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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

**(i) ACQUISITION OF EQUITY INTERESTS IN EIGHT
TARGET COMPANIES;**

AND

**(ii) ISSUANCE OF SUPPLEMENTAL UNDERTAKING LETTER
(II) TO NON-COMPETITION AGREEMENT
AND SUPPLEMENTAL UNDERTAKING LETTER BY THE
CONTROLLING SHAREHOLDER**

ACQUISITION OF EQUITY INTERESTS IN EIGHT TARGET COMPANIES

The Board of the Company announced that on 22 October 2024, the Company entered into the Equity Transfer Agreements with CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power, respectively. Pursuant to which, CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power have conditionally agreed to transfer and the Company has conditionally agreed to acquire the equity interests in the eight Target Companies at a total consideration of RMB1,685.7088 million, subject to adjustment (the “**Transactions**”).

ISSUANCE OF SUPPLEMENTAL UNDERTAKING LETTER (II) TO NON-COMPETITION AGREEMENT AND SUPPLEMENTAL UNDERTAKING LETTER BY THE CONTROLLING SHAREHOLDER

References are made to the prospectus dated 27 November 2009, the announcements dated 18 June 2021 and 23 July 2021 and the circular dated 8 July 2021 of the Company in relation to, among other things, (i) the Non-competition Agreement entered into between the Company and China Guodian Corporation (“**Guodian**”, which was the controlling shareholder of the Company then and is currently known as CHN Energy) in July 2009, under which Guodian agreed not to, and to procure its subsidiaries (other than the Company and its subsidiaries and Guodian’s A share listed companies) not to, compete with the Company in the Company’s wind power business (other than Guodian’s few wind power business retained on the date of the execution of the Non-competition Agreement) and granted to the Company options to acquire the retained businesses and any new business opportunities and pre-emptive rights to acquire Guodian’s interest in its retained businesses and certain future new business; and (ii) the issuance of the Supplemental Undertaking Letter to the Non-competition Agreement by CHN Energy, the controlling shareholder of the Company, on 18 June 2021, pursuant to which CHN Energy further undertook to inject the surviving wind power generation business into the Company through the combination of asset restructuring, business adjustment and formation of joint venture within three years (the “**Undertaking Term**”) following the listing of the A shares of the Company (i.e. 24 January 2022), subject to the relevant laws and regulations and its relevant internal and external approval procedures then, to steadily promote the integration of relevant business so as to solve the potential problem of business overlapping.

As the above commitment matters are not expected to be fully performed within the Undertaking Term, in accordance with the relevant regulations and requirements of the Guideline No. 4 on Supervision and Administration of Listed Companies – Commitments by Listed Companies and Their Related Parties by the CSRC, CHN Energy issued the Supplemental Undertaking Letter (II) with conditions in effect (the “**Supplemental Undertaking**”). The Board resolved and approved the Supplemental Undertaking on 22 October 2024. The Supplemental Undertaking Letter (II) shall come into effect from the date of approval by the authorized decision-making body of CHN Energy and consideration and approval by the general meeting of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.72% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power are all 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.

In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted or completed within a same 12-month period or were otherwise related with each other. Reference is made to the announcement of the Company dated 29 December 2023 in relation to the acquisition of 100% equity interest in seven target companies (the “**Previous Transaction**”). In the Previous Transaction and the Transactions, the counterparties of the Company or its subsidiaries are CHN Energy and its associates, and the nature of these transactions is the same. Accordingly, the Previous Transaction and the Transactions shall be aggregated. As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) of the Transactions after taking into account the aggregated calculations is (are) more than 0.1% but less than 5%, the Transactions shall be subject to the announcement and annual reporting requirements but exempt from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Supplemental Undertaking constitutes a connected transaction of the Company, which is subject to the announcement, annual reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the Supplemental Undertaking. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

The Company will convene an extraordinary general meeting (the “**EGM**”) for the Independent Shareholders to consider, and if thought fit, approve, among other things, the Supplemental Undertaking, and CHN Energy and its associates will abstain from voting on the resolution relating to the Supplemental Undertaking at the EGM.

A circular containing, among other things, (i) further details of the Supplemental Undertaking; (ii) letter from the Independent Board Committee to the Independent Shareholders; (iii) letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required by the Listing Rules, together with the notice of the EGM are expected to be published within 15 business days.

I. ACQUISITION OF EQUITY INTERESTS IN EIGHT TARGET COMPANIES

(1) Equity Transfer Agreements

The Board of the Company announced that on 22 October 2024, the Company entered into the Equity Transfer Agreements with CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power respectively. Pursuant to which, CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power have conditionally agreed to transfer and the Company has conditionally agreed to acquire the equity interests in the eight Target Companies at a total consideration of RMB1,685.7088 million, subject to adjustment (the “**Transactions**”). The principal terms of the Equity Transfer Agreements are set out as follows:

Date

22 October 2024

Parties, Transfer Subject and Consideration

As at the time being, it is initially estimated that the Consideration for the transfer of equity interests in the Target Company under the Transactions will amount to RMB1,685.7088 million in aggregate, which will ultimately be subject to adjustment in light of the actual situation on the completion date and in accordance with the covenants set out in the section headed “Payment Method of Consideration” below. In the event that the applicable percentage ratios in respect of the Transactions reached 5% after the finalization of the Consideration, the Company will separately perform the internal governance and information disclosure procedures in accordance

with the requirements of the Listing Rules, if applicable. 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	Installed Capacity of the Target Companies ('0,000kW)	Transfer Consideration (RMB'0,000)
1.	CHN Energy Asset Management Company	Company	Junan New Energy	64%	4.96	7,099.05
2.	CHN Energy Asset Management Company	Company	Hukou Wind Power	60%	4.80	6,991.37
3.	CHN Energy Gansu Electric Power	Company	Gansu Wind Power	51%	62.85	52,642.53
4.	CHN Energy Gansu Electric Power	Company	Xiahe New Energy	100%	10.00	3,259.89
5.	CHN Energy Gansu Electric Power	Company	Minqin Wind Power	51%	10.00	7,126.21
6.	CHN Energy Gansu Electric Power	Company	Wuwei New Energy	100%	10.00	7,784.85
7.	CHN Energy Gansu Electric Power	Company	Beishan New Energy	100%	0.60	540.00
8.	CHN Energy Guangxi Electric Power	Company	Tengxian Energy Development	51%	100.08	83,126.99
Total					203.29	168,570.88

Any other taxes and fees arising from the Transactions shall be borne by the parties to the Transactions respectively in accordance with the provisions of the laws and regulations; if there is no such provision in the laws and regulations, the party incurring such taxes and fees shall pay them on its own.

Upon completion of the Transactions, the Target Companies will become subsidiaries of the Company, and the financial results of the Target Companies will be consolidated into the financial statements of the Company.

Basis for Determination of the Consideration

According to the assets valuation report issued by China Enterprise Appraisals Co., Ltd. (the “**China Enterprise Appraisals**”), an independent and qualified asset appraisal institution, in respect of the Target Companies, with 30 June 2024 as the benchmark date (the “**Valuation Benchmark Date**”), among the Target Companies of the Transactions, the valuation of Junan New Energy, Hukou Wind Power, Gansu Wind Power and Tengxian Energy Development, which mainly have in-service projects, was conducted by adopting the income approach; the valuation of Xiahe New Energy, Minqin Wind Power, Wuwei New Energy and Beishan New Energy, whose projects are under construction, was conducted by adopting the asset-based approach.

