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

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龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED^{*}

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DEFINITIONS

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

A Shares	the ordinary shares of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange
Articles	the articles of association of China Longyuan Power Group Corporation Limited* (as amended, modified or otherwise supplemented from time to time)
Board	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 of the Latest Practicable Date, 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
Company	China Longyuan Power Group Corporation Limited (龍源電力集團股份有限公司), a joint stock limited company incorporated in the PRC and its H Shares are listed on the Hong Kong Stock Exchange (Stock Code 00916) and A Shares are listed on the Shenzhen Stock Exchange (Stock Code 001289)
controlling shareholder	has the meaning ascribed to it under the Listing Rules
CSRC	China Securities Regulatory Commission
Director(s)	director(s) of the Company
EGM	the third extraordinary general meeting in 2024 to be held by the Company at 10:00 a.m. on Friday, 20 December 2024 at the Large Conference Room, 3/F, No. 9 Dacheng Road, Fengtai District, Beijing, the People's Republic of China
H Shares	the overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange

DEFINITIONS

☒Hong Kong☒	the Hong Kong Special Administrative Region of the People's Republic of China
☒Hong Kong Stock Exchange☒	The Stock Exchange of Hong Kong Limited
☒Independent Board Committee☒	The independent committee of the Board, comprising Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng, the independent non-executive Directors of the Company, established to advise the Independent Shareholders in respect of the Supplemental Undertaking
☒Independent Financial Adviser☒ or ☒Gram Capital☒	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Undertaking
☒Independent Shareholders☒	Shareholders who are not required under the Listing Rules to abstain from voting on the relevant resolution to be proposed at the EGM for consideration in respect of the Supplemental Undertaking
☒Latest Practicable Date☒	22 November 2024, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained in this circular
☒Listing Rules☒	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
☒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
☒Notice of the EGM☒	the notice of the third extraordinary general meeting in 2024
☒PRC☒or ☒China☒	the People's Republic of China
☒RMB☒	Renminbi, the lawful currency of the PRC
☒SFO☒	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

DEFINITIONS

☒Shareholder(s)☒	holder(s) of Shares of the Company
☒Shares☒	share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
☒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
☒☒☒	per cent

LETTER FROM THE BOARD

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LETTER FROM THE BOARD

INTRODUCTION

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

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

An ordinary resolution will be proposed at the EGM to approve the issuance of the Supplemental Undertaking Letter (II) to the Non-competition Agreement and the Supplemental Undertaking Letter by the controlling shareholder, details of which are set out below.

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 EGM.

LETTER FROM THE BOARD

The Supplemental Undertaking is subject to the approval of the Independent Shareholders. 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.

Reference is also made to the announcement of the Company dated 22 October 2024 in relation to, among other things, the issuance of the Supplemental Undertaking Letter (II) to the Non-competition Agreement and the Supplemental Undertaking Letter by the controlling shareholder, details of which are set out below

(I) Fulfillment and progress 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. Over the past three years, CHN Energy and the Company actively promoted the work relating to the fulfillment of undertakings, which mainly include comprehensively sorted out the financial status and compliance situation of the surviving wind power generation business, successively demonstrated a variety of programs for the fulfillment of undertakings, promoted the injection of certain new energy assets¹ in batches (including certain wind power business), and eliminated the overlap of coal power business, etc.

In respect of wind power assets, CHN Energy has initiated the injection of certain new energy assets (including certain wind power business) in batches, and has completed the transfer of the equity interests in a total of 8 new energy companies under CHN Energy in Shandong, Jiangxi, Gansu and Guangxi regions to the Company. Specifically, on the basis of the ongoing review and analysis of the relevant assets by CHN Energy and the Company,

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1. New energy assets include, but are not limited to, wind power assets. In addition to the injection of wind power assets in accordance with the Supplemental Undertaking Letter (II), the Company will subsequently screen the assets intended to be injected by CHN Energy based on its own acquisition criteria, and according to the business arrangements, intentions and negotiation of the two parties, CHN Energy may inject other new energy assets other than wind power, and whether or not to inject them, as well as the specific scale, will be determined in conjunction with the situation at that time.

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the Company and CHN Energy have made it clear that CHN Energy intends to inject into Longyuan Power the equity interests of some of its provincial new energy companies which meet the conditions for injection, with an estimated installed capacity of approximately 4 million kilowatts, and the injection is planned to be carried out in batches. For details, please refer to the announcement of the Company dated 1 July 2024 in relation to the proposed injection of assets by the controlling shareholders into the Company. On 22 October 2024, the Company entered into the Equity Transfer Agreement with relevant subsidiaries of the CHN Energy to inject the equity interests in a total of 8 new energy companies with an installed capacity of 2,032,900 kilowatts in Shandong, Jiangxi, Gansu and Guangxi regions into the Company. The aforesaid injected assets are relatively compliant and profitable assets after selection by the Company, which will further increase the earnings per share of the Company and enhance the Company's asset quality, which is conducive to safeguarding the interests of the Company and its Shareholders as a whole.

In respect of wind power assets, the Company will continue to acquire other new energy assets (including certain wind power business) eligible for injection on this basis on a selective basis, so as to fulfill undertakings gradually. In determining whether an asset is eligible for injection, the Company mainly screens the assets on a provincial basis, and finally determines the scope of assets by comprehensively considering the profitability of the assets and legal compliance. Specifically, in terms of asset profitability, the main consideration is the project's return on investment index (including capital IRR and full investment IRR), and the relevant assets need to meet the standard of yield for the Company's decision to invest in self-build projects, and there is no significant difference in income level with the companies in the same region of the Company; in terms of compliance, the main consideration is whether the legal compliance conditions for injection into listed companies are met, including but not limited to whether the relevant assets have clear ownership and complete ownership certificates, whether the main construction formalities of the relevant projects are complete, and whether there are any major violations of laws and regulations by the subject company.

In respect of coal power assets, as of the Latest Practicable Date, the Company no longer owns the consolidated installed capacity of coal-fired power. Specifically, the Company has completed the transfer of its 27% equity interests in Jiangyin Sulong Heat and Power Generating Co., Ltd. (Jiangyin Sulong) and no longer owns the consolidated installed capacity of coal-fired power of Jiangyin Sulong. For details, please refer to the announcements of the Company dated 27 June 2024 and 23 August 2024 in relation to the disposal of 27% equity interest in Jiangyin Sulong. Besides, the Company has cancelled the Agreement on Exercise of Shareholders' Voting Rights in Nantong Tianshenggang Power Generating Co., Ltd. (Nantong Tianshenggang), Nantong Tianshenggang 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

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Tianshenggang. Subsequently, the Company will further promote the transfer of its 31.94% equity interests in Nantong Tianshenggang. Currently, 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 original Supplemental Undertaking Letter has been eliminated.

The above acquisition of equity interests in 8 new energy companies and the divestment of equity interests in thermal power companies are concrete manifestations of the active fulfillment of the undertakings made by CHN Energy, which not only responded to the Shareholders' concern about the expeditious injection of the surviving wind power business, but also represents an important measure for the Company to utilize the means of merger, acquisition and reorganization to promote the Company's value enhancement in conjunction with the actual situation.

