of the Transferors in the Transactions
“Hechi Jinghong”	Hechi Jinghong Photovoltaic Power Generation Co., Ltd.* (河池市晶鴻光伏發電有限公司), being one of the Target Companies in the Transactions
“Hechi Shengbu”	Hechi Shengbu Photovoltaic Power Generation Co., Ltd.* (河池市盛步光伏發電有限公司), being one of the Target Companies in the Transactions
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Jinghong Photovoltaic”	Tangyin County Jinghong Photovoltaic Power Co., Ltd.* (湯陰縣晶鴻光伏電力有限公司), being one of the Target Companies in the Transactions

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longyuan Shanghai” or “Transferee”	Longyuan Power Group (Shanghai) Investment Co., Ltd. (龍源電力集團(上海)投資有限公司), being a wholly-owned subsidiary of the Company and the transferee in the Transactions
“Qinzhou Jingneng”	Qinzhou Jingneng Photovoltaic Power Generation Co., Ltd.* (欽州市晶能光伏發電有限公司), being one of the Target Companies in the Transactions
“RMB”	Renminbi, the lawful currency of the PRC
“Senyong New Energy”	Hefei Senyong New Energy Technology Co., Ltd.* (合肥森永新能源科技有限公司), being one of the Target Companies in the Transactions
“SSE”	the Shanghai Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“SZSE”	the Shenzhen Stock Exchange
“Target Companies”	Qinzhou Jingneng, Hechi Shengbu, Hechi Jinghong, Xinxusheng New Energy, Jinghong Photovoltaic, Chicheng New Energy and Senyong New Energy (individually or collectively)
“Target Projects”	the photovoltaic power projects held by the Target Companies

“Transferors”	Qinzhou Jingneng, Hechi Shengbu, Hechi Jinghong, Xinxusheng New Energy, Jinghong Photovoltaic, Chicheng New Energy and Senyong New Energy (individually or collectively)
“Xinxusheng New Energy”	Tang County Xinxusheng New Energy Development Co., Ltd.* (唐縣新旭晟新能源開發有限公司), being one of the Target Companies in the Transactions
“Xinyuan No.1”	Beijing Xinyuan No.1 Equity Investment Fund Partnership (Limited Partnership) (北京新源壹號股權投資基金合夥企業(有限合夥)), being a subsidiary of CHN Energy and one of the Transferors in the Transactions
“%”	per cent

By order of the Board  
**China Longyuan Power Group Corporation Limited\***  
**Tang Jian**  
*Chairman*

Beijing, the PRC, 29 December 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Tang Jian and Mr. Gong Yufei; the non-executive directors are Mr. Tang Chaoxiong, Mr. Wang Yiguo and Mr. Ma Bingyan; and the independent non-executive directors are Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng.*

\* For identification purpose only

## **APPENDIX I: PRINCIPAL ASSUMPTIONS ON WHICH THE VALUATION IS BASED**

### **I. VALUATION METHOD**

For the Target Companies, namely Qinzhou Jingneng, Hechi Shengbu, Hechi Jinghong, Jinghong Photovoltaic, Chicheng New Energy, and Senyong New Energy, given that they are management companies and have no substantial businesses, they do not satisfy the conditions for being valued under income approach; due to the lack of a sufficient number of listed companies or transaction cases comparable to the valuation target, the conditions for valuation under market approach are not met; various valuation information of assets and liabilities required by asset-based approach is available, so the asset-based approach may be used in the valuation of the Target Companies. For the project companies held by Target Companies, future income can be reasonably predicted based on the feasibility study, historical operating conditions, technical due diligence and other materials provided, so the income approach may be used in the valuation. The project companies operate in the photovoltaic power generation industry where, as found out by evaluators through investigation, domestic enterprise mergers and acquisitions have become increasingly active in recent years, and certain specific conditions that are related to merger and acquisition cases and affect transaction prices as well as related data can be obtained through relevant transaction announcements, and their valuation can be analysed. Therefore, the market approach may be used in this valuation. Based on the above, this valuation adopts the income approach and market approach to evaluate the project companies. After comprehensive analysis, the results from income approach are determined as the valuation conclusion to ultimately reflect the valuation of the Target Companies' long-term equity investment.