Upon valuation, the total appraised value of 100% of the shareholders’ equity of the Target Companies mentioned above is RMB3,313.5627 million, and the total book value of the owners’ equity of the Target Companies of the Transactions is RMB2,932.0284 million. Taking into account the adjustments to be made for the capital increase or dividend distribution of the Target Companies during the period from the Valuation Benchmark Date to the date of signing of the Equity Transfer Agreements, up to now, it is preliminarily estimated that the total consideration for the transfer of equity interests in the Target Companies of the Transactions will be RMB1,685.7088 million, which will ultimately be adjusted in accordance with the actual situation on the completion date and in accordance with the agreement in the section headed “Payment Method of Consideration” below.

As of the Valuation Benchmark Date, the carrying amount of owners' interests, appraised value and equity transfer price of each of the Target Companies are set out below:

Unit: RMB0'000

No.	Target Companies	Carrying Amount of Owners' Equity	Appraised Value of 100% Shareholders' Equity	Proportion of Equity Interest to be Acquired	Appraised Value of 100% Shareholders' Equity of Target Company*	Consideration for Equity Transfer
					Percentage of Equity to be Acquired	
1	Junan New Energy	11,648.94	11,664.46	64%	7,465.25	7,099.05
2	Hukou Wind Power	10,385.62	11,652.29	60%	6,991.37	6,991.37
3	Gansu Wind Power	97,822.87	103,220.64	51%	52,642.53	52,642.53
4	Xiahe New Energy	3,250.00	3,259.89	100%	3,259.89	3,259.89
5	Minqin Wind Power	12,540.00	12,862.96	51%	6,560.11	7,126.21
6	Wuwei New Energy	7,500.00	7,784.85	100%	7,784.85	7,784.85
7	Beishan New Energy	240.00	240.00	100%	240.00	540.00
8	Tengxian Energy Development	149,815.41	180,671.18	51%	92,142.30	83,126.99
Total		<u>293,202.84</u>	<u>331,356.27</u>	<u>-</u>	<u>177,086.31</u>	<u>168,570.88</u>

Notes:

1. According to the Equity Transfer Agreements, if the original shareholders of the Target Companies increase the registered capital invested in the Target Companies or receive dividends from the Target Companies during the transition period, the consideration for the equity transfer shall be adjusted accordingly as follows: Adjusted transaction price = Original transaction price + Amount of registered capital invested in the Target Company by the original shareholders of the Target Company – Amount of profit distribution received by the original shareholders of the Target Company from the Target Company.
2. During the period from the Valuation Benchmark Date of the Transactions to the date of signing of the Equity Transfer Agreements, Junan New Energy distributed dividends of RMB5.722 million to the original shareholders, Minqin Wind Power had its capital increased by RMB11.1 million by the original shareholders, Beishan New Energy had its capital increased by RMB3.0 million by the original shareholders, and Tengxian Energy Development distributed dividends of

RMB176.7709 million to the original shareholders. The consideration for the equity transfer in the Transactions has taken into account the impact of the matters mentioned above. If any other capital increase or dividend distribution occurs in the Target Companies before completion of the Transactions, the consideration will be adjusted accordingly.

3. For Gansu Wind Power and Tengxian Energy Development, the main reason for the appreciation in the valuation under the income approach was the gradual improvement in the operations of the appraised entities since they commenced operation in 2022. The income approach is based on the valuation of the appraised entities through the forecast of their future operating conditions and earning capacity, with the discounted future revenue increasing in value compared with the book value; for Junan New Energy and Hukou Wind Power, the main reason for the appreciation in the valuation under the income approach was that the projects of the appraised entities were subsidized projects. The income approach is based on the valuation of the appraised entities through the forecast of their future operating conditions and earning capacity, with the discounted future revenue increasing in value compared with the book value.
4. Any discrepancies in the above table are due to rounding.

The consideration for the Transactions is based on the filed appraised value of the Target Companies, and determined after arm's length negotiation between the Company and the Transferors, taking into account the proportion of equity interests in the Target Companies to be transferred in the Transactions, the matters of capital increase or dividend distribution actually occurring in the Target Companies during the period from the Valuation Benchmark Date to the date of signing of the Equity Transfer Agreements, and the matters of capital increase or dividend distribution possibly occurring in the Target Companies during the period from the date of signing of the Equity Transfer Agreements to the completion date.

Payment Method of Consideration

Transactions

Payment Method of Consideration

Transfer of 64% equity interest in Junan New Energy and 60% equity interest in Hukou Wind Power

First payment: The Company shall pay 30% of the transaction price of the subject equity interests to CHN Energy Asset Management Company within five (5) business days or such other date as the parties may otherwise agree from the effective date of the Equity Transfer Agreements;

Second payment:

The Company shall pay 70% of the transaction price corresponding to the 64% equity interest in Junan New Energy to CHN Energy Asset Management Company on the completion date of the 64% equity interest in Junan New Energy;

The Company shall pay 70% of the transaction price corresponding to the 60% equity interest in Hukou Wind Power to CHN Energy Asset Management Company on the completion date of the 60% equity interest in Hukou Wind Power;

In the event that there are special events during the transitional period in which CHN Energy Asset Management Company increases the amount of registered capital invested in the Target Companies or receives profit distribution from the Target Companies, the transaction prices for the 64% equity interest in Junan New Energy and the 60% equity interest in Hukou Wind Power in the Transactions shall be adjusted in the following manner, respectively: Adjusted transaction price = Original transaction price + Amount of registered capital invested in the Target Companies by CHN Energy Asset Management Company – Amount of profit distribution received by CHN Energy Asset Management Company from the Target Companies; the difference in the adjusted transaction price will be settled in accordance with the principle of “making-even” at the time of second payment of the transaction consideration, respectively.

The Company shall pay the transaction price to the designated bank account of CHN Energy Asset Management Company in accordance with the aforesaid agreement, and from the date of such payment, the Company shall be deemed to have fulfilled its corresponding payment obligations under the Equity Transfer Agreements.

Transfer of 51% equity interest in Gansu Wind Power, 100% equity interest in Xiahe New Energy, 51% equity interest in Minqin Wind Power, 100% equity interest in Wuwei New Energy, 100% equity interest in Beishan New Energy, and 51% equity interest in Tengxian Energy Development

The Company shall pay 100% of the transaction price of the subject equity interests to Transferors within five (5) business days from the effective date of the Equity Transfer Agreements or such other date as may be otherwise agreed by the parties.

In the event that there are special events during the transitional period in which Transferors increases the amount of registered capital invested in the Target Companies or receives profit distribution from the Target Companies, the transaction prices for the subject equity interests in the Transactions shall be adjusted in the following manner: Adjusted transaction price = Original transaction price + Amount of registered capital invested in the Target Companies by Transferors – Amount of profit distribution received by Transferors from the Target Companies.

The Company shall pay the transaction price to the designated bank account of Transferors in accordance with the aforesaid agreement, and from the date of such payment, the Company shall be deemed to have fulfilled its corresponding payment obligations under the Equity Transfer Agreements.

Completion

Transactions

Transfer of 64% equity interest in Junan New Energy and 60% equity interest in Hukou Wind Power

Completion

The parties to the Equity Transfer Agreements have agreed to separately negotiate a completion date for the subject equity interests after all the conditions for the commencement of the Equity Transfer Agreements have been satisfied, and all rights, obligations and risks under the 64% equity interest in Junan New Energy and 60% equity interest in Hukou Wind Power shall be transferred from the corresponding completion date, with the recipient of the subject equity interests enjoying all the rights and interests under the subject equity interests and assuming all the liabilities, responsibilities and obligations under the subject equity interests.

During the period from the Valuation Benchmark Date (exclusive) to the completion date (inclusive), all profits and losses realised from the subject equity interests shall be enjoyed or borne by the Company.