(II) Background, main content of the Supplemental Undertaking Letter (II) and Subsequent Asset Injection Plans

1. Background

In view of the impact of internal factors such as the changes in industrial policies, the large number of committed injection projects, the profitability and compliance of assets, the above relevant commitment has not yet been fully fulfilled as of the Latest Practicable Date. The main reasons are as follows:

(1) Uncertainty in electricity price policy

In the context of accelerating the decision-making and deployment of the construction of a new type of power system, since last year, China has gradually launched a series of reforms in the power sector, such as the capacity tariff mechanism and the participation of new energy generation in electricity transaction. At present, there are uncertainties in the follow-up actions taken by various provinces and cities and in the specific implementation.

(2) Profitability and compliance of certain assets are not yet in line with requirements

Certain assets are still under construction or not yet mature in operation, and their profitability, compliance and other indicators are not up to the standard, which does not meet the relevant conditions for asset injection.

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- (3) *Commitments relate to a large number of wind power projects, making it difficult to inject at once*

Due to the small installed capacity of a single wind power project, the number of projects involved is relatively large, and under the current management structure of CHN Energy, the provincial company is positioned as a regional company, and there are thermal power, wind power, photovoltaic and other power sources. The implementation of wind power asset injection requires due diligence and asset boundary sorting in advance, and the issues such as management structure restructuring and project personnel placement need to be improved, which require a long preparation time.

- (4) *Large capital demand for the Company's own development*

The Company firmly seized the opportunity of new energy reform and took various measures to maintain its position as a leading company in the new energy industry, which is still in a period of rapid development. In recent years, the installed capacity of the Company has increased rapidly, and there is a large demand for capital for its own project construction and development. Taking into account the capital arrangement of the Company, it is necessary to promote the acquisition step by step.

2. *Main content*

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 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, 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.☒

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The injection of assets needs to meet the requirements in terms of both profitability and compliance. Specifically, in terms of profitability, the main consideration is the project's return on investment index (including capital IRR and full investment IRR), and the relevant assets need to meet the standard of yield for the Company's decision to invest in self-build projects, and there is no significant difference in income level with the companies in the same region of the Company. In terms of compliance, the main consideration is whether the legal compliance conditions for injection into listed companies are met, including but not limited to whether the relevant assets have clear ownership and complete ownership certificates, whether the main construction formalities of the relevant projects are complete, and whether there are any major violations of laws and regulations by the subject company.

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 EGM.

3. *Subsequent Asset Injection Plans*

Subject to the approval of the Supplemental Undertaking Letter (II) by the independent Shareholders, the Company retains the right to continue to acquire the high-quality

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The injection of assets needs to meet the requirements in terms of both profitability and compliance. Specifically, in terms of profitability, the main consideration is the project's return on investment index (including capital IRR and full investment IRR), and the relevant assets need to meet the standard of yield for the Company's decision to invest in self-build projects, and there is no significant difference in income level with the companies in the same region of the Company. In terms of compliance, the main consideration is whether the legal compliance conditions for injection into listed companies are met, including but not limited to whether the relevant assets have clear ownership and complete ownership certificates, whether the main construction formalities of the relevant projects are complete, and whether there are any major violations of laws and regulations by the subject company.

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.

Subject to factors such as industrial policies, asset profitability and compliance, there are uncertainties as to the implementation and completion time of the subsequent asset injection. In the event that the overlap of the surviving wind power generation business between the Company and CHN Energy has not been completely eliminated by the expiry of the Supplemental Undertaking Letter (II), the Company will, in the interest of the Company and its Shareholders as a whole, seek a solution to the fulfillment of the undertakings under the Supplemental Undertaking Letter and Supplemental Undertaking Letter (II) based on the actual situation then and submit it to the general meeting of the Company for Shareholders' approval.

(III) Reasons for and benefits of the Supplemental Undertaking

The proposed extension of the deadline for the integration of the assets of the surviving wind power generation business for a period of three years to 24 January 2028 is mainly due to (i) the requirement of the Guideline No. 4 on Supervision and Administration of Listed Companies – Commitments by Listed Companies and Their Related Parties issued by the CSRC, that undertaking shall have a clear time limit for fulfillment (ii) the reference to the market situation and practice and (iii) the need for the protection of shareholders' rights and interests.

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

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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 (the criteria of which are consistent with the foregoing in determining whether or not an asset is eligible for injection) 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 Supplemental Undertaking. They have abstained from voting on the Board resolution for the approval of the Supplemental Undertaking. Save as aforesaid, none of the other Directors of the Company has a material interest in Supplemental Undertaking.

(IV) Listing rules implications

As at the Latest Practicable Date, 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. 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.

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1. On 13 November 2024, Mr. Tang Chaoxiong resigned as a non-executive Director and a member of the audit committee of the Board of the Company with effect from 13 November 2024 due to work arrangements.

LETTER FROM THE BOARD

(V) General information

1. *Information on the Company*

The Company is a leading wind power generation company in the PRC, primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, the Company also operates other power projects such as 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 Latest Practicable Date, 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 Latest Practicable Date, the ultimate beneficial owner of CHN Energy is the State-owned Assets Supervision and Administration Commission of the State Council.

II. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR

An ordinary resolution will be proposed at the EGM to approve the appointment of Mr. Wang Yong as a non-executive Director of the Company, details of which are set out below

Reference is made to the announcement of the Company dated 22 November 2024, in order to ensure the sound governance structure of the Company, upon the recommendation of Rui Life Insurance Co., Ltd.* (瑞眾人壽保險有限責任公司), the shareholder of the Company, the Board convened a meeting on 22 November 2024 and nominated Mr. Wang Yong as a non-executive Director of the Company with effect from the date of approval by the EGM until the expiration of the fifth session of the Board of the Company. At the same time, the Board nominated Mr. Wang Yong as a member of the nomination committee under the Board and nominated Ms. Chen Jie, a non-executive Director, as a member of the audit committee under the Board, who will then cease to be a member of the nomination committee under the Board. The aforesaid appointments shall take effect from the date of election of Mr. Wang Yong as a non-executive Director by the EGM until the expiration of the fifth session of the Board of the Company.

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Details of Mr. Wang Yong, which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules are set out as follows:

Mr. Wang Yong, aged 50, graduated from Northwestern University with a PhD in Finance. He successively served as a research assistant of the Centre for Financial and Securities Research at Peking University* (北京大學金融與證券研究中心), an assistant professor of the School of Accounting and Finance of The Hong Kong Polytechnic University, a specially-invited expert of China Securities Capital Market Operation Statistics Monitoring Centre (中國證資本市場運行統計監測中心), and an assistant to the general manager and the general manager of the financial engineering department, a member of the Party Committee, an assistant to the general manager and the general manager of the financial engineering department of China Everwin Asset Management Co., Ltd.* (華夏久盈資產管理有限責任公司). He currently serves as a member of the Party Committee, the deputy general manager (to be appointed) and the general manager of the financial engineering department of China Everwin Asset Management Co., Ltd.*.

Save as disclosed above, Mr. Wang Yong confirmed that he did not hold any directorship in any other listed companies or any other position of the Company and its subsidiaries in the past three years.

Save as disclosed above, Mr. Wang Yong also confirmed that he has no relationship with any directors, supervisors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholder (as defined in the Listing Rules) of the Company.

As at the Latest Practicable Date, Mr. Wang Yong has no interest in the Shares of the Company within the meaning of Part XV of the SFO).

Mr. Wang Yong will not receive any remuneration from the Company.

