CHINA SUNTIEN GREEN ENERGY CORPORATION LIMITED*
新天綠色能源股份有限公司

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

(Stock Code: 00956)

CONNECTED TRANSACTION
TRANSFER OF PARTIAL EQUITY INTEREST IN SHANGYI SUNTIEN

The Board hereby announces that, on 18 October 2024, HECIC New Energy, a wholly-own subsidiary of the Company, entered into the Equity Transfer Contract with Huihai, pursuant to which HECIC New Energy will transfer its 20% equity interest in Shangyi Suntien to Huihai at a consideration of approximately RMB127.6 million. Upon completion of the Equity Transfer, Shangyi Suntien will be held by HECIC New Energy and Huihai as to 80% and 20% equity interest, respectively, and will remain as a subsidiary of the Company.

Huihai is a subsidiary of HECIC (the controlling shareholder of the Company, holding 48.95% equity interest in the Company) and a connected person of the Company. The Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer exceeds 0.1% but is less than 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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1. EQUITY TRANSFER CONTRACT

The principal terms of the Equity Transfer Contract are as follows:

Parties	:	HECIC New Energy (transferor) Huihai (transferee)
Signing date and effectiveness	:	18 October 2024 The Equity Transfer Contract shall be effective after it is signed and sealed by the legal representative or authorised representative of each party.
Basic information of the transfer target	:	(1) The transfer target is the 20% equity interest in Shangyi Suntien held by HECIC New Energy. The carrying value of the owner's equity of Shangyi Suntien as of 30 April 2024 was approximately RMB302.7 million. (2) With the appraisal performed by KYSIN on Shangyi Suntien using 30 April 2024 as the Appraisal Benchmark Date, the appraised value of Shangyi Suntien was approximately RMB637.9 million, and the appraised value of the target equity as calculated on a pro rata basis was approximately RMB127.6 million. The transfer price of the target equity shall be approximately RMB127.6 million, which is determined by the parties based on the appraised value of Shangyi Suntien.
Payment of Equity Transfer consideration	:	The payment of Equity Transfer consideration shall be made in two instalments. Huihai shall pay 30% of the Equity Transfer consideration within 10 working days following the signing date of the Equity Transfer Contract. The remaining 70% shall be paid within 20 working days after the completion of the change of industrial and commercial registration for the Equity Transfer.
Completion of Equity Transfer	:	The completion date of the Equity Transfer shall be the date when the change of industrial and commercial registration for the Equity Transfer is completed by the parties. The parties, together with Shangyi Suntien, shall complete the signing of the new articles of association of Shangyi Suntien, the changes in composition of the relevant governance bodies (including the general meetings, board of directors and board of supervisors), as well as the change of industrial and commercial registration of Shangyi Suntien, within 45 working days after the signing date of the Equity Transfer Contract.

Transition period and the vesting of profit or loss for the period	:	The transition period is the period from the Appraisal Benchmark Date to the completion date of the Equity Transfer, during which HECIC New Energy shall perform the duty of care of good manager for Shangyi Suntien as agreed in the Equity Transfer Contract, with profit or loss generated during the transition period being retained or borne by HECIC New Energy. The specific amount of profit or loss for the period is based on the audit report issued by the audit firm agreed by the parties, with the completion date of the Equity Transfer as the reporting date.
Composition of the Board	:	Upon completion of the Equity Transfer, the board of directors of Shangyi Suntien shall comprise of five directors, four of whom will be appointed by HECIC New Energy and one of whom will be appointed by Huihai.

2. REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

The Company has decided to undertake the Equity Transfer based on its actual business operations and overall development needs. In recent years, the wind power business of the Company has witnessed a rapid growth, with new energy construction permits successively obtained in various locations within Hebei Province, leading to larger demands for capital in the future. The Equity Transfer will help alleviate the capital pressure, and diversify capital allocation strategies, thereby forming a broader capital base which contributes to leverage on more quality resources in subsequent investment activities in collaborative projects, while further bolstering the Company's capabilities in project development and construction.

The Directors (including the independent non-executive Directors) consider that although the Equity Transfer Contract is not entered into in the ordinary course of the business of the Group, it is conducted on normal commercial terms, and the terms of the Equity Transfer Contract are fair and reasonable and in the interests of the Company and its shareholders as a whole.