Transfer of 51% equity interest in Gansu Wind Power, 100% equity interest in Xiahe New Energy, 51% equity interest in Minqin Wind Power, 100% equity interest in Wuwei New Energy, 100% equity interest in Beishan New Energy, and 51% equity interest in Tengxian Energy Development

The parties to the Equity Transfer Agreements have agreed that on the fifth (5th) business day from the effective date of the Equity Transfer Agreements or such other date as may be otherwise agreed by the parties (the “**Completion Date**”), all rights, obligations and risks of the subject equity interests shall be transferred, and the recipient of the subject equity interests shall be entitled to all the rights and interests under the subject equity interests, and shall assume all the liabilities, responsibilities and obligations under the subject equity interests.

During the period from the Valuation Benchmark Date (exclusive) to the Completion Date (inclusive), all profits and losses realised from the subject equity interests shall be enjoyed or borne by the Company.

Liability for Default

If either party to the Equity Transfer Agreements violates its representations and warranties or makes any misrepresentation, or fails to perform any of its responsibilities or obligations under the Equity Transfer Agreements, such party shall be deemed to have defaulted. The defaulting party shall, upon the request of the other parties, continue to perform its obligations or take measures to remedy its default or provide it with compensation.

If the Transactions fail to take effect or fail to be completed for reasons which are not attributable to either party, neither of the parties shall be liable for liabilities for default.

Conditions Precedent

Transactions

Transfer of 64% equity interest in Junan New Energy and 60% equity interest in Hukou Wind Power

Conditions precedent

The Equity Transfer Agreements shall become effective upon the fulfillment of all of the following conditions:

- (1) The Transactions were reviewed and approved by the competent decision-making body within CHN Energy Asset Management Company;
- (2) The Transactions were reviewed and approved by the competent decision-making body within the Company;
- (3) The Transactions have accordingly obtained a statement of waiver of preemption right from the minority shareholders of the Target Companies (if any);
- (4) The Transactions were approved by CHN Energy;
- (5) Other necessary relevant approvals, consents or filings, if any.

- Transfer of 51% equity interest in Gansu Wind Power, 100% equity interest in Xiahe New Energy, 51% equity interest in Minqin Wind Power, 100% equity interest in Wuwei New Energy, and 100% equity interest in Beishan New Energy :
- The Equity Transfer Agreements shall become effective upon the fulfillment of all of the following conditions:
- (1) The Transactions were reviewed and approved by the competent decision-making body within CHN Energy Gansu Electric Power;
 - (2) The Transactions were reviewed and approved by the competent decision-making body within the Company;
 - (3) The Transactions were approved by CHN Energy;
 - (4) The Pre-reorganization agreed upon in the Equity Transfer Agreements was completed;
 - (5) Other necessary relevant approvals, consents or filings, if any.
- Transfer of 51% equity interest in Tengxian Energy Development :
- The Equity Transfer Agreements shall become effective upon the fulfillment of all of the following conditions:
- (1) The Transactions were reviewed and approved by the competent decision-making body within CHN Energy Guangxi Electric Power;
 - (2) The Transactions were reviewed and approved by the competent decision-making body within the Company;
 - (3) The Transactions were approved by CHN Energy;
 - (4) Other necessary relevant approvals, consents or filings, if any.

(2) FURTHER INFORMATION ON THE VALUATION

The asset-based approach has been adopted in the preparation of the valuation of 100% shareholders' equity of the four Target Companies, namely Xiahe New Energy, Minqin Wind Power, Wuwei New Energy and Beishan New Energy. The income approach has been adopted in the preparation of the valuation of 100% shareholders' equity of the four Target Companies, namely Junan New Energy, Hukou Wind Power, Gansu Wind Power and Tengxian Energy Development, which constitute 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 (the “**Valuation**”) of the above eight Target Companies (including the valuation set out in accordance with the Rule 14.60A of the Listing Rules by the Company).

Ernst & Young (“**EY**”), reporting accountant of the Company, has reviewed and issued a report on the calculations underlying the valuation of the four Target Companies, namely, Junan New Energy, Hukou Wind Power, Gansu Wind Power and Tengxian Energy Development. The Board has confirmed that the Profit Forecast has been prepared after due careful enquiry. Pursuant to Rule 14.60A of the Listing Rules, the letters from EY and the Board are set out in Appendix II and Appendix III to this announcement respectively.

Experts and Consent

Name	Qualification
China Enterprise Appraisals EY	Qualified Chinese appraisal agency Reporting accountant, certified public accountants, 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 EY is a third party independent of the Group and its connected persons. As at the date of this announcement, neither China Enterprise Appraisals nor EY has any shareholding 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. China Enterprise Appraisals and EY have each given and have not withdrawn their written consents dated 22 October 2024 to the publication of this announcement, agreeing to the inclusion of their names, opinions, recommendations and references to their names (including their qualifications) in the form and meaning set out in this announcement.

(3) REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Transactions will reduce horizontal competition between the Company and the controlling shareholder, expand the Company's business layout in the field of new energy, enlarge the market share, increase power generation revenues and improve profitability, and enhance the core competitiveness of the Company.

The Transactions are in line with the needs of the Company's operation and development, financed by its self-raised funds and fairly priced, and will not have adverse impact on the Company's finances and operations, and will not prejudice the interests of the Company and all shareholders, in particular the minority shareholders.

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

Mr. Tang Chaoxiong, Ms. Wang Xuelian, Ms. Chen Jie and Mr. Zhang Tong, being Directors of the Company, are holding positions in the CHN Energy and therefore have material interests in the Transactions, and they have abstained from voting on the Board resolution approving the Transactions. Save as aforesaid, none of the other Directors of the Company has a material interest in the Transactions.

II. ISSUANCE OF SUPPLEMENTAL UNDERTAKING LETTER (II) TO NON-COMPETITION AGREEMENT AND SUPPLEMENTAL UNDERTAKING LETTER BY THE CONTROLLING SHAREHOLDER

References are made to the prospectus dated 27 November 2009, the announcements dated 18 June 2021 and 23 July 2021 and the circular dated 8 July 2021 of the Company in relation to, among other things, (i) the Non-competition Agreement entered into between the Company and China Guodian Corporation (“**Guodian**”, which was the controlling shareholder of the Company then and is currently known as CHN Energy) in July 2009, under which Guodian agreed not to, and to procure its subsidiaries (other than the Company and its subsidiaries and Guodian’s A share listed companies) not to, compete with the Company in the Company’s wind power business (other than Guodian’s few wind power business retained on the date of the execution of the Non-competition Agreement) and granted to the Company options to acquire the retained businesses and any new business opportunities and pre-emptive rights to acquire Guodian’s interest in its retained businesses and certain future new business; and (ii) the issuance of the Supplemental Undertaking Letter to the Non-competition Agreement by CHN Energy, the controlling shareholder of the Company, on 18 June 2021, pursuant to which CHN Energy further undertook to inject the surviving wind power generation business into the Company through the combination of asset restructuring, business adjustment and formation of joint venture within three years (the “**Undertaking Term**”) following the listing of the A shares of the Company (i.e. 24 January 2022), subject to the relevant laws and regulations and its relevant internal and external approval procedures then, to steadily promote the integration of relevant business so as to solve the potential problem of business overlapping.

As the above commitment matters are not expected to be fully performed within the Undertaking Term, in accordance with the relevant regulations and requirements of the Guideline No. 4 on Supervision and Administration of Listed Companies – Commitments by Listed Companies and Their Related Parties by the CSRC, CHN Energy issued the Supplemental Undertaking Letter (II) with conditions in effect (the “**Supplemental Undertaking**”). The Board resolved and approved the Supplemental Undertaking on 22 October 2024. The Supplemental Undertaking Letter (II) shall come into effect from the date of approval by the authorized decision-making body of CHN Energy and consideration and approval by the general meeting of the Company.