Save as disclosed above, as far as the Board is aware, there are no any other matters in relation to the appointment of Mr. Wang Yong as a non-executive Director of the Company that need to be brought to the attention of the Shareholders nor any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

III. GUARANTEE OF MEDIUM- AND LONG-TERM DEBT FINANCING FOR A WHOLLY-OWNED SUBSIDIARY

An ordinary resolution will be proposed at the EGM to approve the guarantee of medium- and long-term debt financing for a wholly-owned subsidiary, details of which are set out below☒

(I) Overview of guarantee

The Resolution on the Granting of a General Mandate for China Longyuan Power Group Corporation Limited* to Apply for Registration and Issuance of Debt Financing Instruments in the PRC and the Resolution on the Granting of a General Mandate for China Longyuan Power Group Corporation Limited* to Apply for Registration and Issuance of Debt Financing Instruments overseas were considered and approved at the annual general meeting in 2023 of the Company held on 6 June 2024, pursuant to which, to approve, register, enroll, issue

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On 30 October 2024, the Board of the Company considered and approved the Resolution on Provision of Guarantee of Medium- and Long-term Debt Financing for a Wholly-owned Subsidiary by China Longyuan Power Group Corporation Limited*, pursuant to which, the Company was approved to provide Hero Asia Company with an equivalent guarantee of medium- and long-term financing with a financing amount of up to and including RMB6 billion and a financing term of up to 5 years from 2024 to 2025, the chairman of the Board and his authorised persons were authorised to deal with all matters relating to this guarantee at their sole discretion and this matter was submitted to the general meeting for consideration.

As of 30 September 2024, the gearing ratio of Hero Asia Company was 79.80%. In accordance with the relevant provisions of the Rules Governing the Listing of Securities on the Shenzhen Stock Exchange, the provision of guarantees for any subsidiary with a gearing ratio higher than 70% is required to be submitted to the EGM for consideration.

The guarantee mentioned above does not constitute a notifiable transaction under Chapter 14 or a connected transaction under Chapter 14A of the Listing Rules.

(II) Information on the guaranteed party

1. Basic information on the guaranteed party

Company name	Hero Asia Investment Limited
Type of enterprise	State-owned enterprise
Date of establishment	1 April 1993
Registered address	Hong Kong Special Administrative Region of the PRC
Legal representative	Huang Zhongnan
Registered capital	RMB10,700
Substantial shareholder and de facto controller	China Longyuan Power Group Corporation Limited*
Scope of business	Investment in power generation industry, financing and development of overseas new energy projects

LETTER FROM THE BOARD

2. *Key financial data*

The Key financial data of Hero Asia Company prepared in accordance with the PRC Accounting Standards for Business Enterprises are as follows:

Unit: RMB'000

Item	31 December 2023	30 September 2024
Total assets	2,013,678.78	2,231,973.99
Total liabilities	1,659,817.47	1,781,134.18
Net assets	353,861.31	450,839.81

Item	2023	January-September 2024
Total operating revenue	72,513.99	60,176.00
Net profits	205.40	30,992.26

Note: The financial data for 2023 has been audited, and the financial data for the period from January to September 2024 are unaudited. As at the date of this announcement, Hero Asia Company has no external guarantee, mortgage, litigation and arbitration matters.

3. *Whether the guaranteed party is a dishonest person subject to enforcement*

Upon referring to China Enforcement Information Disclosure Website, as at the Latest Practicable Date, the Company has not become aware of that Hero Asia Company has been listed as a dishonest person subject to enforcement.

(III) Main contents of the guarantee agreement

The amount of guarantee provided this time is a matter to be authorized, and the relevant guarantee agreement has not yet been signed. Upon the consideration and approval of the guarantee at the EGM, the Company and Hero Asia Company will negotiate with financial institutions to determine the main contents of the agreement within the approved maximum guarantee amount and according to the needs of debt financing. The guarantee amount shall be subject to the guarantee agreement actually signed.

LETTER FROM THE BOARD

(IV) Opinions of the Board

1. *Reasons for the provision of the guarantees*

In order to ensure the successful implementation of the medium- and long-term financing plan of Hero Asia Company, improve the debt rating, and realize the optimal financing cost, the Company provides an equivalent guarantee for financing to Hero Asia Company.

2. *Opinions of the Board*

On 30 October 2024, the 10th meeting of the fifth session of the Board of the Company in 2024 considered and approved the Resolution on Provision of Guarantee of Medium- and Long-term Debt Financing for a Wholly-owned Subsidiary by China Longyuan Power Group Corporation Limited* with 9 votes in favor, 0 votes against, and 0 abstentions, pursuant to which, the Company was approved to provide Hero Asia Company with an equivalent guarantee of medium- and long-term financing with a financing amount of up to and including RMB6 billion and a financing term of up to 5 years from 2024 to 2025, the chairman of the Board and his authorised persons were authorised to deal with all matters relating to this guarantee at their sole discretion and this matter was submitted to the general meeting for consideration.

3. *Description of shareholding*

The Company directly holds 100% equity interest in Hero Asia Company and has actual control over it. The Company provides guarantee for the financing of Hero Asia Company, which can be effectively managed and supervised, and the risk is controllable.

(V) Number of cumulative external guarantees and overdue guarantees

As of 30 September 2024, the total amount of guarantees provided by the Company and its subsidiaries for legal persons within the scope of consolidated statements was RMB7.1091 million, accounting for 0.01002% of the Company's latest audited net assets. The total balance of the guarantee provided for entities outside the consolidated statements was RMB7.0226 million, accounting for 0.00990% of the Company's latest audited net assets. The Company has no guarantee corresponding to overdue debts, guarantee involving litigation and guarantee matters that should be assumed due to losing the judgment.

LETTER FROM THE BOARD

EGM

The Company will convene the EGM at 10:00 a.m. on Friday, 20 December 2024 at the Large Conference Room, 3/F, No. 9 Dacheng Road, Fengtai District, Beijing, the People's Republic of China. Notice of the EGM is set out in this circular.

In order to determine the holders of Shares who are eligible to attend and vote at the EGM, the H Share register of members of the Company will be closed from Tuesday, 17 December 2024 to Friday, 20 December 2024, both days inclusive. To be eligible to attend and vote at the EGM, unregistered holders of the H Shares of the Company shall lodge relevant H Share transfer documents with (for holders of H Shares) the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 16 December 2024.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned by courier or post to Computershare Hong Kong Investor Services Limited not less than 24 hours before the time fixed for holding the EGM (i.e. not later than 10:00 a.m. on Thursday, 19 December 2024) or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting.

VOTING BY POLL AT EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of Shareholders at the general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will therefore demand a poll for each resolution put to the vote at the EGM pursuant to Article 89 of the Articles.

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

Under Rule 14A.36 of the Listing Rules, any connected person and Shareholder and his/her associates who have a material interest in the Supplemental Undertaking are required to abstain from voting in respect of the related resolutions at the general meeting. Accordingly, any connected person, Shareholders and his/her associates who have a material interest in the resolution are required to abstain from voting on the resolution at the EGM.

LETTER FROM THE BOARD

As of the Latest Practicable Date, CHN Energy directly and indirectly holds 4,908,598,141 A Shares of the Company (of which 4,602,432,800 Shares are directly held by CHN Energy and of the remaining Shares, 212,238,141 Shares are held by Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司) (Pingzhuang Coal Group), a subsidiary of CHN Energy, 93,927,200 Shares are held by CHN Energy Liaoning Electric Power Co., Ltd. (國家能源集團遼寧電力有限公司) (Liaoning Electric Power), a subsidiary of CHN Energy), representing approximately 58.72% of the issued share capital of the Company, is the controlling shareholder and a connected person of the Company, has a material interest in the resolution in relation to the Supplemental Undertaking. Accordingly, CHN Energy and its associates, Pingzhuang Coal Group and Liaoning Electric Power, are required to abstain from voting on the resolution at the EGM.