For the Target Company Xinxusheng New Energy, based on the feasibility study and historical business situation, technical due diligence and other materials provided, future profits may be reasonably predicted and the income approach may be used in its valuation. The project company operates in the photovoltaic power generation industry where, as found out by evaluators through investigation, domestic enterprise mergers and acquisitions have become increasingly active in recent years, and certain specific conditions that are related to merger and acquisition cases and affect transaction prices as well as related data can be obtained through relevant transaction announcements, and its valuation can be analysed. Therefore, the market approach may be used in this valuation. Based on the above, this valuation adopts the income approach and market approach to evaluate the project company. After comprehensive analysis, the results from income approach are determined as the valuation conclusion.



## **II. ASSUMPTIONS USED FOR ANALYSIS AND ESTIMATION IN ASSET VALUATION REPORT**

### **(I) General assumptions**

1. It is assumed that all subjects of valuation are in the transaction process and professional appraisers will conduct the valuation with reference to a simulated market based on the transaction conditions of the assets appraised;
2. It is assumed that both parties to the assets transaction or the proposed assets transaction in the market have equal position and have the opportunity and time to access sufficient market information and the transaction activities will be conducted on a voluntary and rational basis, so as to make a rational judgment on the assets in terms of their function, intended purpose and transaction price;
3. It is assumed that there will be no material changes in the national laws, regulations and policies currently in force, macro-economic conditions of the nation and there will be no material changes in the political, economic and social environment of the area where all parties to the transaction are located;
4. It is assumed that the enterprise will continue to operate as a going concern based on the actual conditions of the assets on the valuation benchmark date;
5. It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the valuation target and its subsidiaries after the valuation benchmark date other than known matters;
6. It is assumed that the management of the valuation target after the valuation benchmark date is responsible, stable, and capable of performing its duties;
7. Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations;
8. It is assumed that there will be no force majeure and unforeseen factors that will cause significant adverse effects on the valuation target after the valuation benchmark date;
9. It is assumed that the subsidiaries of the valuation target operate normally within the designed service life of the power stations.

## **(II) Special assumptions**

1. It is assumed that the accounting policies adopted by the valuation target after the valuation benchmark date and the accounting policies adopted in the preparation of this valuation report are consistent in important respects;
2. It is assumed that the valuation target will maintain the same business scope and method as the current one based on the current management method and management level after the valuation benchmark date;
3. It is assumed that the cash inflow of the valuation target is an average inflow, and the cash outflow is an average outflow after the valuation benchmark date;
4. The photovoltaic power station projects invested and constructed by the valuation target or its wholly-owned subsidiaries have not yet been fully connected to the grid as of the valuation benchmark date. This valuation assumes that the valuation target is able to obtain the relevant approval documents required for the production and operation process in the future, including but not limited to various approvals such as the land transfer and land lease approvals for photovoltaic array area, booster station, management buildings, energy storage system land, and transmission project land etc. to ensure the normal production and operation of the projects;
5. For the photovoltaic power station projects invested and constructed by the valuation target or its wholly-owned subsidiaries, this valuation makes prediction of the fixed assets investment, project production time, power generation, operating cost, electricity price, etc. thereto with reference to the relevant content of technical due diligence of the corresponding projects and the relevant information provided by the client and the valuation target. It is assumed that the above parameters will not change significantly in future operation;
6. It is assumed that the valuation target or its wholly-owned subsidiaries can replace the existing loans and add some new loans in the future according to the letter of intent for financing from financial institutions obtained by the management to reduce the Company's operating costs;