3. INFORMATION OF SHANGYI SUNTIEN

Founded in March 2011 in the PRC, Shangyi Suntien mainly invests in the construction and operation of Dadongshan Wind Farm. Since its establishment and up to the date of this announcement, Shangyi Suntien is wholly-owned by HECIC New Energy.

Based on the financial statements prepared in accordance with China Accounting Standards for Business Enterprises, the key financial data of Shangyi Suntien for the two years ended 31 December 2022 and 2023 and for the six months ended 30 June 2024 are as follows:

Key financial data (audited)	**Items**	**As of 31 December 2022**
	Total assets (RMB'000)	1,182,099.42
	Net assets (RMB'000)	322,372.96
	Items	**For the year ended 31 December 2022**
	Operating revenue (RMB'000)	495,464.79
	Net profit/("-" indicates loss) (before tax and non-recurring items) (RMB'000)	80,484.90
	Net profit/("-" indicates loss) (after tax and non-recurring items) (RMB'000)	80,366.94
Key financial data (audited)	**Items**	**As of 31 December 2023**
	Total assets (RMB'000)	1,217,877.07
	Net assets (RMB'000)	284,597.74
	Items	**For the year ended 31 December 2023**
	Operating revenue (RMB'000)	168,351.27
	Net profit/("-" indicates loss) (before tax and non-recurring items) (RMB'000)	59,203.80
	Net profit/("-" indicates loss) (after tax and non-recurring items) (RMB'000)	58,913.92
Key financial data (unaudited)	**Items**	**As of 30 June 2024**
	Total assets (RMB'000)	1,197,571.07
	Net assets (RMB'000)	254,494.83
	Items	**For the six months ended 30 June 2024**
	Operating revenue (RMB'000)	69,778.88
	Net profit/("-" indicates loss) (before tax and non-recurring items) (RMB'000)	22,188.90
	Net profit/("-" indicates loss) (after tax and non-recurring items) (RMB'000)	21,844.36

4. FINANCIAL EFFECT OF THE EQUITY TRANSFER

Upon the completion of acquisition of equity interests, Shangyi Suntien remains an indirect subsidiary of the Company, with its financial statements still to be included in the consolidated financial statements of the Group. As a result, the Group will not accrue any gain or loss from the Equity Transfer.

5. APPRAISAL OF THE TRANSACTION TARGET

According to the appraisal report issued by KYSIN, the appraisal was conducted using the asset-based approach and the income approach, with 30 April 2024 as the benchmark date. The appraisal result from the income approach was finally selected as the final appraisal conclusion.

Using the asset-based approach, as of the Appraisal Benchmark Date, the appraised value of the total assets of Shangyi Suntien amounted to approximately RMB1,048.1 million, the total liabilities amounted to approximately RMB913.0 million, and the appraised value of total shareholders' equity amounted to approximately RMB135.1 million. The appraised impairment was approximately RMB167.6 million, with a rate of decrease of 55.36%. The appraised impairment mainly considered the depreciation of relevant fixed assets and the market price reductions, amortisation of intangible assets, and has taken into account the appreciation of the relevant land use rights.

Using the income approach, as of the Appraisal Benchmark Date, the appraised value of total shareholders' equity of Shangyi Suntien was approximately RMB637.9 million, with an appraised appreciation of approximately RMB335.2 million, representing a rate of increase/decrease of 110.72%. The appraised appreciation mainly considered the impact of national policies (such as electricity price subsidies, value-added tax refunds and income tax incentives) on income, while reflecting the value of assets such as the concession rights of the power business, unique profit model and management model. Details of the income approach appraisal are set out in the Appendix I to this announcement.

The principal businesses of Shangyi Suntien are wind power generation and electricity sales, and it has been in operation for years with sufficient historical operating data. The asset-based approach appraises the value of total shareholders' equity of the enterprise based on the book assets and liabilities of Shangyi Suntien as at the Appraisal Benchmark Date as well as the market value of identifiable off-balance sheet assets. However, it does not include the value of off-balance sheet and hard-to-identify assets such as the concession rights of the power business, unique profit model and management model. That is, the appraisal result of the asset-based approach cannot cover the value of all assets of the enterprise. Additionally, the asset-based approach starts from the replacement cost of the enterprise's assets, potentially overlooking the overall profitability of the enterprise. The income approach, on the other hand, starts from the perspective of the future development of the enterprise, makes predictions based on a series of assumptions, and then comprehensively appraises the value of total shareholders' equity of Shangyi Suntien. Therefore, the appraised value of the income approach has not only taken into account whether various assets and liabilities are reasonably and fully utilized in the enterprise's future operations but also whether the assets and liabilities combinations have played their intended roles in the enterprise's future operations. This approach more comprehensively and reasonably reflects the value of total shareholders' equity of Shangyi Suntien. Therefore, the appraisal result of the income approach was selected as the final appraisal conclusion in the appraisal report.