As of the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of other Shareholders other than CHN Energy and its associates is materially interested in the resolution in relation to the Supplemental Undertaking.

Mr. Tang Chaoxiong, Ms. Wang Xuelian, Ms. Chen Jie and Mr. Zhang Tong, the connected Directors of the Company, have abstained from voting on the relevant Board resolution for the approval of the Supplemental Undertaking. Save for the persons mentioned above, none of the other Directors has a material interest in the above resolution.

RECOMMENDATION

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

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

* For identification purpose only

龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED^{*}

(A joint stock

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we advise the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the resolution in relation to the Supplemental Undertaking Letter (II) on non-competition with China Longyuan Power Group Corporation Limited* with effective conditions issued by CHN Energy.

Yours faithfully,
Independent Board Committee
Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng
Independent Non-executive Directors

* *For identification purpose only*

LETTER FROM GRAM CAPITAL

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



LETTER FROM GRAM CAPITAL

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 EGM.

With reference to the Board Letter, the Supplemental Undertaking constitutes a connected transaction of the Company, and is subject to the announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Supplemental Undertaking are on normal commercial terms and are fair and reasonable; (ii) whether the Supplemental Undertaking is in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Supplemental Undertaking at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as an independent financial adviser in relation to the Company's continuing connected transactions, details of which are set out in the Company's circular dated 13 December 2023. Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with this engagement as the Independent Financial Adviser, there is no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

LETTER FROM GRAM CAPITAL

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date and (ii) the aforesaid past engagement will not affect our independence to act as the Independent Financial Adviser due to the fact that (a) we were appointed as independent financial adviser to advise the Independent Board Committee and the then independent Shareholders and the past engagement did not fall into any circumstances as set out under the Rule 13.84 of the Listing Rules, therefore we maintained our independence from the Company during the aforesaid past engagement and (b) the advisory fee of the aforesaid past engagements paid by the Company to us accounted for an insignificant portion of our revenue for the relevant period, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

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

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make the Circular or any statement therein misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM GRAM CAPITAL

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

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Supplemental Undertaking

1.1 Information on the Group

With reference to the Board Letter, the Company is a leading wind power generation company in the PRC, primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, the Company also operates other power projects such as 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 Latest Practicable Date, the ultimate beneficial owner of the Company is CHN Energy.

1.2 Information on CHN Energy

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

1.3 Background of the Supplemental Undertaking

1.3.1 Information on the Non-competition Agreement

In connection with the reorganization arrangements undergone by the Group in preparation for the listing of the Company's H Shares on the Hong Kong Stock Exchange, the Company entered into the Non-competition Agreement with China Guodian Corporation (Guodian, now known as CHN Energy) on 30 July 2009.

Under the agreement, Guodian agreed not to, and to procure its subsidiaries (other than the Company (including its subsidiaries, the same below) and Guodian's A share listed companies) not to, compete with the Company in the Company's wind power business (other than Guodian's few wind power business retained on the date of the execution of the Non-competition Agreement) and granted to the Company options to acquire the retained businesses and any new business opportunities and pre-emptive rights to acquire Guodian's interest in its retained businesses and certain future new business. In July 2009 and November 2009, Guodian issued two further clarification documents to confirm its non-competition undertakings included in the Non-competition Agreement.

1.3.2 Supplemental Undertaking Letter

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

1. The wind power generation business within CHN Energy is to be integrated by the Company. As for the wind power generation business (the "Surviving Wind Power Generation Business") held by CHN Energy or its subsidiaries (excluding Company and its subsidiaries, the same below) as at the date of the Supplemental Undertaking Letter, which directly or indirectly potentially overlapped with the principal business of the Company, CHN Energy undertakes that CHN Energy will inject the Surviving Wind Power Generation Business into the Company through various means such as asset restructuring, business adjustment and formation of joint ventures within three years upon completion of the transaction (Please refer to the definition of "Transaction" in the Company's circular dated 8 July 2021, the "Previous Transaction"), subject to compliance with relevant laws and regulations and relevant internal and external approval procedures which are required then, to steadily promote the integration of relevant business so as to resolve the potential business overlap. The Surviving Wind Power Generation Business assets to be injected into the Company shall comply with the conditions for listing stipulated in the laws and regulations of the PRC and relevant normative documents.

LETTER FROM GRAM CAPITAL

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

LETTER FROM GRAM CAPITAL

2. As for the overlapping between the Company's thermal power business and CHN Energy's, CHN Energy will, within three years upon completion of the Previous Transaction, make comprehensive use of various means such as asset restructuring, business adjustment and formation of joint ventures to steadily promote the integration of relevant business so as to solve the problem of business overlap, subject to compliance with the relevant laws and regulations and relevant internal and external approval procedures at that time, and based on the principle of facilitating the development of the listed company and safeguarding the interests of shareholders, especially the minority shareholders.
3. In order to meet the compliance requirements for the listing of A Shares of the Company, the Company may dispose of the controlling stake in its certain wind power generation subsidiaries (the ~~Certain Subsidiaries~~) to CHN Energy (the ~~Certain Subsidiaries Disposal~~). The disposal of abovementioned Certain Subsidiaries is subject to the approval by the securities regulatory authority of the place where the shares of the Company are listed and the procedures of consideration by the board of directors and shareholders' general meeting of the Company (if applicable). If the corresponding consideration and approval procedures for the Certain Subsidiaries Disposal are completed and the Certain Subsidiaries Disposal has been implemented, the above-mentioned Certain Subsidiaries, upon the completion of the Certain Subsidiaries Disposal, will be together taken as the Surviving Wind Power Generation Business referred to under the Supplemental Undertaking Letter, and CHN Energy will fulfil relevant undertakings as agreed in Clause 1 of the Supplemental Undertaking Letter.

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

LETTER FROM GRAM CAPITAL

1.3.3 Main content of the Supplemental Undertaking Letter (II)

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 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, 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.

2. Reasons for and benefits of the Supplemental Undertaking

With reference to the Board Letter, the proposed extension of the deadline for the integration of the assets of the surviving wind power generation business for a period of three years to 24 January 2028 is mainly due to (i) the requirement of the Guideline No. 4 on Supervision and Administration of Listed Companies – Commitments by Listed Companies and Their Related Parties issued by the CSRC, that undertaking shall have a clear time limit for fulfillment; (ii) the reference to the market situation and practice; and (iii) the needs for protection of shareholders' rights and interests. Furthermore, 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 (the criteria of which are consistent with the foregoing in determining whether or not an asset is eligible for injection) 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. We consider that under the prudent selection, the Group may be allowed to have sufficient time (as compared to less than three-months period should there be no extension of the Supplemental Undertaking Letter) to assess the wind power assets to be injected to the Group being profitable and compliant assets as mentioned above. 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.

LETTER FROM GRAM CAPITAL

As also advised by the Directors, the Non-competition Agreement and Supplemental Undertaking Letter is to resolve the potential competition issue between China Energy Group and the Group, which is conducive and do not prejudice the interests of the Company and the Independent Shareholders. Under the Supplemental Undertaking Letter, the overlapping wind power assets of CHN Energy will be injected into the Company in situations where the criteria are satisfied, which will further increase the installed capacity of the Company, and benefit the Company in seizing opportunities in the fierce competition in the future, maintaining its leading position in the new energy power generation industry and safeguarding the interests of the Company and its shareholders as a whole.