7. The income tax preferences of the valuation target or its subsidiaries refer to the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (2008 Edition) (《公共基礎設施項目企業所得稅優惠目錄》(2008年版)) issued by the National Development and Reform Commission under Circular No. Cai Shui [2008] 116 (財稅[2008] 116號文), which stipulates that “Enterprises engaging in public infrastructure projects listed in the Catalogue that meet the relevant conditions and technical standards as well as the relevant provisions of the national investment management and have been approved after 1 January 2008, the income derived from their investment and operation shall be exempted from enterprise income tax for the first to the third years, and 50% exempted for the fourth to the sixth years commencing from the taxable year in which the project obtains the first production and operation income”; for valuation target whose place of registration is Guangxi Zhuang Autonomous Region, it also enjoys the enterprise income tax policy for the development of the western region in accordance with the Announcement of the Ministry of Finance, General Administration of Taxation and National Development and Reform Commission No. 23 of 2020 on the Continuation of the Enterprise Income Tax Policy for the Development of the Western Region《關於延續西部大開發企業所得稅政策的公告》);
8. As of the valuation benchmark date, a land lease agreement was entered into with the relevant units for the land occupied by the photovoltaic projects invested and constructed by the valuation target or its wholly-owned subsidiaries, and this valuation assumes that the project land can be continuously leased during the operating period, and other covenants follow the original lease agreement.

### **III. FORECAST IDEAS FOR MAIN VALUATION PARAMETERS**

#### **1. Forecast period**

In this valuation, with reference to the feasibility study, technical due diligence and general projects, the economic life span of the components is 25 years, and the revenue period is forecasted based on the corresponding grid connection timing of the project.

## 2. Revenue forecast for the forecast period

### 2.1 Forecast of revenue

The main business of the valued entity is photovoltaic power generation, and its revenue is revenue from electricity sales.

Revenue from electricity sales = benchmark on-grid electricity amount × benchmark electricity sales price (tax exclusive) + market-based on-grid electricity amount × market-based electricity sales price (tax exclusive) + market operation costs

#### 2.1.1 Determination of on-grid electricity amount

The on-grid electricity amount is mainly related to the installed capacity, attenuation rate, utilisation hours, ration limitation rate and overall efficiency.

On-grid electricity amount = installed capacity × utilisation hours of power generation × (1 – attenuation rate) × (1 – ration limitation rate and overall lines loss rate).

The installed capacity, utilisation hours of power generation and attenuation rate are forecasted based on the actual situation of the project company and utilisation hours data as forecasted by relevant third parties.

#### 2.1.2 Electricity prices are forecasted in line with the local tariff policy.

2.1.3 Market operation costs include deviation assessment, auxiliary services, two rules (i.e. Implementing Rules for the Management of Grid-Connected Operation of Power Plants\* (《發電廠並網運行管理實施細則》) and Implementing Rules for the Management of Auxiliary Services of Grid-Connected Power Plants\* (《並網發電廠輔助服務管理實施細則》)), clearing costs, electric heating cost sharing, etc., and are forecasted with reference to the industry level.

## **2.2 Forecast of operating costs**

Main operating costs include depreciation and amortisation, employee remuneration, land rent, operation and maintenance fees, etc.

2.2.1 Depreciation and amortisation: it includes depreciation and amortisation of fixed assets and the like. In this valuation, it is forecasted with reference to the relevant depreciation and amortisation policies implemented by the enterprise.

2.2.2 Employee remuneration: employee remuneration is forecasted based on the latest staffing quota and interviews with enterprise.

2.2.3 Land rent: it is forecasted based on the land rent agreement entered into by the valued entity.

2.2.4 Operation and maintenance expenses: operation and maintenance expenses are forecasted with reference to the relevant planning of the enterprise, taking into account the interviews with the enterprise and the budget, technical due diligence, and operation and maintenance contracts of the enterprise.

## **2.3 Forecast of taxes and surcharges**

Taxes and surcharges of the valued entity include: urban construction tax, education surtax, local education surtax and stamp duty. They are forecasted mainly based on local tax policies.

## **2.4 Forecast of finance costs**

The finance costs of the valued entity are mainly the interest cost of the long-term loans borrowed to raise funds for the construction of the projects, which are forecasted based on the corresponding financing for the projects.

## **2.5 Forecast of income tax**

It is forecasted based on the income tax policy applicable to the project company.