6. IMPLICATIONS UNDER THE LISTING RULES

Huihai is a subsidiary of HECIC (the controlling shareholder of the Company, holding 48.95% equity interest in the Company) and therefore a connected person of the Company. The Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer exceeds 0.1% but is less than 5%, the Equity Transfer is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Dr. Cao Xin, Mr. Qin Gang, Mr. Mei Chun Xiao and Mr. Wang Tao hold positions in HECIC and Dr. Cao Xin and Mr. Mei Chun Xiao simultaneously hold positions in Huihai, they have abstained from voting on the Board resolution approving the Equity Transfer in accordance with the articles of association of the Company. Save for those as set out above, none of the Directors had a material interest in the Equity Transfer and therefore no other Director abstained from voting on the Board resolution.

Ernst & Young Hua Ming has been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flows used in the appraisal prepared by KYSIN. Ernst & Young Hua Ming has reported that so far as the arithmetical accuracy of the calculations is concerned, the discounted cash flows have been properly prepared in accordance with the assumptions as set out in the appraisal. The text of the report issued by Ernst & Young Hua Ming in relation to the arithmetical accuracy of the calculations of the discounted cash flows is set out in the Appendix II to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules.

The Board confirms that the profit forecast in the appraisal was prepared by the Board after appropriate and careful enquiries, as outlined in the letter included in the Appendix III to this announcement.

7. EXPERTS

The followings are the qualifications of experts who have provided opinions and/or suggestions contained in this announcement:

KYSIN	an independent appraisal firm with asset appraisal qualifications in the PRC
Ernst & Young Hua Ming	a certified public accountant

Each of the experts mentioned above has given and none of the experts has withdrawn its written consent to the issue of this announcement with the inclusion of its letters, reports and/or opinions and the references to its names (including its qualifications) included herein in the form and context in which it is included.

As at the date of this announcement, none of the experts nor their respective subsidiaries mentioned above held any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the experts mentioned above is a third party independent of the Group and is not a connected person of the Group.

As at the date of this announcement, as far as the Directors are aware, none of the experts nor their respective subsidiaries mentioned above had any direct or indirect interest in any material assets which have been, since 31 December 2023 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired, or disposed of by, or leased to any member of the Group, or proposed to be acquired, or disposed of by, or leased to any member of the Group.

8. GENERAL INFORMATION

The Group

The Company is one of the leading clean energy companies in Northern China. Its scope of business includes: (i) investment in exploration and utilization projects of natural gas, LNG, compressed natural gas, coalbed methane and coal-made natural gas, etc.; (ii) investment in the development of new energy projects such as wind power and solar power projects; and (iii) development of new energy technology and technical services.

HECIC New Energy was established on 17 July 2006 pursuant to the laws of the PRC. It is a wholly-owned subsidiary of the Company, primarily engaged in wind power generation, wind farm investment and service consulting.

HECIC and Huihai

HECIC is a wholly state-owned enterprise established under the approval of the People's Government of Hebei Province and is under the direct supervision of the State-owned Assets Supervision and Administration Commission of the People's Government of Hebei Province. It is primarily engaged in the investment and construction of energy, transportation, water business, commercial real estates and other infrastructure industries, infrastructures and pillar industries of Hebei Province.

Huihai was established under the laws of the PRC on 27 August 2015. As at the date of this announcement, HECIC and its subsidiaries (other than the Group) collectively hold 70% equity interest in Huihai, while the Company collectively holds 30% equity interest in Huihai through two wholly-owned subsidiaries. Huihai is primarily engaged in financial leasing business; leasing business; purchase of leasing properties both domestically and internationally; handling and maintenance of residual value of leasing properties; consulting and guarantees for leasing transactions; and commercial factoring business related to the principal businesses (non-bank financing).