As mentioned above, CHN Energy undertakes that CHN Energy will inject the Surviving Wind Power Generation Business into the Company through various means such as asset restructuring, business adjustment and formation of joint ventures within three years upon completion of the Previous Transaction (i.e. January 2025), subject to compliance with relevant laws and regulations and relevant internal and external approval procedures which are required then, to steadily promote the integration of relevant business so as to resolve the potential business overlap. Given that (i) CHN Energy is injecting (i.e. pursuant to the equity transfer agreements dated 22 October 2024 among the Company and members of CHN Energy, relevant transferors conditionally agreed to transfer new energy power generation assets with installed capacity of 2,032,900 kW to the Company, of which installed capacity of wind power generation assets was 1,316,000 kW) and will continuously inject the Surviving Wind Power Generation Business into the Company based on the Directors' understanding and (ii) it would normally take a middle-to-long time to complete a transfer of new energy asset due to (a) the initial due diligence procedure and (b) regulatory approval procedure, it would be impossible for the completion of transfer of all Surviving Wind Power Generation Business to the Group by the expiry of current non-competition undertaking arrangement pursuant to the Non-competition Agreement (as supplemented by the Supplemental Undertaking Letter).

LETTER FROM GRAM CAPITAL

In addition, based on our independent research, on a non-exhaustive basis, we reviewed extension of non-competition arrangements entered into between PRC-listed companies and their controlling shareholders and identified eight non-competition arrangements from 1 January 2024 to the date of Supplemental Undertaking Letter (II). Key information of the aforesaid non-competition arrangements are as follows.

Company name	Date of announcement	Reasons for extension	Duration of extension (approximate years)
Guangxi Rural Investment Sugarindustry Group Co., Ltd (000911.SZ)	30 March 2024	Relevant competing business does not fulfil the requirement to inject into listed issuer	3
Maanshan Iron & Steel Company Limited (600808.SH)	21 June 2024	More time is required to solve the competing issue	3
BAIC BluePark New Energy Technology Co.,Ltd. (600733.SH)	20 July 2024	Relevant competing business does not fulfil the requirement to inject into listed issuer	5
China Oil Hbp Science & Technology Co., Ltd. (002554.SZ)	31 July 2024	The completion of transferring the competing business is expected to take place after the expiry date of existing non-competition arrangement	1.5
Yunnan Yunwei Company Limited (600725.SH)	3 August 2024	Relevant competing business does not fulfil the requirement to inject into listed issuer	2
Zhejiang Shapuaisi Pharmaceutical Co., Ltd. (603168.SH)	24 September 2024	The completion of transferring the competing business is expected to take place after the expiry date of existing non-competition arrangement	3
Ningbo Construction Co., Ltd (601789.SH)	30 September 2024	The completion of relevant restructuring is expected to take place after the expiry date of existing non-competition arrangement	2
Meinian Onehealth Healthcare Holdings Co., Ltd. (002044.SZ)	16 October 2024	Relevant competing business does not fulfil the requirement to inject into listed issuer or there is no potential buyer being identified	3

The abovementioned non-competition arrangements had incorporated an extension period ranging from approximately 1.5 years to five years (with majority of which being three years). Therefore, we are of the view that it is not uncommon for the extension of deadline for the integration of assets/ business under non-competition arrangement between A-share/A-share & H-share listed company and their controlling shareholders.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, subject to factors such as industrial policies, asset profitability and compliance, there are uncertainties as to the implementation and completion time of the subsequent asset injection. Having considered (i) majority of the extension period of abovementioned non-competition arrangements is three years and (ii) in the event that the overlap of the surviving wind power generation business between the Company and CHN Energy has not been completely eliminated by the expiry of the Supplemental Undertaking Letter (II), the Company will, in the interest of the Company and its Shareholders as a whole, seek a solution to the fulfilment of the undertakings under the Supplemental Undertaking Letter and Supplemental Undertaking Letter (II) based on the actual situation then and submit it to the general meeting of the Company for Shareholders' approval, we are of the view that the three-year extension period under the Supplemental Undertaking Letter (II) is reasonable and the Independent Shareholders' interest would be safeguard even the overlap of the surviving wind power generation business between the Company and CHN Energy has not been completely eliminated by the expiry of the Supplemental Undertaking Letter (II).

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

RECOMMENDATION

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

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 30 years of experience in investment banking industry.

* For identification purpose only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

2. DISCLOSURE OF INTERESTS AND CONFIRMATIONS

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

- (1) none of the Directors, supervisors or chief executives of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provision of the SFO) or are required pursuant to section 352 of the SFO to be entered in the register referred to therein or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers
- (2) the Company has not granted its Directors, supervisors, chief executives or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities
- (3) apart from Ms. Wang Xuelian, Ms. Chen Jie and Mr. Zhang Tong, Directors of the Company, who are deemed under the Listing Rules as connected Directors and have abstained from voting for the consideration by the Board on 22 October 2024 in respect of the connected transactions in relation to CHN Energy, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2023, being the date to which the latest published audited annual financial statements of the Company were made up, and which was subsisting as at the date of this circular and significant in relation to the business of the Group

- (4) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2023 (being the date to which the latest published audited annual financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group
- (5) save as disclosed in the section **Interest of Directors in Competing Business** of the Appendix I of this circular, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder)
- (6) the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2023 (the date to which the latest published audited annual financial statements of the Company were made up) and
- (7) none of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. INTEREST OF DIRECTORS IN COMPETING BUSINESS

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

Name of Director	Position in the Company	Other Interests
Wang Xuelian	Non-executive Director	First-level business director of China Energy Group Research Institute of Technology and Economy (China Energy Economy and Technology Institute Co., Ltd.)
Chen Jie	Non-executive Director	Full-time director of CHN Energy
Zhang Tong	Non-executive Director	Deputy general counsel, deputy director of the Corporate Management and Legal Affairs Department (Reform Office) of CHN Energy

Save as disclosed above, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which is required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

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

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held (Share)	Percentage in the Relevant Class of Share Capital ^(Note 1) (%)	Percentage in the Total Share Capital ^(Note 1) (%)
CHN Energy	A shares	Beneficial owner and interest of corporation controlled by substantial Shareholders	4,908,598,141 ^(Note 2) (Long position)	97.36	58.72
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	171,394,717 ^(Note 3) (Long position)	5.17	2.05
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	21,391,000 ^(Note 4) (Short position)	0.64	0.26
GIC Private Limited	H shares	Investment manager	298,586,000 (Long position)	8.99	3.57
Citigroup Inc.	H shares	Interest of corporation controlled by substantial Shareholders and approved lending agent	375,158,512 ^(Note 5) (Long position)	11.30	4.49

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held (Share)	Percentage in the Relevant Class of Share Capital ^(Note 1) (%)	Percentage in the Total Share Capital ^(Note 1) (%)
Citigroup Inc.	H shares	Interest of corporation controlled by substantial Shareholders	10,275,745 ^(Note 6) (Short position)	0.30	0.12
Citigroup Inc.	H shares	Approved lending agent	364,197,413 (Shares in a lending pool)	10.97	4.36
Rui Life Insurance Company Limited	H shares	Beneficial owner	433,450,000 (Long position)	13.06	5.18
Lazard Asset Management LLC	H shares	Investment manager	167,128,772 (Long position)	5.04	2.00
Brown Brothers Harriman & Co.	H shares	Approved lending agent	166,389,736 (Long position)	5.01	1.99
Brown Brothers Harriman & Co.	H shares	Approved lending agent	166,389,736 (Shares in a lending pool)	5.01	1.99

Notes

1. The percentage is based on the issued number of relevant class of shares/total issued shares of the Company as at 31 October 2024.
2. Among these 4,908,598,141 A shares, 4,602,432,800 A shares were directly held by CHN Energy while the remaining 212,238,141 A shares were held by Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司), an indirect non-wholly-owned subsidiary of CHN Energy and 93,927,200 A shares were held by CHN Energy Liaoning Electric Power Co., Ltd. (國家能源集團遼寧電力有限公司), a wholly-owned subsidiary of CHN Energy. Accordingly, CHN Energy was deemed as the owner of the equity interests held by its aforesaid subsidiaries.

