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龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

**ANNOUNCEMENT
DISCLOSEABLE TRANSACTION AND
CONNECTED TRANSACTION-
ABSORPTION AND MERGER OF PINGZHUANG ENERGY
THROUGH SHARE SWAP, DISPOSAL OF MATERIAL ASSETS
AND PURCHASE OF ASSETS THROUGH CASH PAYMENT
AND
SPECIFIC MANDATE IN RELATION TO
THE ISSUANCE OF A SHARES**

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中信証券

CITIC SECURITIES

**ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH
SHARE SWAP AND DISPOSAL OF MATERIAL ASSETS AND PURCHASE
OF ASSETS THROUGH CASH PAYMENT**

On 15 January 2021, the Company entered into the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment, respectively for the possible Absorption and Merger of Pingzhuang Energy through Share Swap and the material assets disposal and purchase of assets through cash payment. The Transaction consists of three parts: Absorption and Merger through Share Swap, Assets Disposal and Purchase through Cash.

The Merger, when fully implemented, will involve, among other things, the issuance of a total of 341,922,662 A Shares by the Company to all Conversion Shareholders of Pingzhuang Energy on the Registration Date of Implementation of the Merger, in exchange for the A Shares of Pingzhuang Energy held by them. The Issue Price of the A Shares of Longyuan Power is RMB11.42 per share. The Conversion Price of Pingzhuang Energy is based on the average price of RMB3.50 per share in the 20 trading days before the Pricing Benchmark Date, with a 10% premium rate, which is RMB3.85 per share. The Conversion Ratio for the Merger is 1: 0.3371, that is, each A Share of Pingzhuang Energy held by the Conversion Shareholders of Pingzhuang Energy can be converted for 0.3371 A Share to be newly issued by Longyuan Power. Upon completion of the Merger, Pingzhuang Energy will be delisted and ultimately disqualified as a legal person. Longyuan Power, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (excluding the Assets to be Disposed of). Longyuan Power will apply for listing and trading of its original Domestic Shares and the A Shares to be issued for the Merger on the Main Board of the SZSE.

Longyuan Power will entitle its dissenting shareholders the Put Option. At the general meeting and corresponding shareholders' class meetings for consideration of the Transaction of Longyuan Power, any shareholder of Longyuan Power who had cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment is entitled to request the Put Option Providers to purchase its shares in Longyuan Power at a fair price in accordance with the Agreement on Absorption and Merger through Share Swap. The Put Option Providers will be determined and announced prior to the convening of the general meeting for consideration of the Transaction. The Dissenting Shareholders of Longyuan Power who exercise their Put Option may receive a cash consideration to be paid by the Put Option Providers at the price of the Put Option for each share of Longyuan Power that they have validly declared on the Put Option Exercise Date, and transfer the corresponding shares to the Put Option Providers. The Put Option Providers shall be assigned all the shares of Longyuan Power in respect of which the Dissenting Shareholders of Longyuan Power exercise their Put Option on the Put Option Exercise Date and pay cash consideration accordingly.

Pingzhuang Energy will entitle its dissenting shareholders the Cash Alternative. CHN Energy and/or its designated subsidiaries, excluding Longyuan Power and its subsidiaries, will act as the Cash Alternative Providers of the Transaction. At the general meeting for consideration of the Transaction of Pingzhuang Energy, any shareholder of Pingzhuang Energy who had cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment is entitled to request Cash Alternative Providers to purchase its shares in Pingzhuang Energy. The Cash Alternative Providers will be determined and announced prior to the convening of the general meeting for consideration of the Transaction. The price for Cash Alternative of Dissenting Shareholders of Pingzhuang Energy is the average price in the 20 trading days before the Pricing Benchmark Date, i.e. RMB3.50 per share. If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Pingzhuang Energy from the Pricing Benchmark Date to the Cash Alternative Exercise Date (both days inclusive), the price for Cash Alternative shall be adjusted accordingly. The adjustment mechanism for the price of Cash Alternative has been set up in the plan for the Merger.

Pingzhuang Energy will transfer the Assets to be Disposed of to Inner Mongolia Power (a wholly-owned subsidiary of CHN Energy) or its subsidiaries at a price as agreed by all parties, the consideration of which shall be paid by Inner Mongolia Power or its subsidiaries to the Surviving Company in cash. On the Closing Date, the Assets to be Disposed of will be directly delivered to Inner Mongolia Power or its subsidiaries.

Longyuan Power will purchase the Assets to be Purchased from the Other Subsidiaries of CHN Energy, and the consideration of which shall be paid by the Surviving Company in cash. On the Closing Date, the Assets to be Purchased will be directly delivered to the Surviving Company or its subsidiaries.

The Merger, the Assets Disposal and the Purchase through Cash are inter-conditional on each other, failing any of which, the other two matters will not be implemented. As of the date of this announcement, the ultimate de facto controller of Longyuan Power and Pingzhuang Energy is the SASAC of the State Council. Upon completion of the Merger, the ultimate de facto controller of the Surviving Company will remain the SASAC of the State Council. Therefore, the Merger will not result in a change of the de facto controller. In the Transaction, the final transaction price of the Assets to be Disposed of and the Assets to be Purchased will be determined by all parties through negotiation, based on the valuation results in the valuation report to be issued by assets valuation agencies with securities and futures-related business qualifications and to be approved by or filed with the competent state-owned assets regulatory authorities. As of the date of this announcement, the audit and valuation on the Assets to be Disposed of and the Assets to be Purchased have not yet been completed. Longyuan Power has engaged CITIC Securities to act as the financial adviser for the Transaction.

SPECIFIC MANDATE IN RELATION TO THE ISSUANCE OF A SHARES

The Transaction involves the issuance of additional A Shares by the Company to all Conversion Shareholders of Pingzhuang Energy in exchange for the A Shares of Pingzhuang Energy they hold at the Conversion Ratio. The Board will propose at the general meeting and the shareholders' class meeting to be granted an unconditional specific mandate. If the Transaction is materialised, the Board shall decide on and implement the issuance of not more than 341,922,662 A Shares by the Company as required under the Transaction, and it shall deal with at its sole discretion any and all matters which are necessary, expedient or appropriate for the issuance of additional A Shares, including but not limited to adjusting the price of A Shares to be issued and the number of shares to be issued in accordance with the relevant laws and regulations or the provisions or requirements of the relevant regulatory authorities, and handling the matters concerning the issuance (including but not limited to issuing share certificates and stamping the securities seal of the Company on the share certificates), registration, transfer and listing of A Shares on the Main Board of the SZSE.

LISTING RULES IMPLICATIONS

It is expected the highest applicable percentage ratio calculated in respect of the Transaction pursuant to Chapter 14 of the Listing Rules is more than 5% but lower than 25%, therefore, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the shareholders' approval requirement. In calculating the applicable percentage ratio in respect of the Transaction, the preliminary calculation of the percentage ratio in respect of the Assets Disposal and the Purchase through Cash transactions is based on the unaudited financial data of the companies concerned and the book value of the Assets to be Disposed of and the Assets to be Purchased which have yet to be valued.

As at the date of this announcement, CHN Energy, being the direct controlling shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. CHN Energy, through its wholly-owned subsidiary, Inner Mongolia Power, holds 51% shares of Pingzhuang Coal Group, which holds 61.42% shares of Pingzhuang Energy, therefore Pingzhuang Energy is an indirect subsidiary of CHN Energy, and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. The Other Subsidiaries of CHN Energy also constitute connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment constitute the connected transactions of the Company. It is expected the highest applicable percentage ratio calculated in respect of the Transaction pursuant to Chapter 14 of the Listing Rules is more than 5%, therefore, the Transaction is subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company expects that the appraisal value of the relevant assets and the transaction consideration to be finally determined may not differ greatly from their book value. Upon the completion of the valuation of the Assets to be Disposed of and the Assets to be Purchased and the determination of the final consideration, the Company will re-calculate the applicable percentage ratio and re-comply with the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules.

I. PLAN FOR THE TRANSACTION

The Transaction comprises three parts, i.e. the Absorption and Merger through Share Swap, the Assets Disposal and the Purchase through Cash, particulars of which are as follows:

- Longyuan Power will absorb and merge Pingzhuang Energy through Share Swap by the Issuance of A Shares to all the Conversion Shareholders of Pingzhuang Energy. Upon completion of the Merger, Pingzhuang Energy will be delisted and disqualified as a legal person. Longyuan Power will apply for listing and trading of its original Domestic Shares and the A Shares to be issued for the Merger on the Main Board of the SZSE.
- Pingzhuang Energy will transfer the Assets to be Disposed of to Inner Mongolia Power (a wholly-owned subsidiary of CHN Energy) or its subsidiaries at a price as agreed by all parties, the consideration of which shall be paid by Inner Mongolia Power or its subsidiaries to the Surviving Company in cash. On the Closing Date, the Assets to be Disposed of will be directly delivered to Inner Mongolia Power or its subsidiaries.
- Longyuan Power will purchase the assets from Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power, all being the Other Subsidiaries of CHN Energy, and the consideration of the Assets to be Purchased shall be paid by the Surviving Company in cash. On the Closing Date, the Assets to be Purchased will be directly delivered to Longyuan Power, the Surviving Company, or its subsidiaries.

The Merger, the Assets Disposal and the Purchase through Cash are inter-conditional on each other, failing any of which, the other two matters will not be implemented. Upon the completion of the Transaction, Pingzhuang Energy will be delisted and disqualified as a legal person. Longyuan Power, as the Surviving Company, will inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (excluding the Assets to be Disposed of). Longyuan Power will apply for listing and trading of the A Shares to be issued for the Merger and the original Domestic Shares on the Main Board of the SZSE. Meanwhile, the Assets to be Disposed of will be directly delivered to Inner Mongolia Power or its subsidiaries, and the Assets to be Purchased will be directly delivered to Longyuan Power, the Surviving Company, or its subsidiaries, in accordance with the Assets Disposal Agreement and Agreement on Purchase of Assets through Cash Payment.

In the Transaction, the final transaction price of the Assets to be Disposed of and the Assets to be Purchased will be determined by all parties through negotiation, based on the valuation results in the valuation report to be issued by assets valuation agencies with securities and futures-related business qualifications and to be approved by or filed with the competent state-owned assets regulatory authorities. As of the date of this announcement, the audit and valuation on the Assets to be Disposed of and the Assets to be Purchased have not yet been completed.

1. Absorption and Merger

Parties Involved in the Transaction

The merging party and the merged party of the Absorption and Merger through Share Swap are Longyuan Power and Pingzhuang Energy, respectively.