## ***2.6 Forecast of depreciation and amortisation***

The depreciation and amortisation in the future years is forecasted at the comprehensive accounting depreciation and amortisation rate as calculated and determined in accordance with the depreciation and amortisation policy of the enterprise based on the enterprise's fixed assets and intangible assets expected to form in the future.

## ***2.7 Forecast of capital expenditure***

The capital expenditure is forecasted based on the information such as EPC agreements entered into by, the design estimates, contract ledgers of and the interviews with the valued entity, taking into account the investments already made as at the benchmark date.

## ***2.8 Forecast of working capital increase***

The working capital for future years is forecasted based on the electricity payment collection of the enterprise, taking into account the business condition of the enterprise and the operation characteristics of the industry and after communicating with the financial personnel of the enterprise.

## ***2.9 Forecast of asset recovery at the end of the period***

For the asset recovery at the end of the period, the recovery of working capital and other related assets is mainly taken into account.

## ***2.10 Borrowing and repayment of interest-bearing debts***

They are forecasted based on the financing plan of the valued entity.

### 3. Determination of discount rate

The discount rate is forecasted selecting the CAPM model whose basis is consistent with that of cash flow.

$$R_e^{(Mod)} = \Upsilon_f + MRP \times \beta + \Upsilon_c$$

#### 3.1 Determination of the risk-free rate of return

The yield on treasury bonds is usually considered to be risk-free since the risk that the treasury bonds cannot be redeemed when due is small and negligible. According to the information disclosed in the WIND information system, the annual yield to maturity of 10-year treasury bonds on the valuation benchmark date was 2.68%, and 2.68% has been used as the risk-free rate of return in this assets valuation report.

#### 3.2 Determination of equity systematic risk coefficient

The formula for calculating the equity systematic risk coefficient of the valued entity is set out below:

$$\beta_L^{(Mod)} = \left[ 1 + (1 - t) \times D / E \right] \times \beta_u$$

Where:  $\beta_L$ : Systematic risk coefficient for equity with financial leverage;

$\beta_u$ : Systematic risk coefficient for equity without financial leverage;

t: Income tax rate of the valued enterprise;

D/E: The target capital structure of the valued enterprise.

Based on the business characteristics of the valued entity, with the business of comparable companies being similar to the business of the valued entity as the criterion, the valuers have enquired the values of comparable listed companies as at 30 September 2023 through the WIND information system, and then converted them into the  $\beta_u$  value based on the income tax rate and capital structure of comparable listed companies and took the average value of 0.527 as the  $\beta_u$  value of the valued entity. The capital structure of the enterprise is forecasted taking into account the valued entity's own capital structure.

Income tax is forecasted and measured based on the income tax policy implemented by the project company.

### ***3.3 Determination of market risk premium***

Market risk premium is the difference between the market rate of return on investment and the risk-free rate of return. In particular, the market rate of return on investment on the valuation benchmark date is determined by comprehensively analysing the weighted average of the annualised weekly returns from 1992 to 2023 selected on the basis of the stock trading price indices of the Shanghai Stock Exchange and the Shenzhen Stock Exchange. As calculated, the market rate of return on investment is 9.48%. The yield to maturity on 10-year treasury bonds of 2.68% on the valuation benchmark date has been taken as the risk-free rate of return. The market risk premium is 6.8%.

### ***3.4 Determination of enterprise specific risk adjustment coefficient***

The enterprise individual risk adjustment coefficient refers to an adjustment coefficient based on the differences between the enterprise to be appraised and the selected comparable enterprises in terms of the enterprise's special operating environment, date of establishment of the enterprise, enterprise size, operation and management, risks resistant capability, and strengths and weaknesses arising from special factors, etc. The risk adjustment coefficient specific to the valuation target shall be determined to be 1% to 1.5% after taking into account the existing governance structure, management standard, commencement time of operation and resistance to industry risks.

## **4. Determination of surplus assets**

Surplus assets refer to assets that are in excess of the requirements for the production and operation of the enterprise as at the valuation benchmark date and are not covered by the enterprise's free cash flow forecast after the valuation benchmark date. Monetary funds of the valued entity in excess of the minimum cash holdings are normally considered as surplus assets and valued adopting the cost method.