(1) Fulfillment of the Supplemental Undertaking Letter

According to the Supplemental Undertaking Letter, CHN Energy will steadily promote the integration of relevant business so as to resolve the potential business overlap within three years upon completion of the transaction, inject the surviving wind power generation business into the Company to resolve the potential business overlap and steadily promote the integration of business to resolve the overlap of coal power business.

Since the issuance of the Supplemental Undertaking Letter, CHN Energy has been actively complying with its undertakings to treat the Company as a platform for the integration of the wind power generation business of CHN Energy, to support the development of the wind power generation business of the Company, and to comprehensively sort out the financial status and compliance situation of the surviving wind power generation business as set out in the Supplemental Undertaking Letter. During the Undertaking Term, the CHN Energy and the Company have successively demonstrated a variety of programs for the fulfillment of undertakings and actively promoted the work relating to the fulfillment of undertakings.

In respect of wind power assets, CHN Energy has initiated the injection of certain new energy assets in batches. As of the date of this announcement, the Company has signed Equity Transfer Agreements with CHN Energy Asset Management Company, CHN Energy Gansu Electric Power, and CHN Energy Guangxi Electric Power to acquire the controlling interests of 8 new energy companies, and intends to acquire other assets eligible for injection on this basis on a selective basis, so as to fulfill undertakings gradually.

In respect of coal power assets, as of the date of this announcement, the Company has completed the transfer of its 27% equity interests in Jiangyin Sulong Heat and Power Generating Co., Ltd. and no longer owns the consolidated installed capacity of coal-fired power of Jiangyin Sulong Heat and Power Generating Co., Ltd. Besides, the Company has cancelled the Agreement on Exercise of Shareholders' Voting Rights in Nantong Tianshenggang Power Generating Co., Ltd., Nantong Tianshenggang Power Generating Co., Ltd. is no longer included in the scope of the consolidated statements of the Company, and the Company no longer owns the consolidated installed capacity of coal-fired power of Nantong Tianshenggang Power Generating Co., Ltd. and will subsequently further promote the transfer of its 31.94% equity interests in Nantong Tianshenggang Power Generating Co., Ltd. As of the date of this announcement, the Company no longer owns the consolidated installed capacity of coal-fired power, and the overlap of coal power business between the Company and CHN Energy as set out in the Supplemental Undertaking Letter has been eliminated.

(2) Main Content of the Supplemental Undertaking Letter (II) and Subsequent Asset Injection Plans

In view of the impact of internal factors such as changes in industrial policies, the large number of projects committed to be injected and the profitability and compliance of the assets, as of the date of this announcement, the above relevant undertakings have not yet been fully fulfilled.

On the basis of the continuation of the Non-competition Agreement and the Supplemental Undertaking Letter, CHN Energy intends to extend the deadline for the integration of the assets of the surviving wind power generation business in the Supplemental Undertaking Letter for a period of three years to 24 January 2028. Except for the change in the Undertaking Term, the rest of the content shall remain the same. The main content is as follows:

“With respect to the wind power generation business held by the CHN Energy or its subsidiaries (excluding the Company and its subsidiaries, the same below) as at the date of this undertaking letter, which has potential business overlap with the main business of the Company, either directly or indirectly, the CHN Energy undertakes that, within three years after the expiry of the period agreed in the Supplemental Undertaking Letter (i.e. before 24 January 2028), such assets will be injected into the Company when the conditions for injection into a listed company are met at that time.”

Within three years after the expiry of the period agreed in the Supplemental Undertaking Letter (II) (i.e. before 24 January 2028), CHN Energy will actively and comprehensively use a variety of methods such as asset restructuring, business adjustment, establishment of joint ventures and etc., and adopt diversified payment approaches with comprehensive consideration of various factors relating to all parties, and inject other surviving wind power business into the Company in accordance with then relevant laws and regulations and the related internal and external approval procedures.

If any transaction of the above-mentioned asset injection constitutes a discloseable transaction of the Company under Chapter 14 or a connected transaction under Chapter 14A of the Listing Rules, the Company will perform internal governance and information disclosure procedures (if applicable) in accordance with the requirements of the Listing Rules.

The Supplemental Undertaking Letter (II) does not diminish the legal effect of the Non-competition Agreement. In case of any inconsistency between the Supplemental Undertaking Letter (II) and the Non-competition Agreement and the Supplemental Undertaking Letter, the Supplemental Undertaking Letter (II) shall prevail; if there is anything not covered in the Supplemental Undertaking Letter (II), the Non-competition Agreement and the Supplemental Undertaking Letter shall prevail. The Supplemental Undertaking Letter (II) shall come into effect on the date of approval by the decision-making authority of CHN Energy, and approval by the general meeting of the Company.

(3) Reasons for and benefits of the Supplemental Undertaking

It is beneficial to the promotion of the future development of the Company. CHN Energy is actively promoting the gradual injection of some of its more profitable and compliant assets into the Company. In view of the scarcity of high-quality new energy assets such as wind power, the issuance of the Supplemental Undertaking Letter (II) will enable the Company to retain the right to subsequently acquire the high-quality wind power assets of CHN Energy and continue to promote the injection of high-quality assets by CHN Energy into the listed company, which will be conducive to the overall business development of the Company.

It is conducive to the protection of the interests of minority shareholders. The prudent selection of high-quality assets to be injected into the listed company is conducive to the protection of the interests of minority shareholders. The issuance of Supplemental Undertaking Letter (II) reserves the Company's right to subsequently acquire high-quality wind power assets of CHN Energy, which is in line with the expectation of small and medium-sized investors that CHN Energy will strengthen and improve the listed company and enhance the core competitiveness and investment value of the listed company.

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

Mr. Tang Chaoxiong, Ms. Wang Xuelian, Ms. Chen Jie and Mr. Zhang Tong, being Directors of the Company, hold positions in CHN Energy and therefore have material interests in the Supplemental Undertaking. They have abstained from voting on the Board resolution for the approval of the Supplemental Undertaking. Save as aforementioned persons, none of the other Directors of the Company has a material interest in Supplemental Undertaking.

III. LISTING RULES IMPLICATIONS

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.72% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power are all 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.

In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted or completed within a same 12-month period or were otherwise related with each other. Reference is made to the announcement of the Company dated 29 December 2023 in relation to the acquisition of 100% equity interests in seven Target Companies (the “**Previous Transaction**”). In the Previous Transaction and the Transactions, the counterparties of the Company or its subsidiaries are CHN Energy and its associates, and the nature of these transactions is the same. Accordingly, the Previous Transaction and the Transactions shall be aggregated. As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) of the Transactions after taking into account the aggregated calculations is (are) more than 0.1% but less than 5%, the Transactions shall be subject to the announcement and annual reporting requirements but exempt from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Supplemental Undertaking constitutes a connected transaction of the Company, which is subject to the announcement, annual reporting and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

IV. 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 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. As at the date of this announcement, 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 CHN Energy Asset Management Company

CHN Energy Asset Management Company is a company incorporated in the PRC with limited liability and is principally engaged in investment management business. As at the date of this announcement, CHN Energy Asset Management Company is a wholly-owned subsidiary of CHN Energy.

3.2 CHN Energy Gansu Electric Power

CHN Energy Gansu Electric Power is a company incorporated in the PRC with limited liability and is principally engaged in the power generation business, power transmission business and power supply (distribution) business. As at the date of this announcement, CHN Energy Gansu Electric Power is a wholly-owned subsidiary of CHN Energy.