Class and Nominal Value of Shares to be Issued under Share Swap

Longyuan Power will issue RMB ordinary shares (A Shares) for the purpose of the Merger, each with a par value of RMB1.00.

Targets of the Share Swap and Registration Date of Implementation of the Merger

The targets of the Share Swap are all the Conversion Shareholders of Pingzhuang Energy whose name appears on the shareholders' register at the close of business of the Registration Date of Implementation of the Merger, that is, on the Registration Date of Implementation of the Merger, the shares of Pingzhuang Energy held by the shareholders of Pingzhuang Energy who have not declared, partially declared, have no right to declare or invalidly declared the exercise of the Cash Alternative, and the shares of Pingzhuang Energy held by the Cash Alternative Providers for providing the Cash Alternative, will be entirely converted into A Shares to be issued by Longyuan Power for the Merger in accordance with the Conversion Ratio.

The board of the Merger Parties will separately announce the Registration Date of Implementation of the Merger after the Merger has been approved by the CSRC.

Issue Price of A Shares of Longyuan Power

The Issue Price of A Shares of Longyuan Power is RMB11.42 per share.

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Longyuan Power from the Pricing Benchmark Date to the Share Swap Exercise Date (both days inclusive), the above Issue Price shall be adjusted accordingly. Under other circumstances, the Issue Price will no longer be adjusted.

Conversion Price of A Shares of Pingzhuang Energy

The Conversion Price of Pingzhuang Energy is based on the average price of RMB3.50 per share in the 20 trading days prior to the Pricing Benchmark Date, with a 10% premium rate, which is RMB3.85 per share.

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Pingzhuang Energy from the Pricing Benchmark Date to the date of the Share Swap (both days inclusive), the above Conversion Price shall be adjusted accordingly. Under other circumstances, the Conversion Price will no longer be adjusted.

Conversion Ratio

The calculation formula for Conversion Ratio is: Conversion Ratio = Conversion Price of A Shares of Pingzhuang Energy \div Issue Price of A Shares of Longyuan Power (calculation result is rounded to four decimal places). Conversion Ratio for the Merger is 1: 0.3371, that is, each A Share of Pingzhuang Energy held by the Conversion Shareholders of Pingzhuang Energy can be converted for 0.3371 A Share to be issued by Longyuan Power.

From the Pricing Benchmark Date to the Share Swap Exercise Date (both days inclusive), unless there occurs any ex-right or ex-dividend event such as cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in either of the Merger Parties or the circumstances that the Issue Price or the Conversion Price shall be adjusted according to the relevant laws, regulations and the requirements of regulatory authorities, the Conversion Ratio shall not be adjusted under any other circumstances.

Number of Shares to be Issued under the Share Swap

As at the date of this announcement, the total share capital of Pingzhuang Energy is 1,014,306,324 shares. Assuming that all shareholders of Pingzhuang Energy participate in the Share Swap, based on the Conversion Ratio, the total number of A Shares to be issued by Longyuan Power for the Merger is 341,922,662 shares.

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in either of the Merger Parties from the Pricing Benchmark Date to the date of the Share Swap (both days inclusive), the above number of shares to be issued under the Share Swap shall be adjusted accordingly.

Listing and Trading of A Shares of Longyuan Power

Upon the completion of the Merger, an application will be made for the A Shares to be issued by Longyuan Power for the Merger and the A Shares to be converted from the original Domestic Shares of Longyuan Power to be listed and traded on Main Board of the SZSE.

Treatment of Fractional Shares

The number of A Shares of Longyuan Power to be obtained by the Conversion Shareholders of Pingzhuang Energy shall be in whole numbers, and if the number of shares of Pingzhuang Energy to be held by them multiplied by the Conversion Ratio is not in whole numbers, each shareholder shall be offered one share in descending order based on the decimal point until the actual number of shares to be converted is equal to the number of shares planned to be issued. In case the number of shareholders with the same decimal number exceeds the remaining shares, the shares will be allotted randomly by computer system until the actual number of shares to be converted is equal to the number of shares planned to be issued.

Treatment of Shares of Pingzhuang Energy with Restricted Rights

If the shares of Pingzhuang Energy held by the shareholders of Pingzhuang Energy are pledged, frozen, sealed up or subject to any restrictions on rights, all such shares shall be converted into A Shares issued by Longyuan Power at the time of Share Swap, while the original pledge, freezing, sealing up or other restrictions on rights on such shares will remain unchanged and become attaching to the corresponding A Shares of Longyuan Power obtained through Share Swap.

Lock-up Period Arrangement

CHN Energy, the controlling shareholder of Longyuan Power, undertakes that:

- “(i) Within 36 months from the date when the A Shares of Longyuan Power are listed and traded, the company shall not transfer or entrust to others to manage the issued shares of Longyuan Power directly or indirectly held by the company prior to the Absorption and Merger through Share Swap (excluding H Shares), nor shall Longyuan Power repurchase such shares. Within six months after the listing of A Shares of Longyuan Power, if the closing prices of A Shares of Longyuan Power for 20 consecutive trading days are lower than the Issue Price, or the closing price at the end of six months after the listing is lower than the Issue Price, the company undertakes that the lock-up period of the shares of Longyuan Power held by the company shall be automatically extended for six months.
- (ii) If relevant laws, regulations and regulatory documents or other securities regulatory authorities such as China Securities Regulatory Commission have other requirements on the lock-up period of shares, the company agrees to adjust the lock-up period of the shares of Longyuan Power (excluding H Shares) held by the company accordingly.
- (iii) The company undertakes to assume and compensate all losses caused to Longyuan Power and its controlled entities due to violation of the above undertakings or relevant laws, regulations and regulatory documents.
- (iv) If any of the following circumstances occurs after one year from the date of listing of the A Shares of Longyuan Power, the above article 1 of the undertaking may be waived to comply with upon the application of the company and with the consent of the Shenzhen Stock Exchange:
 - (i) both parties have actual control relationship or are under the control of the same controller;
 - (ii) such other circumstances as determined by the Shenzhen Stock Exchange.”

Northeast Electric Power (a wholly-owned subsidiary of CHN Energy), the shareholder of Longyuan Power, undertakes that:

- “(i) Within 36 months from the date on which the A Shares of Longyuan Power are listed and traded, the company shall not transfer or entrust to others to manage the issued shares of Longyuan Power directly or indirectly held by the company prior to the Absorption and Merger through Share Swap (excluding H Shares), nor shall Longyuan Power repurchase such shares. Within six months after the listing of A Shares of Longyuan Power, if the closing prices of A Shares of Longyuan Power for 20 consecutive trading days are lower than the Issue Price, or the closing price at the end of six months after the listing is lower than the Issue Price, the company undertakes that the lock-up period of the shares of Longyuan Power held by the company shall be automatically extended for six months.
- (ii) If relevant laws, regulations and regulatory documents or other securities regulatory authorities such as China Securities Regulatory Commission have other requirements on the lock-up period of shares, the company agrees to adjust the lock-up period of the shares of Longyuan Power (excluding H Shares) held by the company accordingly.
- (iii) The company undertakes to assume and compensate for all losses caused to Longyuan Power and its controlled entities due to violation of the above undertakings or relevant laws, regulations and regulatory documents.
- (iv) If any of the following circumstances occurs after one year from the date of listing of the A Shares of Longyuan Power, the above article 1 of the undertakings may be waived to comply with upon the application of the company and with the consent of the SZSE: (i) there are actual control relationship between the parties or they are under the common control of a same controller; (ii) such other circumstances as determined by the SZSE.”

Protection Mechanism for the Dissenting Shareholders of Longyuan Power

In order to fully safeguard the interests of the Shareholders of Longyuan Power, pursuant to the requirements of the Company Law and the Articles of Association of Longyuan Power, Longyuan Power will entitle its dissenting shareholders the Put Option.

At the general meeting and corresponding shareholders' class meetings for consideration of the Transaction of Longyuan Power, any shareholder of Longyuan Power who had cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment is entitled to request the Put Option Providers to purchase its shares in Longyuan Power at a fair price in accordance with the Agreement on Absorption and Merger through Share Swap.

The Put Option Providers will be determined and announced prior to the convening of the general meeting for consideration of the Transaction. After the purchase of shares of Longyuan Power held by the dissenting shareholders at a fair price as requested by the dissenting shareholders, such dissenting shareholders shall not be entitled to claim the Put Option against Longyuan Power and/or other shareholders who cast effective assenting votes in respect of relevant resolutions of the plan for the Transaction.

The Dissenting Shareholders of Longyuan Power who exercise their Put Option may receive a cash consideration to be paid by the Put Option Providers at the price of the Put Option for each share of Longyuan Power that they have validly declared on the Put Option Exercise Date, and transfer the corresponding shares to the Put Option Providers. The Put Option Providers shall be assigned all the shares of Longyuan Power in respect of which the Dissenting Shareholders of Longyuan Power exercise their Put Option on the Put Option Exercise Date and pay cash consideration accordingly.

The Dissenting Shareholders of Longyuan Power shall satisfy the following conditions while exercising the Put Option:

- (i) having cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment at the general meeting and the corresponding class meetings for consideration of the Transaction of Longyuan Power;
- (ii) having been effectively registered on the register of members of Longyuan Power since the registration date of the general meeting and shareholders' class meetings of Longyuan Power who is applicable for such class shareholders for consideration of the Transaction, and continuing to retain the shares which are proposed to exercise the Put Option until the Put Option Exercise Date;
- (iii) having successfully fulfilled relevant declaration procedures during the Declaration Period of Put Option;
- (iv) there is no circumstance that excludes the right to claim the exercise of the Put Option.

Shareholders who have fulfilled the above conditions only have the right to declare the exercise of the Put Option for the shares with which they have cast dissenting votes. Provided that the Dissenting Shareholders of Longyuan Power sell their shares (including but not limited to judicially compulsory deductions, etc.) after the registration date of the general meeting and shareholders' class meetings of the Company for consideration of the Transaction, the number of shares entitled to the Put Option shall be decreased accordingly; provided that the Dissenting Shareholders of Longyuan Power purchase shares after the registration date of the general meeting and shareholders' class meetings of the Company for consideration of the Transaction, the number of shares entitled to the Put Option shall not increase, and such shares shall not be entitled to the Put Option.

