

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.



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

**PROGRESS ON DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION - ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH SHARE SWAP, DISPOSAL OF MATERIAL ASSETS, PURCHASE OF ASSETS THROUGH CASH PAYMENT AND SPECIFIC MANDATE IN RELATION TO THE ISSUANCE OF A SHARES
THE PROPOSED ARTICLES OF ASSOCIATION (DRAFT) AND ITS APPENDICES APPLICABLE AFTER THE LISTING OF A SHARES OF THE COMPANY
ISSUANCE OF SUPPLEMENTAL UNDERTAKING TO NON-COMPETITION AGREEMENT BY CONTROLLING SHAREHOLDER**

Financial Adviser to the Company



中信証券
CITIC SECURITIES

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



Gram Capital Limited
嘉林資本有限公司

Reference is made to the announcement (the “**Announcement**”) of China Longyuan Power Group Corporation Limited (the “**Company**”) dated 15 January 2021 in relation to the discloseable transaction and connected transaction – absorption and merger of Pingzhuang Energy through share swap and disposal of material assets and purchase of assets through cash payment and specific mandate in relation to the Issuance of A Shares. Unless otherwise defined in this announcement, capitalized terms used herein shall have the same meaning as defined in the Announcement.

On 18 June 2021, the Company further entered into the Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap, the Supplemental Agreement to the Assets Disposal Agreement, the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment and the Profit Compensation Agreements for the possible absorption and merger of Pingzhuang Energy through share swap, disposal of material assets and purchase of assets through cash payment, with supplement and adjustments made for the Merger, the Assets Disposal and the Purchase through Cash.

ABSORPTION AND MERGER OF PINGZHUANG ENERGY THROUGH SHARE SWAP

The Company and Pingzhuang Energy agreed to conduct the Merger by way of Absorption and Merger through Share Swap, namely that the Company will absorb and merge Pingzhuang Energy through share swap by Issuance of A Shares to all the Conversion Shareholders of Pingzhuang Energy. Upon completion of the Merger, Pingzhuang Energy will be delisted and ultimately disqualified as a legal person. The Company, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets and liabilities of Pingzhuang Energy, excluding the Assets to be Disposed of. An application will be made for the listing and trading of the Company’s original Domestic Shares and the A Shares to be issued for the Merger on the Main Board of the SZSE.

Pursuant to the plan for the Transaction, 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 Issue Price shall be adjusted accordingly. Under other circumstances, the Issue Price will no longer be adjusted. The Issue Price of A Shares of Longyuan Power was originally determined as RMB11.42 per share. On 28 May 2021, an annual general meeting was held by Longyuan Power, at which, the annual profit distribution plan for the year 2020 was considered and approved for distributing the cash dividend of RMB0.1176 per share (tax inclusive) to shareholders whose names appear on the register of members of Longyuan Power on 7 June 2021. Pursuant to the above annual profit distribution plan, the Issue Price of A Shares under the Merger shall be adjusted by Longyuan Power on the ex-right or ex-dividend basis and the adjusted Issue Price of A Shares is RMB11.30 per share.

CHN Energy will act as the Put Option Providers and the Cash Alternative Providers for the Merger.

DISPOSAL OF MATERIAL ASSETS

The Assets to be Disposed of will be transferred by Pingzhuang Energy to Pingzhuang Coal Group according to the terms and conditions as agreed in the Assets Disposal Agreement and its Supplemental Agreement with a consideration of the Assets to be Disposed of payable by Pingzhuang Coal Group in cash. On the Closing Date of the Assets to be Disposed of, the Assets to be Disposed of will be delivered directly to Pingzhuang Coal Group.

The scope of the Assets to be Disposed of covers all the assets and liabilities, excluding deferred income tax assets, deferred income and taxes payable, of Pingzhuang Energy as at 31 December 2020, subject to the scope of assets valuation as confirmed in the Asset Valuation Report on the Relevant Assets and Liabilities of Inner Mongolia Pingzhuang Energy Co., Ltd. in Relation to the Proposed Assets Disposal Matters by Such Company (Zhong Ming Ping Bao Zi [2021] No. 16116) **(the Valuation Report on the Assets to be Disposed of)** issued by Zhong Ming Appraisal. According to the Valuation Report on the Assets to be Disposed of which is issued by Zhong Ming Appraisal and has been filed with CHN Energy for record, the total appraisal value of the Assets to be Disposed of owned by Pingzhuang Energy was RMB3,436,725,600, with 31 December 2020 as the Valuation Benchmark Date. Taking the above appraisal results which have been filed as pricing basis, as agreed unanimously among the parties involved in the Transaction of the Assets Disposal, the total transaction price for the Assets to be Disposed of is RMB3,436,725,600.

PURCHASE OF ASSETS THROUGH CASH PAYMENT

Pursuant to the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment, those 50% equity interests held by Yunnan Electric Power in Guodian Qiaojia New Energy Co., Ltd.* (國電巧家新能源有限公司) will no longer be included into the scope of the Assets to be Purchased. The scope of other assets to be purchased remain unchanged. China United Appraisal has issued Valuation Report on the Assets to be Purchased for the Assets to be Purchased held by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power. According to the Valuation Report on the Assets to be Purchased which is issued by China United Appraisal and has been filed with CHN Energy for record, the total appraisal value of the Assets to be Purchased in the transaction of the Purchase through Cash is RMB5,774,000,000, with 31 December 2020 as the Valuation Benchmark Date. Taking the above appraisal results which have been filed as pricing basis, as agreed unanimously among the parties involved in the transaction of the Purchase through Cash, the total transaction price for the Assets to be Purchased was RMB5,774,000,000.

The Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap, the Supplemental Agreement to the Assets Disposal Agreement and the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment form integral part of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment, respectively, and shall have the same effect with the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment. If there are any discrepancies between the Supplemental Agreements and the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment, the Supplemental Agreements shall prevail; for any provisions not set out in the Supplemental Agreements, the provisions in the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement and the Agreement on Purchase of Assets through Cash Payment shall prevail.

PROFIT COMPENSATION ARRANGEMENTS

The Company entered into Profit Compensation Agreements in respect of the purchase of assets through cash payment with the other subsidiaries of CHN Energy, being the sellers of the Purchase, including Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power, respectively.

The Performance Undertakers, being Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power, have set the Performance Commitment Period of the Valuation Adjustment Targets to be the year during which the purchase of the assets is completed (i.e. the transfer of the assets of the Valuation Adjustment Targets has been completed) and the following two accounting years, i.e., the year of 2021, 2022 and 2023. In the event that the purchase of the assets fails to be completed before 30 December 2021, the Performance Commitment Period of Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power will be adjusted to be the year of 2022, 2023 and 2024.

Based on the estimated net profit set out in the valuation report on the Valuation Adjustment Targets issued by China United Appraisal, Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power have provided commitment to the Company on the net profit (meaning the net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss) of the Valuation Adjustment Targets for each of the year of 2021, 2022, 2023 and 2024 (if any).

LISTING RULES IMPLICATIONS

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 notice and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the shareholders' approval requirement.

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 and Pingzhuang Coal Group 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, the Agreement on Purchase of Assets through Cash Payment and their respective Supplemental Agreements and the Profit Compensation Agreements constitute the connected transactions of the Company. 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 announcement, annual reporting and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee comprising all the independent non-executive directors has been established by the Company to advise the independent shareholders in relation to the transactions contemplated under the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement, the Agreement on Purchase of Assets through Cash Payment and their respective Supplemental Agreements as well as the Profit Compensation Agreements. Gram Capital has been appointed as the Independent Financial Adviser to advise the independent board committee and the independent shareholders in this regard.

THE PROPOSED ARTICLES OF ASSOCIATION (DRAFT) AND ITS APPENDICES

In order to further improve and strengthen the legal person governance structure, so that the Company meets the requirements of A-share listed companies in all aspects of standardized governance, on the basis of the existing Articles of Association, the Company has formulated the Articles of Association (Draft) of China Longyuan Power Group Corporation Limited* (the “**Articles of Association (Draft)**”) and its appendices, the Rules of Procedures of the Shareholders’ General Meeting (Draft) of China Longyuan Power Group Corporation Limited*, the Rules of Procedures of the Board of Directors (Draft) of China Longyuan Power Group Corporation Limited* and the Rules of Procedures of the Supervisory Committee (Draft) of China Longyuan Power Group Corporation Limited* that will be applicable after the issuance and listing. The revised Articles of Association (Draft) and its appendices, upon approval by a resolution at the general meeting and class meeting, will be effective from the date of listing of A Shares of the Company on the main board of the SZSE.

ISSUANCE OF SUPPLEMENTAL UNDERTAKING TO NON-COMPETITION AGREEMENT BY CONTROLLING SHAREHOLDER

The Non-Competition Agreement (the “**Non-Competition Agreement**”) was entered into between the Company and China Guodian Corporation (“**Guodian**”, which was the controlling shareholder of the Company then) at the time of the listing of the Company’s H shares, under which Guodian agreed not to, and to procure its subsidiaries (other than the Company (including its subsidiaries, the same below) and Guodian’s A share listed companies) not to, compete with the Company in the Company’s wind power business (other than Guodian’s few wind power business retained on the date of the execution of the Non-Competition Agreement) and granted to the Company options to acquire the retained businesses and any new business opportunities and pre-emptive rights to acquire Guodian’s interest in its retained businesses and certain future new business.

Upon the completion of the Transaction, the Company will become a A+H share listed company. Taking into consideration the requirements of the listing of A Shares and the future development strategies of the Group, CHN Energy, a controlling shareholder of the Company, further issued the Supplemental Undertaking to Non-Competition Agreement to solve the problem of business overlap with the Company in the future.

The issuance of Supplemental Undertaking to Non-Competition Agreement to the Company by CHN Energy constitutes a connected transaction of the Company, and is subject to the announcement, annual reporting and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An independent board committee of the Company comprising all independent non-executive directors has been established by the Company to advise the independent shareholders in respect of the Supplemental Undertaking. Gram Capital has been appointed as the Independent Financial Adviser to advise the independent board committee and independent shareholders in this regard.

On 18 June 2021, the Company further entered into the Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap, the Supplemental Agreement to the Assets Disposal Agreement, the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment and the Profit Compensation Agreements for the possible absorption and merger of Pingzhuang Energy through share swap, disposal of material assets and purchase of assets through cash payment, with updates set out as follows:

I. MAIN CONTENTS OF THE SUPPLEMENTAL AGREEMENT TO THE AGREEMENT ON ABSORPTION AND MERGER THROUGH SHARE SWAP

Way for the Merger

The Merger Parties agreed to conduct the Merger by way of Absorption and Merger through Share Swap, namely that Longyuan Power will absorb and merge Pingzhuang Energy through share swap by Issuance of A Shares to all the Conversion Shareholders of Pingzhuang Energy. 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 remaining assets and liabilities of Pingzhuang Energy upon the disposal of the assets. Longyuan Power will apply for listing and trading of the original Domestic Shares and the A Shares to be issued for the Merger on the Main Board of the SZSE.

The Merger, the Disposal and the Purchase

The Merger, the Disposal and the Purchase jointly constitute the whole Transaction. The Merger, the Disposal and the Purchase are inter-conditional upon each other, failing any of which, the other two transactions 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 and liabilities of Pingzhuang Energy other than the Assets to be Disposed of. Longyuan Power will apply for the 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 Pingzhuang Coal Group, and the Assets to be Purchased will be directly delivered to Longyuan Power, the Surviving Company, or its subsidiaries, pursuant to the Assets Disposal Agreement and its Supplemental Agreement and the Agreement on Purchase of Assets through Cash Payment and its Supplemental Agreement.

Issue Price of A Shares of Longyuan Power

The Issue Price of A Shares of Longyuan Power was originally determined as RMB11.42 per share.

On 28 May 2021, an annual general meeting was held by Longyuan Power, at which, the annual interest distribution plan for the year 2020 was considered and approved for distributing the cash dividend of RMB0.1176 per share (tax inclusive) to shareholders whose names appear on the register of members of Longyuan Power on 7 June 2021.

Pursuant to the above annual interest distribution plan, the Issue Price of A Shares under the Merger shall be adjusted by Longyuan Power on the ex-right or ex-dividend basis, the formula of which is set out as follows:

$$P1 = (P0 - D + A \times K) / (1 + K + N)$$

In which, P0 is the pre-adjustment Issue Price, N is the number of bonus shares or converted shares for each share, K is the number of new shares issued or allocated for each share, A is the price per share for new share issuance or allocation, D is the amount of dividend per share, and P1 is the post-adjustment Issue Price. Given that the interest distribution plan for the year 2020 of Longyuan Power is only for the cash dividend, according to the above formula, the adjusted Issue Price is RMB11.42 – RMB0.1176 = RMB11.3024 per share. As the minimum change unit of the transaction price of A Shares is RMB0.01, the Issue Price (being rounded to two decimal places) is RMB11.30 per share.

If there occurs any ex-right or ex-dividend event such as distribution of cash dividends, stock dividends, capital reserve being converted into share capital and allotment of shares in Longyuan Power from the next date upon completion of interest distribution 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.

The adjusted formula of the Conversion Price of A Shares of Pingzhuang Energy is:

$$P1 = (P0 - D + A \times K) / (1 + K + N)$$

In which, P0 is the pre-adjustment Issue Price, N is the number of bonus shares or converted shares for each share, K is the number of new shares issued or allocated for each share, A is the price per share for new share issuance or allocation, D is the amount of dividend per share, and P1 is the post-adjustment Issue Price.

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 Absorption and Merger through Share Swap is 1: 0.3407, that is, each A Share of Pingzhuang Energy held by the Conversion Shareholders of Pingzhuang Energy can be converted for 0.3407 A Share to be issued by Longyuan Power under the Absorption and Merger through Share Swap. The Conversion Ratio for the Merger is adjusted based on the Issue Price of Longyuan Power after the interest distribution.

From the next date upon completion of interest distribution 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

At present, 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 above Conversion Ratio, the total number of A Shares to be issued by Longyuan Power for the Merger is 345,574,165 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 next date upon completion of interest distribution by Longyuan Power 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.

Issuance under the Share Swap for the Merger

As at the Share Swap Exercise Date, all shareholders of Pingzhuang Energy whose names appear on the register of members as at the Registration Date of Implementation of the Merger shall exchange each share they held in Pingzhuang Energy for certain A Shares issued by Longyuan Power at the Conversion Ratio as agreed. Anyone whose name does not appear on the register of members of Pingzhuang Energy as at the Registration Date of Implementation of the Merger shall not be entitled to claim for the rights stated in this paragraph.