3.3 CHN Energy Guangxi Electric Power

CHN Energy Guangxi Electric Power is a company incorporated in the PRC with limited liability and is principally engaged in the investment and management of power plants, electricity (heat) production, coal, power generation equipment, new energy, transportation, high and new technology, environmental protection industry and land development. As at the date of this announcement, CHN Energy Guangxi Electric Power is a wholly-owned subsidiary of CHN Energy.

4. Information on the Target Companies

4.1 Junan New Energy

Junan New Energy is a company incorporated in the PRC with limited liability and is principally engaged in new energy power operation. As at the date of this announcement, Junan New Energy is owned as to 64% by CHN Energy Asset Management Company (its ultimate beneficial owner is CHN Energy), and as to 18% by Linyi State-owned Assets Investment Holding Group Co., Ltd. (its ultimate beneficial owner is State-owned Assets Supervision and Administration Commission of Linyi Municipal Government (臨沂市人民政府國有資產監督管理委員會)) and Linyi Investment Development Group Co., Ltd. (its ultimate beneficial owner is State-owned Assets Supervision and Administration Commission of Linyi Municipal Government (臨沂市人民政府國有資產監督管理委員會)), respectively.

The audited key financial information of Junan New Energy prepared in accordance with China Accounting Standards for Business Enterprises is set out below:

Unit: RMB0'000

	Year ended 31 December 2023	Year ended 31 December 2022
Total profit (profit before tax)	847.70	306.97
Net profit (profit after tax)	635.78	230.22
Operating income	5,060.46	4,336.80
	31 December 2023	31 December 2022
Total assets	29,674.54	32,745.33
Net assets	11,252.18	10,776.86

4.2 Hukou Wind Power

Hukou Wind Power is a company incorporated in the PRC with limited liability and is principally engaged in wind power generation. As at the date of this announcement, Hukou Wind Power is owned as to 60% by CHN Energy Asset Management Company (its ultimate beneficial owner is CHN Energy) and as to 40% by Jiujiang City Construction Investment Co., Ltd. (its ultimate beneficial owner is Jiujiang Urban Development Group Co., Ltd. (九江市城市發展集團有限公司)).

The audited key financial information of Hukou Wind Power prepared in accordance with China Accounting Standards for Business Enterprises is set out below:

Unit: RMB0'000

	Year ended 31 December 2023	Year ended 31 December 2022
Total profit (profit before tax)	915.56	1,094.70
Net profit (profit after tax)	683.09	815.35
Operating income	4,380.87	4,913.89
	31 December 2023	31 December 2022
Total assets	29,175.18	31,609.47
Net assets	9,910.47	12,701.66

4.3 Gansu Wind Power

Gansu Wind Power is a company incorporated in the PRC with limited liability and is principally engaged in new energy power operation. As at the date of this announcement, Gansu Wind Power is owned as to 100% by CHN Energy Gansu Electric Power.

The key financial information of Gansu Wind Power prepared in accordance with China Accounting Standards for Business Enterprises is set out below:

Unit: RMB0'000

	Year ended 31 December 2023	Year ended 31 December 2022
Total profit (profit before tax)	2,552.16	4,506.34
Net profit (profit after tax)	3,022.52	4,439.11
Operating income	27,366.76	13,222.09
	31 December 2023	31 December 2022
Total assets	332,457.71	274,872.14
Net assets	100,400.04	84,254.66

Note: CHN Energy Gansu Electric Power intended to transfer its 100% equity interest in Yongjing Guoneng Photovoltaic Power Generation Co., Ltd., Guazhou Guoneng Photovoltaic Power Generation Co., Ltd., and Minqin Hongsha Guoneng New Energy Co., Ltd. to Gansu Wind Power without consideration (the “**Pre-reorganization**”). The audit and valuation report of Gansu Wind Power was prepared based on the assumption that the Pre-reorganization was completed on 30 June 2024. The financial data of Gansu Wind Power is simulated consolidated financial data, and the financial data of 2023 in the above table has been audited.

4.4 Xiahe New Energy

Xiahe New Energy is a company incorporated in the PRC with limited liability and is principally engaged in photovoltaic power generation. As at the date of this announcement, Xiahe New Energy is owned as to 100% by CHN Energy Gansu Electric Power.

The audited key financial information of Xiahe New Energy prepared in accordance with China Accounting Standards for Business Enterprises is set out below:

Unit: RMB0'000

	Year ended 31 December 2023	Year ended 31 December 2022
Total profit (profit before tax)	–	–
Net profit (profit after tax)	–	–
Operating income	–	–
	31 December 2023	31 December 2022
Total assets	8,677.49	–
Net assets	1,250.00	–

Note: As of the Valuation Benchmark Date of the Transactions, the projects under Xiahe New Energy are under construction and have not yet generated revenue or profits.

4.5 Minqin Wind Power

Minqin Wind Power is a company incorporated in the PRC with limited liability and is principally engaged in wind power generation. As at the date of this announcement, Minqin Wind Power is owned as to 51% by CHN Energy Gansu Electric Power and as to 49% by Chongqing Machinery & Electric Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 2722).

The audited key financial information of Minqin Wind Power prepared in accordance with China Accounting Standards for Business Enterprises is set out below:

Unit: RMB0'000

	Year ended 31 December 2023	Year ended 31 December 2022
Total profit (profit before tax)	–	–
Net profit (profit after tax)	–	–
Operating income	–	–
	31 December 2023	31 December 2022
Total assets	22,792.18	–
Net assets	5,040.00	–

Note: As of the Valuation Benchmark Date of the Transactions, the projects under Minqin Wind Power are under construction and have not yet generated revenue or profits.

4.6 Wuwei New Energy

Wuwei New Energy is a company incorporated in the PRC with limited liability and is principally engaged in photovoltaic power generation. As at the date of this announcement, Wuwei New Energy is owned as to 100% by CHN Energy Gansu Electric Power.

The audited key financial information of Wuwei New Energy prepared in accordance with China Accounting Standards for Business Enterprises is set out below:

Unit: RMB0'000

	Year ended 31 December 2023	Year ended 31 December 2022
Total profit (profit before tax)	–	–
Net profit (profit after tax)	–	–
Operating income	–	–
	31 December 2023	31 December 2022
Total assets	25,590.95	–
Net assets	7,000.00	–

Note: As of the Valuation Benchmark Date of the Transactions, the projects under Wuwei New Energy are under construction and have not yet generated revenue or profits.

4.7 Beishan New Energy

Beishan New Energy is a company incorporated in the PRC with limited liability and is principally engaged in photovoltaic power generation. As at the date of this announcement, Beishan New Energy is owned as to 100% by CHN Energy Gansu Electric Power.

As of the end of 2023, the projects under Beishan New Energy have not yet commenced construction, had no assets or liabilities, and have not yet generated revenue or profits; as of the Valuation Benchmark Date of the Transactions, the projects under Beishan New Energy are under construction and have not yet generated revenue or profits.

4.8 Tengxian Energy Development

Tengxian Energy Development is a company incorporated in the PRC with limited liability and is principally engaged in new energy power operation. As at the date of this announcement, Tengxian Energy Development is owned as to 100% by CHN Energy Guangxi Electric Power.