The Dissenting Shareholders of Longyuan Power who hold the following shares have no right to exercise the Put Option for the shares they hold:

- (i) those shares of Longyuan Power with Restriction on Rights, including but not limited to the shares with transfer restrictions imposed by laws and regulations which are subject to any pledges, other third party's rights or judicial freeze;
- (ii) those shares held by legal holders who have undertaken in writing to Longyuan Power to surrender the Put Option;
- (iii) other shares that may not exercise the Put Option under applicable laws.

The detailed arrangements for the Put Option (including but not limited to the Put Option Exercise Date, the declaration, settlement and closing of the Put Option, etc.) will be determined by Longyuan Power and the Put Option Providers after negotiation and will be disclosed in accordance with the requirements of the laws, regulations and the Stock Exchange in a timely manner.

The relevant taxes and fees arising from the exercise of the Put Option shall be borne by the dissenting shareholders of the Put Option, the Put Option Providers and other parties in accordance with the requirements of relevant applicable laws, regulatory authorities and clearing companies. If there is no specific provision in this regard under the applicable laws or from regulatory authorities or clearing companies, it shall be negotiated and determined by related parties with reference to market practices.

Protection Mechanism for the Dissenting Shareholders of Pingzhuang Energy

In order to fully safeguard the interests of the shareholders of Pingzhuang Energy, pursuant to the requirements of the Company Law and the existing articles of association of Pingzhuang Energy, Pingzhuang Energy will entitle its dissenting shareholders the Cash Alternative.

(1) Cash Alternative Provider(s)

CHN Energy and/or its designated subsidiaries, excluding Longyuan Power and its subsidiaries, will act as the Cash Alternative Providers of the Transaction. At the general meeting for consideration of the Transaction of Pingzhuang Energy, any shareholder of Pingzhuang Energy who had cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment is entitled to request Cash Alternative Providers to purchase its shares in Pingzhuang Energy.

The Cash Alternative Providers will be determined and announced prior to the convening of the general meeting for consideration of the Transaction. After the purchase of shares of Pingzhuang Energy held by the dissenting shareholders requested by the dissenting shareholders, such dissenting shareholders shall not be entitled to claim the Cash Alternative against Pingzhuang Energy and/or other shareholders who cast effective assenting votes in respect of relevant resolutions of the plan for the Transaction.

(2) *Price of Cash Alternative*

The price for Cash Alternative of Dissenting Shareholders of Pingzhuang Energy is the average price in the 20 trading days before the Pricing Benchmark Date, i.e. RMB3.50 per share. If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve converted into share capital and allotment of shares in Pingzhuang Energy from the Pricing Benchmark Date to the Cash Alternative Exercise Date (both days inclusive), the price for Cash Alternative shall be adjusted accordingly.

(3) *Conditions for the implementation of Cash Alternative*

The Dissenting Shareholders of Pingzhuang Energy shall satisfy the following conditions while exercising the Cash Alternative:

- (i) having cast effective dissenting votes in respect of relevant resolutions and each of the sub-resolutions to be voted separately regarding the plan for the Transaction and relevant resolutions regarding the entering into of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment at the general meeting for consideration of the Transaction of Pingzhuang Energy;
- (ii) having been effectively registered on the register of members of Pingzhuang Energy since the registration date of the general meeting of Pingzhuang Energy for consideration of the Transaction, and continuing to retain the shares which are proposed to exercise the Cash Alternative until the Cash Alternative Exercise Date;
- (iii) having successfully fulfilled relevant declaration procedures during the Declaration Period of Cash Alternative;
- (iv) there is no circumstance that excludes the right to claim the exercise of the Cash Alternative.

Shareholders who have fulfilled the above conditions only have the right to declare the exercise of the Cash Alternative for the shares with which they have cast dissenting votes. Provided that the Dissenting Shareholders of Pingzhuang Energy sell their shares (including but not limited to judicially compulsory deductions, etc.) after the registration date of the general meeting of Pingzhuang Energy for consideration of the Transaction, the number of shares entitled to the Cash Alternative shall be decreased accordingly; provided that the Dissenting Shareholders of Pingzhuang Energy purchase shares after the registration date of the general meeting of Pingzhuang Energy for consideration of the Transaction, the number of shares entitled to the Cash Alternative shall not increase, and such shares shall not be entitled to the Cash Alternative.

The Dissenting Shareholders of Pingzhuang Energy who hold the following shares have no right to exercise the Cash Alternative for the shares they hold:

- (i) those shares of Pingzhuang Energy with Restriction on Rights, including but not limited to the shares with transfer restrictions imposed by laws and regulations which are subject to any pledges, other third party's rights or judicial freeze;
- (ii) those shares held by legal holders who have undertaken in writing to Pingzhuang Energy to surrender the Cash Alternative;
- (iii) other shares that may not exercise the Cash Alternative under applicable laws.

The above shares which are not entitled to the Cash Alternative will be converted into the A Shares to be issued by Longyuan Power for the Merger based on the Conversion Ratio on the Share Swap Exercise Date.

The Dissenting Shareholders of Pingzhuang Energy who have submitted the shares of Pingzhuang Energy as collateral for margin trading and securities lending transactions shall not exercise the Cash Alternative until they transfer the shares of Pingzhuang Energy from the customer credit guarantee account of the securities company to their ordinary securities account before the closing date of Declaration Period of the Cash Alternative. The Dissenting Shareholders of Pingzhuang Energy who have carried out agreed repurchase type securities trading shall not exercise the Cash Alternative until they complete the early repurchase procedures in time before the closing date of Declaration Period of the Cash Alternative.

(4) *Adjustment mechanism for the price of Cash Alternative*

A. Adjustment target

The adjustment target is the Price of Cash Alternative of Dissenting Shareholders of Pingzhuang Energy.

B. Adjustable period

From the date of the general meeting resolution announcement in relation to the Transaction considered and approved by Pingzhuang Energy to the approval by the CSRC of the Transaction.

C. Trigger conditions

a. Upward adjustment

During the adjustable period, upward adjustment will be triggered when the following three conditions are simultaneously fulfilled on any trading day:

- (i) the closing indices of SZSE Composite (399106.SZ) on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% higher than the closing index on the trading day before the suspension of Pingzhuang Energy;
- (ii) the closing indices of WIND Coal Index (886003.WI) on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% higher than the closing index on the trading day before the suspension of Pingzhuang Energy;
- (iii) the daily average trading prices of shares of Pingzhuang Energy on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% higher than the closing price of shares on the trading day before the suspension of Pingzhuang Energy.

b. Downward adjustment

During the adjustable period, downward adjustment will be triggered when the following three conditions are simultaneously fulfilled on any trading day:

- (i) the closing indices of SZSE Composite (399106.SZ) on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% lower than the closing index on the trading day before the suspension of Pingzhuang Energy;
- (ii) the closing indices of WIND Coal Index (886003.WI) on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% lower than the closing index on the trading day before the suspension of Pingzhuang Energy;
- (iii) the daily average trading prices of shares of Pingzhuang Energy on at least 20 trading days of 30 consecutive trading days before the trading day are more than 20% lower than the closing price of shares on the trading day before the suspension of Pingzhuang Energy.

D. Adjustment mechanism and price adjustment benchmark date

When the aforementioned price adjustment trigger conditions first appeared, Pingzhuang Energy shall be entitled to hold the board meeting within 10 trading days from the date when the price adjustment trigger conditions were fulfilled to determine whether to adjust the price of the Cash Alternative of the Dissenting Shareholders of Pingzhuang Energy in accordance with the price adjustment plan. During the adjustable period, Pingzhuang Energy will only adjust the price of the Cash Alternative of the dissenting shareholders for once. In case that Pingzhuang Energy has convened a board meeting to review and determine the adjustment to the price of the Cash Alternative of the dissenting shareholders, when the price adjustment conditions are triggered again, no adjustments will be made; in case that Pingzhuang Energy has convened a board meeting to decide not to adjust the price of the Cash Alternative of the dissenting shareholders, when the price adjustment conditions are triggered again, no adjustments will be made.

The price adjustment benchmark date is the next trading day after the date when the above trigger conditions are fulfilled. The adjusted price of the Cash Alternative of the Dissenting Shareholders of Pingzhuang Energy is the closing price of shares on the trading day before the price adjustment benchmark date of Pingzhuang Energy.

E. Relevant taxes and fees for the exercise of the Cash Alternative

The relevant taxes and fees arising from the exercise of the Cash Alternative shall be borne by the dissenting shareholders of the Cash Alternative, the Cash Alternative Providers and other parties in accordance with the requirements of relevant applicable laws, regulatory authorities and clearing companies. If there is no specific provision in this regard under the applicable laws or from regulatory authorities or clearing companies, it shall be negotiated and determined by related parties with reference to market practices.

Related Arrangements for the Disposal of Claims and Debts and the Protection of Creditors

All assets (including equities of all companies directly invested in by it), liabilities, businesses, qualifications, employees, contracts and all other rights and obligations of Longyuan Power, as the merging party, will continue to be held and performed by it.

The Assets to be Disposed of Pingzhuang Energy, as the merged party, shall be delivered directly to Inner Mongolia Power or its subsidiaries. All assets and liabilities other than the Assets to be Disposed of Pingzhuang Energy will be taken over by Longyuan Power or its designated wholly-owned subsidiaries.

Longyuan Power and Pingzhuang Energy will issue the notification and announcement on the matters in relation to the Transaction to their respective creditors in accordance with the requirements of laws of the PRC and their respective articles of association, and will legally pay off their debts or provide sufficient and effective guarantees in accordance with the requirements of their respective creditors (if any). The outstanding debts payable and obligations and/or responsibilities performable by Longyuan Power shall be assumed by Longyuan Power after the Closing Date; the outstanding debts payable and obligations and/or responsibilities related to the Assets to be Disposed of performable by Pingzhuang Energy shall be assumed by Inner Mongolia Power or the subsidiaries designated by it after the Closing Date. Other outstanding debts payable and obligations and/or responsibilities performable other than the Assets to be Disposed of shall be assumed by Longyuan Power or its designated wholly-owned subsidiaries after the Closing Date.

For the issued and unexpired non-financial corporate debt financing instruments of Longyuan Power and Pingzhuang Energy, such as the enterprise bonds, corporate debts and ultra-short-term financing bonds, short-term financing bonds and medium-term notes, Longyuan Power and Pingzhuang Energy made commitment to hold debt financing instruments/ bonds holders' meetings for the consideration of the matters in relation to the Transaction in accordance with the relevant regulations and the debt financing prospectus and as agreed in the rules for the holders' meetings.