For the shares of Pingzhuang Energy being temporarily locked up (if any) held by the directors, supervisors and senior management of Pingzhuang Energy, the way for Share Swap is the same as the treatment of other shares of Pingzhuang Energy and the corresponding A Shares of Longyuan Power obtained through Share Swap will remain locked up according to the laws.

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.

The Registered Capital, Total Number of Shares and Shareholding Structure of the Surviving Company after the Merger

After the Absorption and Merger through Share Swap, the registered capital of Longyuan Power is RMB8,381,963,165 and the total number of shares is 8,381,963,165 shares. Among which, there are 5,041,934,165 A Shares, representing 60.15% of the total number of shares; there are 3,340,029,000 H Shares, representing 39.85% of the total number of shares.

Put Option Arrangement

CHN Energy will act as the Put Option Provider in the Transaction. 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 Agreements and Supplemental Agreements relating to the Transaction 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.

After CHN Energy's purchase of shares of Longyuan Power held by the Dissenting Shareholders at fair price 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.

Any arrangement and implementation of the Put Option (including the price, time and others in relation to the purchase of relevant shares of the Dissenting Shareholders) is subject to the requirements of the applicable laws (such requirements shall not have a material adverse impact on Longyuan Power and CHN Energy while the Put Option Providers perform its obligations to the Dissenting Shareholders).

For the avoidance of doubt, if the entry-into-force conditions or implementation conditions of the Transaction fail to be fully satisfied or exempted appropriately, which may lead to the failure of implementation of the Transaction, the Dissenting Shareholders of Longyuan Power shall not be entitled to excise the Put Option, nor can they claim for any indemnity or compensation against the Merger Parties.

Cash Alternative Arrangement

CHN Energy will act as the Cash Alternative Provider in 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 Agreements and Supplemental Agreements relating to the Transaction is entitled to request Cash Alternative Providers to purchase its shares in Pingzhuang Energy.

After CHN Energy's purchase of the 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.

Any arrangement and implementation of the Cash Alternative (including the price, time and others in relation to the purchase of relevant shares of the Dissenting Shareholders) is subject to the requirements of the laws in the PRC (such requirements shall not have a material adverse impact on Pingzhuang Energy and CHN Energy while the Cash Alternative Providers perform its obligations to the Dissenting Shareholders).

The Dissenting Shareholders of Pingzhuang Energy who exercise their Cash Alternative may receive a cash consideration to be paid by the Cash Alternative Providers at the price of the Cash Alternative for each share of Pingzhuang Energy that they have validly declared on the Cash Alternative Exercise Date, and at the same time, transfer the corresponding shares into the name of Cash Alternative Providers. The Cash Alternative Providers shall be assigned all the shares of Pingzhuang Energy in respect of which the Dissenting Shareholders of Pingzhuang Energy exercise their Cash Alternative on the Cash Alternative Exercise Date and pay cash consideration accordingly. The shares of Pingzhuang Energy which are transferred to the Cash Alternative Providers through 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.

For the avoidance of doubt, if the entry-into-force conditions or implementation conditions of the Transaction fail to be fully satisfied or exempted appropriately, which lead to the failure of implementation of the Transaction, the Dissenting Shareholders of Pingzhuang Energy shall not be entitled to excise the Cash Alternative, nor can they claim for any indemnity or compensation against the Merger Parties.

Lock-up Period Arrangement

In addition to the undertakings of CHN Energy and Northeast Electric Power as set out in the Announcement, Pingzhuang Coal Group, the controlling shareholder of Pingzhuang Energy, 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 shares of Longyuan Power held by the company due to the Absorption and Merger through Share Swap, 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 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 requirements in 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 (i) of the undertaking may be waived to comply with upon the application of the company and with the consent of the SZSE: (a) both parties have actual control relationship or are under the control of the same controller; (b) such other circumstances as determined by the SZSE.”

Inheritance of Debts

The Assets to be Disposed of Pingzhuang Energy, as the absorbed party, will be directly delivered to Pingzhuang Coal Group; from the Closing Date, 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.

Both parties agreed that the parties 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 (if any) of their respective creditors. The outstanding debts payable and obligations and/or responsibilities remained to be performed by Longyuan Power shall be assumed by Longyuan Power after the Closing Date; the outstanding debts payable and obligations and/or responsibilities remained to be performed related to the Assets to be Disposed of by Pingzhuang Energy shall be assumed by Pingzhuang Coal Group after the Closing Date. Other outstanding debts payable and obligations and/or responsibilities remained to be performed 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, such as the enterprise bonds, corporate debts and ultra-short-term financing bonds, short-term financing bonds and medium-term notes, Longyuan Power 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.

Placement of Staff

Upon completion of the Merger, the labor relations, social security relations and wages and benefits package for the employees of Longyuan Power will remain unchanged and continue to be borne by Longyuan Power; the labor relations as well as the social security relations (including pension, medical, unemployment, work injury, maternity and other insurance items) for, and other benefits payable to the employees in accordance with laws or the existing regulations of Pingzhuang Energy, and the payment of wages in arrears, etc. for all the employees of Pingzhuang Energy shall be inherited by Pingzhuang Coal Group, the counterparty of the Assets to be Disposed of. The compensation and/or compensation matters (if any) and other expenses and costs related to the placement of those employees arising from early termination of the labor contracts relations between such employees and Pingzhuang Energy shall be paid or borne by Pingzhuang Coal Group.

Longyuan Power and Pingzhuang Energy will convene a staff representative meeting or a staff meeting on 21 May 2021 and 18 May 2021, respectively, to consider and approve the staff placement plan involved in the Merger.

Effectiveness Conditions

The Agreement on Absorption and Merger through Share Swap shall become effective upon the satisfaction of all the following conditions: (i) the Transaction has been approved with more than 2/3 of voting rights held by the independent shareholders attending the general meeting and the H Shareholders Class Meeting of Longyuan Power, respectively; (ii) the Transaction has been approved with

more than 2/3 of voting rights 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 competent decision-making authorities of Pingzhuang Coal Group; (v) the asset valuation reports on the Assets to be Purchased and the Assets to be Disposed of have been filed with CHN Energy; (vi) the Transaction has been approved by the SASAC of the State Council; (vii) the matters in relation to the Transaction have been approved by CSRC; (viii) 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); (ix) the Hong Kong Stock Exchange has no objection to the shareholder circular in connection with the Transaction published by Longyuan Power.

II. MAIN CONTENTS OF THE SUPPLEMENTAL AGREEMENT TO THE ASSETS DISPOSAL AGREEMENT

Plan for the Disposal

The Assets to be Disposed of will be transferred by Pingzhuang Energy to Pingzhuang Coal Group according to the terms and conditions as agreed in the Assets Disposal Agreement and its supplementary agreement with a consideration of the Assets to be Disposed of payable by Pingzhuang Coal Group in cash. On the Closing Date of the Assets to be Disposed of, the Assets to be Disposed of will be delivered directly to Pingzhuang Coal Group.

Pricing of Assets to be Disposed of

China United Appraisal has issued the the Valuation Report on the Mining Rights of the Assets to be Disposed of for the Assets to be Disposed of held by Pingzhuang Energy. Zhong Ming Appraisal has issued Asset Valuation Report on the Relevant Assets and Liabilities of Inner Mongolia Pingzhuang Energy Co., Ltd. in Relation to the Matters about Disposal of Assets by Such Company (Zhong Ming Ping Bao Zi [2021] No. 16116) for the other Assets to be Disposed of held by Pingzhuang Energy. Based on the above valuation reports, it was confirmed that the total appraisal value of the Assets to be Disposed of owned by Pingzhuang Energy was RMB3,436,725,600, with 31 December 2020 as the Valuation Benchmark Date. The aforesaid valuation reports have been filed with CHN Energy for record. Taking the above appraisal results which have been filed as pricing basis, as agreed unanimously among the parties involved in the Transaction of the Assets Disposal, the total transaction price for the Assets to be Disposed of is RMB3,436,725,600.

Inheriting of Rights and Obligations

The parties have agreed that, from the Closing Date, the Receiving Party of the Assets to be Disposed of enjoy all the 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. If, at any time after the Closing Date of the Assets to be Disposed of, all other debts, contingent liabilities, defaults, torts and other liabilities or losses of Pingzhuang Energy arising from the outstanding lawsuits, disputes and penalties of Pingzhuang Energy and other facts or causes prior to the Closing Date shall be borne and solved by Pingzhuang Coal Group, and Pingzhuang Energy bears liability for none of those. If any losses arising therefrom occur to Pingzhuang Energy, Pingzhuang Coal Group shall fully compensate Pingzhuang Energy for all losses suffered by Pingzhuang Energy in cash or other methods recognized by Pingzhuang Energy within 5 working days upon receipt of corresponding notice from Pingzhuang Energy.

Profit and Loss during the Transitional Period

The parties involved in the Transaction of the Assets Disposal agreed that from the Valuation Benchmark Date to the Closing Date of the Assets to be Disposed of, the gains or losses arising from the Assets to be Disposed of and changes in equity resulting from any reasons shall be enjoyed or borne by Pingzhuang Coal Group.

Placement of Staff

In accordance with the principle of “employees go with assets”, the labor relations as well as the social security relations (including pension, medical, unemployment, work injury, maternity and other insurance items) for, and other benefits payable to the employees of Pingzhuang Energy in accordance with laws or the existing regulations of Pingzhuang Energy, and the payment of wages in arrears, etc. for all the employees of Pingzhuang Energy shall be inherited by Pingzhuang Coal Group. The compensation and/or compensation matters (if any) and other expenses and costs related to the placement of those employees arising from early termination of the labor contracts relations between such employees and Pingzhuang Energy shall be paid or borne by Pingzhuang Coal Group.

Effectiveness of Agreements

One of effectiveness conditions contained in the existing Assets Disposal Agreement, “the Disposal has been considered and approved by the competent decision-making authorities of Inner Mongolia Power”, is revised to “the Disposal has been considered and approved by the competent decision-making authorities of Pingzhuang Coal Group”.

III. MAIN CONTENTS OF THE SUPPLEMENTAL AGREEMENT TO THE AGREEMENT ON PURCHASE OF ASSETS THROUGH CASH PAYMENT

The Scope of Assets to be Purchased

Pursuant to the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment, those 50% equity interests held by Yunnan Electric Power in Guodian Qiaojia New Energy Co., Ltd.* (國電巧家新能源有限公司) will no longer be included into the scope of the Assets to be Purchased. The scope of other assets to be purchased remain unchanged. The adjusted scope of the Assets to be Purchased is shown as follows:

No.	Counterparty of the Assets to be Purchased	Assets to be Purchased
1	Northeast Electric Power	100% equity interests in Northeast New Energy
2	Shaanxi Electric Power	100% equity interests in Dingbian New Energy
3	Guangxi Electric Power	100% equity interests in Guangxi New Energy
4	Yunnan Electric Power	100% equity interests in Yunnan New Energy
5	Gansu Electric Power	100% equity interests in Gansu New Energy
6	North China Electric Power	100% equity interests in Tianjin Jieneng
7		100% equity interests in Inner Mongolia New Energy
8		100% equity interests in Shanxi Jieneng

Transaction Price of the Assets to be Purchased

China United Appraisal has issued the Valuation Report on the Assets to be Purchased for the Assets to be Purchased held by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power, respectively. According to such valuation reports, it was confirmed that the total appraisal value of the Assets to be Purchased held by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power was RMB5,774,000,000, with 31 December 2020 as the Valuation Benchmark Date. The valuation reports have been filed with CHN Energy for record.

Taking the above appraisal result which has been filed as pricing basis, as agreed among the parties involved in the transaction of the Purchase through Cash, the transaction prices for the Assets to be Purchased are as follows:

RMB0'000

No.	Counterparty of the Assets to be Purchased	Assets to be Purchased	Valuation Report (individually or collectively, “the Valuation Report on the Assets to be Purchased”)	Appraisal Value for 100% equity interests	Transaction Price
1	Northeast Electric Power	100% equity interests in Northeast New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guodian Northeast New Energy Development Co., Ltd.* Held by CHN Energy Northeast Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1470)	79,400.00	79,400.00
2	Shaanxi Electric Power	100% equity interests in Dingbian New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guoneng Dingbian New Energy Co., Ltd.* Held by CHN Energy Shaanxi Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1469)	81,600.00	81,600.00
3	Guangxi Electric Power	100% equity interests in Guangxi New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guangxi Guoneng Energy Development Co., Ltd.* Held by CHN Energy Guangxi Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1472)	98,600.00	98,600.00
4	Yunnan Electric Power	100% equity interests in Yunnan New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guoneng Yunnan New Energy Co., Ltd.* Held by CHN Energy Yunnan Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1474)	75,200.00	75,200.00
5	Gansu Electric Power	100% equity interests in Gansu New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guodian Gansu New Energy Co., Ltd.* Held by CHN Energy Gansu Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1471)	44,200.00	44,200.00

No.	Counterparty of the Assets to be Purchased	Assets to be Purchased	Valuation Report (individually or collectively, “the Valuation Report on the Assets to be Purchased”)	Appraisal Value for 100% equity interests	Transaction Price
6	North China Electric Power	100% equity interests in Tianjin Jieneng	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Tianjin Guodian Jieneng Electric Power Co., Ltd.* Held by CHN Energy North China Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1476)	60,000.00	60,000.00
7		100% equity interests in Inner Mongolia New Energy	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guodian North China Inner Mongolia New Energy Co., Ltd.* Held by CHN Energy North China Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1473)	79,100.00	79,100.00
8		100% equity interests in Shanxi Jieneng	Asset Valuation Report on the Project of Proposed Acquisition by China Longyuan Power Group Corporation Limited* of 100% Equity Interest in Guodian Shanxi Jieneng Co., Ltd.* Held by CHN Energy North China Electric Power Co., Ltd. (Zhong Lian Ping Bao Zi [2021] No. 1475)	59,300.00	59,300.00
Total				577,400.00	577,400.00

Based on such appraisal value and through friendly negotiations among the parties, it was determined that the total transaction price for the Assets to be Purchased in the Transaction is RMB5,774,000,000.

Profit and Loss during the Transitional Period

The parties involved in the transaction of the Purchase through Cash agreed to engage an accounting firm with qualifications in securities and futures business to conduct audit on the profit and loss of the Assets to be Purchased during the transitional period within the 30 days after the Closing Date of Assets to be Purchased. The profit and loss during the period from the Valuation Benchmark Date to the Closing Date of the Assets to be Purchased shall be determined based on the delivery audit report.