The audited key financial information of Tengxian Energy Development prepared in accordance with China Accounting Standards for Business Enterprises is set out below:

Unit: RMB0'000

	Year ended 31 December 2023	Year ended 31 December 2022
Total profit (profit before tax)	2,852.63	1,648.22
Net profit (profit after tax)	2,852.63	1,648.22
Operating income	10,450.12	1,879.48
	31 December 2023	31 December 2022
Total assets	380,153.52	151,993.74
Net assets	106,815.32	54,795.22

5. Cost to the Transferors of Initially Purchasing the Transaction Assets

Junan New Energy was originally established by CHN Energy together with other third parties, with 64% equity interest being held by CHN Energy, and the corresponding paid-up registered capital of CHN Energy amounted to RMB53.12 million. In December 2023, CHN Energy transferred its 64% equity interest in Junan New Energy to CHN Energy Asset Management Company, a wholly-owned subsidiary of CHN Energy, without consideration.

Hukou Wind Power was originally established by CHN Energy together with other third parties, with 60% equity interest being held by CHN Energy, and the corresponding paid-up registered capital of CHN Energy amounted to RMB47.526 million. In December 2023, CHN Energy transferred its 60% equity interest in Hukou Wind Power to CHN Energy Asset Management Company, a wholly-owned subsidiary of CHN Energy, without consideration.

Gansu Wind Power was wholly established by CHN Energy Gansu Electric Power with a paid-up registered capital of RMB356.5478 million.

Xiahe New Energy was wholly established by CHN Energy Gansu Electric Power with a paid-up registered capital of RMB32.50 million.

Minqin Wind Power was jointly established by CHN Energy Gansu Electric Power and other third parties, with 51% equity interest being held by CHN Energy Gansu Electric Power, and the corresponding paid-up registered capital of CHN Energy Gansu Electric Power amounted to RMB63.954 million.

Wuwei New Energy was wholly established by CHN Energy Gansu Electric Power with a paid-up registered capital of RMB75.00 million.

Beishan New Energy was wholly established by CHN Energy Gansu Electric Power with a paid-up registered capital of RMB2.40 million.

Tengxian Energy Development was wholly established by CHN Energy Guangxi Electric Power with a paid-up registered capital of RMB1,363.30 million.

V. GENERAL INFORMATION

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the Supplemental Undertaking. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in this regard.

The Company will convene an extraordinary general meeting (the “EGM”) for the Independent Shareholders to consider, and if thought fit, approve, among other things, the Supplemental Undertaking, and CHN Energy and its associates will abstain from voting on the resolution relating to the Supplemental Undertaking at the EGM.

A circular containing, among other things, (i) further details of the Supplemental Undertaking; (ii) letter from the Independent Board Committee to the Independent Shareholders; (iii) letter from the independent financial advisor to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required by the Listing Rules, together with the notice of EGM are expected to be published within 15 business days.

VI. DEFINITIONS

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

“Beishan New Energy”	Jinta Beishan Guoneng New Energy Co., Ltd.* (金塔北山國能新能源有限公司), being one of the Target Companies in the Transactions
“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 58.72% of the total issued share capital of the Company) in the Company in aggregate, and is the controlling shareholder of the Company
“CHN Energy Asset Management Company”	CHN Energy Asset Management Co., Ltd.* (國家能源集團資產管理有限公司), being a subsidiary of CHN Energy and one of the Transferors in the Transactions

“CHN Energy Gansu Electric Power”	CHN Energy Gansu Electric Power Co., Ltd. (國家能源集團甘肅電力有限公司), being a subsidiary of CHN Energy and one of the Transferors in the Transactions
“CHN Energy Guangxi Electric Power”	CHN Energy Guangxi Electric Power Co., Ltd. (國家能源集團廣西電力有限公司), being a subsidiary of CHN Energy and one of the Transferors in the Transactions
“Company” or “Transferee”	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 SZSE (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
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement(s)”	the equity transfer agreement(s) (individually or collectively) entered into between the Company and CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power on 22 October 2024, pursuant to which the Company proposed to acquire equity interests in eight Target Companies from CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power, respectively
“Gansu Wind Power”	Gansu Guoneng Wind Power Generation Co., Ltd.*(甘肅國能風力發電有限公司), being one of the Target Companies in the Transactions

“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Undertaking
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hukou Wind Power”	Guoneng Hukou Wind Power Generation Co., Ltd.* (國能湖口風力發電有限公司), being one of the Target Companies in the Transactions
“Independent Board Committee”	an independent board committee comprising all the independent non-executive directors (i.e. Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng) established to advise the Independent Shareholders in relation to the Supplemental Undertaking
“Independent Shareholders”	shareholders who are not required to abstain from voting on resolutions in relation to the Supplemental Undertaking to be proposed at the EGM for consideration in accordance with the Listing Rules
“Junan New Energy”	CHN Energy Junan New Energy Co., Ltd.* (國家能源莒南新能源有限公司), 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
“Minqin Wind Power”	Minqin Guoneng Wind Power Generation Co., Ltd.* (民勤國能風力發電有限責任公司), being one of the Target Companies in the Transactions

“Non-competition Agreement”	the Non-competition Agreement of China Guodian Corporation and China Longyuan Power Group Corporation Limited* entered into between the Company and its original controlling shareholder Guodian (currently known as CHN Energy) on 30 July 2009
“RMB”	Renminbi, the lawful currency of the PRC
“SSE”	the Shanghai Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Undertaking Letter”	the Supplemental Undertaking Letter in relation to Non-competition with China Longyuan Power Group Corporation Limited* by China Energy Investment Corporation Limited issued by CHN Energy on 18 June 2021 in respect of the Non-competition Agreement
“Supplemental Undertaking Letter (II)”	the Supplemental Undertaking Letter (II) in relation to Non-competition with China Longyuan Power Group Corporation Limited* with effective conditions issued by CHN Energy in respect of the Non-competition Agreement and the Supplemental Undertaking Letter
“SZSE”	the Shenzhen Stock Exchange
“Target Companies”	Junan New Energy, Hukou Wind Power, Gansu Wind Power, Xiahe New Energy, Minqin Wind Power, Wuwei New Energy, Beishan New Energy and Tengxian Energy Development (individually or collectively)
“Tengxian Energy Development”	Guoneng Tengxian Energy Development Co., Ltd.* (國能藤縣能源發展有限公司), being one of the Target Companies in the Transactions

“Transferors”	CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power (individually or collectively)
“Wuwei New Energy”	Guoneng (Wuwei) New Energy Co., Ltd.* (國能(武威)新能源有限公司), being one of the Target Companies in the Transactions
“Xiahe New Energy”	Xiahe Guoneng New Energy Development Co., Ltd.* (夏河國能新能源開發有限公司), being one of the Target Companies in the Transactions
“%”	per cent

By order of the Board
**China Longyuan Power Group
Corporation Limited***
Gong Yufei
Chairman

Beijing, the PRC, 22 October 2024

As at the date of this announcement, the executive directors of the Company are Mr. Gong Yufei and Mr. Wang Liqiang; the non-executive directors are Mr. Tang Chaoxiong, Ms. Wang Xuelian, Ms. Chen Jie and Mr. Zhang Tong; 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 METHODS

For Target Companies Minqin Guoneng Wind Power Generation Co., Ltd., Guoneng (Wuwei) New Energy Co., Ltd., and Xiahe Guoneng New Energy Development Co., Ltd., the new energy power generation projects invested and constructed by them are still under construction as at the valuation benchmark date. Considering the standardized project construction management of the appraised entities and that the current assets and construction in progress under the valuation are all recent and have little difference from market value, the asset-based approach can be adopted for the valuation; the new energy power generation projects invested and constructed by the appraised entities are still under construction as at the valuation benchmark date, and there is significant uncertainty in the related investment expenditures, cost expenses, and settlement electricity revenue. Therefore, the income approach is not applicable for the valuation; the new energy power generation projects invested and constructed by the appraised entities cannot find comparable transaction cases or comparable listed companies of similar construction in progress in the open market, and the market approach is not applicable for the valuation, either. The asset-based approach is ultimately selected to evaluate the appraised objects and form the final valuation conclusion.