Arrangements for the Transitional Period of the Merger

During the Transitional Period of the Absorption and Merger through Share Swap, both of the Merger Parties shall, and should procure their respective controlled subsidiaries to: (1) continue to operate independently according to the prevailing operational practices and business methods, and not conduct any unusual transactions or incur any unusual liabilities in their normal business process; (2) make every effort to maintain all assets that constitute the main business in good condition, and continue to maintain relationships with competent authorities of the government, customers and employees; (3) prepare, organize and keep their respective documents and information, as well as pay all related taxes and fees on time.

Distribution of Retained Profits

Except for the profit distribution plan approved by the respective general meetings of the Merger Parties, the retained profits of the Merger Parties as of the Closing Date are shared by all the shareholders of the Surviving Company in proportion to their shareholding.

2. Details of the Transaction of the Assets Disposal

Parties involved in the Transaction

The seller of the Assets Disposal is Pingzhuang Energy, and the purchaser is Inner Mongolia Power or its subsidiaries. The Receiving Party of the cash consideration of the Assets to be Disposed of is Longyuan Power, the Surviving Company after the Merger.

Assets to be Disposed of

All or part of the assets and liabilities of Pingzhuang Energy as at 31 December 2020.

Transaction price and pricing basis for the Transaction of the Assets Disposal

In the Transaction, the final transaction price of the Assets to be Disposed of will be determined by all parties through negotiation, based on the valuation results in the valuation report to be issued by an assets valuation agency with securities and futures-related business qualifications and to be approved by or filed with the competent state-owned assets regulatory authorities.

Arrangement for the assets delivery of the Assets Disposal

From the Closing Date, the receiver of the Assets to be Disposed of shall enjoy all the rights and interests of all the assets under the Assets to be Disposed of, and shall assume all liabilities, responsibilities and obligations under the Assets to be Disposed of. The consideration of the Assets to be Disposed of shall be payable by Inner Mongolia Power or its subsidiaries in cash to Longyuan Power, the Surviving Company after the Merger.

3. Details of the Transaction of the Purchase through Cash

Parties involved in the Transaction

The purchaser of the Purchase through Cash is Longyuan Power, and the sellers are the Other Subsidiaries of CHN Energy, namely, Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power.

Assets to be Purchased

Details of the Assets to be Purchased are as follows:

No.	Counterparty	Underlying Assets	Shareholding Percentage
1	Northeast Electric Power	Guodian Northeast New Energy Development Co., Ltd.* (國電東北新能源發展有限公司)	100%
2	Shaanxi Electric Power	Guoneng Dingbian New Energy Co., Ltd.* (國能定邊新能源有限公司)	100%
3	Guangxi Electric Power	Guodian Guangxi New Energy Development Co., Ltd.* (國電廣西新能源開發有限公司)	100%
4	Yunnan Electric Power	Guoneng Yunnan New Energy Co., Ltd.* (國能雲南新能源有限公司)	100%
5		Guodian Qiaojia New Energy Co., Ltd.* (國電巧家新能源有限公司)	50%
6	Gansu Electric Power	Guodian Gansu New Energy Co., Ltd.* (國電甘肅新能源有限公司)	100%
7	North China Electric Power	Tianjin Guodian Jieneng Electric Power Co., Ltd.* (天津國電潔能電力有限公司)	100%
8		Guodian North China Inner Mongolia New Energy Co., Ltd.* (國電華北內蒙古新能源有限公司)	100%
9		Guodian Shanxi Jieneng Co., Ltd.* (國電山西潔能有限公司)	100%

Transaction price and pricing basis for the Transaction of the Purchase through Cash

In the Transaction, the final transaction price of the Assets to be Purchased will be determined by all parties through negotiation, based on the valuation results in the valuation report to be issued by an assets valuation agency with securities and futures-related business qualifications and to be approved by or filed with the competent state-owned assets regulatory authorities.

Arrangement for the assets delivery of the Purchase through Cash

From the Closing Date, the purchaser of the Assets to be Purchased shall enjoy all the rights and interests of all the assets under the Assets to be Purchased, and shall undertake all liabilities, responsibilities and obligations under the Assets to be Purchased.

4. Procedures for the Transaction

Approvals have been obtained for the Transaction:

- (i) the Transaction has been considered and approved at the first meeting of the fourth session of the board of directors of Longyuan Power in 2021;
- (ii) the Transaction has been considered and approved at the 13th meeting of the eleventh session of the board of directors of Pingzhuang Energy;
- (iii) the Transaction has been considered and approved by the internal decision-making authorities of CHN Energy.

The Transaction is subject to the approval or verification procedures, including but not limited to:

- (i) the Transaction is subject to the approval by the competent state-owned assets supervision and administration authorities;
- (ii) the Transaction is subject to the second consideration and approval by the board of directors of Pingzhang Energy;
- (iii) the Transaction is subject to the second consideration and approval by the board of directors of Longyuan Power;
- (iv) the Transaction is subject to the approval by the internal decision-making of the counterparty;
- (v) the Transaction is subject to the consideration and approval by the general meeting of Pingzhuang Energy;
- (vi) the Transaction is subject to the consideration and approval by the general meeting and H shareholders' class meeting of Longyuan Power;
- (vii) the Transaction is subject to the approval by the CSRC;
- (viii) the Transaction is subject to the fact that the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the transactions under the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment published by Longyuan Power;

- (ix) the Transaction is subject to the verification or decision of no further review (if necessary) by the Antimonopoly Bureau of the State Administration for Market Regulation for the concentration of business operators involved in the Transaction;
- (x) the Transaction is subject to the review and approval by the SZSE for the listing of A Shares to be issued by Longyuan Power for the Merger;
- (xi) the Transaction is subject to other necessary approvals or verifications (if necessary) as stipulated in the relevant laws and regulations.

Given that the holders of Domestic Shares of the Company only include CHN Energy and Northeast Electric Power, a subsidiary of CHN Energy, and both of them shall abstain from voting on the resolution to approve the Transaction, thus the resolution in respect of the Transaction will not be submitted to the Domestic Shareholders' Class Meeting for consideration.

II. MAIN CONTENTS OF THE AGREEMENTS RELATING TO THE TRANSACTION

On 15 January 2021, the Company entered into the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment, respectively for the possible absorption and merger of Pingzhuang Energy through Share Swap and the material assets replacement. In addition to the contents listed in "I. Plan for the Transaction" above, the main terms and conditions of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment include:

1. Agreement on Absorption and Merger through Share Swap

Effectiveness and
Termination of
Agreement

The Agreement on Absorption and Merger through Share Swap shall come into existence from the date of signing and sealing by the legal representatives of both parties.

The Agreement on Absorption and Merger through Share Swap shall become effective from the date on which all the following conditions are fulfilled (for the avoidance of any doubt, such conditions shall not be waived by any party):

- (i) the Transaction has been approved with more than 2/3 of votes held by the independent shareholders attending the general meeting and H shareholders' class meeting of Longyuan Power, respectively;
- (ii) the Transaction has been approved with more than 2/3 of votes held by all the non-connected shareholders attending the general meeting of Pingzhuang Energy;
- (iii) the Purchase has been considered and approved by the internal competent decision-making authorities of Other Subsidiaries of CHN Energy;
- (iv) the Disposal has been considered and approved by the competent decision-making authorities of Inner Mongolia Power;
- (v) the Transaction has been approved by the competent state-owned assets supervision and administration authorities;
- (vi) the matters in relation to the Transaction have been approved by CSRC;
- (vii) the Transaction has passed the examination on concentration of business operators conducted by the Anti-monopoly Bureau of the State Administration for Market Regulation and/or by overseas anti-monopoly examination authorities (if necessary);
- (viii) the Transaction has obtained the approval by the SZSE for the listing of A Shares to be issued by Longyuan Power for the Merger;
- (ix) the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the Transaction published by Longyuan Power.

The Agreement on Absorption and Merger through Share Swap shall be terminated in case of any of the following circumstances:

Both parties agree to terminate it through negotiations. Under such circumstance, none of the Merger Parties shall be liable for any default liability.

If a competent government authority issues injunction, determination and orders that restrict, prohibit, disallow the completion of the Merger, either party shall be entitled to terminate the Agreement on Absorption and Merger through Share Swap by written notice. Under such circumstance, none of the Merger Parties shall be liable for any default liability.

Either party affected by force majeure event shall notify the other party within ten (10) working days from the occurrence of such force majeure event and provide evidences thereof that are available. If the Agreement on Absorption and Merger through Share Swap cannot be performed due to any force majeure event which continues for sixty (60) days (except for extension of the agreement as agreed by both parties), either party to the Agreement on Absorption and Merger through Share Swap shall be entitled to terminate the Agreement on Absorption and Merger through Share Swap by written notice. Under such circumstance, none of the Merger Parties shall be liable for any default liability.

If either party commits a material default of the requirements of the Agreement on Absorption and Merger through Share Swap and such default acts are not remedied within thirty (30) days following written notice issued from the non-defaulting party to the defaulting party requesting the defaulting party takes immediate remedial action for such default acts, the non-defaulting party shall be entitled to unilaterally terminate the Agreement on Absorption and Merger through Share Swap by written notice. Under such circumstance, the defaulting party shall be liable for the defaulting and compensate for all actual losses suffered by the other party therefrom.

Liabilities for Default If either party to the Agreement on Absorption and Merger through Share Swap violates its representations, warranties, commitments, or makes any misstatements, or fails to perform any of its responsibilities or obligations under the Agreement on Absorption and Merger through Share Swap, such party shall be deemed to have defaulted. The defaulting party shall, upon request of the other party, continue to perform its obligations or take measures to remedy the default or provide the other party with full, prompt, adequate and effective compensation.

If the Agreement on Absorption and Merger through Share Swap fails to take effect or fails to be completed for reasons not attributable to either party, none of the parties shall be liable for liabilities for default.

2. Assets Disposal Agreement

Assets Delivery and Payment of Transaction Consideration Both parties agree that, from the Closing Date, the receiver of the Assets to be Disposed of shall enjoy all rights and interests of all assets under the Assets to be Disposed of and assume all liabilities, responsibilities and obligations under the Assets to be Disposed of.

Both parties agree that, from the Closing Date, the seller shall be deemed to have performed its obligations to deliver the Assets to be Disposed of under the Assets Disposal Agreement, however, the seller still has the obligation to assist the receiver of the Assets to be Disposed of in dealing with the procedures for registration of changes of ownership of the Assets to be Disposed of (including but not limited to registration of changes with industrial and commercial authorities).