3. Among these 171,394,717 H shares, 11,333,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 35,099,693 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 79,659,000 H shares were held by BlackRock Fund Advisors, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 3,891,196 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 812,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,071,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 5,633,736 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,643,000 H shares were held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 21,776,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 94,000 H shares were held by BlackRock (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 2,203,620 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 7,288,687 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 48,000 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 738,265 H shares were held by BlackRock (Singapore) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 45,000 H shares were held by BlackRock Asset Management Schweiz AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc., and 58,520 H shares were held by Aperio Group, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
4. Among these 21,391,000 H shares, 2,178,000 H shares were held by BlackRock Financial Management, Inc., an indirect non-wholly-owned subsidiary of BlackRock, Inc., and 2,258,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 3,257,000 H shares were held by Blackrock (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., and 13,698,000 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.
5. Among these 375,158,512 H shares, 364,197,413 H shares were held by Citibank, N.A., an indirect wholly-owned subsidiary of Citigroup Inc. 1,899,001 H shares were held by Citigroup Global Markets Hong Kong Limited, an indirect wholly-owned subsidiary of Citigroup Inc., 27,260 H shares were held by Citigroup Global Markets Inc., an indirect wholly-owned subsidiary of Citigroup Inc., and 9,034,838 H shares were held by Citigroup Global Markets Limited, an indirect non-wholly-owned subsidiary of Citigroup Inc. Accordingly, Citigroup Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
6. Among these 10,275,745 H shares, 3,701,827 H shares were held by Citigroup Global Markets Hong Kong Limited, an indirect wholly-owned subsidiary of Citigroup Inc., and 6,573,918 H shares were held by Citigroup Global Markets Limited, an indirect wholly-owned subsidiary of Citigroup Inc. Accordingly, Citigroup Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

5. SERVICE AGREEMENTS

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

6. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no legal litigation or claim of material importance was known to the Directors of the Company to be pending or threatened against the Company.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2023, the date to which the latest published audited consolidated financial statements of the Company were made up.

8. QUALIFICATION OF EXPERT AND CONSENT

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

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

(1) As at the Latest Practicable Date, Gram Capital did not hold any beneficial interest in the share capital of any member of the Group, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(2) As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consents to the issue of this circular with inclusion of its letter, as the case may be, and references to its name included herein in the form and context in which it appears.

- (3) As at the Latest Practicable Date, Gram Capital did not have any interest in any assets which had been, since 31 December 2023 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. OTHER INFORMATION

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

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.clypg.com.cn) for a period of not less than 14 days from the date of this circular☐

- (1) the Supplemental Undertaking Letter (II) in relation to Non-competition with China Longyuan Power Group Corporation Limited*☐ and
- (2) the written consent of the expert referred to in section 8 of this Appendix.

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2024



NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING IN 2024

Notes

1. In order to determine the holders of Shares who are eligible to attend and vote at the EGM, the H share register of members of the Company will be closed from Tuesday, 17 December 2024 to Friday, 20 December 2024, both days inclusive. No registration for transfer of the Company's H shares will be accepted during the period. To be eligible to attend the EGM, all H share transfer documents accompanied by relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares of the Company), for registration not later than 4:30 p.m. on Monday, 16 December 2024.
2. A shareholder entitled to attend and vote at the EGM may appoint one or more proxies (whether he/she is a shareholder) to attend and vote at the EGM on his, her or its behalf.
3. The instrument to appoint a proxy shall be signed by the appointer or his/her attorney duly authorized in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its director or attorney duly authorized.
4. To be valid, the form of proxy must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares of the Company) not less than 24 hours prior to the holding of the EGM (i.e. not later than 10:00 a.m. on Thursday, 19 December 2024). If such form of proxy is signed by another person under a power of attorney or other authorization documents given by the appointer, such power of attorney or other authorization documents shall be notarized by a notary. The notarized power of attorney or other authorization documents shall, together with the form of proxy, be deposited at the specified place at the time set out in such form of proxy.
5. If the appointer is a legal person, its legal representative or any person authorised by resolution of its board or other governing bodies may attend the EGM on behalf of the appointer.
6. Voting at the EGM will be conducted through on-site voting and online voting (online voting for A shareholders only).
7. The Company has the rights to request a shareholder or a proxy who attends the EGM on behalf of a shareholder to provide proof of identity.
8. The EGM is expected to take less than half a day. Shareholders who attend the EGM shall be responsible for their own travel and accommodation expenses.

FURTHER INFORMATION ON ACQUISITION OF EQUITY INTERESTS IN EIGHT TARGET COMPANIES

Reference is made to the announcement of the Company dated 22 October 2024 in relation to, among others, the Equity Transfer Agreements entered into by the Company 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. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcement. The Company wishes to update the shareholders and potential investors of the Company on the latest developments in relation to the Valuation.

According to the valuation report, the final valuation conclusion of the value of the entire shareholders' equity of each of the Target Companies, (1) Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司) and its subsidiaries, Guazhou Guoneng Photovoltaic Power Generation Co., Ltd. (瓜州國能光伏發電有限公司), Minqin Hongsha Guoneng New Energy Co., Ltd. (民勤紅沙國能新能源有限公司), Yongjing Guoneng Photovoltaic Power Generation Co., Ltd. (永靖國能光伏發電有限公司), (2) Guoneng Tengxian Energy Development Co., Ltd. (國能騰縣能源發展有限公司), (3) Guoneng Hukou Wind Power Generation Co., Ltd. (國能湖口風力發電有限公司), and (4) CHN Energy Junan New Energy Co., Ltd. (國家能源莒南新能源有限公司) (each as a "Target Company"), was based on the valuation results by adopting the income approach, with the specific forecast ideas for the valuation under the income approach set out below:

- ☒ The discounted equity free cash flow model under the discounted cash flow method is selected for this valuation, which is to arrive at the value of entire shareholders' equity by summing up the value of operating assets after discounting at appropriate discount rate on the basis of the equity free cash flow for the next few years, as well as the value of surplus assets, non-operating assets and liabilities and value of long-term equity investments separately evaluated, i.e.:
- ☒ Value of entire shareholders' equity = value of operating assets + value of surplus assets + value of non-operating assets and liabilities + value of long-term equity investments
- ☒ Among them, operating assets refer to assets and liabilities related to the production and operation of the appraised entities, which are involved in the forecast of equity free cash flow after the valuation benchmark date, and are calculated by discounting the equity free cash flow flows of the enterprise for the next few years at an appropriate discount rate.
- ☒ Equity free cash flow = net profit + net increase in interest-bearing liabilities + depreciation and amortisation – capital expenditure – changes in working capital + others

The main parameter forecast ideas and results for the income approach of the Target Companies are shown below