The parties agreed that from the Valuation Benchmark Date to the Closing Date of Assets to be Purchased, the gains realised from the Assets to be Purchased shall be attributable to Longyuan Power; the losses arising from the Assets to be Purchased shall be borne by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power who dispose of the equity interest in the loss making company and shall be fully paid in cash to Longyuan Power no later than 10 working days after the issuance date of the delivery audit report.

Placement of Staff

The parties to the Purchase through Cash agreed that as the Assets to be Purchased under the Purchase through Cash are all equity interests in companies, the Purchase does not involve the placement of staff of the companies, and the labor relations, social security relations and wages and benefits of the staff will continue to be borne by such companies.

Effectiveness of Agreements

One of effectiveness conditions contained in the original Agreement on Purchase of Assets through Cash Payment, “the Disposal has been considered and approved by the competent decision-making authorities of Inner Mongolia Power”, is revised to “the Disposal has been considered and approved by the competent decision-making authorities of Pingzhuang Coal Group”.

IV. THE PROFIT COMPENSATION AGREEMENTS

In order to clarify the rights and obligations of the parties in the course of the transaction, on 18 June 2021, the Company entered into a Profit Compensation Agreements with each of Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power (individually or collectively, the “**Performance Undertaker(s)**”) with effective conditions, the main contents of which are as follows:

Performance Commitment Period and Committed Net Profit

The performance commitment period set by the Performance Undertakers, being Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power, in respect of Valuation Adjustment Targets is the year following the completion of the Purchase of the assets (i.e. the transfer of the assets of the Valuation Adjustment Targets) and the two financial years thereafter, namely 2021, 2022 and 2023 (collectively, the “**Performance Commitment Period**”).

If the Purchase of the assets is not completed by 31 December 2021, the Performance Commitment Period of the Performance Undertakers, being Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power, shall be adjusted to 2022, 2023 and 2024.

On the basis of the estimated net profit of the Valuation Adjustment Targets as set out in the valuation report issued by China United Appraisal, the net profit of the Valuation Adjustment Targets in 2021, 2022, 2023 and 2024 (if any) (being the net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss, the same hereinafter) under the undertakings by Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power to Longyuan Power shall be no less than the following indicators, respectively (collectively, the “**Committed Net Profit**”):

RMB0’000

No.	Counterparty of the Assets to be Purchased	Committed Net Profit for the Year 2021	Committed Net Profit for the Year 2022	Committed Net Profit for the Year 2023	Committed Net Profit for the Year 2024
1	Northeast Electric Power	9,127.77	8,882.29	9,205.16	8,894.29
2	Shaanxi Electric Power	8,353.77	10,914.34	10,642.48	11,429.55
3	Guangxi Electric Power	20,357.29	22,900.01	23,820.20	23,401.92
4	Yunnan Electric Power	15,854.79	15,702.47	13,017.78	10,658.67
5	Gansu Electric Power	2,424.96	2,910.08	3,958.41	4,743.56
6	North China Electric Power	13,873.60	13,564.53	14,115.01	13,971.47

Note: A subsidiary that is 52% owned by Shanxi Jieneng, a subsidiary of North China Electric Power, took the valuation result under the cost approach as the final valuation result, and therefore no valuation adjustment was involved.

Determination of Net Profit Difference

Upon completion of the Purchase of assets, the Company will engage an accounting firm with qualifications in securities and futures business to conduct a special audit and issue a special audit report on the actual net profit of the Valuation Adjustment Targets for the year (“**Actual Net Profit**”) by 30 April of the next year following the end of each year of the Performance Commitment Period. The difference between the Actual Net Profit and the Committed Net Profit for each year of the Performance Commitment Period will be determined and calculated as the Committed Net Profit minus the Actual Net Profit (the “**Net Profit Difference**”).

The preparation of the financial statements of the Valuation Adjustment Targets shall comply with the provisions of the Accounting Standards for Business Enterprises and other laws and regulations, and be consistent with the accounting policies and accounting estimates of the Company and meet the governance requirements for listed companies.

Method of Compensation for the Net Profit Difference and its Implementation

The parties agreed that upon completion of the Purchase of Assets, Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power shall make compensation to Longyuan Power in cash for the difference in the valuation result corresponding to the difference in net profit pursuant to the agreement if the amount of the Actual Net Profit of the Valuation Adjustment Targets in any accounting year during the Performance Commitment Period is lower than the amount of the Committed Net Profit.

During the Performance Commitment Period, the compensation amount for each year for Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power is calculated and implemented in accordance with the following as agreed:

Compensation amount payable for a year = (the cumulative Committed Net Profit of the Valuation Adjustment Targets as at the end of the year – the cumulative Actual Net Profit of the Valuation Adjustment Targets as at the end of the Year) ÷ the cumulative Committed Net Profit of the Valuation Adjustment Targets during the Performance Commitment Period × the transaction consideration of the Valuation Adjustment Targets – the cumulative amount compensated.

Longyuan Power shall determine the compensation amount payable for the current period within 30 days after the issuance of the special audit report for each accounting year during the Performance Commitment Period and notify Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power in writing. Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power shall remit the compensation amount payable for the current period in cash to the designated account for compensation cash within 30 days from the date of receipt of the notice of the Longyuan Power.

Arrangement for Additional Compensation in the event of Impairment

The Company shall conduct an impairment test on the Valuation Adjustment Targets within four months after the expiry of the Performance Commitment Period and engage an accounting firm and/or an appraisal agency with qualifications in securities and futures business to issue an impairment test report on the impairment test. The valuation method adopted in the impairment test report shall be consistent with the valuation report on the Assets to be Purchased, unless there are mandatory provisions under laws.

If the closing impairment amount of a Valuation Adjustment Target is greater than the total cumulative cash compensated, Yunnan Electric Power, Guangxi Electric Power, Northeast Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power shall make additional compensation to Longyuan Power in cash. The amount of the additional compensation is: the closing impairment amount of the Valuation Adjustment Target - the total cumulative cash compensated.

The Company shall determine the compensation amount payable within 30 days after the issuance of the impairment test report and notify the Performance Undertakers in writing. The Performance Undertakers shall remit the compensation amount payable in cash to the designated account for compensation cash within 30 days from the date of receipt of the notice of the Company.

In the case of compensation year by year, the amount of cash compensation calculated for each year is taken as zero if it is less than zero, i.e., the cash already compensated will not be reversed.

The maximum amount of cash compensation under the Profit Compensation Agreements shall be the entire transaction consideration received by the Performance Undertakers for the Purchase of assets.

Default Liability

If any party fails to perform or only partially perform its obligations under the Profit Compensation Agreements which causes loss and damage to the non-defaulting party, the non-defaulting party shall be entitled to claim compensation from the defaulting party for all economic losses caused thereby.

If a Performance Undertaker fails to perform its compensation obligations as agreed in the Profit Compensation Agreements, it shall pay to the Company liquidated damages at the rate of five-ten thousandths of the unpaid amount for each day overdue.

V. FINANCIAL IMPACT OF THE ASSETS DISPOSAL AND USE OF PROCEEDS

According to the consolidated balance sheet and income statement of Longyuan Power in 2020 prepared in accordance with the PRC Accounting Rules and Regulations and the pro forma consolidated balance sheet and income statement of the Company in 2020 which were prepared in accordance with the PRC Accounting Rules and Regulations and based on the structure after the completion of the Merger, disposal of material assets and purchase of assets through cash payment. Upon completion of the Transaction, the Company, as the Surviving Company, and the Assets to be Purchased will further enhance the core competitiveness and industry influence through deep integration of various elements such as assets, personnel and management. The net profit attributable to the parent company of the Company will increase from RMB4,977 million to RMB5,477 million, and the weighted average return on net assets will increase from 9.32% to 9.99%, and basic earnings per share will increase from RMB0.58 per share to RMB0.62 per share.

The Transaction comprises of three parts which are the Absorption and Merger through Share Swap, Assets Disposal and Purchase through Cash. The proceeds from the Assets Disposal of the Transaction are intended to be used to pay the consideration for the Assets to be Purchased to Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power.

VI. PROFIT FORECAST OF THE VALUATION ON THE ASSETS TO BE DISPOSED OF AND THE ASSETS TO BE PURCHASED

Pursuant to the Valuation Report on the Assets to be Disposed of, the Assets to be Disposed of involves four mining rights, including Fengshuigou mining rights, Laogongyingzi mining rights, Liujia mining rights and Xilutian mining rights. The mining rights included in the valuation scope of the Assets to be Disposed of have been appraised by China United Appraisal which was engaged by Pingzhuang Energy. The cash flow method has been adopted for the valuation. The total appraisal values of the four mining rights are RMB431,998,500, in which, the appraisal value of Fengshuigou mining rights is RMB0.00, and the appraisal value of Laogongyingzi mining rights is RMB394,534,100, and the appraisal value of Liujia mining rights is RMB37,464,400 and the appraisal value of Xilutian mining rights is RMB0.00. Such valuation is considered as the profit forecast for the four mining rights under Rule 14.61 of the Listing Rules. For the key assumptions on which the valuation of the mining rights of the Assets to be Disposed of is based in accordance with Rule 14.60A of the Listing Rules, please refer to the Appendix II to this announcement set out by the Company.

As the income approach has been adopted for the valuation of the Assets to be Purchased, such valuation is considered as the profit forecast under Rule 14.61 of the Listing Rules. For the key assumptions on which the valuation of the Assets to be purchased is based in accordance with Rule 14.60A of the Listing Rules, please refer to the Appendix I to this announcement set out by the Company.

EY, the auditor of the Company, has confirmed that they have checked the arithmetical accuracy of the calculation of the relevant forecast made using income approach in the valuation. CLSA, the financial adviser of the Company, has reviewed the relevant valuation reports and discussed with the directors the key assumptions on which the relevant valuation reports were based. CLSA is of the opinion that the relevant forecast, for which the directors are solely responsible, has been made by the directors after due and careful enquiry. The letters issued by EY and CLSA are enclosed in the Appendices III and IV to this announcement.

The following are the qualification of the experts who have given opinions or advice which are contained in this announcement:

Name	Qualification
Zhong Ming Appraisal	the valuation agency to the Assets to be Disposed of, a qualified PRC valuer
China United Appraisal	the valuation agency to the mining rights of the Assets to be Disposed of and the Assets to be Purchased, a qualified PRC valuer
EY	the auditor of the Company, Certified Public Accountants and Registered Public Interest Entity Auditor
CLSA	the financial adviser of the Company, a licensed corporation under the Securities and Futures Ordinance to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance

To the best of the directors' knowledge, information and belief and having made all reasonable enquiries, each of Zhong Ming Appraisal, China United Appraisal, EY and CLSA is a third party which is independent of the Group and its connected persons.

To the best of the directors' knowledge, information and belief, as at the date of this announcement, none of Zhong Ming Appraisal, China United Appraisal, EY or CLSA has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities in any member of the Group. Each of Zhong Ming Appraisal, China United Appraisal, EY and CLSA has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its name, opinion, advice and all references to its name (including its qualifications) in the form and context in which they are included.

VII. GENERAL INFORMATION

Further Financial Information on Pingzhuang Energy, Assets to be Disposed of and Assets to be Purchased

Based on the audited financial data of Pingzhuang Energy prepared in accordance with the PRC Accounting Rules and Regulations as set out in the published 2018 annual report, 2019 annual report and 2020 annual report for A Shares, and the total profit (profit before tax) and the net profit (profit after tax) of Pingzhuang Energy for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 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 31 December 2020 are as follows:

	<i>RMB</i>		
	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Total assets	5,205,074,349.18	4,845,531,382.58	4,191,048,311.84
Net assets attributable to the shareholders of the listed company	4,158,912,974.94	3,844,150,130.01	3,047,619,602.37
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Total profit (profit before tax)	-264,064,017.44	-74,097,286.47	-783,933,969.81
Net profit (profit after tax)	-251,022,382.59	-78,020,964.01	-760,633,530.20

Based on the audited financial data prepared in accordance with the PRC Accounting Rules and Regulations, the total profit (profit before tax) and the net profit (profit after tax) of the Assets to be Disposed of for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and the total assets as at 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

	<i>RMB</i>		
	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Total assets	5,131,657,292.97	4,776,038,003.91	4,098,254,493.56
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Total profit (profit before tax)	-264,064,017.44	-74,147,689.71	-784,135,582.77
Net profit (profit after tax)	-264,064,017.44	-74,147,689.71	-784,135,582.77

Based on the audited financial data prepared in accordance with the PRC Accounting Rules and Regulations, the total profit (profit before tax) and the net profit (profit after tax) of the Assets to be Purchased for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, and the total assets as at 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

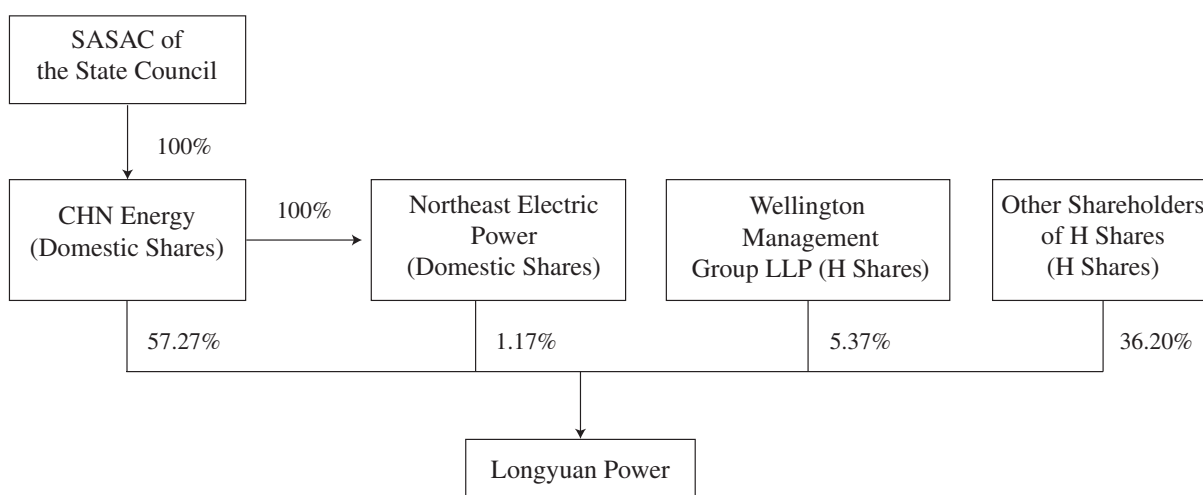
	<i>RMB</i>		
	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020
Total assets	13,204,962,929.18	13,154,102,855.14	15,126,376,327.32
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Total profit (profit before tax)	646,587,440.22	615,065,777.81	720,073,955.55
Net profit (profit after tax)	536,159,472.89	494,063,502.86	595,266,050.65

Information on Pingzhuang Coal Group

Pingzhuang Coal Group is a limited liability company incorporated and validly existing under the laws of the PRC, and it is mainly engaged in mining and sales of coal. Inner Mongolia Power, a wholly-owned subsidiary of CHN Energy, holds 51% shares of Pingzhuang Coal Group, China Cinda Asset Management Co., Ltd. (01359.HK) holds 31.82% shares of Pingzhuang Coal Group and Chifeng Municipal Industry and Information Bureau holds 17.18% of the shares of Pingzhuang Coal Group. CHN Energy is an indirect controlling shareholder and the ultimate beneficial owner of Pingzhuang Coal Group.