Both parties agree that, once Inner Mongolia Power or its subsidiaries transfers the transaction consideration for the Assets to be Disposed of to the bank account designated by the seller within five working days from the Closing Date, Inner Mongolia Power or its subsidiaries shall be deemed to have fully performed its obligation to pay the consideration under the Assets Disposal Agreement.

Profit Compensation Arrangement	The detailed plan for profit guarantee and compensation arrangement (if involved) shall otherwise be negotiated and determined by both parties with reference to the requirements of relevant laws and regulations and the practice.
Liabilities for Default	<p>If either party to the Assets Disposal Agreement violates its representations and warranties or makes any misstatements, or fails to perform any of its responsibilities or obligations under the Assets Disposal Agreement, such party shall be deemed to have defaulted. The defaulting party shall, upon the request of the other party, continue to perform its obligations or take measures to remedy its default or provide it with compensation.</p> <p>If the Disposal fails to take effect or fails to be completed for reasons not attributable to either party, none of the parties shall be liable for liabilities for default.</p>
Effectiveness, Alteration and Termination of Agreement	<p>The Assets Disposal Agreement shall come into existence from the date of signing and sealing by the legal representatives of both parties, which shall become effective upon all the following conditions are fulfilled:</p> <ul style="list-style-type: none"> (i) the Transaction has been approved with more than 2/3 of votes held by the independent shareholders attending the general meeting, H shareholders' class meeting of Longyuan Power, respectively; (ii) the Transaction has been approved with more than 2/3 of votes held by all the non-connected shareholders attending the general meeting of Pingzhuang Energy; (iii) the Purchase has been considered and approved by the internal competent decision-making authorities of the Other Subsidiaries of CHN Energy; (iv) the Disposal has been considered and approved by the internal competent decision-making authorities of Inner Mongolia Power;

- (v) the Transaction has been approved by the competent state-owned assets supervision and administration authorities;
- (vi) the matters in relation to the Transaction have been approved by CSRC;
- (vii) the Transaction has passed the examination on concentration of business operators conducted by the Anti-monopoly Bureau of the State Administration for Market Regulation and/or by the anti-monopoly examination authorities in relevant countries and areas outside of the PRC (if necessary);
- (viii) the Transaction has obtained the approval by the SZSE for the listing of A Shares to be issued by Longyuan Power for the Merger;
- (ix) the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the Transaction published by Longyuan Power.

Any alterations, amendments or supplement to the Assets Disposal Agreement are subject to the signing of written agreements by both parties. Such written agreements, being a part of the Assets Disposal Agreement, shall have equal legal effect with the Assets Disposal Agreement.

The Assets Disposal Agreement shall be terminated in case of any of the following circumstances:

- (i) both parties agree to terminate it through negotiations before the Closing Date;
- (ii) the Transaction cannot be implemented due to force majeure or other objective reasons other than the parties' before the Closing Date;

- (iii) either party to the Assets Disposal Agreement commits a material default of the requirements of the agreement or the applicable laws, which makes it impossible to perform and complete the agreement. Under such circumstance, the remaining party shall be entitled to unilaterally terminate the Assets Disposal Agreement by written notice.

If the agreement is terminated in accordance with the provisions of items (i) and (ii) above, neither party shall assume liabilities to any other party for breach of agreement. If the Assets Disposal Agreement is terminated in accordance with the provisions of items (iii), in addition to performing the obligations set forth above, the defaulting party shall make full compensation to the non-defaulting party for the losses suffered by the non-defaulting party therefrom.

3. Agreement on Purchase of Assets through Cash Payment

Assets Delivery
and Payment
of Transaction
Consideration

Both parties agree that, from the Closing Date, the receiver of the Assets to be Purchased shall enjoy all rights and interests of all assets under the Assets to be Purchased and assume all liabilities, responsibilities and obligations under the Assets to be Purchased.

Both parties agree that, once the Surviving Company transfers the transaction consideration for the Assets to be Purchased to the bank account designated by the seller within five working days from the Closing Date, the Surviving Company shall be deemed to have fully performed its obligation to pay the consideration under the Agreement on Purchase of Assets through Cash Payment.

Both parties agree that, from the Closing Date, the seller shall be deemed to have performed its obligation to deliver the Assets to be Purchased under the Agreement on Purchase of Assets through Cash Payment.

Profit Compensation Arrangement	The detailed plan for profit guarantee and compensation arrangement (if involved) shall otherwise be negotiated and determined by both parties with reference to the requirements of relevant laws and regulations and the practice.
Liabilities for Default	<p>If either party to the Agreement on Purchase of Assets through Cash Payment violates its representations and warranties or makes any misstatements, or fails to perform any of its responsibilities or obligations under the Agreement on Purchase of Assets through Cash Payment, such party shall be deemed to have defaulted. The defaulting party shall, upon the request of the other party, continue to perform its obligations or take measures to remedy its default or provide it with compensation.</p> <p>If the Transaction fails to take effect or fails to be completed for reasons not attributable to either party, none of the parties shall be liable for liabilities for default.</p>
Effectiveness, Alteration and Termination of Agreement	<p>The Agreement on Purchase of Assets through Cash Payment shall come into existence from the date of signing and sealing by the legal representatives of both parties, which shall become effective upon all the following conditions are fulfilled:</p> <ul style="list-style-type: none"> (i) the Transaction has been approved with more than 2/3 of votes held by the independent shareholders attending the general meeting, H shareholders' class meeting of Longyuan Power, respectively; (ii) the Transaction has been approved with more than 2/3 of votes held by all the non-connected shareholders attending the general meeting of Pingzhuang Energy; (iii) the Purchase has been considered and approved by the internal competent decision-making authorities of the seller;

- (iv) the Disposal has been considered and approved by competent decision-making authorities of Inner Mongolia Power;
- (v) the Transaction has been approved by the competent state-owned assets supervision and administration authorities;
- (vi) the matters in relation to the Transaction have been approved by CSRC;
- (vii) the Transaction has passed the examination on concentration of business operators conducted by the Anti-monopoly Bureau of the State Administration for Market Regulation and/or by the anti-monopoly examination authorities in relevant countries and areas outside of the PRC (if necessary);
- (viii) the Transaction has obtained the approval by the SZSE for the listing of A Shares to be issued by Longyuan Power for the Merger;
- (ix) the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the Transaction published by Longyuan Power.

Any alterations, amendments or supplement to the Agreement on Purchase of Assets through Cash Payment are subject to the signing of written agreements by the parties. Such written agreements, being a part of the Agreement on Purchase of Assets through Cash Payment, shall have equal legal effect with the Agreement on Purchase of Assets through Cash Payment.

The Agreement on Purchase of Assets through Cash Payment shall be terminated in case of any of the following circumstances:

- (i) both parties agree to terminate it through negotiations before the Closing Date;

- (ii) the Transaction cannot be implemented due to force majeure or other objective reasons other than the parties' before the Closing Date;
- (iii) either party to the Agreement on Purchase of Assets through Cash Payment commits a material default of the requirements of the agreement or the applicable laws, which makes it impossible to perform and complete the Agreement on Purchase of Assets through Cash Payment. Under such circumstance, the remaining parties shall be entitled to unilaterally terminate the Agreement on Purchase of Assets through Cash Payment by written notice.

The parties agree that:

If the Agreement on Purchase of Assets through Cash Payment is terminated in accordance with the provisions of items (i) and (ii) above, neither party shall assume liabilities to other parties for breach of agreement. Under such circumstance, the parties shall, under the principle of restitution, sign all documents and take all necessary actions or, at the request of the other parties (such request shall not be unreasonably rejected), sign all documents or take all actions to assist the other parties to return to the state on the date of signing.

If the Agreement on Purchase of Assets through Cash Payment is terminated in accordance with the provisions of item (iii), in addition to performing the obligations set forth above, the defaulting party shall make full compensation to the non-defaulting party for the losses suffered by the non-defaulting party therefrom.

III. SPECIFIC MANDATE IN RELATION TO THE ISSUANCE OF A SHARES

The Transaction involves the issuance of additional A Shares by the Company to all Conversion Shareholders of Pingzhuang Energy in exchange for the A Shares of Pingzhuang Energy they hold at the Conversion Ratio. The Board will propose at the general meeting and the shareholders' class meeting to be granted an unconditional specific mandate. If the Transaction is materialised, it shall decide and implement the issuance of not more than 341,922,662 A Shares by the Company as required under the Transaction, and it shall deal with at its sole discretion any and all matters which are necessary, expedient or appropriate for the issuance of additional A Shares, including but not limited to adjusting the price of A Shares to be issued and the number of shares to be issued in accordance with the relevant laws and regulations or the provisions or requirements of the relevant regulatory authorities, and handling the matters concerning the issuance of shares (including but not limited to issuing share certificates and stamping the securities seal of the Company on the share certificates), registration, transfer and listing of A Shares on the Main Board of SZSE.

The specific mandate in relation to the Issuance of A Shares shall be effective for a period of 12 months from the date of consideration and approval at the general meeting and corresponding shareholders' class meeting of the Company. However, if the Company has obtained the approval document from the CSRC in relation to the relevant matters of the Transaction within the period of validity, the period of validity of the resolution will be automatically extended until the Completion Date of the Merger.

IV. REASONS FOR AND BENEFITS OF THE TRANSACTION

1. Aligning with the national new energy development strategy, consolidating and enhancing the industry leading position and international competitiveness of Longyuan Power

Since the beginning of the 21st century, a new round of energy reform has sprung up around the world. It is the common mission of all countries around the world to solve the problem of sustainable energy supply and cope with climate change, and promote the transformation of human society from industrial civilization to ecological civilization. In 2016, more than 170 countries around the world jointly signed the Paris Agreement to cope with climate change and improve the sustainable development of global civilization. Under this framework, various countries around the world have formulated energy transformation strategies, put forward higher energy efficiency targets, formulated more active low-carbon policies, constantly sought for low-cost clean energy alternatives, and promoted the development of renewable energy and the transformation of green and low-carbon economy. It has become a global consensus for energy development to follow the path of green and low-carbon development and gradually shift the focus from fossil energy to clean energy such as wind, solar and hydro power.

As the world's largest energy producer and consumer, China is also the largest emitter of carbon dioxide. If China fails to achieve "carbon neutrality" as early as possible, it will have to pay huge carbon emission costs in the future. In the meanwhile, China has rich reserves of wind energy resources, and the utilization of wind power generation has obvious benefits of energy conservation, emission reduction and environmental protection, which is conducive to the transformation of China's energy structure to low-carbonization and non-carbonization.