For the distributed photovoltaic power generation projects invested and constructed by Target Company Jinta Beishan Guoneng New Energy Co., Ltd., based on the provided preliminary design, feasibility study, and profit forecast, the future revenue can be reasonably predicted. Therefore, the income approach can be adopted for the valuation. For this valuation, information of various assets and liabilities required by the asset-based approach are available, so the asset-based approach can be adopted for the valuation. Due to the fact that the photovoltaic power generation projects invested and constructed by the appraised entity are still under construction and there aren't enough comparable listed companies or transaction cases, it does not meet the conditions for valuation under the market approach. Finally, two valuation methods, i.e. the asset-based approach and the income approach, were used to evaluate the appraised object according to the necessary evaluation procedures. After comprehensive analysis, the asset-based approach result was ultimately selected as the final valuation conclusion.

For Gansu Guoneng Wind Power Generation Co., Ltd., Guoneng Hukou Wind Power Generation Co., Ltd., CHN Energy Junan New Energy Co., Ltd., and Guoneng Tengxian Energy Development Co., Ltd., the new energy wind power generation projects owned by the appraised entities have been connected to the grid. After market investigation by the evaluators, it was found that the price fluctuations of new energy equipment in recent years have made it difficult for the asset-based approach to reasonably reflect the market value of the appraised objects. Therefore, the asset-based approach was not adopted in this valuation. For the new energy power generation projects invested and constructed by the appraised entities, the future revenue can be reasonably predicted based on the provided feasibility study and historical operating conditions, as well as profit forecasts provided by the enterprise. Therefore, the income approach can be adopted for the valuation. Market approach refers to the evaluation method of comparing the appraised objects with comparable listed companies or comparable transaction cases to determine the value of the appraised objects. The two commonly-used methods in market approach are listed company comparison method and transaction case comparison method. In recent years, mergers and acquisitions have been relatively active in the market of new energy, but it is difficult to accurately obtain relevant financial data for transaction cases, making it difficult to adopt the transaction case comparison method. Considering that there are many A-share new energy power generation listed companies and comparable operating and financial data can be obtained from listed companies, the listed company comparison method was adopted in the valuation. After comprehensive analysis, the income approach result was ultimately selected as the final valuation conclusion.

II. VALUATION ASSUMPTION

- (I) It is assumed that all targets to be valued are in the process of transaction, and the professional valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued;
- (II) It is assumed that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets;
- (III) It is assumed that comparable listed companies and the appraised entities may operate on a going concern basis according to the publicly disclosed business model, business structure, and capital structure;
- (IV) It is assumed that comparable listed companies disclose information truthfully, accurately, and completely, without any false statements, erroneous records, or significant omissions that affect value judgments;

- (V) It is assumed that the valuer only selects comparison dimensions and indicators based on publicly disclosed comparable information of listed companies, without considering the impact of other factors on the value of the appraised entities;
- (VI) It is assumed that the appraised assets are continuously used according to its current purpose and usage method;
- (VII) It is assumed that there are no significant changes in the current relevant laws, regulations, policies, and macroeconomic situation of the country, and that there are no significant changes in the political, economic, and social environment of the regions where the parties to this transaction are located;
- (VIII) It is assumed that the appraised entities operate normally within the designed life of the power station;
- (IX) It is assumed that there are no significant changes in interest rates, exchange rates, tax benchmarks and rates, policy-related collection fees, etc. related to the appraised entities after the valuation benchmark date, except for known events;
- (X) It is assumed that the management of the appraised entities is responsible, stable, and capable of assuming their positions after the valuation benchmark date;
- (XI) Unless otherwise stated, it is assumed that the Company fully complies with all relevant laws and regulations;
- (XII) It is assumed that no force majeure or unforeseeable factors have a significant adverse impact on the appraised entities after the valuation benchmark date;
- (XIII) It is assumed that the accounting policies adopted by the appraised entities after the valuation benchmark date are consistent in important aspects with the accounting policies adopted in the preparation of this asset evaluation report;
- (XIV) It is assumed that the appraised entities, based on their existing management methods and levels, maintain the same business scope and methods as they currently have after the valuation benchmark date;
- (XV) It is assumed that the cash inflow of the appraised entities after the valuation benchmark date is the average inflow, and the cash outflow is the average outflow;

- (XVI) It is assumed that the appraised entities renew their electricity business licenses effectively during the forecast period, and may reasonably obtain various reasonable procedures required to maintain the production and operation of the enterprise;
- (XVII) It is assumed that the on-grid electricity price and electricity structure of the appraised entities are implemented continuously during the forecast period according to the policy on the benchmark date;
- (XVIII) Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies 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)), “Taxpayers who sell their self-generated power products produced through wind power are entitled to immediate 50% VAT refund from 1 July 2015”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation;
- (XIX) It is assumed that for CHN Energy Junan New Energy Co., Ltd. and Guoneng Hukou Wind Power Generation Co., Ltd., the remaining part of state subsidies income incurred in the previous years before 2023 will be received by 2025, the state subsidies income for the years 2024 and 2025 will be received with a 2-year delay, and that for the year 2026 and subsequent years will be received with a 1-year delay;
- (XX) According to the management plan of CHN Energy Junan New Energy Co., Ltd., the enterprise intends to replace or renegotiate the interest rate of its existing loans in 2024. The interest rate is expected to be reduced to 3% based on the industry interest rate level. This valuation assumes that the appraised entity may smoothly optimize its financing cost plan without any significant changes;

- (XXI) According to the “Notice of the Continuation of the Enterprise Income Tax Policy Related with the Western Region Development of the Ministry of Finance, the State Administration of Taxation, and the National Development and Reform Commission” (MOF Notice 2020 No. 23) (《財政部稅務總局國家發展改革委關於延續西部大開發企業所得稅政策的公告》(財政部公告2020年第23號)), enterprise income tax will be levied at a reduced rate of 15% on enterprises located in the western region in the encouraged industries from 1 January 2021 to 31 December 2030; in addition, referring to the “Catalogue of Enterprise Income Tax Preferential Policies for Public Infrastructure Projects (2008 Edition)” issued by the National Development and Reform Commission in Cai Shui [2008] No. 116 document, “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”, pursuant to which, it is assumed that the appraised entities may benefit from the above income tax incentives;
- (XXII) As of the valuation benchmark date, certain new energy projects have not yet completed their final accounts. The total investment of the project in this valuation is determined based on the preliminary design provided by the appraised entities, and it is assumed that there will be no significant changes in the future engineering investment of the appraised entities.

III. FORECAST IDEAS FOR MAIN VALUATION PARAMETERS

(I) For Asset-based Approach

1. Fixed assets of equipment category

Equipment assets refer to transportation equipment. Based on the nature of this project and the characteristics of equipment assets within the scope of valuation, the cost method is adopted for valuation. The cost method calculation formula is as follows:

$$\text{Appraised value} = \text{Reset cost} \times \text{Renewal rate}$$

2. Construction in progress

The cost method is adopted in the evaluation of the construction in progress. For various types and specific situations of the construction in progress, the following valuation methods are adopted:

For construction in progress that commenced the construction more than six months from the valuation benchmark date, the cost method is adopted, that is:

$$\text{Appraised value} = \text{Amount already invested (excluding capitalized interest)} + \text{Cost of funds}$$

The cost of funds is determined according to the following principles:

The interest rate is determined based on the effective loan market quoted interest rate as at the valuation benchmark date; the construction period is reasonably determined based on the project scale and actual completion rate, with reference to relevant construction period quotas.