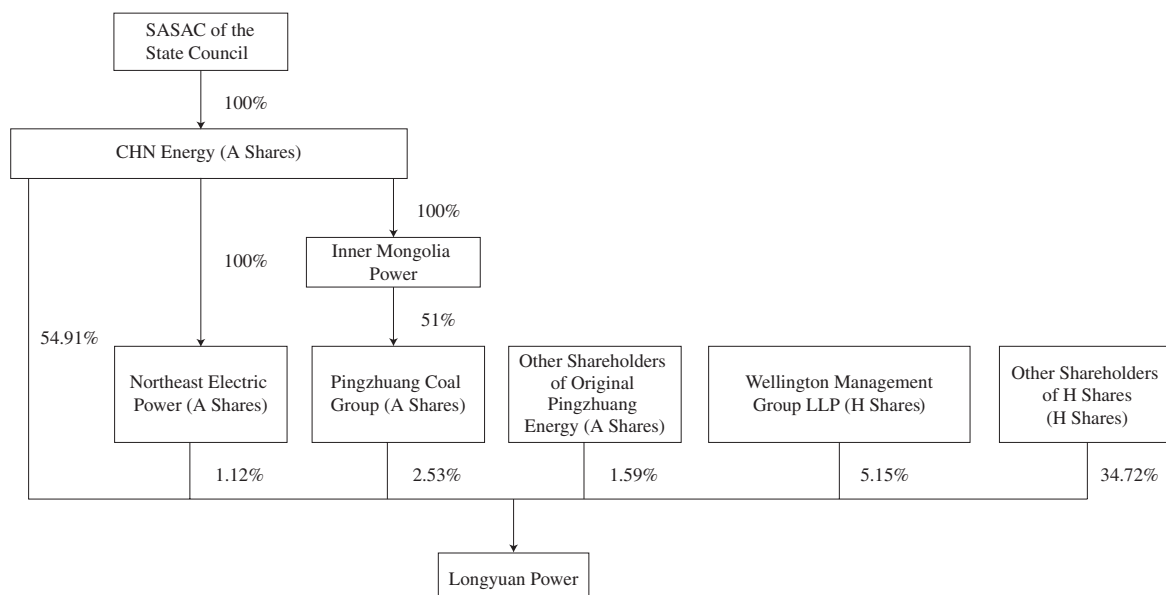
Impact of the Merger on Shareholding Structure of the Company

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



Note: Certain amounts and percentage figures set out in this chart have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them. Any discrepancies between total and sums of amounts are due to rounding.

Immediately after the completion of the Transaction (assuming that no other shares will be issued after the date of the 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:



Note: Certain amounts and percentage figures set out in this chart have been subject to rounding adjustments. Accordingly, the arithmetic sum shown may not be an aggregation of the figures preceding them. Any discrepancies between the arithmetic sum and the total of the figures listed are due to rounding.

Pursuant to the plan for the Transaction, Longyuan Power will increase by 345,574,165 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 4,908,598,141 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 345,574,165. Upon the completion of the Transaction, the total number of shares of Longyuan Power will be 8,381,963,165.

The shareholding structure of Longyuan Power prior to 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	54.91%
Northeast Electric Power	93,927,200	1.17%	93,927,200	1.12%
Pingzhuang Coal Group	–	–	212,238,141	2.53%
Other original shareholders of Pingzhuang Energy	–	–	133,336,024	1.59%
Total Domestic Shares (A Shares)	4,696,360,000	58.44%	5,041,934,165	60.15%
Public H Shareholders	3,340,029,000	41.56%	3,340,029,000	39.85%
Total H Shares	3,340,029,000	41.56%	3,340,029,000	39.85%
Total share capital	8,036,389,000	100.00%	8,381,963,165	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.
4. Certain amounts and percentage figures set out in this table have been subject to rounding adjustments. Accordingly, the arithmetic sum shown may not be an aggregation of the figures preceding them. Any discrepancies between the arithmetic sum and the total of the figures listed are due to rounding.

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.

VIII. LISTING RULES IMPLICATIONS

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 notice and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the shareholders' approval requirement.

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 and Pingzhuang Coal Group 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, the Agreement on Purchase of Assets through Cash Payment and their respective Supplemental Agreements and the Profit Compensation Agreements constitute the connected transactions of the Company. 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 announcement, annual reporting and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An independent board committee comprising all the independent non-executive directors has been established by the Company to advise the independent shareholders in relation to the transactions contemplated under the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement, the Agreement on Purchase of Assets through Cash Payment and their respective Supplemental Agreements as well as the Profit Compensation Agreements. Gram Capital has been appointed as the Independent Financial Adviser to advise the independent board committee and the independent shareholders in this regard.

The directors of the Company are of the view that the terms of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement, the Agreement on Purchase of Assets through Cash Payment and their respective Supplemental Agreements and the Performance Supplemental Agreement were determined after arm's length negotiations, and 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. Yang Xiangbin and Mr. Tian Shaolin, 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 resolutions of the Board on approval of the Agreement on Absorption and Merger through Share Swap, the Assets Disposal Agreement, the Agreement on Purchase of Assets through Cash Payment and their respective Supplemental Agreements and the Performance Supplemental Agreement. Save as aforementioned persons, none of the other directors has a material interest in the Transaction.

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

As considered and approved by the Board, the specific mandate in relation to the Issuance of A Shares is adjusted to:

The Transaction involves the Issuance of A Shares additionally 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 grant an unconditional specific mandate to the Board. If the Transaction is materialised, the Board shall decide on and implement the issuance of not more than 345,574,165 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 A Shares additionally, including but not limited to adjusting the price of proposed Issuance of A Shares 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 detailed 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.

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.

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, the Agreement on Purchase of Assets through Cash Payment and their respective Supplemental Agreements and the Profit Compensation Agreements 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.

X. THE ARTICLES OF ASSOCIATION (DRAFT) AND ITS APPENDICES APPLICABLE AFTER THE LISTING OF A SHARES OF THE COMPANY

In order to further improve and strengthen the corporate governance structure, so that the Company meets the requirements of A-share listed companies in all aspects of standardized governance, in accordance with the Company Law, the Guidelines for the Articles of Association of Listed Companies, the Governance Guidelines for Listed Companies, Rules Governing the Listing of Stocks on Shenzhen Stock Exchange and other relevant laws, regulations and regulatory documents, on the basis of the existing Articles of Association, the Company has formulated the Articles of Association (Draft) of China Longyuan Power Group Corporation Limited* (the “**Articles of Association (Draft)**”) and its appendices, the Rules of Procedures of the Shareholders’ General Meeting (Draft) of China Longyuan Power Group Corporation Limited*, the Rules of Procedures of the Board of Directors (Draft) of China Longyuan Power Group Corporation Limited* and the Rules of Procedures of the Supervisory Committee (Draft) of China Longyuan Power Group Corporation Limited* that will be applicable after the issuance and listing.

The revised Articles of Association (Draft) and its appendices, upon approval by a resolution at the general meeting and class meeting, will be effective from the date of listing of A Shares of the Company on the Main Board of the SZSE.

XI. ISSUANCE OF SUPPLEMENTAL UNDERTAKING TO NON-COMPETITION AGREEMENT BY CONTROLLING SHAREHOLDER

1. The Existing Non-Competition Agreement

Reference is made to the prospectus of the Company dated 27 November 2009, which contains, amongst other things, the Non-Competition Agreement (the “**Non-Competition Agreement**”) entered into between the Company and China Guodian Corporation (“**Guodian**”, which was the controlling shareholder of the Company then) in July 2009, under which Guodian agreed not to, and to procure its subsidiaries (other than the Company (including its subsidiaries, the same below) and Guodian’s A share listed companies) not to, compete with the Company in the Company’s wind power business (other than Guodian’s few wind power business retained on the date of the execution of the Non-Competition Agreement) and granted to the Company options to acquire the retained businesses and any new business opportunities and pre-emptive rights to acquire Guodian’s interest in its retained businesses and certain future new business. The details are as follows:

- (i) **Options for New Business Opportunities:** if Guodian becomes aware of a business opportunity which directly or indirectly competes, or may

compete, with the Company's main business, Guodian will notify us in writing immediately upon becoming aware of such business opportunity and provide to us all information which is reasonably necessary for the Company to consider whether or not to engage in such business opportunity. Guodian is also obliged to use its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable, which the directors understand will be no less favorable than those terms first offered to Guodian. Guodian shall procure any of its subsidiaries (other than our Company) and associates to first offer to the Company any business opportunity which competes, or may compete with the Company's main business. The independent non-executive directors of the Company will be responsible for reviewing and considering whether or not to take up such new business opportunity referred to by Guodian and such decision will be made by our independent non-executive directors.

- (ii) **Options for Acquisitions:** in relation to: (a) the retained businesses; and (b) any new business opportunity Guodian may obtain which competes, or may compete, directly or indirectly with the Company's main business, Guodian has undertaken to grant the Company the option, pursuant to relevant laws and regulations, to purchase any equity interest, assets or other interests which form part of the retained businesses or new businesses as described above.
- (iii) **Pre-emptive Rights:** Guodian has undertaken that, if it intends to transfer, sell, lease or license or otherwise transfer or permit the use of any of the following interests to a third party: (a) Guodian's current wind power businesses; and/or (b) any new business opportunity of Guodian referred to in the Non-Competition Agreement, which has been offered to, but has not been taken up by, the Company and has been retained by Guodian, which competes, or may lead to competition, directly or indirectly with the Company's main business, the Group shall have pre-emptive right over these interests which can be exercised by the Group at any time for so long as the Non-Competition Agreement remains effective. The independent non-executive directors of the Company will be responsible for reviewing and considering whether or not to exercise the pre-emptive rights and such decision will be made by our independent non-executive directors.

The scope of the Non-Competition Agreement is the wind power generation business, which is the Company's principal business in any geographical area within or outside the PRC. The Non-Competition Agreement specifies that the Company is also engaged in other renewable energy businesses in addition to its principal business of wind power generation and that the Company (including its subsidiaries) will continue to develop and explore renewable energy businesses other than wind power generation in accordance with its future development needs.

According to the Non-Competition Agreement, the retained businesses principally include: five wind farms; various coal power plants, including five coal power plants in Jiangsu; various other renewable energy power plants; and 53.42% equity interest in GD Power Development Co., Ltd. ("**GD Power**"). The A shares of GD Power are listed on the Shanghai Stock Exchange, it is principally engaged in the development and investment of coal power plants and hydro power plants. It also engages in wind power business and other renewable energy businesses.

Guodian has irrevocably undertaken in the Non-Competition Agreement that, other than the retained businesses, during the period of the Non-Competition Agreement, it will not, and will also procure that its subsidiaries (other than the Company) and associates do not, in or outside of the PRC, alone or with any other entity, in any form, directly or indirectly, engage in, assist or support a third party in the operation of, or participate in, any businesses that compete, or are likely to compete, with our wind power business (the foregoing restrictions do not apply to the holding of securities in a company that is engaged in a competing business and whose securities are listed on any stock exchange, provided that Guodian or its subsidiaries or its associates does not hold or control the voting rights in respect of 10% or more of the issued share capital of such company).

In July 2009 and November 2009, Guodian issued two further clarification documents to confirm its non-competition undertakings included in the Non-Competition Agreement, including, among other things, that:

- (i) the Company and the predecessor of the Company, CLEPG (China Longyuan Electric Power Group Corporation (龍源電力集團公司), a state-owned enterprise established in China, and the predecessor of the Company), were formed and operated as the platform for Guodian Group (Guodian and its subsidiaries (except the Group), the same as below) to develop renewable energy business which principally comprised of the wind power business;

- (ii) Guodian will support the development of the Group's wind power business on a priority basis by first offering to us to consider any new business opportunity relating to wind power business and will not give priority to Guodian Group (including GD Power) in the development of wind power business;
- (iii) the Group has the first right of refusal with respect to any wind power business opportunities of Guodian Group including any existing and potential wind power projects of Guodian, in accordance with the terms and conditions of the Non-Competition Agreement; and
- (iv) Guodian also confirmed certain matters relating to our operation of our coal power business and Guodian's compliance with the Non-Competition Agreement.

2. Background to the Issuance of Supplemental Undertaking in Respect of the Non-Competition Agreement

2.1 Background of the proposed absorption and merger of Pingzhuang Energy by the Company through share swap and the issuance and listing of A Shares

Upon the completion of the Transaction, the Company will become a A+H share listed company. In accordance with the PRC laws and regulations and the requirements of relevant regulatory authorities, solutions must be specified for the overlapping between the business of CHN Energy and that of the Group.

In view of the above background, taking into consideration the requirements of the listing of A Shares and the future development strategies of the Group, the Company and its controlling shareholder, CHN Energy, have intended to solve the problem of business overlap between the business of CHN Energy and the principal business of the Company by way of further issuance of the Supplemental Undertaking to the Non-Competition Agreement by CHN Energy. The Non-Competition Agreement and the Supplemental Undertaking will comply with the regulatory requirements of the places for the listing of both A shares and H shares, and meet the actual business and future development need of the Group.

2.2 Background of the matters in respect of the potential disposal

According to the requirements under the Administrative Measures for Initial Public Offering and Listing, the issuer shall not be involved in the following circumstances: ... (II) having violated laws on industry and commerce, taxation, land, environmental protection, customs and other laws and administrative regulations, and received administrative punishment in the most recent 36 months, and the circumstance was serious.

Certain subsidiaries of the Company are involved in the occupation of basic farmland or ecological redline. The occupation of basic farmland or ecological redline without the obtaining of the compliance confirmation from relevant competent authorities may be regarded as serious illegal acts and irregularities. Therefore, the above requirements are not satisfied.