9. DEFINITIONS

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

"Appraisal Benchmark Date"	30 April 2024
"Board"	the board of directors of the Company
"Company"	China Suntien Green Energy Corporation Limited* (新天綠色能源股份有限公司), a joint stock company incorporated in the PRC with limited liability on 9 February 2010, the H shares and A shares of which are listed on the Main Board of the Stock Exchange and the Main Board of the Shanghai Stock Exchange, respectively
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Equity Transfer"	the transaction regarding the transfer of 20% equity interest in Shangyi Suntien from HECIC New Energy to Huihai pursuant to the Equity Transfer Contract
"Equity Transfer Contract"	the Equity Transfer Contract signed between HECIC New Energy and Huihai dated 18 October 2024
"Ernst & Young Hua Ming"	Ernst & Young Hua Ming LLP, a certified public accountant, which has been engaged by the Company to issue the report on the arithmetical accuracy of the calculations of the discounted cash flow used in the appraisal prepared by KYSIN
"Group"	the Company and its subsidiaries

"HECIC"	Hebei Construction & Investment Group Co., Ltd.* (河北建設投資集團有限責任公司), a wholly state-owned enterprise established in the PRC, and the controlling shareholder of the Company
"HECIC New Energy"	HECIC New Energy Co., Ltd.* (河北建投新能源有限公司), a company established in the PRC, and, as at the date of this announcement, a direct wholly-owned subsidiary of the Company
"Huihai"	Huihai Financial Leasing Co., Ltd.* (匯海融資租賃股份有限公司), a company established in the PRC, and a connected person of the Company
"KYSIN"	Beijing KYSIN Assets Appraisal Co., Ltd.* (北京坤元至誠資產評估有限公司), an independent third party appraiser
"PRC"	the People's Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"RMB	Renminbi, the lawful currency of the PRC
"Shangyi Suntien"	Shangyi Suntien Wind Energy Co., Ltd.* (尚義新天風能有限公司), a company established in the PRC, and, as at the date of this announcement, an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules

By order of the Board
China Suntien Green Energy Corporation Limited
Tan Jian Xin
Executive Director and President

Shijiazhuang City, Hebei Province, the PRC, 18 October 2024

As at the date of this announcement, the non-executive Directors of the Company are Dr. Cao Xin, Dr. Li Lian Ping, Mr. Qin Gang and Mr. Wang Tao; the executive Directors of the Company are Mr. Tan Jian Xin and Mr. Mei Chun Xiao; and the independent non-executive Directors of the Company are Mr. Guo Ying Jun, Mr. Chan Yik Pun and Dr. Lin Tao.

* *For identification purpose only*

APPENDIX I: MAJOR ASSUMPTIONS AND METHODOLOGY OF THE INCOME APPROACH APPRAISAL

Assumptions for income forecast

(a) It is assumed that on the basis of its existing management practices and standards, the business scope and operational model of Shangyi Suntien will remain basically consistent with the current conditions, and its future development trend of its business will remain basically consistent with the development trend of the industry in which it operates as of the Appraisal Benchmark Date.

(b) It is assumed that the operators of Shangyi Suntien are diligent and responsible, and that its management team is capable of performing their responsibilities and fulfilling their duties.

(c) It is assumed that the information provided by the principal and Shangyi Suntien (including basic information, financial information, operational information, forecast information, etc.) is true, accurate and complete, with all significant matters fully disclosed.

(d) It is assumed that Shangyi Suntien is in full compliance with all applicable laws and regulations currently in force.

(e) It is assumed that the income of Shangyi Suntien will be evenly distributed in each year, with the midpoint of each year being the time when annual income is realised.

Appraisal calculation and analysis process

1. SELECTION OF INCOME MODELS

For the appraisal, the discounted enterprise free cash flow model was selected, specifically employing a limited-term income discounted model in the appraisal process. This model forecasts income based on the design lifespan of Shangyi Suntien's main asset, the wind turbine unit.

First, reasonably determine the income period. This is done by comprehensively analysing Shangyi Suntien's development stage and trends, business model, the remaining economic life of its major products or services, income structure, cost structure, capital structure, capital expenditures, working capital, investment returns and risk levels. This analysis is combined with macroeconomic policies, industry cycles and other factors affecting the enterprise's operations to reasonably determine the income period.