In 2014, the Party Central Committee, with President Xi Jinping at its core, put forward the new energy security strategy of "Four revolutions & One cooperation", which pointed out the direction for China's energy transformation. Under the guidance of this strategy, China has made remarkable achievements in wind power development in recent years, with its installed capacity ranking first in the world. As at November 2020, the installed capacity of wind power has reached 240 million kW, representing five times that of a decade ago. However, given China's total installed power capacity of 2.1 billion kW and the total energy consumption of standard coal of 5 billion tons, the proportion of non-fossil energy in primary energy consumption is only 15.3%, which is still lower than the world average. Since September 2020, President Xi Jinping has stated to the world on a series of important international occasions that China will accelerate its green transformation and development. On 22 September 2020, President Xi Jinping made a solemn promise to the world in the general debate of the 75th session of the General Assembly of the United Nations that "China will increase its nationally determined contributions, adopt more forceful policies and measures, strive to reach the peak of carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060." In December 2020, at the Climate Ambition Summit, President Xi Jinping emphasized again in an important speech that "By 2030, China's carbon dioxide emissions per unit of GDP will decrease by more than 65% from the level in 2005, and the non-fossil energy will account for about 25% of primary energy consumption..... The total installed capacity of wind power and solar power will reach to more than 1.2 billion kW."

Meanwhile, in recent years, the state has introduced various policies to encourage the state-owned enterprises to merge and reorganize, and support the enterprises to utilize the capital market for mergers and reorganizations to promote industry integration and industrial upgrading. In order to implement the decision and deployment of the Party Central Committee and the State Council on the reform of state-owned enterprises, Longyuan Power and Pingzhuang Energy intend to further promote the internal resource allocation intensification and business development synergy through the Merger, giving play to the advantages of the whole industry chain in related fields, highlighting the development of related competitive industries, improving the level of value creation of the Company, and consolidating and enhancing the industry leading position and international competitiveness of Longyuan Power.

2. Being conducive to broadening financing channels and enhancing competitive advantages of the Company

Upon the completion of the Transaction, Longyuan Power, as the Surviving Company, will become A + H dual listing and can conduct capital operation in both H share market and A share market, so as to open up financing channels in and outside of the PRC. As the investment and financing instruments in the A share market have been constantly evolving, the investment and financing activities are rather active and the overall valuation of A shares represents a premium over that of H shares, it can provide strong capital support for the business development and merger and acquisition of Longyuan Power in the future. In addition, returning to the A share market can also further enhance the influence of the brand of Longyuan Power, promote its business development and the effective interaction between it and the capital market, as well as the its long-term development in the future and protect the overall interests of all its shareholders.

3. Being conducive to reducing horizontal competition and realizing resource integration

Longyuan Power is a listed company platform for the new energy segment of CHN Energy. The Merger and the injection of new energy assets of CHN Energy through the Assets Disposal and the Purchase through Cash are conducive to easing the horizontal competition between Longyuan Power and CHN Energy in the new energy sector, enhancing the independence of the listed company, so as to promote the healthy and sound development of the listed company. The reorganization of the new energy segment, being consistent with the strategic positioning of the CHN Energy to construct its eight business segments, will facilitate the further integration, expansion as well as improvement of the new energy segment of CHN Energy, so as to build Longyuan Power into a world-class listed new energy company.

V. LISTING RULES IMPLICATIONS

It is expected the highest applicable percentage ratio calculated in respect of the Transaction pursuant to Chapter 14 of the Listing Rules is more than 5% but lower than 25%, therefore, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the shareholders' approval requirement. In calculating the applicable percentage ratio in respect of the Transaction, the preliminary calculation of the percentage ratio in respect of the Assets Disposal and the Purchase through Cash transactions is based on the unaudited financial data of the companies concerned and the book value of the Assets to be Disposed of and the Assets to be Purchased which have yet to be valued.

As at the date of this announcement, CHN Energy, being the direct controlling shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. CHN Energy, through its wholly-owned subsidiary, Inner Mongolia Power, holds 51% shares of Pingzhuang Coal Group, which holds 61.42% shares of Pingzhuang Energy, therefore Pingzhuang Energy is an indirect subsidiary of CHN Energy, and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. The Other Subsidiaries of CHN Energy also constitute connected persons of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment constitute the connected transactions of the Company. It is expected the highest applicable percentage ratio calculated in respect of the Transaction pursuant to Chapter 14 of the Listing Rules is more than 5%, therefore, the Transaction is subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company expects that the appraisal value of the relevant assets and the transaction consideration to be finally determined may not differ greatly from their book value. Upon the completion of the valuation of the Assets to be Disposed of and the Assets to be Purchased and the determination of the final consideration, the Company will re-calculate the applicable percentage ratio and re-comply with the relevant requirements under Chapter 14 and Chapter 14A of the Listing Rules. The directors of the Company are of the view that the terms of Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment were determined after arm's length negotiations, the Transaction is on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Liu Jinhuan, Mr. Zhang Xiaoliang and Mr. Yang Xiangbin, being the non-executive directors of the Company, are appointed by and hold positions in CHN Energy and therefore have material interests in the Transaction. They have abstained from voting on the relevant proposals of the Board on approval of the Transaction. Save as aforementioned, none of the other directors has a material interest in the Transaction.

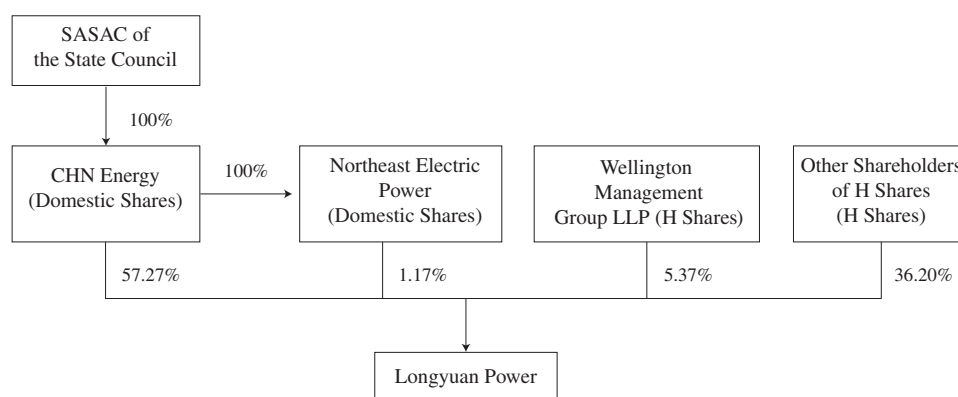
VI. GENERAL INFORMATION

1. Information on the Company

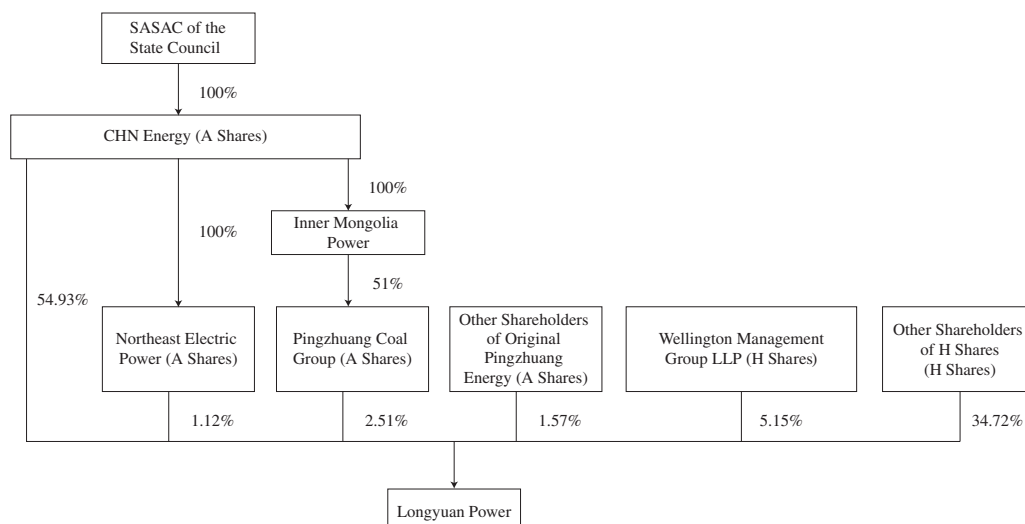
The Company is a leading wind power generation company in the PRC, primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, the Company also operates other power projects such as coal power, solar power, tidal, biomass and geothermal energy. Meanwhile, the Company also provides consultation, repair and maintenance, training and other professional services to wind farms, as well as manufactures and sells power equipment used in the power grids, wind farms and coal power plants. The ultimate beneficial owner of the Company is CHN Energy.

Shareholding Structure of the Company

As at the date of this announcement, the shareholding structure of the Company is as follows:



Immediately after the completion of the Transaction (assuming that no other shares will be issued after the date of this announcement until the completion of the Transaction and not taking into account the effect of the exercise of the Cash Alternative and the exercise of the Put Option), it is anticipated that the shareholding structure of the Company will be as follows:



Impact of the Merger on Shareholding Structure of the Company

Pursuant to the plan for the Transaction, Longyuan Power will increase by 341,922,662 A Shares due to the Merger. Upon the completion of the Transaction and taking no consideration of the impact of the exercise of the Put Option and the Cash Alternative, CHN Energy will directly and indirectly hold 4,906,355,530 shares of Longyuan Power in aggregate, representing 58.56% of the total share capital of Longyuan Power, and thus remains the controlling shareholder of Longyuan Power. The SASAC of the State Council holds 100% equity interests in CHN Energy, therefore remains the ultimate de facto controller of Longyuan Power. Before the Merger, the total number of shares of Longyuan Power was 8,036,389,000, the number of A shares to be issued in the Merger is 341,922,662. Upon the completion of the Transaction, the total number of shares of Longyuan Power will be 8,378,311,662.

The shareholding structure of Longyuan Power prior and after the Transaction is as follows:

Name of Shareholder	Prior to the Transaction		After the Transaction	
	Number of Shares Held (share)	Shareholding Percentage (%)	Number of Shares Held (share)	Shareholding Percentage (%)
CHN Energy	4,602,432,800	57.27	4,602,432,800	54.93
Northeast Electric Power	93,927,200	1.17	93,927,200	1.12
Pingzhuang Coal Group	–	–	209,995,530	2.51
Other original shareholders of Pingzhuang Energy	–	–	131,927,131	1.57
Total Domestic Shares (A Shares)	4,696,360,000	58.44	5,038,282,662	60.13
Public H Shareholders	3,340,029,000	41.56	3,340,029,000	39.87
Total H Shares	3,340,029,000	41.56	3,340,029,000	39.87
Total share capital	8,036,389,000	100.00	8,378,311,662	100.00

Notes:

1. Taking no consideration of the impact of the exercise of the Put Option and the Cash Alternative.
2. The shareholding percentages represent the percentage to the total share capital.
3. The number of shares held by Pingzhuang Coal Group and other original shareholders of Pingzhuang Energy after the Transaction will be determined in accordance with the fractional share disposal method.