If, finally, the Target Companies are unable to obtain the compliance confirmation from relevant competent authorities or to solve the aforementioned defects of land use by other effective means, in order to meet the compliance requirements for the listing of A Shares of the Company, the Company may be involved in the matter of the potential disposal, pursuant to which, the Company intends to transfer the controlling stake in its certain wind power generation subsidiaries to CHN Energy. The disposal of above-mentioned Target Companies is subject to the approval by the securities regulatory authority of the place where the shares of the Company are listed and the procedures of consideration by the board of directors and shareholders' general meeting of Longyuan Power. Based on the above, in the Supplemental Undertaking, the matter of the potential disposal, amongst other things, will be agreed on.

3. Supplemental Undertaking to the Non-Competition Agreement

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

- 1 The wind power generation business within CHN Energy is to be integrated by Longyuan Power. As for the wind power generation business (the “**Surviving Wind Power Generation Business**”) held by CHN Energy or its subsidiaries (excluding Longyuan Power and its subsidiaries, the same below) as at the date of this Supplemental Undertaking, which directly or indirectly potentially overlapped with the principal business of Longyuan Power, CHN Energy undertakes that CHN Energy will inject the Surviving Wind Power Generation Business into Longyuan Power through various means such as asset restructuring, business adjustment and formation of joint ventures within three years upon completion of the Transaction, subject to compliance with relevant laws and regulations and relevant internal and external approval procedures which are required then, to steadily promote the integration of relevant business so as to resolve the potential business overlap. The Surviving Wind Power Generation Business assets to be injected into Longyuan Power shall comply with the conditions for listing stipulated in the laws and regulations of the PRC and relevant normative documents.
 - 1.1 In this regard, CHN Energy and its relevant subsidiaries will provide special description of assets of the Surviving Wind Power Generation Business held by them to Longyuan Power within four months following the end of each financial year upon completion of the Transaction, including whether the assets are eligible for injection, details of their financial information and other information necessary for consideration and valuation of asset injection by Longyuan Power.
 - 1.2 All independent non-executive directors of Longyuan Power will be responsible for reviewing and considering whether the assets of the Surviving Wind Power Generation Business meet the conditions for asset injection and whether to initiate the asset injection, and the decision will be made by all independent non-executive directors of Longyuan Power. Such asset injection shall also comply with the corporate governance and information disclosure procedures under applicable laws and regulations and securities regulatory rules, as applicable.

- 1.3 After CHN Energy and the relevant subsidiaries have issued to Longyuan Power the notice to inject assets or provided the special description referred to in Clause 1.1 above, Longyuan Power will report it to its independent non-executive directors within one week after receiving the notice or special description, for their consideration and assessment, and will reply to CHN Energy within 30 days after receiving such notice or special description.
 - 1.4 Where transfer of state-owned assets is involved in the injection of assets of the Surviving Wind Power Generation Business, an appraisal on that shall be conducted in accordance with the statutory state-owned assets valuation method and an approval shall be obtained or filing shall be made in accordance with laws. The price for the injection of assets of the Surviving Wind Power Generation Business shall be determined based on the appraisal value made by a professional third-party valuation agency jointly appointed by CHN Energy and Longyuan Power, through mutual negotiation between CHN Energy and Longyuan Power in the manner and in accordance with the procedures required under the then applicable laws.
- 2 As for the overlapping between Longyuan Power's thermal power business and CHN Energy's, CHN Energy will, within three years upon completion of the Transaction, make comprehensive use of various means such as asset restructuring, business adjustment and formation of joint ventures to steadily promote the integration of relevant business so as to solve the problem of business overlap, subject to compliance with the relevant laws and regulations and relevant internal and external approval procedures at that time, and based on the principle of facilitating the development of the listed company and safeguarding the interests of shareholders, especially the minority shareholders.
- 3 In order to meet the compliance requirements for the listing of A shares of Longyuan Power, Longyuan Power may dispose of the controlling stake in its certain wind power generation subsidiaries (the "**Target Companies**") to CHN Energy (the "**Disposal**"). The disposal of above-mentioned Target Companies is subject to the approval by the securities regulatory authority of the place where the shares of Longyuan Power are listed and the procedures of consideration by the board of directors and shareholders' general meeting of Longyuan Power (if applicable). If the corresponding consideration and approval procedures for the Disposal are completed and the Disposal has been implemented, the above-mentioned Target Companies, upon the completion of the Disposal, will be together taken as the Surviving Wind Power Generation Business referred to under the Supplemental Undertaking, and CHN Energy will fulfill relevant undertakings as agreed in Clause 1 of the Supplemental Undertaking.

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

4. Target Companies Potentially to be Disposed of

Land without certificates involving ecological protection redline

The Target Companies with potential disposal involve land used by 11 wind power projects operated by 9 subsidiaries, there are the situations where part of the land is included in the ecological protection red line due to reasons such as the adjustment or redefining of the ecological protection red line during the construction process or upon the completion of the construction after the approval of the project, with a total area of 74,389 square meters, accounting for 0.24% of the total area of land used by Longyuan Power and its controlled subsidiaries, details of which are as follows:

No.	Names of Target Companies potentially to be disposed of	Project name
1	China Longyuan Power Group Anhui New Energy Development Co., Ltd. Xuancheng Branch (龍源電力集團安徽新能源發展有限公司宣城分公司)	Baima Project in Xuancheng
2	Longyuan Dingyuan Wind Power Generation Co., Ltd.	Nengren Temple Project
3		Dajinshan Project in Dingyuan
4	Longyuan Suzhou Wind Power Generation Co., Ltd.	Dalongshan Project
5		Xiangshan Project in Suzhou
6	Longyuan Le'an Wind Power Generation Co., Ltd.	Le'an Project

No.	Names of Target Companies potentially to be disposed of	Project name
7	Longyuan Qixia Wind Power Generation Co., Ltd.(龍源棲霞風力發電有限公司)	Longyuan Qixia Tao Village Wind Power Project
8	Longyuan Lanxian Wind Power Generation Co., Ltd.(龍源嵐縣風力發電有限公司)	Lanxian Project
9	Tianjin Longyuan Wind Power Generation Co., Ltd.	Dagang Mapengkou Project
10	Guodian Longyuan Longchuan Wind Power Generation Co., Ltd.	Longchuan Shanmenqian Wind Power Project
11	Yanbian Longyuan Wind Power Generation Co., Ltd.	Helong Zhenfeng Project

The 11 pieces of land of 9 subsidiaries under Longyuan Power involving the ecological protection red line matters are actively applying for the certificate for regulatory adjustment of the ecological red line.

Land which occupies basic farmland without certificates

No.	Names of Target Companies potentially to be disposed of
1	Fujian Longyuan Wind Power Generation Company Limited
2	Guodian Shandong Longyuan Linqu Wind Power Generation Company Limited
3	Longyuan (Putian) Wind Power Company Limited

1 parcel of land which is used for the booster station of Qiulu Wind Farm by Fujian Longyuan Wind Power Generation Company Limited, 2 parcels of land which is used for a total of 15 draught fans of Wanyun Wind Farm and Shipanshan Wind Farm by Longyuan (Putian) Wind Power Company Limited and 1 parcel of land which is used for 8 draught fans by Guodian Shandong Longyuan Linqu Wind Power Generation Company Limited involve the circumstance of occupying basic farmland. The area of the above-mentioned 4 parcels of land is 5,184 square meters in total, which represents 0.0163% of the land used by Longyuan Power.

5. Reasons for and Benefit of Issuance of Supplemental Undertaking

Against the backdrop of “peaking carbon emissions and achieving carbon neutral”, the new energy power generation industry will face fierce competition in business development. Under the Supplemental Undertaking, the overlapping wind power assets of CHN Energy will be injected into Longyuan Power in situations where the criteria are satisfied, which will further increase the installed capacity of Longyuan Power, and benefit Longyuan Power in seizing opportunities in the fierce competition in the future, maintaining its leading position in the new energy power generation industry and safeguarding the interests of Longyuan Power and its shareholders as a whole.

The arrangement to resolve the overlapping of the thermal power business under the Supplemental Undertaking is made mainly based on the requirements of the A Shares regulatory rules on avoiding horizontal competition and the future development strategy of CHN Energy. Thermal power business is not the principal business of Longyuan Power. As of 31 December 2020, the consolidated installed capacity of thermal power business of Longyuan Power was 1,875,000kW, accounting for a relatively small proportion.

The Target Companies with potential disposal expect that the scale of their installed capacity to be relatively small as compared with those of the Company, which will not have a material impact on Longyuan Power as a whole. At present, the Target Companies with potential disposal are all in normal operation, and the Company is also actively communicating with the competent authorities to reduce the impact of non-compliance. The Company is of the view that the non-compliance of the Target Companies with potential disposal will have insignificant impact on the overall business of the Company.

6. Listing Rules Implications

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. As such, the issuance of Supplemental Undertaking to Non-Competition Agreement to the Company by CHN Energy constitutes a connected transaction of the Company, and is subject to the announcement, annual reporting and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

An independent board committee of the Company comprising all independent non-executive directors has been established by the Company to advise the independent shareholders in respect of the Supplemental Undertaking. Gram Capital has been appointed as the Independent Financial Adviser to advise the independent board committee and independent shareholders in this regard.

The directors of the Company are of the view that the terms of the Supplemental Undertaking are fair and reasonable and in the interests of the Company and its shareholders as a whole. Mr. Liu Jinhuan, Mr. Yang Xiangbin and Mr. Tian Shaolin, non-executive directors of the Company, are appointed by and hold positions in CHN Energy and have material interests in the arrangement under the Supplemental Undertaking. They have abstained from voting on the related Board resolution for the approval of the Supplemental Undertaking. Save as aforementioned persons, none of the other directors has a material interest in the Transaction.

XI. CIRCULAR

The extraordinary general meeting and class meeting will be convened by the Company for the shareholders to consider and, if thought fit, approve the Transaction and its mandate, the Articles of Association (Draft) and its appendices, the Supplemental Undertaking and other matters. A circular containing, among other things, further details of the Transaction and its mandate, the Articles of Association (Draft) and its appendices, the Supplemental Undertaking and other matters and notices for holding the extraordinary general meeting and class meeting will be despatched to the shareholders by the Company in due course.

XII. DEFINITIONS

Save as aforementioned, in the Supplemental Agreements, corresponding amendments have been made to the relevant definitions. If there are any inconsistencies between the following definitions and those set out in the Announcement, the contents in this announcement shall prevail. Unless the context otherwise requires, the following expressions shall have the following meanings:

“Assets to be Disposed of”	all assets and liabilities of Pingzhuang Energy (excluding the deferred income tax asset, deferred revenue and taxes payable) as at 31 December 2020
“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, including 100% equity interests in Yunnan New Energy, 100% equity interests in Guangxi New Energy, 100% equity interests in Northeast New Energy, 100% equity interests in Gansu New Energy, 100% equity interests in Dingbian New Energy, 100% equity interests in Inner Mongolia New Energy, 100% equity interests in Shanxi Jieneng, and 100% equity interests in Tianjin Jieneng
“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, will act as the Cash Alternative Providers of the Merger
“China United Appraisal”	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), the valuation agency to the mining rights of the Assets to be Disposed of and the Assets to be Purchased and a qualified valuer in the PRC
“Closing Date of the Assets to be Disposed of”	the date when Pingzhuang Energy and Pingzhuang Coal Group execute the Confirmation of Assets Delivery
“Closing Date of the 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

“Closing Date of the Merger” or “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 and liabilities of Pingzhuang Energy (excluding the Assets to be Disposed of)
“CLSA”	CLSA Capital Markets Limited, the financial adviser of the Company, a licensed corporation under the Securities and Futures Ordinance, licensed to carry on Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance
“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
“Conversion Shareholders of Pingzhuang Energy” or “Conversion Shareholders”	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
“Dingbian New Energy”	Guoneng Dingbian New Energy Co.,Ltd.* (國能定邊新能源有限公司), one of the Assets to be Purchased
“Disposal” or “Assets Disposal”	the Assets to be Disposed of will be transferred by Pingzhuang Energy to Pingzhuang Coal Group according to the terms and conditions as agreed in the Assets Disposal Agreement and the Supplemental Agreement with a consideration of the Assets to be Disposed of payable by Pingzhuang Coal Group in cash to Longyuan Power, the Surviving Company after the Merger

“EY”	Ernst & Young, the auditor of the Company, Certified Public Accountants and Registered Public Interest Entity Auditor
“Gansu New Energy”	Guodian Gansu New Energy Co., Ltd.*(國電甘肅新能源有限公司), one of the Assets to be Purchased
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance and the independent financial adviser to advise the independent board committee and the independent shareholders in relation to the Transaction and the Supplemental Undertaking
“Guangxi New Energy”	Guodian Guangxi New Energy Development Co., Ltd.* (國電廣西新能源開發有限公司), one of the Assets to be Purchased
“Inner Mongolia New Energy”	Guodian North China Inner Mongolia New Energy Co., Ltd.* (國電華北內蒙古新能源有限公司), one of the Assets to be Purchased
“Tianjin Jieneng”	Tianjin Guodian Jieneng Electric Power Co., Ltd.* (天津國電潔能電力有限公司), one of the Assets to be Purchased
“Merger” or “Absorption and Merger through Share Swap”	the Company 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 and ultimately disqualified as a legal person. The Company, as the Surviving Company, shall inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets and liabilities of Pingzhuang Energy (excluding the Assets to be Disposed of). Meanwhile, the Company will apply for listing and trading of A Shares to be issued for the absorption and merger and the original Domestic Shares on the Main Board of SZSE

“Non-Competition Agreement”	The Non-Competition Agreement of China Guodian Corporation and China Longyuan Power Group Corporation Limited* entered into between Longyuan Power and its original controlling shareholder Guodian (currently known as CHN Energy) on 30 July 2009
“Valuation Report on the Mining Rights of the Assets to be Disposed of”	Valuation Report on the Mining Rights of Fengshuigou Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No.1480), Valuation Report on the Mining Rights of Liujia Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1478), Valuation Report on the Mining Rights of Laogongyingzi Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1477) and Valuation Report on the Mining Rights of Xilutian Coal Mine of Inner Mongolia Pingzhuang Energy Co., Ltd. (Zhong Lian Ping Kuang Bao Zi [2021] No. 1479) issued by China United Appraisal
“Valuation Adjustment Target(s)”	the target companies except Guodian Jieneng Jinke (Shanxi) Co., Ltd. (國電潔能金科(山西)有限公司), a controlling subsidiary of Shanxi Jieneng which holds 52% equity interests in it
“Northeast New Energy”	Guodian Northeast New Energy Development Co., Ltd.* (國電東北新能源發展有限公司), one of the Assets to be Purchased
“Profit Compensation Agreements”	the Profit Compensation Agreements entered into between the Company and Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power, respectively, on 18 June 2021