Second, forecast the future earnings of Shangyi Suntien. This involves analyzing and adjusting the macroeconomic environment, industry development status and prospects, historical financial and operational data, and the enterprise's future business plans. Based on these foundational data, reasonably forecast the company's annual operating income, costs and expenses, depreciation and amortization, capital expenditures, changes in working capital, and other items using appropriate methods. This will lead to the prediction of the company's annual free cash flow.

Third, reasonably estimate the discount rate. Based on the principle that the discount rate should match the selected income indicators, the weighted average cost of capital (WACC) is chosen as the discount rate for the entity's free cash flow. By comprehensively considering relevant capital market information such as interest rates on the Appraisal Benchmark Date, market investment returns, and specific risks related to the industry and Shangyi Suntien, the discount rate is reasonably determined.

Fourth, identify and evaluate surplus assets, non-operating assets, and liabilities. Based on the analysis of Shangyi Suntien's asset allocation, historical financial and operational data, and the matching of operating assets and liabilities with future income forecasts, identify non-operating assets, non-operating liabilities, and surplus assets owned by Shangyi Suntien as of the Appraisal Benchmark Date, and evaluate them separately using appropriate methods.

Finally, estimate the value of Shangyi Suntien's operating assets and liabilities, add the separately evaluated values of non-operating assets, non-operating liabilities, and surplus assets to obtain the overall value of Shangyi Suntien. From this, subtract the value of interest-bearing liabilities to determine the total equity value for shareholders.

The basic estimation formulas are as follows:

(1) Value of operating assets and liabilities = present value of income over the forecast period

$$C = \sum_{t=1}^{n} \frac{FCFF_t}{(1 + WACC)^t}$$

Where:

C – Value of operating assets and liabilities;

$FCFF_t$ – Enterprise free cash flow in year t;

FCFF = Net profit after tax + Depreciation and amortisation + Interest × (1 – Income tax rate) – Capital expenditures – Net increase in working capital;

WACC – Weighted average cost of capital;

t – Income discount period (years); mid-period discounting is applied based on the actual circumstances of the project.

(2) Overall value of the enterprise = Value of operating assets and liabilities + Separately appraised values of non-operating assets, non-operating liabilities and surplus assets

$OV = C + B$

Where:

OV – Overall value of the enterprise;

B – Separately appraised values of non-operating assets, non-operating liabilities and surplus assets.

(3) Total equity value of shareholders = Overall value of the enterprise – Interest-bearing debt

$EV = OV - D$

Where:

EV – Value of total shareholders' equity;

D – Interest-bearing debt.

2. *DETERMINATION OF FUTURE INCOME*

(a) Forecast of operating revenue

The core business of Shangyi Suntien is wind power generation. It reported operating revenue of approximately RMB148.5 million in 2021, approximately RMB172.8 million in 2022, approximately RMB168.6 million in 2023, and approximately RMB48.2 million from January to April 2024. Over the past three years, the operating revenue has shown an upward trend and has now stablised.

Based on historical annual operating data and the budget of Shangyi Suntien, the annual power generation hours for 2025 are projected to be 2,950 hours with a slight reduction of 15 hours every five years from 2026 to April 2041. The comprehensive electricity consumption rate of the plant is 3%, resulting in an availability rate of 97%.

Shangyi Suntien's electricity sales are categorised into four types: benchmark on-grid electricity, excess on-grid electricity, clean heating electricity, and green electricity trading. These categories account for approximately 57.0%, 15.0%, 3.7%, and 24.3% of the annual on-grid electricity, respectively. The on-grid electricity prices for benchmark on-grid electricity, excess on-grid electricity, and clean heating electricity are determined in accordance with the on-grid electricity prices approved by the competent government authority for prices, while the on-grid electricity price for green electricity trading is reasonably determined with reference to the historical electricity trading prices of the enterprise.

(b) Forecast of operating costs

The operating costs of the enterprise mainly include direct materials, fuel and power, depreciation expenses, insurance fees, testing and inspection fees, safety measures fees, rental fees, and other expenses. Depreciation expenses are forecasted based on the actual fixed asset depreciation of the enterprise. Other expenses are forecasted with reference to historical amounts.