1. Forecast period

The limited term is adopted for this valuation, the forecast period and income period are determined with reference to the economic life span of new energy generating unit, and the economic life span and forecast period of the Target Company are set out below

Target	Type of project	Production date	Economic life span of generating unit	Forecast period
Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司)	Wind power	December 2023	20 years	July 2024 to December 2043
Guazhou Guoneng Photovoltaic Power Generation Co., Ltd. (瓜州國能光伏發電有限公司)	Photovoltaic	June 2022	25 years	July 2024 to June 2047
Minqin Hongsha Guoneng New Energy Co., Ltd. (民勤紅沙國能新能源有限公司)	Photovoltaic	April 2023	25 years	July 2024 to April 2048
Yongjing Guoneng Photovoltaic Power Generation Co., Ltd. (永靖國能光伏發電有限責任公司)	Photovoltaic	May 2023	25 years	July 2024 to May 2048
Guoneng Tengxian Energy Development Co., Ltd. (國能騰縣能源發展有限公司)	Photovoltaic + wind power	December 2022 (photovoltaic)	20 years for wind power, 25 years for photovoltaic	July 2024 to December 2047
Guoneng Hukou Wind Power Generation Co., Ltd. (國能湖口風力發電有限公司)	Wind power	December 2016	20 years	July 2024 to December 2036
CHN Energy Junan New Energy Co., Ltd. (國家能源莒南新能源有限公司)	Wind power	November 2014	20 years	July 2024 to November 2034

2. Operating revenue

The main business of the appraised entities is new energy power generation with revenue from electricity sales. 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

$$\text{Revenue from electricity sales} = \sum \text{Electricity sales}_i \times \text{Electricity price}_i$$

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

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

(1) Installed capacity

Among them, the actual installed capacity forecast of the installed capacity project company has been determined, and the installed capacity of each project is as follows:

Target	Type of project	Total installed capacity
Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司)	4 wind power projects	198.5 MW
Guazhou Guoneng Photovoltaic Power Generation Co., Ltd. (瓜州國能光伏發電有限公司)	1 photovoltaic project	48.69 MW
Minqin Hongsha Guoneng New Energy Co., Ltd. (民勤紅沙國能新能源有限公司)	1 photovoltaic project	240.80 MW
Yongjing Guoneng Photovoltaic Power Generation Co., Ltd. (永靖國能光伏發電有限責任公司)	2 photovoltaic projects	247.55 MW
Guoneng Tengxian Energy Development Co., Ltd. (國能騰縣能源發展有限公司)	5 wind power projects and 1 photovoltaic project	874.95 MW
Guoneng Hukou Wind Power Generation Co., Ltd. (國能湖口風力發電有限公司)	1 wind power project	48 MW
CHN Energy Junan New Energy Co., Ltd. (國家能源莒南新能源有限公司)	1 wind power project	49.5 MW

Note photovoltaic projects are calculated on the basis of DC-side installation.

(2) Utilisation hours of power generation

The utilisation hours of power generation for Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司) and its subsidiaries, Guazhou Guoneng Photovoltaic Power Generation Co., Ltd. (瓜州國能光伏發電有限公司), Minqin Hongsha Guoneng New Energy Co., Ltd. (民勤紅沙國能新能源有限公司), Yongjing Guoneng Photovoltaic Power Generation Co., Ltd. (永靖國能光伏發電有限責任公司) and Guoneng Tengxian Energy Development Co., Ltd. (國能騰縣能源發展有限公司) are mainly predicted based on the utilisation hours of each project set out in feasibility study, the plant power consumption and line loss rate are predicted based on the actual situation of the project, and the curtailment rate is predicted based on the full consideration of local energy installed capacity, total social electricity consumption, external transmission line construction, and combined with the interview results of the appraised entities, and it is estimated that the curtailment rate will drop to a certain extent in the coming years.

Guoneng Hukou Wind Power Generation Co., Ltd. (國能湖口風力發電有限公司) and CHN Energy Junan New Energy Co., Ltd. (國家能源莒南新能源有限公司) started operations earlier and have a longer period of actual production and operational data. In this valuation, the utilisation hours are mainly predicted based on the historical annual power generation utilisation hours. The plant power consumption and line loss rate are predicted based on the actual situation of the project, and the curtailment rate is not considered due to little local curtailment.

(3) Electricity price

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

① Benchmark electricity price

Benchmark electricity prices of desulphurized coal in Gansu, Guangxi, Jiangxi and Shandong are RMB0.3078/kWh (inclusive of tax), RMB0.4207/kWh (inclusive of tax), RMB0.4143/kWh (inclusive of tax) and RMB0.3949/kWh (inclusive of tax), respectively.

② Market-based transaction electricity price

The local government is gradually promoting the market-oriented reform of electricity trading. The appraisal, in respect of electricity tariffs involving market-based transactions, mainly makes reference to the local market-based transaction rules, combines the historical annual electricity tariff levels of the appraised entity and makes reference to the appraised entities' judgement on future market changes to predict the electricity tariffs of the appraised entity for market-based transactions in future years.

③ Market fees for ancillary services and dual regulations assessment

Market operating expenses include deviation assessment, auxiliary services, two regulations, etc. This assessment is based on the projections of the level of market fees for the assessed entity's historical ancillary services and dual regulations assessment.

Based on the above forecast ideas, the growth of revenue for each of the target entities is as follows:

Target	Growth rate of revenue	Growth of revenue after 2035
Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司)	The compound growth rate of revenue of 1.43% from 2025 to 2035	The revenue will remain stable after 2035, and then from 2042 onwards the revenue will decrease due to the decommissioning of some of the units
Guazhou Guoneng Photovoltaic Power Generation Co., Ltd. (瓜州國能光伏發電有限公司)	The compound growth rate of revenue of 1.54% from 2025 to 2035	The revenue will remain stable after 2035, with slight variations due to the impact of curtailment rates of the photovoltaic projects

Target	Growth rate of revenue	Growth of revenue after 2035
Minqin Hongsha Guoneng New Energy Co., Ltd. 民勤紅沙國能新能源有限公司)	The compound growth rate of revenue of 1.80% from 2025 to 2035	The revenue will remain stable after 2035, with slight variations due to the impact of curtailment rates of the photovoltaic projects
Yongjing Guoneng Photovoltaic Power Generation Co., Ltd. (永靖國能光伏發電有限責任公司)	The compound growth rate of revenue of 1.13% from 2025 to 2035	The revenue will remain stable after 2035, with slight variations due to the impact of curtailment rates of the photovoltaic projects, and then from 2047 onwards the revenue will decreasedue to the decommissioning of some of the units
Guoneng Tengxian Energy Development Co., Ltd. 國能騰縣能源發展有限公司)	The compound growth rate of revenue of 5.67% from 2025 to 2029	The revenue in 2029 to 2042 will differ due to the impact of curtailment rates of the photovoltaic modules and then from 2042 onwards the revenue will decrease slightly due to the decommissioning of the wind turbine units and other factors
Guoneng Hukou Wind Power Generation Co., Ltd. 國能湖口風力發電有限公司)	Remain unchanged	–
CHN Energy Junan New Energy Co., Ltd. (國家能源莒南新能源有限公司)	Remain unchanged	–

3. Operating costs

3.1 Main 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:

- (1) **Depreciation and amortisation** It includes depreciation and amortisation provisions for fixed assets, intangible assets and the like. It is predicted with reference to the relevant depreciation and amortisation policies implemented by the enterprise in this valuation.