“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, will act as the Put Option Providers for the Merger
“Receiving Party”	Pingzhuang Coal Group
“Shanxi Jieneng”	Guodian Shanxi Jieneng Co., Ltd.* (國電山西潔能有限公司), one of the Assets to be Purchased
“Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap”	the Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap between China Longyuan Power Group Corporation Limited* and Inner Mongolia Pingzhuang Energy Co., Ltd. entered into between the Company and Pingzhuang Energy on 18 June 2021
“Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment”	the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment between 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 Northeast Electric Power, Shaanxi Electric Power, Guangxi Electric Power, Yunnan Electric Power, Gansu Electric Power and North China Electric Power on 18 June 2021
“Supplemental Agreement to the Assets Disposal Agreement”	the Supplemental Agreement to the Assets Disposal Agreement among Inner Mongolia Pingzhuang Energy Co., Ltd., China Longyuan Power Group Corporation Limited*, CHN Energy Inner Mongolia Power Co., Ltd. and Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. entered into among the Company and Pingzhuang Energy, Inner Mongolia Power and Pingzhuang Coal Group on 18 June 2021

“Supplemental Agreement(s)”	the Supplemental Agreement to the Agreement on Absorption and Merger through Share Swap, the Supplemental Agreement to the Assets Disposal Agreement and/or the Supplemental Agreement to the Agreement on Purchase of Assets through Cash Payment
“Transaction”	the whole transaction 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 transactions will not be implemented. Upon the completion of the Transaction, Pingzhuang Energy will be delisted and disqualified as a legal person. The Company, as the Surviving Company, will inherit and take over, directly or through its designated wholly-owned subsidiaries, all the assets and liabilities of Pingzhuang Energy (excluding the Assets to be Disposed of). The Company 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
“Yunnan New Energy”	Guoneng Yunnan New Energy Co., Ltd.* (國能雲南新能源有限公司), one of the Assets to be Purchased
“Zhong Ming Appraisal”	Zhong Ming (Beijing) Assets Appraisal International Co., Ltd. (中銘國際資產評估(北京)有限責任公司), the valuation agency to the Assets to be Disposed of and a qualified valuer in the PRC

“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 to be voted separately regarding the plan for the Transaction and the resolutions regarding entering into the Agreements and Supplemental Agreements relating to the Transaction 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 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 to be voted separately regarding the plan for the Transaction and the resolutions regarding entering into the Agreements and Supplemental Agreements relating to the Transaction 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 fulfilled relevant declaration procedures of the Cash Alternative within the specified time

By order of the Board
China Longyuan Power Group Corporation Limited*
Tang Jian
Executive Director and President

Beijing, the PRC, 18 June 2021

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

* For identification purposes only

APPENDIX I: KEY ASSUMPTIONS OF VALUATION ON THE ASSETS TO BE PURCHASED

Appraised Entity No. 1: Northeast New Energy

(I) GENERAL ASSUMPTIONS

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

(II) Special Assumptions

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc., for the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly as compared to that at current stage, and will continue with the same change trends as that in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (passed at the seventh meeting of the Standing Committee of the thirteenth National People's Congress on 29 December 2018), "Under Article 27, the following income of an enterprise may be subject to the exemption or reduction of enterprise

income tax: (II) the income gained from investment in and operation of public infrastructure projects supported by the State;”, the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Conservation Projects (Cai Shui [2012] No. 10) (《財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》(財稅[2012]10號)), “the income of an enterprise gained from engaging in the investment in and operation of public infrastructure projects approved before 31 December 2007 that meet the requirements of the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》) and the income gained from engaging in the environmental protection, energy saving and water conservation projects approved before 31 December 2007 that meet the requirements of the Catalogue of Environmental Protection, Energy Saving and Water Conservation Projects Eligible for Preferential Enterprise Income Tax Treatment (《環境保護、節能節水項目企業所得稅優惠目錄》), are entitled to the preferential exemption or reduction of enterprise income tax for the remaining years from 1 January 2008 in a “3+3 tax holiday” calculated in accordance with the provisions of the new tax law commencing from the tax year in which the first production and operation income is obtained from the project”.

As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment, both the Beisijia Power Station and the Taojiagou Power Station of Guodian Northeast New Energy Development Co., Ltd.* have already enjoyed the preferential income tax policy of “3+3 tax holiday” and can no longer enjoy it upon expiry.

9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅[2015]74號)), “Taxpayers who sell their self-generated power products produced through wind power are entitled to immediate 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable by the appraised entity for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years.

11. According to the power purchase and sale contracts for wind farms entered into between State Grid Liaoning Electric Power Supply Co., Ltd. and Guodian Northeast New Energy Development Co., Ltd.* in June 2020 in relation to Beisijia Power Station Project with an installed capacity of 49.5 MW and Taojiagou Power Station Project with an installed capacity of 48 MW, it is agreed in the contracts that the on-grid tariff for wind power of Beisijia Power Station and Taojiagou Power Station is RMB0.62/kWh (tax inclusive), subject to the approval by the competent price authorities of the government or in accordance with the regulations of the competent price authorities of the government. In particular, the settlement price of Guodian Northeast New Energy Development Co., Ltd.* as the seller, which is the local benchmark tariff for electricity generated by coal power generating units approved or confirmed by the competent price authorities of the government, plus provincial subsidies, is RMB0.62/kWh (tax inclusive) for Beisijia and Taojiagou. The subsidy for renewable energy is RMB0.2451/kWh (tax inclusive) for Beisijia and Taojiagou. The term of the contract is from 1 January 2020 to 31 December 2020, and it is assumed that the contracts will be renewed upon expiry in this valuation.
12. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

Appraised Entity No. 2: Dingbian New Energy

(I) GENERAL ASSUMPTIONS

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

(II) SPECIAL ASSUMPTIONS

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc., for the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly as compared to that at current stage, and will continue with the same change trends as that in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.

8. As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》), the grid-connected wind power projects are entitled to enjoy the preferential income tax policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry, namely, Zuozhuang Power Station turned to commercial operation in April 2017, and the period during which it can enjoy the preferential income tax policy of “3+3 tax holiday” will expire in December 2022; Xinzhuang Power Station turned to commercial operation in March 2020, and the period during which it can enjoy the preferential income tax policy of “3+3 tax holiday” will expire in December 2025; Chenliang Power Station was expected to be connected to the grid in April 2021, and the period during which it can enjoy the preferential income tax policy of “3+3 tax holiday” will expire in December 2026. According to the Category of Encouraged Industries in the Western Region in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.
9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅[2015]74號)), “Taxpayers who sell their self-generated power products produced through wind power are entitled to immediate 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years.
11. According to power purchase and sale contract entered into between State Grid Shaanxi Electric Power Company and Guoneng Dingbian New Energy Co., Ltd.* in December 2016 in relation to the Zuozhuang Wind Farm Project (including Huangwan Wind Farm with an installed capacity of 50 MW and Shengliang Wind Farm with an installed capacity of 50 MW) and the power purchase and sale contract entered into between State Grid Shaanxi Electric Power Company and Guoneng Dingbian New Energy Co., Ltd.* in December 2019 in relation to the Xinzhuang Wind Farm Project, it is agreed in the contracts that the on-grid tariff for the wind farm generating

units shall be implemented at the electricity price approved by the competent price authority of the government, subject to the provisions of relevant policies and documents. According to the Notice of Shaanxi Provincial Price Bureau on Relevant Issues Concerning the Provincial On-grid Tariff Management (Shan Jia Shang Fa [2017] No. 67) (《陝西省物價局關於省內上網電價管理有關問題的通知》(陝價商發[2017] 67號)) and the Notice of the National Development and Reform Commission regarding the Improvement of the Policy on On-grid Tariff for Wind Power (Fa Gai Jia Ge [2009] No. 1906) (《國家發展改革委員會關於完善風力發電上網電價政策的通知》(發改價格[2009] 1906號)), the on-grid tariff for Xinzhuang Wind Farm and Zuozhuang Wind Farm is RMB0.61/kWh (tax inclusive), in particular, from 1 July 2018, the benchmark on-grid tariff has been adjusted to RMB0.3345/kWh (tax inclusive), and the subsidy for renewable energy is RMB0.2755/kWh (tax inclusive). It is assumed that the contracts will be renewed upon expiry in this valuation.

12. Chenliang Wind Farm Project, an appraised entity, has been approved and filed in January 2019, and is expected to be connected to the grid entirely on 1 April 2021. According to the Notice of the National Development and Reform Commission regarding the Improvement of the Policy on On-grid Tariff for Wind Power (Fa Gai Jia Ge [2019] No. 882) (《國家發展改革委員會關於完善風力發電上網電價政策的通知》(發改價格[2019] 882號)), the State will no longer grant subsidy to the on-shore wind power projects which had been approved during the period from 1 January 2019 to the end of 2020 but failed to complete grid connection before the end of 2021. In this valuation, it is assumed that Chenliang Project will complete grid connection for power generation on 1 April 2021 as scheduled, and the tariff for it after the completion of grid connection shall refer to the benchmark on-grid tariff of Phases I and II Wind Farm, i.e., RMB0.3345/kWh (tax inclusive) and this project is entitled to the subsidy for renewable energy at a rate of RMB0.2755/kWh (tax inclusive).
13. According to the notice issued by the National Development and Reform Commission and the National Energy Administration on 30 October 2018 to publish the Action Plan on Clean Energy Consumption (2018–2020) (《清潔能源消納行動計劃(2018–2020)》), the specific objectives included: to ensure that the national average wind power utilization rate reaches international advanced level (striving to attain a level of around

95%) and keep the curtailment rate of wind power at a reasonable level (striving to stabilize it at around 5%) by 2020, and to ensure the utilization hours of each wind power station reach feasible utilization hours by 2026, taking into account various factors such as the utilization hours for each year during the reporting period and the trend of market demand, based on the communication with the production and operation department of the appraised entity and its historical power generation, assuming there exists wind power curtailment and constraints and the curtailment rate for each wind power station will drop year by year in future years as compared to that in 2020.

14. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

Appraised Entity No. 3: Guangxi New Energy

(I) GENERAL ASSUMPTIONS

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

(II) SPECIAL ASSUMPTIONS

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc., for the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, composition of revenue and costs, as well as sales strategies and cost control in the future operating period will be basically consistent with the forecasts by the enterprise in its feasibility study and the projections by its management, without significant changes.
5. In the future operating period, the expenses of the appraised entity will not differ greatly from the forecasts in the feasibility study of the enterprise and the projections by its management. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.

7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (passed at the seventh meeting of the Standing Committee of the thirteenth National People's Congress on 29 December 2018), "Under Article 27, the following income of an enterprise may be subject to the exemption or reduction of enterprise income tax: (II) the income gained from investment in and operation of public infrastructure projects supported by the State;", the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Conservation Projects (Cai Shui [2012] No. 10) (《財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》(財稅[2012]10號)), "the income of an enterprise gained from engaging in the investment in and operation of public infrastructure projects approved before 31 December 2007 that meet the requirements of the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》) and the income gained from engaging in the environmental protection, energy saving and water conservation projects approved before 31 December 2007 that meet the requirements of the Catalogue of Environmental Protection, Energy Saving and Water Conservation Projects Eligible for Preferential Enterprise Income Tax Treatment (《環境保護、節能節水項目企業所得稅優惠目錄》), are entitled to the preferential exemption or reduction of enterprise income tax for the remaining years from 1 January 2008 in a "3+3 tax holiday" calculated in accordance with the provisions of the new tax law commencing from the tax year in which the first production and operation income is obtained from the project".

As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》), the grid-connected wind power projects are entitled to enjoy the preferential income tax policy of "3+3 tax holiday" for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years. In other words, Baihuashan Wind Power Station was connected to the grid entirely in February 2021, and the period during which it can enjoy such preferential income tax policy will expire in 2026. According to the Category of Encouraged Industries in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to

31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.

9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅[2015]74號)), “Taxpayers who sell their self-generated power products produced through wind power are entitled to immediate 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation.
10. With reference to the recovery of state subsidies on electricity tariff for subsidiaries of the appraised entity in past years, it is assumed that the recovery period for state subsidies for electricity tariff receivable for 2021 and subsequent years will be two years.
11. According to the power purchase and sale contract entered into between Guangxi Power Grid Company Limited* and Guangxi Guoneng Energy Development Co., Ltd., Guigang Branch* in August 2020 in relation to Baihuashan Wind Farm Project (with an installed capacity of 80MW), it was agreed in the contract that the on-grid tariff for the wind farm generating units will be implemented at the tariff approved by the competent price authorities of the government, subject to relevant policies and documents. According to the Notice on Adjustments to Benchmark On Grid Tariffs of Photovoltaic Power Generation and Onshore Wind Power Generation (Fa Gai Jia Ge [2016] No. 2729) (《關於調整光伏發電陸上風電標桿上網電價的通知》(發改價格[2016]2729號)) issued by the National Development and Reform Commission, and the Notice of the Price Bureau of Guangxi Zhuang Autonomous Region on Matters relating to the Reasonable Adjustment to the Tariff Structure (Gui Jia Ge [2017] No. 34) (《廣西壯族自治區物價局關於合理調整電價結構有關事項的通知》(桂價格[2017]34號)): the on-grid tariff for Baihuashan Wind Farm is RMB0.57/kWh (tax inclusive), in particular, the benchmark on-grid tariff has been adjusted to RMB0.4207/kWh (tax inclusive) and the subsidy for renewable energy is RMB0.1493/kWh (tax inclusive), from 1 July 2017. The term of the power purchase and sale contract is from 5 August 2020 to 31 December 2020 and it is assumed that the contract has been renewed upon expiry.
12. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

Appraised Entity No. 4: Yunnan New Energy

(I) GENERAL ASSUMPTIONS

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

(II) SPECIAL ASSUMPTIONS

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates for the appraised entity in the future operating period.