The public float of the Company is expected to remain at not lower than 25% all along upon completion of the Transaction. The Company will ensure the compliance with the requirement of public float before and after the completion of the Transaction.

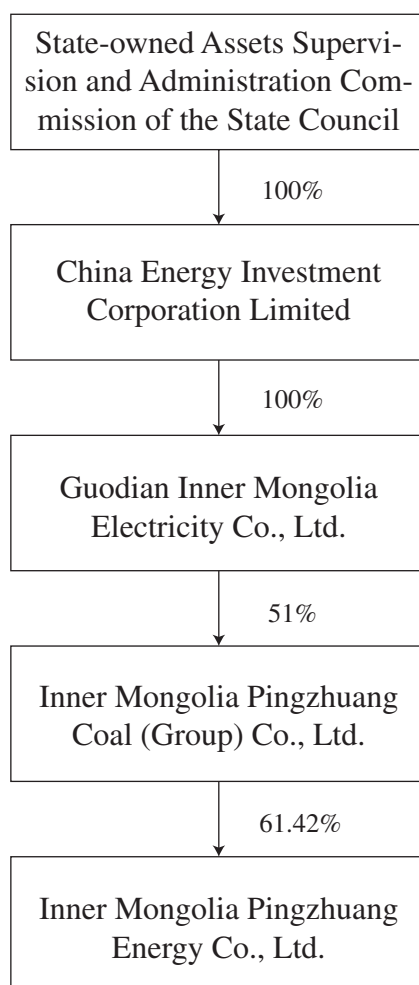
2. Information on CHN Energy

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.

3. Information on Pingzhuang Energy

Pingzhuang Energy is a joint stock limited company incorporated and validly existing under the laws of the PRC, whose shares are listed and traded on Shenzhen Stock Exchange with stock code 000780.SZ. Pingzhuang Energy is mainly engaged in the business of production, preparation, processing and sales (limited to operation by branches) of coal, sales of mine equipment, materials, accessories and disposal materials, catering services, accommodation and other businesses. As at the date of this announcement, the total number of issued shares of Pingzhuang Energy was 1,014,306,324, among which, CHN Energy holds 61.42% of shares of Pingzhuang Energy through Pingzhuang Coal Group and is an indirect controlling shareholder of Pingzhuang Energy and the ultimate beneficial owner. Other than Pingzhuang Coal Group, all other shareholders of Pingzhuang Energy are independent third parties other than the Company and its connected persons.

As at the date of this announcement, the shareholding structure of Pingzhuang Energy is as follows:



Based on the audited financial information of Pingzhuang Energy prepared in accordance with the PRC Accounting Rules and Regulations as set out in the published 2018 annual report and 2019 annual report for A Shares of Pingzhuang Energy, and the unaudited financial information of Pingzhuang Energy for the nine months ended 30 September 2020 as set out in the published 2020 third quarterly report for A Shares of Pingzhuang Energy, the total profit (profit before tax) and the net profit (profit after tax) of Pingzhuang Energy for the two financial years ended 31 December 2018 and 31 December 2019 and the nine months ended 30 September 2020, and the total assets and the net assets attributable to the shareholders of the listed company as at 31 December 2018, 31 December 2019 and 30 September 2020 are as follows:

Unit: RMB

	As at 31 December 2018	As at 31 December 2019	As at 30 September 2020 (Unaudited)
Total assets	5,205,074,349.18	4,845,531,382.58	4,787,265,718.37
Net assets attributable to the shareholders of the listed company	4,158,912,974.94	3,844,150,130.01	3,629,654,171.72
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the nine months ended 30 September 2020 (Unaudited)
Total profit (profit before tax)	-264,064,017.44	-74,097,286.47	-219,825,366.92
Net profit (profit after tax)	-251,022,382.59	-78,020,964.01	-228,075,261.26

4. Information on the Other Subsidiaries of CHN Energy

Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power, all incorporated pursuant to the laws of the PRC, are all wholly-owned subsidiaries of CHN Energy, and mainly engaged in development, investment and operation of wind power projects. CHN Energy is the ultimate beneficial owner of all its other subsidiaries.

VII. CIRCULAR

The general meeting and class meeting will be convened by the Company for the shareholders to consider and, if thought fit, approve the Transaction. A circular containing, among other things, (i) further details of the Transaction, (ii) further details of the specific mandate in relation to the Issuance of A Shares, and (iii) notices for holding the general meeting and class meeting for approving the Transaction will be issued by the Company and despatched to the shareholders in due course. For the purpose of the circular, the Company will need time to make various preparations, rendering the expected date of despatch of the circular more than 15 business days after publishing this announcement.

The Transaction may or may not be proceeded or become unconditional or effective. There is no assurance that all the effectiveness conditions contained in the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment can be satisfied. Investors and potential investors should exercise caution, and should not only rely on information published by the Company, when dealing, or contemplating dealing in the shares of the Company.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any shares or securities.

VIII. DEFINITIONS

“A Shares”	ordinary share(s) as issued in the PRC, traded on the PRC domestic stock exchange, denominated, subscribed for and traded in RMB with a nominal value of RMB1.00 each
“A Shares of Pingzhuang Energy”	A Shares of Pingzhuang Energy listed and traded on SZSE (stock code: 000780.SZ)
“Agreement on Absorption and Merger through Share Swap”	the Agreement on Absorption and Merger through Share Swap of China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. entered into between the Company and Pingzhuang Energy on 15 January 2021
“Agreement on Purchase of Assets through Cash Payment”	Agreement on Purchase of Assets through Cash Payment of China Longyuan Power Group Corporation Limited* and CHN Energy Northeast Electric Power Co., Ltd., CHN Energy Shaanxi Electric Power Co., Ltd., CHN Energy Guangxi Electric Power Co., Ltd., CHN Energy Yunnan Electric Power Co., Ltd., CHN Energy Gansu Electric Power Co., Ltd., CHN Energy North China Electric Power Co., Ltd. entered into between the Company and the Other Subsidiaries of CHN Energy on 15 January 2021
“Articles of Association”	the articles of association of the Company (as amended, modified or otherwise supplemented from time to time)

“Assets Disposal Agreement”	Assets Disposal Agreement of Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited* and CHN Energy Inner Mongolia Power Co., Ltd. entered into between the Company and Pingzhuang Energy, Inner Mongolia Power on 15 January 2021
“Assets to be Disposed of”	all or part of the assets and liabilities of Pingzhuang Energy as at the Valuation Benchmark Date
“Assets to be Purchased”	part of equity interests of subsidiaries engaging on new energy business to be purchased by Longyuan Power from the Other Subsidiaries of CHN Energy
“Board”	board of directors of the Company
“Cash Alternative”	the rights of the Dissenting Shareholders of Pingzhuang Energy entitled in the Merger. The Dissenting Shareholders of Pingzhuang Energy who declare to exercise the right may request the Cash Alternative Providers to acquire all or part of the shares of Pingzhuang Energy held by them in cash during the Declaration Period of Cash Alternative
“Cash Alternative Exercise Date”	the date on which the Cash Alternative Providers pay cash consideration to Dissenting Shareholders of Pingzhuang Energy who effectively declared to exercise the Cash Alternative for the shares of Pingzhuang Energy held by them, which will be determined and announced by the Merger Parties through negotiation separately
“Cash Alternative Provider(s)”	the units that pay cash consideration to the eligible Dissenting Shareholders of Pingzhuang Energy for shares of Pingzhuang Energy held by such dissenting shareholders in the Merger. CHN Energy and/or its designated wholly-owned subsidiaries, excluding Longyuan Power and its subsidiaries, will act as the Cash Alternative Providers of the Merger

“CHN Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), as at the date of this announcement, CHN Energy in aggregate directly and indirectly holds 4,696,360,000 domestic shares (representing approximately 58.44% of the total issued share capital of the Company) in the Company, and is the controlling shareholder of the Company
“CITIC Securities”	CITIC Securities Co., Ltd.
“Closing Date”	the same day as the Share Swap Exercise Date or such other date as the Merger Parties may agree, on which Longyuan Power or its designated wholly-owned subsidiaries will inherit and take over all assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (excluding the Assets to be Disposed of)
“Closing Date of Assets to be Disposed of”	the date when Pingzhuang Energy and Inner Mongolia Power or its designated subsidiaries executed the Confirmation of Assets Delivery
“Closing Date of Assets to be Purchased”	the date of transfer of the Assets to be Purchased into the name of Longyuan Power or its designated subsidiaries, being the date of completion of the registration of the change of transfer of the Assets to be Purchased at the Administration for Industry and Commerce
“Company Law”	Company Law of the People’s Republic of China (as amended from time to time)
“Company” or “Longyuan Power”	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
“Completion Date of the Merger”	the date on which Longyuan Power completed the procedures for industrial and commercial registration of changes regarding the Merger or Pingzhuang Energy completed the procedures for deregistration of industrial and commercial registration, whichever is later

“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price per share of Pingzhuang Energy when the A Shares of Pingzhuang Energy are converted into A Shares to be issued by Longyuan Power under the Merger
“Conversion Ratio”	the ratio of the number of each A Shares of Pingzhuang Energy to be converted into A Shares of Longyuan Power under the Share Swap
“Conversion Shareholders of Pingzhuang Energy”	all shareholders of Pingzhuang Energy whose name appears on the shareholders’ register at the close of business of the Registration Date of Implementation of the Merger, including the shareholders of Pingzhuang Energy who have not declared, partially declared, have no right to declare or invalidly declared the exercise of the Cash Alternative, and the Cash Alternative Providers of Dissenting Shareholders of Pingzhuang Energy
“CSRC”	China Securities Regulatory Commission
“Declaration Period of Cash Alternative”	the period during which the eligible Dissenting Shareholders of Pingzhuang Energy may request to exercise the Cash Alternative, which will be determined and announced by the Merger Parties through negotiation separately
“Declaration Period of Put Option”	the period during which the eligible Dissenting Shareholders of Longyuan Power may request to exercise the Put Option, which will be determined and announced by the Merger Parties through negotiation separately