(c) Forecast of taxes and surcharges

The taxes and surcharges of Shangyi Suntien include urban maintenance and construction tax, education surcharge, local education surcharge, resource tax, real estate tax, land use tax and stamp duty. The first three taxes are calculated based on the amount of value-added tax paid, with rates of 5%, 3% and 2%, respectively. Resource tax, real estate tax and land use tax are forecasted based on the actual tax burden of the enterprise. The stamp duty rate is estimated by referring to the historical ratio of this expense to operating revenue and combining it with the forecast of Shangyi Suntien's operating revenue.

(d) Forecast of administrative expenses

Administrative expenses mainly include employee compensation, labour protection fees, office expenses, property insurance fees, travel expenses, repair fees, depreciation expenses, rental fees, business entertainment expenses, printing fees, vehicle usage fees, intermediary agency fees, amortisation of low-value consumables, labour service fees, party-building work expenses, shared service fees, environmental protection expenses, conference expenses, intangible asset amortization, and other expenses. Depreciation expenses and intangible asset amortization are forecasted based on the actual intangible asset amortization of the enterprise, while other expenses are forecasted with reference to historical amounts.

(e) Forecast of financial expenses

Shangyi Suntien's interest-bearing debt generates interest expenses and other expenses from long-term loans, which are forecasted in accordance with the terms of the loan contracts.

(f) Forecast of other income

Shangyi Suntien's other income is generated from the immediate collection and immediate refund of value-added tax. According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Policy for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅[2015]74號)), with effect from 1 July 2015, a policy of immediate collection and immediate refund of 50% of value-added tax is implemented for taxpayers selling self-produced electric power products produced using wind power.

(g) Forecast of income tax

Shangyi Suntien's income tax rate is set at 25%. Shangyi Dadongshan Wind Farm of Shangyi Suntien benefits from preferential enterprise income tax policies in accordance with the relevant provisions of the Catalogue of Preferential Enterprise Income Tax for Public Infrastructure Projects. Specifically, starting from the first profitable year, it is exempt from enterprise income tax from 2020 to 2022 and pays half of the enterprise income tax from 2023 to 2025.

(h) Forecast of depreciation and amortisation

Shangyi Suntien's assets requiring depreciation are operating fixed assets, which mainly include buildings, structures, machinery and electronic equipment. These fixed assets are valued at their actual cost at the time of acquisition. For this appraisal, the future depreciation amount during the operating period is estimated based on the enterprise's fixed asset depreciation policy, the original book value of fixed assets as of the benchmark date, the estimated useful life, and the residual value rate.

(i) Forecast of capital expenditures

The appraisal covers a limited term. Once the main equipment, such as wind turbines, surpasses their design life, no further income is forecasted. Therefore, only capital expenditures for electronic equipment are forecasted.

(j) Additional working capital

The forecast of working capital (net increase in working capital) is divided into two aspects: first, analysing the actual amount of working capital on the Appraisal Benchmark Date under the current operating scale; second, estimating the normal reasonable working capital of the enterprise. The basis for the estimation includes (i) working capital turnover times = annual operating revenue/annual average working capital; (ii) the amount of funds required for expense and expenditure during the normal operating cycle of the company; (iii) emergency funds required.

For the receivables of renewable energy subsidies in the accounts receivable, it is assumed that Shangyi Suntien can be included in the Subsidy Catalogue in 2025 and start to recover the subsidy funds. The receivables of renewable energy subsidy funds before 2024 will be recovered evenly over three years starting from 2025, and the subsidy funds after 2025 will be based on the actual situation in the region, with an account period of one and a half years.

3. ESTIMATION OF INCOME PERIOD

A limited-term discounted income model is selected. That is, the income period is determined based on the design life of Shangyi Suntien's main assets, the wind turbine unit (i.e. 17 years).

4. DETERMINATION OF DISCOUNT RATE

(a) Discount Rate Estimation Model

The discount rate for this appraisal is estimated by applying the capital asset pricing model (Capital Asset Pricing Model or CAPM) to comprehensively estimate the cost of equity capital of Shangyi Suntien, after taking into account the interest rate level on the Appraisal Benchmark Date, market investment return rate, specific risk return rate (including excess return on scale), and other risk factors associated with Shangyi Suntien, and by referencing the capital structure of comparable companies to comprehensively estimate the equity return rate of Shangyi Suntien. Subsequently, the Weighted Average Cost of Capital (WACC) is comprehensively estimated, which serves as the discount rate for the free net cash flow of the entire capital of the appraised target.