3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly as compared to that at current stage, and will continue with the same change trends as that in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. As new wind power projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》), the grid-connected wind power projects are entitled to enjoy the preferential income tax policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and will no longer enjoy it upon expiry, namely, Leiyingshan Power Station in Yuanmou was connected to the grid for power generation in January 2012, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in January 2017; namely, Heimajing Power Station in Yuanmou was connected to the grid for power generation in December 2012, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in December 2017; namely, Qingshuihai Power Station in Xundian

was connected to the grid for power generation in March 2012, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in March 2017; namely, Haiyangshao Power Station in Xundian was connected to the grid for power generation in June 2015, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in June 2020. According to the Category of Encouraged Industries in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.

9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅[2015]74號)), “Taxpayers who sell their self-generated power products produced through wind power are entitled to immediate 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable for previous years will be fully recovered in 2022, and the recovery period for the state subsidies for electricity tariff receivable for 2022 and subsequent years will be two years.
11. In this valuation, the capital expenditure related to the acquisition of certificates of land use rights by the appraised entity has been taken into account, and it was assumed that the land premium estimated by the appraised entity was reasonable.
12. From 2016, in order to lower the price of electricity for general industrial and commercial consumption and promote the marketization of the electricity tariff in Yunnan Province, Energy Administration of Yunnan

Province and Yunnan Development and Reform Commission have promulgated the Market-oriented Power Transaction Plan (《電力市場化交易方案》), pursuant to which, it is determined that market-oriented electricity transactions shall be commenced among power generation enterprises, power sales companies, power grid enterprises, power users, power transaction agencies, power dispatching agencies and others and it is agreed that the prices for direct power transactions shall be determined among market entities through independent negotiation and centralized competition and other market-oriented ways and no interference from third parties shall be allowed; the trading price for the transferred transaction by contract shall be the original trading price for the transferred electricity of contracted volume. Market-oriented pricing will be adopted, with the ease of the control over pricing by the government, for priority power generation plan within Yunnan Province and cross-provinces and cross-regions power generation under framework agreements. In order to ensure orderly competition and market stability, bilaterally-negotiated transactions are not subject to pricing restriction. Considering the relationship between the supply and the demand, minimum and maximum price limits are specified for direct electricity transactions which are conducted by way of centralized competition such as continued listing and independent listing for sale, with the minimum price limit being RMB0.15/kWh and the maximum price limit being RMB0.42/kWh. Grid enterprises are responsible for the confirmation of the actual amount of electricity transacted by market entities during a certain transaction period and provide the trading center with the actual amount of electricity of power plants and electricity consumers during such trading period (monthly or daily) on a regular basis. Power plants charge electricity fees for actual on-grid electricity production during trading periods, and electricity consumers or electricity selling companies are billed for actual electricity consumption during trading periods. Electricity bills are calculated daily and settled monthly.

As a member of the market, Guoneng Yunnan New Energy Co., Ltd.* commenced market-oriented-tariff power transactions in 2017 and priced its electricity products in accordance with the Implementation Plan for Market-oriented Power Transaction in Yunnan(《雲南電力市場化交易實施方案》) each year. As such, from 2017 onwards, Leiyingshan Power Station, Heimajing Power Station, Qingshuihai Power Station and Haiyangshao Power Station have no longer implemented the benchmark electricity tariff but have adopted market-orientated tariff pricing, and the tariff subsidy is RMB0.2842/kWh (tax inclusive). It is assumed that the electricity tariffs are all market-oriented during the revenue period in this valuation.

13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

Appraised Entity No. 5: Gansu New Energy

(I) GENERAL ASSUMPTIONS

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the valuation assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

(II) SPECIAL ASSUMPTIONS

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc., for the appraised entity in the future operating period.

3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly as compared to that at current stage, and will continue with the same change trends as that in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. As new wind power generation projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》), the grid-connected wind power projects are entitled to enjoy the preferential income tax policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry, namely, Anbei Power Station in Guazhou turned to commercial operation in February 2015, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” has expired in December 2020. According to the Category of Encouraged Industries in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.

9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅[2015]74號)), “Taxpayers who sell their self-generated power products produced through wind power are entitled to immediate 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years.
11. According to the power purchase and sale contract for wind power generation farm entered into between State Grid Gansu Electric Power Company and Guodian Gansu New Energy Co., Ltd.* on 20 July 2016 in relation to the wind power generation project with an installed capacity of 200MW, it is agreed in the contract that the on-grid tariff for wind power is RMB540/(MWh) (tax inclusive), subject to the approval by the competent price authorities of the government or in accordance with the regulations of the competent price authorities of the government. In particular, the settlement price shall be the local benchmark on-grid tariff subsidy for electricity generated by coal power generating units which is approved or confirmed by the competent price authorities of the government, being RMB297.8/(MWh) (tax inclusive). The subsidy for renewable energy is RMB242.2/(MWh) (tax inclusive). The term of the contract is from 21 July 2016 to 31 December 2021, and it is assumed that the contract will be renewed upon expiry in this valuation.
12. According to the notice issued by the National Development and Reform Commission and the National Energy Administration on 30 October 2018 to publish the Action Plan on Clean Energy Consumption (2018–2020) (《清潔能源消納行動計劃(2018–2020年)》), the specific objectives included: to ensure that the national average wind power utilization rate reaches international advanced level (striving to attain a level of around 95%) and keep the curtailment rate of wind power at a reasonable level (striving to stabilize it at around 5%) by 2020, and to ensure the utilization hours of each power station reach feasible utilization hours by 2026, taking into account various factors such as the utilization hours for each year during the reporting period and the trend of market demand, based on the communication with the production and operation department of the

appraised entity and its historical power generation, assuming there exists wind power curtailment and constraints and the curtailment rate for each wind power station will drop year by year in future years as compared to that in 2020.

13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

Appraised Entity No. 6: Tianjin Jieneng

(I) GENERAL ASSUMPTIONS

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the valuation assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

(II) SPECIAL ASSUMPTIONS

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc., for the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly as compared to that at current stage, and will continue with the same change trends as that in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.

8. According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (passed at the seventh meeting of the Standing Committee of the thirteenth National People's Congress on 29 December 2018), "Under Article 27, the following income of an enterprise may be subject to the exemption or reduction of enterprise income tax: (II) the income gained from investment in and operation of public infrastructure projects supported significantly by the State;", the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Conservation Projects (《財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》) (Cai Shui [2012] No. 10), "the income of an enterprise gained from engaging in the investment in and operation of public infrastructure projects approved before 31 December 2007 that meet the requirements of the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》) and the income gained from engaging in the environmental protection, energy saving and water conservation projects approved before 31 December 2007 that meet the requirements of the Catalogue of Environmental Protection, Energy Saving and Water Conservation Projects Eligible for Preferential Enterprise Income Tax Treatment (《環境保護、節能節水項目企業所得稅優惠目錄》), are entitled to the preferential exemption or reduction of enterprise income tax for the remaining years from 1 January 2008 in a "3+3 tax holiday" calculated in accordance with the provisions of the new tax law commencing from the tax year in which the first production and operation income is obtained from the project".

As new wind power generation projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》), the grid-connected wind power projects are entitled to enjoy the preferential income tax policy of "3+3 tax holiday" for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years. In other words, Shajingzi Phase IV Power Station was connected to the grid in August 2019, and the period during which it can enjoy such preferential income tax policy will expire in August 2025.

9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》) (財稅[2015]74號), "Taxpayers who sell their self-generated power products produced through wind power are

entitled to immediate 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation.

10. It is assumed that the state subsidies on electricity tariff receivable for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years. The impact on working capital has been taken into account in the estimate of the recovery period of subsidies on electricity tariff when working capital forecast is made in this valuation. If the subsidies on electricity tariff are not recovered as scheduled as expected, the conclusion of the valuation will be affected.
11. In this valuation, the capital expenditure related to the acquisition of certificates of land use rights by the appraised entity has been taken into account, and it was assumed that the land premium estimated by the appraised entity was reasonable.
12. According to the power purchase and sale contract for wind power generation farm entered into between State Grid Tianjin Electric Power Company and Tianjin Guodian Jieneng Electric Power Co., Ltd.* on 6 July 2020 in relation to the wind power generation project with an installed capacity of 190.5 MW, it is agreed in the contract that the on-grid tariff for wind power is RMB610.00/MWh (tax inclusive), subject to the approval by the competent price authorities of the government or in accordance with the regulations of the competent price authorities of the government. The specific electricity tariff is charged according to the Notice on the On-grid Electricity Tariff of Wind Power Projects in Shajingzi and Mapengkou, Dagang District, Tianjin (Jin Fa Gai Jia Guan [2011] No. 110) (《關於天津大港沙井子、大港馬棚口風電項目上網電價的通知》(津發改價管[2011]110號)), Notice on the On-grid Electricity Tariff of Wind Power Projects in Shajingzi, Mapengkou (Phase II) and Sino-Singapore Eco-City, Dagang District, Tianjin (Jin Fa Gai Jia Guan [2011] No. 1504) (《關於天津大港沙井子、大港馬棚口(二期)中新生態城風電項目上網電價的通知》(津發改價管[2011]1504號)), Notice of Municipal Development and Reform Commission on the Approval of the On-grid Electricity Tariff of Shajingzi Wind Power Project (Phase III) in Dagang District (Jin Fa Gai Jia Guan [2014] No. 97) (《市發展改革委關於核定大港沙井子風電三期上網電價的通知》(津發改價管[2014]97號)), Notice of Municipal Development and Reform Commission on the Approval

of the On-grid Electricity Tariff of Shajingzi Wind Farm Project (Phase IV) (Jin Fa Gai Jia Guan [2017] No. 1016) (《市發展改革委關於核定沙井子風電場四期項目上網電價的通知》(津發改價管[2017]1016號)) and other documents. In particular, the settlement price shall be the local benchmark on-grid tariff for electricity generated by coal power generating units which is approved or confirmed by the competent price authorities of the government, being RMB365.50/MWh (tax inclusive). The subsidy for renewable energy is RMB244.50/MWh (tax inclusive). The term of the contract is from 1 January 2020 to 31 December 2021, and it is assumed that the contract will be renewed upon expiry in this valuation.

13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

Appraised Entity No. 7: Inner Mongolia New Energy

(I) GENERAL ASSUMPTIONS

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the valuation assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

(II) SPECIAL ASSUMPTIONS

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc., for the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly as compared to that at current stage, and will continue with the same change trends as that in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.

7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.

8. According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (passed at the seventh meeting of the Standing Committee of the thirteenth National People’s Congress on 29 December 2018), “Under Article 27, the following income of an enterprise may be subject to the exemption or reduction of enterprise income tax: (II) the income gained from investment in and operation of public infrastructure projects supported significantly by the State;”, the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Preferential Enterprise Income Tax Policies for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Conservation Projects (《財政部、國家稅務總局關於公共基礎設施項目和環境保護節能節水項目企業所得稅優惠政策問題的通知》) (Cai Shui [2012] No. 10), “the income of an enterprise gained from engaging in the investment in and operation of public infrastructure projects approved before 31 December 2007 that meet the requirements of the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》) and the income gained from engaging in the environmental protection, energy saving and water conservation projects approved before 31 December 2007 that meet the requirements of the Catalogue of Environmental Protection, Energy Saving and Water Conservation Projects Eligible for Preferential Enterprise Income Tax Treatment (《環境保護、節能節水項目企業所得稅優惠目錄》), are entitled to the preferential exemption or reduction of enterprise income tax for the remaining years from 1 January 2008 in a “3+3 tax holiday” calculated in accordance with the provisions of the new tax law commencing from the tax year in which the first production and operation income is obtained from the project”.

As new wind power generation projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment, the grid-connected wind power projects are entitled to enjoy the preferential income tax policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years. The tax holiday for Wuchuan Power Station (Phase III) commenced from 1 January 2016 and will expire on 31 December 2021. Wuchuan Power Station (Phase IV) is estimated to be connected to the grid for power generation in July 2021, with tax holiday from 1 July 2021 to 31 July 2027. According to the Category of Encouraged Industries in the Western Region (2020 Version) (《西部地區鼓勵類產業目錄(2020年本)》), from 1 January 2021 to 31 December 2030, a reduced enterprise income tax rate of 15% shall be applicable to enterprises located in the western region and engaged in the encouraged industries. Therefore, the period for the implementation of preferential enterprise income tax rate of 15% for the wind power operation projects will expire on 31 December 2030 and will not be renewed upon its expiry.

9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅[2015]74號)), “Taxpayers who sell their self-generated power products produced through wind power are entitled to immediate 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation.
10. It is assumed that the state subsidies on electricity tariff receivable by the appraised entity for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years.
11. According to the power purchase and sale contract for wind power generation farm entered into between Inner Mongolia Power (Group) Co., Ltd. and Guodian North China Inner Mongolia New Energy Co., Ltd.* in November 2020 in relation to the Wind Power Generation Project (Phase II and III) in Guodian Hongshan Wind Farm with a total installed capacity of 99 MW, it is agreed in the contract that the on-grid tariff for wind farm is RMB0.51/kWh (tax inclusive), subject to the approval by the competent price authorities of the government or in accordance with the regulations of the competent price authorities of the government. In particular, the settlement price of Guodian North China Inner Mongolia New Energy Development Co., Ltd.* as the seller, which is the local benchmark tariff of electricity generated by coal power generating units approved or confirmed by the competent price authorities of the government, plus provincial subsidies, is RMB0.51/kWh (tax inclusive) for Phase II and III. The renewable energy subsidy

is RMB0.2271/kWh (tax inclusive) for Phase II and III. The term of the contract was from 1 January 2020 to 31 December 2020, and it is assumed that the contract will be renewed upon expiry in this valuation.

12. According to the notice issued by the National Development and Reform Commission and the National Energy Administration on 30 October 2018 to publish the Action Plan on Clean Energy Consumption (2018–2020) (《清潔能源消納行動計劃(2018–2020年)》), the specific objectives included: to ensure that the national average wind power utilization rate reaches international advanced level (striving to attain a level of around 95%) and keep the curtailment rate of wind power at a reasonable level (striving to stabilize it at around 5%) by 2020, and to ensure the utilization hours of each wind power station reach feasible utilization hours by 2026, taking into account various factors such as the utilization hours for each year during the reporting period and the trend of market demand, based on the communication with the production and operation department of the appraised entity and its historical power generation, assuming there exists wind power curtailment and constraints and the curtailment rate for each wind power station will drop year by year in future years as compared to that in 2020.
13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

Appraised Entity No. 8: Shanxi Jieneng

(I) GENERAL ASSUMPTIONS

1. Transaction Assumption

The transaction assumption is to assume that all assets to be valued are in the process of transaction, and the valuer makes estimation in a simulated market according to the transaction conditions of assets to be valued. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. Open Market Assumption

The open market assumption is to assume that with respect to the asset traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

3. Going Concern Assumption

The going concern assumption is the valuation assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

(II) SPECIAL ASSUMPTIONS

1. There is no significant change in current macroeconomic policies, financial and industrial policies in China.
2. There is no significant change in the social and economic environment and in the prevailing policies regarding taxation and tax rates, etc., for the appraised entity in the future operating period.
3. The management of the appraised entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
4. The main business, the composition of revenue and cost, the sales strategy and cost control of the appraised entity in the future operating period will remain in the same condition as they are in recent years without major changes.
5. The expenses of the appraised entity in the future operating period will not change significantly as compared to that at current stage, and will continue with the same change trends as that in the recent years. Given that the monetary funds or bank deposits of the enterprise vary frequently in the course of production and operation, neither the interest income from deposits, nor other uncertain profits and losses including exchange gains and losses are taken into consideration in the valuation.
6. In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.