## **5. Determination of non-operating assets (liabilities)**

The value of non-operating assets is the net value of assets and liabilities that are not related to the normal operation of the enterprise and are not covered by the enterprise's free cash flow forecast. Non-operating assets and liabilities are valued adopting the cost method.



## APPENDIX II: LETTER FROM THE AUDITOR OF THE COMPANY

29 December 2023

To the Directors of China Longyuan Power Group Corporation Limited  
Block c, 6 Fuchengmen North Street, Xicheng District, Beijing

### REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN YICHENG KANGYANG NEW ENERGY POWER GENERATION CO., LTD., TANGXIAN XINXUSHENG NEW ENERGY DEVELOPMENT CO., LTD., GUIGANG JINGKE PHOTOVOLTAIC POWER GENERATION CO., LTD., HECHI JINGNENG PHOTOVOLTAIC POWER GENERATION CO., LTD., HECHI SHENGNENG PHOTOVOLTAIC POWER GENERATION CO., LTD., YUZHOU JINGNENG PHOTOVOLTAIC POWER GENERATION CO., LTD., AND LINZHOU GUIDONG NEW ENERGY TECHNOLOGY CO., LTD.

To the Directors of China Longyuan Power Group Corporation Limited

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 22 December 2023 prepared by China Enterprise Appraisals Consultation Co., Ltd in respect of Yicheng Kangyang New Energy Power Generation Co., Ltd., Tangxian Xinxusheng New Energy Development Co., Ltd., Guigang Jingke Photovoltaic Power Generation Co., Ltd., Hechi Jingneng Photovoltaic Power Generation Co., Ltd., Hechi Shengneng Photovoltaic Power Generation Co., Ltd., Yuzhou Jingneng Photovoltaic Power Generation Co., Ltd., and Linzhou Guidong New Energy Technology Co., Ltd (the “**Targets**”) as at 30 September 2023 is based. The valuation is set out in the announcement of China Longyuan Power Group Corporation Limited (the “**Company**”) dated 29 December 2023 (the “**Announcement**”) in connection with the acquisition of the Targets. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix I 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 Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Targets. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(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 Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 December 2023

## APPENDIX III: LETTER FROM THE BOARD ON PROFIT FORECAST

Dear Sirs/Madams,

Reference is made to the announcement of China Longyuan Power Group Corporation Limited\* (the “**Company**”) dated 29 December 2023 in relation to, among other things, (i) the acquisition of 100% equity interest in seven Target Companies from Beijing Dongneng Xinyuan Equity Investment Partnership (Limited Partnership)\* (北京東能新源股權投資合夥企業(有限合夥)), Beijing Xinyuan No.1 Equity Investment Fund Partnership (Limited Partnership) (北京新源壹號股權投資基金合夥企業(有限合夥)) and Beijing Guoneng Green and Low-Carbon Development Investment Fund (Limited Partnership) (北京國能綠色低碳發展投資基金(有限合夥)), respectively by Longyuan Power Group (Shanghai) Investment Co., Ltd. (龍源電力集團(上海)投資有限公司), a subsidiary of the Company, (collectively the “**Transactions**”); and (ii) the report on the valuation of assets of the Target Companies issued from China Enterprise Appraisals Co., Ltd. (“**China Enterprise Appraisals**”) in relation to the Transactions (together, the “**Assets Valuation Report**”), the Valuation of which constitutes a Profit Forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have reviewed the bases and assumptions on which China Enterprise Appraisals has based its Valuation and have reviewed the Valuation for which China Enterprise Appraisals is responsible. We have also considered the letter dated 29 December 2023 issued from Ernst & Young, the auditors of the Company, regarding the accuracy of the calculations relating to the forecasts in the Valuation and whether the forecasts follow the bases and assumptions set out in the Assets Valuation Report. We note that the calculations of the forecasts in the Valuation are accurate and in line with the bases and assumptions set out in the Assets Valuation Report.

Based on the above, we are of the view that the Profit Forecast has been prepared after due and careful enquiry.

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

29 December 2023