The estimation process and formulas are as follows:

(1) The cost of equity capital is estimated using the Capital Asset Pricing Model formula as follows:

CAPM or $R_e = R_f + \beta \times (R_m - R_f) + R_s$

$= R_f + \beta \times ERP + R_s$

Where:

R_e: Cost of equity capital;

R_f: Risk-free rate of return;

β : Beta coefficient;

R_m: Average return on capital market;

ERP: Market risk premium ($R_m - R_f$);

R_s: Specific risk return rate (excess return on enterprise scale)

(2) The formula for estimating the Weighted Average Cost of Capital (WACC) is as follows:

$$WACC = E/(D+E) \times R_e + D/(D+E) \times (1-t) \times R_d$$

$$= 1/(D/E+1) \times R_e + D/E/(D/E+1) \times (1-t) \times R_d$$

Where:

WACC: Weighted Average Cost of Capital;

D: Market value of debt;

E: Market value of equity;

R_e: Cost of equity capital;

R_d: Cost of debt capital;

D/E: Capital structure;

t: Enterprise income tax rate

(b) Estimation process of relevant parameters

(1) Risk-free rate of return (R_f): Based on the selected samples of treasury bonds with a remaining maturity of more than 10 years in the PRC bond market from the Appraisal Benchmark Date to the "maturity date of treasury bonds", the average yield to maturity of such treasury bonds is calculated to be 2.65%, which is used as R_f.

(2) Average return on capital market and market risk premium (ERP): In estimating the ERP of the Chinese stock market, the CSI 300 at the end of each year is selected as the index to measure the ERP of the stock market. The time period of the index is selected from 1 January 1998 to 31 December 2023. The ERP is measured using the average value of the long-term geometric average rate of return, which is 6.43%.

(3) Beta coefficient and target capital structure

The beta coefficient is estimated by comparing data from listed companies. The selection criteria for comparable companies include (i) the reference enterprises only issue RMB A shares; (ii) the principal business of the reference enterprises is similar or comparable to that of the appraised target; (iii) the shares of the reference enterprises have been listed for more than 5 years as of the Appraisal Benchmark Date; (iv) the operating scale of the reference enterprises is as close as possible to that of the appraised target; and (v) the operating stage of the reference enterprises is as similar or comparable to the appraised target. Ultimately, three new energy power generation enterprises from CSI 300 were selected. The average beta coefficient of these comparable enterprises, excluding capital structure factors, is 0.5778, and the arithmetic average of the capital structure (D/E) is 85.92%.

Based on the above data, the financial leverage beta of Shangyi Suntien is calculated to be 0.9501 and 1.0122, respectively at income tax rates of 25% and 12.5%.

(4) Specific risk return rate (R_s): It is mainly estimated by calculating the excess return on enterprise scale, which is 1.94%.

(5) Cost of equity capital (R_e) (equity return rate CAPM): R_e of Shangyi Suntien is calculated to be 10.7% and 11.1%, respectively, at income tax rates of 25% and 12.5%.

(6) Cost of debt capital (R_d): It is considered based on the loan prime rate (LPR) for loans over 5 years, as published by the National Interbank Funding Center authorised by the People's Bank of China on the Appraisal Benchmark Date, which is 3.95%.

Based on the above data and estimates, the Weighted Average Cost of Capital (WACC) of Shangyi Suntien is calculated to be 7.13% and 7.5%, respectively, at income tax rates of 25% and 12.5%.

5. SURPLUS, NON-OPERATING ASSETS AND NON-OPERATING LIABILITIES

Surplus or non-operating assets (liabilities) are those assets and related liabilities that are not directly related to the operating revenue of the enterprise and are excluded from the income forecast. Their value should be separately estimated when determining the overall value of the enterprise. As of the Appraisal Benchmark Date, the value of surplus or non-operating liabilities of Shangyi Suntien was approximately RMB107.3 million.

6. INTEREST-BEARING DEBT

As of the Appraisal Benchmark Date, the borrowings of Shangyi Suntien included non-current liabilities due within one year with a carrying value of approximately RMB91.4 million and long-term payables with a carrying value of approximately RMB609.8 million. The net interest-bearing debt of Shangyi Suntien as of the Appraisal Benchmark Date was approximately RMB701.2 million.