“Disposal” or “Assets Disposal”	the Assets to be Disposed of will be transferred by Pingzhuang Energy to Inner Mongolia Power or its subsidiaries according to the terms and conditions as agreed in the Assets Disposal Agreement with a consideration of the Assets to be Disposed of payable by Inner Mongolia Power or its subsidiaries in cash to Longyuan Power, the Surviving Company after the Merger. On the Closing Date, the Assets to be Disposed of will be delivered directly to Inner Mongolia Power or its subsidiaries
“Dissenting Shareholders of Longyuan Power”	the shareholders of Longyuan Power having cast effective dissenting votes in respect of the resolutions and each of the sub-resolutions regarding the plan for the Transaction and the resolutions regarding entering into the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment at the general meeting and corresponding shareholders’ class meeting held by Longyuan Power regarding the Transaction, having held the shares which are entitled to the dissenting rights until the Put Option Exercise Date of the Dissenting Shareholders of Longyuan Power, and having successfully fulfilled relevant declaration procedures of the Put Option within the specified time
“Dissenting Shareholders of Pingzhuang Energy”	the shareholders of Pingzhuang Energy having cast effective dissenting votes in respect of the resolutions and each of the sub-resolutions regarding the plan for the Transaction and the resolutions regarding entering into the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment at the general meeting held by Pingzhuang Energy regarding the Transaction, and having held the shares which are entitled to the dissenting rights until the Cash Alternative Exercise Date of the Dissenting Shareholders of Pingzhuang Energy, and having successfully fulfilled relevant declaration procedures of the Cash Alternative within the specified time

“Domestic Shares”	unlisted domestic shares held by the legal person in the PRC in Longyuan Power on the date of signing the Agreement on Absorption and Merger through Share Swap
“Gansu Electric Power”	CHN Energy Gansu Electric Power Co., Ltd. (國家能源集團甘肅電力有限公司)
“Guangxi Electric Power”	CHN Energy Guangxi Electric Power Co., Ltd. (國家能源集團廣西電力有限公司)
“H Shares”	listed share(s) as issued to the overseas investors, listed and traded on the Hong Kong Stock Exchange, subscribed for in foreign currency with a nominal value of RMB1.00 each as far as joint stock limited company listed and traded on the Hong Kong Stock Exchange is concerned
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Inner Mongolia Power”	CHN Energy Inner Mongolia Power Co., Ltd. (國家能源集團內蒙古電力有限公司), a wholly-owned subsidiary of CHN Energy. As at the date of this announcement, Inner Mongolia Power indirectly holds approximately 61.42% of shares of Pingzhuang Energy through Pingzhuang Coal Group (with the shareholding of 51%)
“Issuance of A Shares”	A Shares issued by Longyuan Power to all Conversion Shareholders of Pingzhuang Energy due to the Merger
“Issue Price”	the price per A Share to be issued by Longyuan Power to the Conversion Shareholders of Pingzhuang Energy for the Merger
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Merger” or “Absorption and Merger through Share Swap”	Longyuan Power absorbs and merges Pingzhuang Energy through the Share Swap by the Issuance of A Shares to all the Conversion Shareholders of Pingzhuang Energy. Upon completion of the Merger, Pingzhuang Energy will be delisted in SZSE and ultimately disqualified as a legal person. Longyuan Power, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (excluding the Assets to be Disposed of). Meanwhile, Longyuan Power will apply for listing and trading of A Shares to be issued for the Merger and the original Domestic Shares on the Main Board of SZSE
“Merger Parties”	Longyuan Power and Pingzhuang Energy
“North China Electric Power”	CHN Energy North China Electric Power Co., Ltd. (國家能源集團華北電力有限公司)
“Northeast Electric Power”	CHN Energy Northeast Electric Power Co., Ltd. (國家能源集團東北電力有限公司), a wholly-owned subsidiary of CHN Energy
“Other Subsidiaries of CHN Energy”	Northeast Electric Power, CHN Energy Shaanxi Electric Power Co., Ltd. (國家能源集團陝西電力有限公司), CHN Energy Guangxi Electric Power Co., Ltd. (國家能源集團廣西電力有限公司), CHN Energy Yunnan Electric Power Co., Ltd. (國家能源集團雲南電力有限公司), CHN Energy Gansu Electric Power Co., Ltd. (國家能源集團甘肅電力有限公司) and CHN Energy North China Electric Power Co., Ltd. (國家能源集團華北電力有限公司)

“Pingzhuang Coal Group”	Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司), an indirect subsidiary of CHN Energy. The shareholders of Pingzhuang Coal Group are Inner Mongolia Power (with the shareholding of 51%), China Cinda Asset Management Co., Ltd. (with the shareholding of 31.82%, listed on the Main Board of Hong Kong Stock Exchange (Stock Code: 01359), the ultimate beneficial owner of which is the Ministry of Finance of the People’s Republic of China) and the Industry and Information Commission of Chifeng City (赤峰市工業和信息化局) (with the shareholding of 17.18%). China Cinda Asset Management Co., Ltd. and the Industry and Information Commission of Chifeng City and their ultimate beneficial owners are all independent third parties other than the Company and its connected persons
“Pingzhuang Energy”	Inner Mongolia Pingzhuang Energy Co., Ltd. (內蒙古平莊能源股份有限公司), whose shares are listed and traded on the Main Board of SZSE with stock code 000780.SZ. As at the date of this announcement, the total number of issued shares of Pingzhuang Energy was 1,014,306,324, among which, CHN Energy holds 61.42% of shares of Pingzhuang Energy through Pingzhuang Coal Group and is an indirect controlling shareholder of Pingzhuang Energy
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Pricing Benchmark Date”	the date of the announcement on resolution of the first board meeting held by Pingzhuang Energy for consideration of matters in relation to the Transaction (i.e. 15 January 2021)

“Purchase” or “Purchase through Cash”	the Assets to be Purchased will be purchased by Longyuan Power, the Surviving Company after the Merger, from the Other Subsidiaries of CHN Energy according to the terms and conditions as agreed in the Agreement on Purchase of Assets through Cash Payment with a consideration of the Assets to be Purchased payable by Longyuan Power to the Other Subsidiaries of CHN Energy in cash. On the Closing Date, the Assets to be Purchased will be delivered directly to Longyuan Power or its subsidiaries
“Put Option”	the rights of the Dissenting Shareholders of Longyuan Power entitled in the Merger. The Dissenting Shareholders of Longyuan Power who declare to exercise such right may request the Put Option Providers to acquire all or part of the shares of Longyuan Power held by them in cash during the Declaration Period of Put Option
“Put Option Exercise Date”	the date on which the Put Option Providers pay cash consideration to Dissenting Shareholders of Longyuan Power who effectively declared to exercise the Put Option for the shares of Longyuan Power held by them, which will be determined and announced by the Merger Parties through negotiation separately
“Put Option Provider(s)”	the units that pay cash consideration to the eligible Dissenting Shareholders of Longyuan Power for shares of Longyuan Power held by such dissenting shareholders in the Merger. CHN Energy and/or its designated wholly-owned subsidiaries, excluding Longyuan Power and its subsidiaries, will act as the Put Option Providers of the Merger
“Receiving Party”	Inner Mongolia Power or its subsidiaries

“Registration Date of Implementation of the Merger”	one trading day for the purpose of determining the list of shareholders of Pingzhuang Energy entitling to participate in the Share Swap and the number of shares held by them, which will be determined and announced by the Merger Parties through negotiation separately
“Restriction on Rights”	shares held by shareholders that are subject to ownership disputes, pledges, freezing orders, sealing-up orders or other restrictions on transfer under applicable laws or restricted agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC of the State Council”	State-owned Assets Supervision and Administration Commission of the State Council
“Shaanxi Electric Power”	CHN Energy Shaanxi Electric Power Co., Ltd. (國家能源集團陝西電力有限公司)
“Share Swap”	in the Merger, the Conversion Shareholders of Pingzhuang Energy converted the A Shares of Pingzhuang Energy held by them into the A Shares issued by Longyuan Power for the Merger at the Conversion Ratio as agreed in the Agreement on Absorption and Merger through Share Swap
“Share Swap Exercise Date”	the date on which the A Shares issued by Longyuan Power for the Merger registered under the name of Conversion Shareholders of Pingzhuang Energy, which will be determined and announced by the Merger Parties through negotiation separately
“Surviving Company”	Longyuan Power upon the completion of the issuance of shares and Absorption and Merger of Pingzhuang Energy through Share Swap
“SZSE”	Shenzhen Stock Exchange

“Transaction”	<p>the whole transactions comprising of the Merger, the Disposal and the Purchase. The Merger, the Disposal and the Purchase are inter-conditional on each other, failing any of which, the other two matters will not be implemented. Upon the completion of the Transaction, Pingzhuang Energy will be delisted and disqualified as a legal person. Longyuan Power, as the Surviving Company, will inherit or take over, directly or through its designated wholly-owned subsidiaries, all the assets, liabilities, businesses, contracts, qualifications, employees and all other rights and obligations of Pingzhuang Energy (excluding the Assets to be Disposed of). Longyuan Power will apply for listing and trading of the A Shares to be issued for the absorption and merger and the original Domestic Shares on the Main Board of the SZSE. Meanwhile, the Assets to be Disposed of will be directly delivered to Inner Mongolia Power or its subsidiaries, and the Assets to be Purchased will be directly delivered to Longyuan Power or its subsidiaries, as agreed in the Assets Disposal Agreement and Agreement on Purchase of Assets through Cash Payment</p>
“Transitional Period of the Merger”	<p>the period from the execution date of Agreement on Absorption and Merger through Share Swap to the Completion Date of the Merger</p>
“Valuation Benchmark Date”	<p>the valuation benchmark date of the Assets to be Purchased and the Assets to be Disposed of involved in the Disposal and the Purchase as agreed in the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment, being 31 December 2020</p>

“Yunnan Electric Power”

CHN Energy Yunnan Electric Power Co., Ltd. (國家能源集團雲南電力有限公司)

By order of the Board

China Longyuan Power Group Corporation Limited*

Jia Yanbing

Chairman

Beijing, the PRC, 15 January 2021

As at the date of this announcement, the executive directors of the Company are Mr. Jia Yanbing and Mr. Sun Jinbiao; the non-executive directors are Mr. Liu Jinhuan, Mr. Zhang Xiaoliang and Mr. Yang Xiangbin; and the independent non-executive directors are Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang.

* *For identification purpose only*