- (2) **Material costs** They are predicted based on historical annual cost rates and enterprise interviews in this valuation.
- (3) **Employee remuneration** It mainly 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 appraised entities of the enterprises in this valuation.
- (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.
- (5) **Repair costs** They are predicted based on historical annual cost rates and enterprise interviews in this valuation.
- (6) **Insurance costs** They are predicted based on historical annual costs rates and enterprise interviews in this valuation.
- (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 planning of the appraised entities in this valuation.

Based on the above projections, the projected gross margin for each of the target entities are as follows

Target	Stabilised gross profit margin	Reasons for changes in gross profit
Gansu Guoneng Wind Power Generation Co., Ltd. 甘肅國能風力發電有限公司)	30.12%-41.11%	The improvement in gross profit margin is mainly due to the reduction in the curtailment
Guazhou Guoneng Photovoltaic Power Generation Co., Ltd. 瓜州國能光伏發電有限公司)	32.76%-43.15%	The improvement in gross profit margin is mainly due to the reduction in the curtailment
Yongjing Guoneng Photovoltaic Power Generation Co., Ltd. 永靖國能光伏發電有限責任公司)	26.59%-35.17%	The improvement in gross profit margin is mainly due to the reduction in the curtailment

Target	Stabilised gross profit margin	Reasons for changes in gross profit
Minqin Hongsha Guoneng New Energy Co., Ltd. (民勤紅沙國能新能源有限公司)	22.35-34.06%	The improvement in gross profit margin is mainly due to the reduction in the curtailment
Guoneng Tengxian Energy Development Co., Ltd. (國能騰縣能源發展有限公司)	39.71%-49.51%	The improvement in gross profit margin is mainly due to the reduction in the curtailment
Guoneng Hukou Wind Power Generation Co., Ltd. (國能湖口風力發電有限公司)	30.42%- 32.44%	The change in gross profit margin is mainly due to slight differences in depreciation in different years
CHN Energy Junan New Energy Co., Ltd. (國家能源莒南新能源有限公司)	29.02%-30.07%	The change in gross profit margin is mainly due to slight differences in depreciation in different years

3.2 Forecast of taxes and surcharges

Taxes and surcharges of the appraised entities include urban construction tax (1%, 5%), education surtax (3%), local education surtax (2%), stamp duty (0.03%), land use tax, and property tax. They are forecasted based on related policies.

3.3 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.

3.4 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.

3.5 Forecast of depreciation and amortisation

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

4. 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.

5. 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.

5.1 The minimum cash holdings are forecasted on the basis of one month's cash payment cost

5.2 For electricity revenue obtained from market transaction, considering that the settlement cycle with the grid company is one month, the number of turnovers is determined as 12 times for projects involving subsidies, a certain amount of deferral is considered for revenue from subsidised tariffs

5.3 The tax payable is forecasted on the basis of one month's business tax and surcharge and three months' income tax

5.4 For other items, calculations will be made based on the periodic rate.

6. 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 is mainly taken into account.

7. Borrowing and repayment of interest-bearing debts

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

8. Discount rate

(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.

(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 β_L is Systematic risk coefficient for equity with financial leverage

β_u is Systematic risk coefficient for equity without financial leverage

t is Income tax rate of the appraised 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 value based on the income tax rate and capital structure of comparable listed companies and took the average value of 0.6041 as the β_u 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) Determination of market risk premium

Market risk premium is the difference between the market rate of return on investment and the risk-free rate of return. In particular, the market rate of return on investment on the valuation benchmark date is determined by comprehensively analysing the weighted average of the annualised weekly returns from 1992 to 2023 selected on the basis of the stock trading price indices of the Shanghai Stock Exchange and Shenzhen Stock Exchange. 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%.

(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%- 1% after taking into account the existing governance structure, management standard, and resistance to industry risks, among which Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司) and its subsidiary, Guazhou Guoneng Photovoltaic Power Generation Co., Ltd. (瓜州國能光伏發電有限公司), Minqin Hongsha Guoneng New Energy Co., Ltd. (民勤紅沙國能新能源有限公司), Yongjing Guoneng Photovoltaic Power Generation Co., Ltd. (永靖國能光伏發電有限責任公司), Guoneng Tengxian Energy Development Co., Ltd. (國能藤縣能源發展有限公司) are determined to be 0.5% while Guoneng Hukou Wind Power Generation Co., Ltd. (國能湖口風力發電有限公司) and CHN Energy Junan New Energy Co., Ltd. (國家能源莒南新能源有限公司) are determined to be 1%.

The cost of equity capital of the appraised entity is calculated by substituting the parameters determined above into the cost of equity capital calculation formula.

$$K_e = r_f + MRP \times \beta + r_c$$

The cost of equity capital of the appraised entity is calculated and the cost of equity capital for the forecast period for each target is as follows:

Target	Cost of equity capital for the forecast period
Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司)	Gradually decrease from 13.23% to 7.04%
Guazhou Guoneng Photovoltaic Power Generation Co., Ltd. (瓜州國能光伏發電有限公司)	Gradually decrease from 13.49% to 7.04%
Minqin Hongsha Guoneng New Energy Co., Ltd. (民勤紅沙國能新能源有限公司)	Gradually decrease from 22.25% to 7.04%
Yongjing Guoneng Photovoltaic Power Generation Co., Ltd. (永靖國能光伏發電有限責任公司)	Gradually decrease from 13.35% to 7.04%
Guoneng Tengxian Energy Development Co., Ltd. (國能藤縣能源發展有限公司)	Gradually decrease from 13.10% to 7.04%
Guoneng Hukou Wind Power Generation Co., Ltd. (國能湖口風力發電有限公司)	Gradually decrease from 10.69% to 7.54%
CHN Energy Junan New Energy Co., Ltd. (國家能源莒南新能源有限公司)	Gradually decrease from 11.21% to 7.54%

The difference in the cost of equity capital of each Target Company is mainly due to certain differences in the capital structure of the Target Company in different years.

Based on the corresponding cash flow and discount rate, the value of operating assets for each Target Company is calculated.

9. Determination of surplus assets value

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 after deducting the cash holdings as at the valuation benchmark date are used as the company's surplus assets.

10. Recognition of the value of non-operating assets and 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.

11. Determination of long-term equity value

The long-term equity investment in Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司) is evaluated using the income approach. The major assumptions and valuation models adopted for the three long-term equity investments are not materially different from those of the parent company, and the relevant parameters have been set out above, and the valuation results of the long-term equity investments are set out below:

Target	Accounting content of long-term equity investment	Valuation approach	Valuation result of the long-term equity investment
	100% equity interest in Guazhou Guoneng Photovoltaic Power Generation Co., Ltd.	Income approach	62,348.8 thousand
Gansu Guoneng Wind Power Generation Co., Ltd. (甘肅國能風力發電有限公司)	100% equity interest in Minqin Hongsha Guoneng New Energy Co., Ltd.	Income approach	189,149.2 thousand
	100% equity interest in Yongjing Guoneng Photovoltaic Power Generation Co., Ltd.	Income approach	294,635.3 thousand

The main reason for using the cost approach for the valuation of long-term equity investment in Guoneng Tengxian Energy Development Co., Ltd (國能滕縣能源發展有限公司) is that projects invested and constructed by Guigang Guoneng Energy Co., Ltd (貴港國能能源有限公司) are still in the (Energy212t00) a09900990F089D038s12e (8phas3 (a099.s12e (8C990ideri3 (.)10))12.3 (a