7. CONCLUSION

Having adopted the income approach for the appraisal, as of the Appraisal Benchmark Date, the value of the operating assets and liabilities of Shangyi Suntien (C) was approximately RMB1,446.4 million, the appraised value of non-operating assets, liabilities and surplus assets (B) was approximately RMB-107.3 million, and the overall value of the enterprise (OV) was approximately RMB1,339.1 million. After further subtracting the interest-bearing debt (D) of approximately RMB701.2 million, the appraised value of total shareholders' equity (EV) was approximately RMB637.9 million. The appraised increase/decrease was approximately RMB335.2 million, representing a rate of increase/decrease of 110.72%.

APPENDIX II: LETTER FROM ERNST & YOUNG HUA MING

Re: China Suntien Green Energy Corporation Limited (the "Company") transferred 20% equity interest in Shangyi Suntien Wind Energy Co., Ltd. (尚義新天風能有限公司) (the "Target Company", or "Shangyi Suntien") to Huihai Financial Leasing Co., Ltd. (匯海融資租賃股份有限公司)

To the Directors of China Suntien Green Energy Corporation Limited,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "**Underlying Forecast**") on which the appraisal dated 15 July 2024 issued by Beijing KYSIN Assets Appraisal Co., Ltd. ("**KYSIN**") in respect of the Target Company as at 30 April 2024 is based. The appraisal report is set out in the announcement of the Company dated 18 October 2024 in connection with the connected transaction – transfer of partial equity interest in Shangyi Suntien (the "**Announcement**"). The appraisal based on the Underlying 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**").

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY

It is the responsibility solely of the directors of the Company to prepare the Underlying Forecast. The Underlying 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 of the Company.

The Assumptions are set out in the "Appendix I: Major Assumptions and Methodology of the Income Approach Appraisal" of the Announcement.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other requirements of professional ethics of the China Code of Ethics for Certified Public Accountants issued by the Chinese Institute of Certified Public Accountants (CICPA), which was formulated on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Quality Control Standards No. 5101 – Quality Control for Accounting 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 requirements of professional ethics, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITIES

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Underlying Forecast based on our work. The Underlying Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Chinese Standard on Assurance Engagements 3101– Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the CICPA. 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 of the Company have properly compiled the Underlying Forecast in accordance with the Assumptions adopted by the directors of the Company. Our work consisted primarily of checking whether the directors of the Company had properly prepared the Underlying Forecast based on the Assumptions adopted by the directors of the Company. Our work is substantially less in scope than an audit conducted in accordance with Chinese Standards on Auditing issued by the CICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Underlying Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Company. The Assumptions used in the preparation of the Underlying Forecast include hypothetical assumptions about future events and the management's actions that may or may not occur. Even if the future events and the management's actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

CONCLUSION

Based on our work described above, so far as the arithmetical accuracy of the calculations of the Underlying Forecast is concerned, the Underlying Forecast has been properly compiled in all material respects in accordance with the Assumptions made by the directors of the Company.

Ernst & Young Hua Ming LLP
18 October 2024

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE 20% EQUITY INTEREST IN SHANGYI SUNTIEN WIND ENERGY CO., LTD.

Reference is made to the appraisal report dated 15 July 2024 (the "**Appraisal Report**") prepared by Beijing KYSIN Asset Appraisal Co., Ltd. ("**KYSIN**") in respect of the appraisal (the "**Appraisal**") of the 20% equity interest in Shangyi Suntien Wind Energy Co., Ltd. (尚義新天風能有限公司), a subsidiary established in the PRC and is held as to 100% by HECIC New Energy Co., Ltd. (河北建投新能源有限公司), as at 30 April 2024. The Appraisal has been prepared on the basis of the enterprise free cash flow model under the income approach, which involves the calculation of discounted cash flows and therefore constitutes a profit forecast as required under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Board of Directors of the Company (the "**Board**") has reviewed and discussed with KYSIN the basis and assumptions of the Appraisal. The Board has also considered the report of Ernst & Young Hua Ming LLP dated 18 October 2024 on the arithmetic accuracy of the calculation of the profit forecast in the Appraisal Report.

Pursuant to Rule 14.60A(3) of the Listing Rules, the Board confirms that the profit forecast applied in the above Appraisal Report has been made after due and careful enquiries.

Yours faithfully,
For and on behalf of the Board
China Suntien Green Energy Corporation Limited
Tan Jian Xin
Executive Director and President

18 October 2024