3. Other assets and liabilities

Asset appraisal professionals verify the book value based on the breakdown and relevant financial information of each project provided by the appraised entities, and determine the appraised value based on the verified book value or the actual liabilities or equity that the appraised entities shall bear or enjoy.

(II) For Income Approach

1. Forecast period

In this valuation, with reference to the feasibility study and general projects, the economic life span of wind turbine is 20 years, and the economic life span of photovoltaic generator set is 25 years.

2. Revenue forecast for the forecast period

2.1 The main business of the appraised entities is new energy power generation with revenue from electricity sales. The main business model of the appraised entities is new energy power generation with market-oriented reforms having been made in electricity market of each region. In this valuation, the total electricity sales revenue is arrived by adding the revenue from different types of electricity sales multiplied by electricity prices (both of which are predicted separately). The calculation formula is as follows:

Revenue from electricity sales = \sum Electricity sales i \times Electricity price i

2.1.1 Forecast of electricity sales

Electricity sales = Theoretical power generation \times (1- curtailment rate) \times (1-plant power consumption and line loss rate)

= installed capacity \times utilisation hours \times (1- curtailment rate) \times (1- plant power consumption and line loss rate)

The installed capacity, utilization hours, curtailment rate, plant power consumption and line loss rate are predicted based on the actual situation of the project company and the utilization hour data predicted in the feasibility study report.

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

2.2 Operating costs

Main operating costs mainly include depreciation and amortisation, material costs, employee remuneration, repair costs, commissioned operation costs, insurance costs, other expenses, etc. Different entities may vary slightly in the composition of operating costs. The forecasting ideas for each cost are as follows:

2.2.1 Depreciation and amortisation: It includes depreciation and amortisation provisions for fixed assets, intangible assets, long-term amortisation and the like. It is predicted with reference to the relevant depreciation and amortisation policies implemented by the enterprise in this valuation.

2.2.2 Material costs: They represent the material procurement costs incurred by the appraised entities in operating the power station, and are predicted based on historical annual cost rates and enterprise interviews in this valuation.

2.2.3 Employee remuneration: It represents the labor cost of project production and operation management, and the labor cost is predicted mainly based on the historical annual salary level and the business plan provided by the management of the enterprise in this valuation.

2.2.4 Commissioned operation costs: They are predicted according to the relevant plans of the enterprise in combination with enterprise interviews, budget, operation and maintenance contracts, etc.

2.2.5 Repair costs: They represent the repair and maintenance costs incurred by the appraised entities for equipment maintenance in operating the power station, and are predicted based on historical annual cost rates and enterprise interviews in this valuation.

2.2.6 Insurance costs: They represent the insurance premium for the appraised entities' power station equipment, and are predicted based on historical annual costs rates and enterprise interviews in this valuation.

2.2.7 Other expenses: They represent other expenses incurred by the appraised entities in operating and managing the power stations, generally including electricity purchase fees, technical service fees, etc., and are calculated according to the budget and management planning in this valuation.

2.3 Forecast of taxes and surcharges

Taxes and surcharges of the appraised entities include: urban construction tax, education surtax, local education surtax, stamp duty, land use tax, property tax and the like. They are forecasted based on related policies.

2.4 Forecast of finance costs

The finance costs of the appraised entities are mainly the interest cost of the long-term loans borrowed from financial institutions 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

The income tax is calculated based on the taxable income, and the taxable income of the project is the balance of the power generation income after deducting costs, taxes, surcharges, and financial costs. The income tax rate is predicted based on relevant laws and regulations.

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

Future capital expenditure mainly considers the engineering payments payables of the projects, and is mainly predicted based on the relevant contracts and explanations provided by the appraised entities.

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 fixed assets and working capital at the end of the period is mainly taken into account.

2.10 Borrowing and repayment of interest-bearing debts

They are forecasted based on the financing plan and capital requirement of each project.

3. *Discount rate*

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 2.21%, and 2.21% 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 appraised entities is set out below:

$$\beta l = [1 + (1 - t) \times D / E] \times \beta u$$

Where: βl : Systematic risk coefficient for equity with financial leverage;

βu : Systematic risk coefficient for equity without financial leverage;

t: Income tax rate of the valued enterprise;

Based on the business characteristics of the appraised entities, with the business of comparable companies being similar to the business of the appraised entities as the criterion, the valuers have enquired the values of comparable listed companies as at 30 June 2024 through the WIND information system, and then converted them into the βu value based on the income tax rate and capital structure of comparable listed companies and took the average value of 0.6041 as the βu value of the appraised entities.

D/E is calculated based on capital structure of the enterprise.

Put the above determined parameters into the formula to arrive the equity systematic risk coefficient of the appraised entities.

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 SSE and the SZSE. As calculated, the market rate of return on investment is 9.37%. The yield to maturity on 10-year treasury bonds of 2.21% on the valuation benchmark date has been taken as the risk-free rate of return. The market risk premium is 7.16%.

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 scale, operation and management, risks resistant capability, and strengths and weaknesses arising from special factors, etc. The risk adjustment coefficient specific to the appraised entities shall be determined to be 0.5% to 1% after taking into account the existing governance structure, management standard, 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 equity free cash flow forecast after the valuation benchmark date. Monetary funds of the appraised entities 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 equity free cash flow forecast. Non-operating assets and liabilities are valued adopting the cost method.

APPENDIX II: LETTER FROM THE REPORTING ACCOUNTANT

China Longyuan Power Group Corporation Limited

Block c, 6 Fuchengmen North Street, Xicheng District, Beijing

The People's Republic of China

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN GANSU GUONENG WIND POWER GENERATION CO., LTD., GUONENG HUKOU WIND POWER GENERATION CO., LTD., CHN ENERGY JUNAN NEW ENERGY CO., LTD. AND GUONENG TENGXIAN ENERGY DEVELOPMENT 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 21 September 2024 prepared by China Enterprise Appraisals Consultation Co., Ltd. in respect of Gansu Guoneng Wind Power Generation Co., Ltd., Guoneng Hukou Wind Power Generation Co., Ltd., CHN Energy Junan New Energy Co., Ltd. and Guoneng Tengxian Energy Development Co., Ltd. (the “**Targets**”) as at 30 June 2024 is based. The valuation is set out in the announcement of China Longyuan Power Group Corporation Limited (the “**Company**”) dated 22 October 2024 (the “**Announcement**”) in connection with the acquisition of the Targets. The valuation based on the Forecast is regarded 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 preparation of the Forecast in accordance with the bases and assumptions determined by the Directors and as set out in the section headed Appendix I of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Forecast and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ responsibilities

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

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

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the 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 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young

Certified Public Accountants

Hong Kong

22 October 2024

APPENDIX III: LETTER FROM THE BOARD ON PROFIT FORECAST

Dear Sirs/Madams,

Reference is made to the announcement (the “**Announcement**”) of China Longyuan Power Group Corporation Limited* (the “**Company**”) dated 22 October 2024 in relation to, among other things, (i) the acquisition of 64% equity interest in Junan New Energy, 60% equity interest in Hukou Wind Power, 51% equity interest in Gansu Wind Power and 51% equity interest in Tengxian Energy Development by the Company from CHN Energy Asset Management Company, CHN Energy Gansu Electric Power and CHN Energy Guangxi Electric Power, respectively (collectively the “**Transactions**”); and (ii) the report on the valuation of assets of the Target Companies issued by 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. Unless otherwise defined in this letter, the terms used in this letter shall have the same meaning as defined in the Announcement.

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 22 October 2024 issued by EY, the reporting accountant 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***

22 October 2024