7. In this valuation, it is assumed that the methods of acquisition and utilisation of the sites for production and business operation of the appraised entity will remain consistent with those as at the Valuation Benchmark Date without changes.
8. As new wind power generation projects are listed in the Catalogue of Public Infrastructure Projects Eligible for Preferential Enterprise Income Tax Treatment (《公共基礎設施項目企業所得稅優惠目錄》), the grid-connected wind power projects are entitled to enjoy the preferential income tax policy of “3+3 tax holiday” for six years from the commencement of their commercial operation and can no longer enjoy it upon expiry of such six years, namely, Pinglu Phase II power station turned to commercial operation in 2016, and the period during which it can enjoy the preferential income tax policy of “3+3 tax holiday” will expire in December 2021; Youyu Phase III power station turned to commercial operation in June 2011, and the period during which it could enjoy the preferential income tax policy of “3+3 tax holiday” expired in December 2016.
9. Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74) (《財政部、國家稅務總局關於風力發電增值稅政策的通知》(財稅[2015]74號)), “Taxpayers who sell their self-generated power products produced through wind power are entitled to immediate 50% VAT refund from 1 July 2015.”, it is assumed that wind power projects will continue to enjoy immediate 50% VAT refund in this valuation.
10. As Pinglu Phase II Wind Farm and Youyu Phase III Wind Farm, the appraised entities, are both included in the catalogue of subsidies on electricity tariff for renewable energy, it is expected that the subsidies for the appraised entities on electricity tariff for previous years will be fully recovered by 2022, and the recovery of the state subsidies for years after 2022 will be deferred for two years.
11. According to the document of Notice of Shanxi Provincial Price Bureau on the On-grid Tariff for Five Wind Power Generation Projects Including Youyu Caojiashan Wind Farm of Guodian Shanxi Jieneng Co., Ltd.* (Jin Jia Shang Zi [2013] No. 125) (《山西省物價局關於國電山西潔能有限公司右玉曹家山等五個風力發電項目上網電價的通知》(晉價商字[2013]125號)) issued by Shanxi Provincial Price Bureau, the on-grid tariff for wind power generation units of Youyu Caojiashan Phase II Project (Youyu Phase III Project: 49.5 MW) of Guodian Shanxi Jieneng Co., Ltd.* is RMB0.61/kWh (tax inclusive). According to the power purchase and sale contract for wind power generation farm entered into between State Grid

Shanxi Electric Power Company* and Guodian Shanxi Jieneng Co., Ltd.* on 24 June 2020 in relation to Youyu Phase III wind power generation project with an installed capacity of 49.5 MW, it is agreed in the contract that the electricity tariff shall be settled based on the on-grid tariff approved by the competent price authorities of the government. In particular, the settlement price of the purchaser, which is the local benchmark on-grid tariff for electricity generated by coal power generating units approved or confirmed by the competent price authorities of the government, is RMB332/MWh (tax inclusive). The subsidy for renewable energy is the difference between the on-grid tariff approved by the government and the settlement price of the electricity purchaser. The term of the contract is from 1 January 2020 to 31 December 2020, and it is assumed that the contract will be renewed upon expiry in this valuation.

According to the document of Notice of Shanxi Provincial Price Bureau on the On-grid Tariff for the Wind Power Generation Units of Three Enterprises Including Datang Renewable Power Shuozhou Pinglu Wind Power Generation Co., Ltd. (Jin Jia Shang Zi [2015] No. 21) (《山西省物價局關於大唐新能源朔州平魯風力發電有限公司等3家企業風電機組上網電價的通知》(晉價商字[2015] 21號)) issued by Shanxi Provincial Price Bureau, the on-grid tariff for wind power generation units of Pinglu Beishan Wind Farm Phase II Project of Guodian Shanxi Jieneng Co., Ltd.* with an installed capacity of 49.5 MW is RMB0.61/kWh (tax inclusive). According to the power purchase and sale contract for wind power generation farm entered into between State Grid Shanxi Electric Power Company* and Guodian Shanxi Jieneng Co., Ltd.* on 24 June 2020 in relation to Pinglu Beishan Phase II wind power generation project with an installed capacity of 49.5 MW, it is agreed in the contract that the electricity tariff shall be settled based on the on-grid tariff approved by the competent price authorities of the government. In particular, the settlement price of the purchaser, which is the local benchmark on-grid tariff of electricity generated by coal power generating units approved or confirmed by the competent price authorities of the government, is RMB332/MWh (tax inclusive). The subsidy for renewable energy is the difference between the on-grid tariff approved by the government and the settlement price of the electricity purchaser. The term of the contract is from 1 January 2020 to 31 December 2020, and it is assumed that the contract will be renewed upon expiry in this valuation.

12. According to the notice issued by the National Development and Reform Commission and the National Energy Administration on 30 October 2018 to publish the Action Plan on Clean Energy Consumption (2018–2020)

(《清潔能源消納行動計劃(2018–2020年)》), the specific objectives included: to ensure that the national average wind power utilization rate reaches international advanced level (striving to attain a level of around 95%) and keep the curtailment rate of wind power at a reasonable level (striving to stabilize it at around 5%) by 2020, and to ensure the utilization hours of each wind power station reach feasible utilization hours by 2026, taking into account various factors such as the utilization hours for each year during the reporting period and the trend of market demand, based on the communication with the production and operation department of the appraised entity and its historical power generation, assuming there exists wind power curtailment and constraints and the curtailment rate for each wind power station will drop year by year in future years as compared to that in 2020.

13. It is assumed that subsequent to the Valuation Benchmark Date, the cash inflow of the appraised entity is represented by average inflow and its cash outflow is represented by average outflow.

APPENDIX II: KEY ASSUMPTIONS ON VALUATION OF MINING RIGHTS OF ASSETS TO BE DISPOSED OF

Key Assumptions on the Appraisal Value of Fengshuigou Mining Rights

- (1) The relevant policies, laws and systems followed has no major change but remain current status and the related social, political and economic environment and the mining technology and conditions, etc. followed have no major change but remain current status;
- (2) The operation is continued legally based on the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level;
- (3) The price, cost and expense, tax rate and interest rate will change within the normal range during the earning period of mining development;

- (4) The mining license shall be statutorily extended upon its expiry, in which, the relevant possible expenses from the extension and registration of the mining license upon its expiry are not taken into account;
- (5) This valuation result does not take into account the impact of the possible mortgage, guarantee and additional value that may be paid by special transaction parties on the appraisal value. This valuation result does not take into account the influence of changes in national macroeconomic policies, natural force, other force majeure and unpredictable factors which may affect the appraisal value, either.

Key Assumptions on the Appraisal Value of Liujia Mining Rights

- (1) The relevant policies, laws and systems followed has no major change but remain current status and the related social, political and economic environment and the mining technology and conditions, etc. followed have no major change but remain current status;
- (2) The operation is continued legally based on the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level;
- (3) The price, cost and expense, tax rate and interest rate will change within the normal range during the earning period of mining development;
- (4) This valuation result does not take into account the impact of the possible mortgage, guarantee and additional value that may be paid by special transaction parties on the appraisal value. This valuation result does not take into account the influence of changes in national macroeconomic policies, natural force, other force majeure and unpredictable factors which may affect the appraisal value, either.

Key Assumptions on the Appraisal Value of Laogongyingzi Mining Rights

- (1) The relevant policies, laws and systems followed has no major change but remain current status and the related social, political and economic environment and the mining technology and conditions, etc. followed have no major change but remain current status;
- (2) The operation is continued legally based on the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level;
- (3) The price, cost and expense, tax rate and interest rate will change within the normal range during the earning period of mining development;
- (4) Within the service life of mine calculated in this valuation, enterprises are able to apply for the reduction preferential of coal resource tax for the decaying coal mine (the remaining service life being less than 5 years) on normal basis;
- (5) The mining license shall be statutorily extended upon its expiry, in which, the relevant possible expenses from the extension and registration of the mining license upon its expiry are not taken into account;
- (6) This valuation result does not take into account the impact of the possible mortgage, guarantee and additional value that may be paid by special transaction parties on the appraisal value. This valuation result does not take into account the influence of changes in national macroeconomic policies, natural force, other force majeure and unpredictable factors which may affect the appraisal value, either.

Key Assumptions on the Appraisal Value of Xilutian Mining Rights

- (1) The relevant policies, laws and systems followed has no major change but remain current status and the related social, political and economic environment and the mining technology and conditions, etc. followed have no major change but remain current status;
- (2) The operation is continued legally based on the planned development schedule, production mode, production scale, product structure, development technology level and market supply and demand level;
- (3) The price, cost and expense, tax rate and interest rate will change within the normal range during the earning period of mining development;

- (4) Within the service life of mine calculated in this valuation, enterprises are able to apply for the reduction preferential of coal resource tax for the decaying coal mine (the remaining service life being less than 5 years) on normal basis;
- (5) The mining license shall be statutorily extended upon its expiry, in which, the relevant possible expenses from the extension and registration of the mining license upon its expiry are not taken into account;
- (6) This valuation result does not take into account the impact of the possible mortgage, guarantee and additional value that may be paid by special transaction parties on the appraisal value. This valuation result does not take into account the influence of changes in national macroeconomic policies, natural force, other force majeure and unpredictable factors which may affect the appraisal value, either.

APPENDIX III: LETTER FROM THE AUDITOR OF THE COMPANY

18 June 2021

To the Directors of China Longyuan Power Group Corporation Limited

Room 2006, 20th Floor, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing
The People's Republic of China

REPORT ON THE ARITHMETICAL ACCURACY OF THE CALCULATIONS OF THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN GUODIAN NORTHEAST NEW ENERGY DEVELOPMENT CO., LTD., GUONENG DINGBIAN NEW ENERGY CO., LTD, GUODIAN GUANGXI NEW ENERGY DEVELOPMENT CO., LTD., GUONENG ENERGY YUNNAN NEW ENERGY CO., LTD., GUODIAN GANSU NEW ENERGY CO., LTD., TIANJIN GUODIAN JIENENG ELECTRIC POWER CO., LTD., GUODIAN NORTH CHINA INNER MONGOLIA NEW ENERGY CO., LTD., GUODIAN SHANXI JIENENG CO., LTD. AS WELL AS FENGSHUIGOU MINING RIGHT, LAOGONGYINGZI MINING RIGHTS, LIUJIA MINING RIGHTS AND XILUTIAN MINING RIGHTS OF INNER MONGOLIA PINGZHUANG ENERGY CO., LTD.

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecasts (the “**Forecasts**”) on which the valuations dated 28 April 2021 prepared by China United Assets Appraisal Group Co., Ltd. (“**China United Appraisal**”) in respect of the appraisal of the fair value of 100% equity interest in Guodian Northeast New Energy Development Co., Ltd., Guoneng Dingbian New Energy Co., Ltd., Guodian Guangxi New Energy Development Co., Ltd., Guoneng Yunnan New Energy Co., Ltd., Guodian Gansu New Energy Co., Ltd., Tianjin Guodian Jieneng Electric Power Co., Ltd., Guodian North China Inner Mongolia New Energy Co., Ltd., Guodian Shanxi Jieneng Co., Ltd. (the “**Acquisition Targets**”) as well as the valuations dated 8 June 2021 prepared by China United Appraisal in respect of the appraisal of fair value of Fengshuigou mining rights, Laogongyingzi mining rights, Liujia mining rights and Xilutian mining rights of Inner Mongolia Pingzhuang Energy Co., Ltd. (the “**Disposed Targets**”; together, the “**Targets**”) as at 31 December 2020 are based. The valuations are set out in the Announcement of China Longyuan Power Group Corporation Limited (the “**Company**”) dated 18 June 2021 (the “**Announcement**”) in connection with the Acquisition Targets and the Disposed Targets. The valuations based on the Forecasts are regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecasts. The Forecasts have been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in Appendix I and Appendix II to the Announcement.

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ responsibilities

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

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

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecasts are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Targets. The Assumptions used in the preparation of the Forecasts include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecasts and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

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

Ernst & Young

Certified Public Accountants

Hong Kong

APPENDIX IV: LETTER FROM THE FINANCIAL ADVISER OF THE COMPANY

18 June 2021

The Board of Directors

China Longyuan Power Group Corporation Limited (the “Company”)

Room 2006, 20th Floor
Block c, 6 Fuchengmen North Street
Xicheng District
Beijing
PRC

Dear Sirs,

We refer to (i) the announcement on the date of the second Board meeting in respect of the Transaction dated 18 June, 2021 (the “**Announcement**”), in relation to the proposed transaction which comprises three parts, namely (i) absorption and merger of Inner Mongolia Pingzhuang Energy Co., Ltd. (內蒙古平莊能源股份有限公司, “**Pingzhuang Energy**”) through share swap by the issuance of A shares by the Company to all the Conversion Shareholders of Pingzhuang Energy; (ii) the transfer of the Assets to be Disposed of by Pingzhuang Energy to Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司, “**Pingzhuang Coal Group**”) with a consideration payable by Pingzhuang Coal Group in cash to the Company; (iii) purchase of assets by the Company from CHN Energy Northeast Electric Power Co., Ltd. (國家能源集團東北電力有限公司), CHN Energy North China Electric Power Co., Ltd. (國家能源集團華北電力有限公司), CHN Energy Guangxi Electric Power Co., Ltd. (國家能源集團廣西電力有限公司), CHN Energy Gansu Electric Power Co., Ltd. (國家能源集團甘肅電力有限公司), CHN Energy Shaanxi Electric Power Co., Ltd. (國家能源集團陝西電力有限公司), and CHN Energy Yunnan Electric Power Co., Ltd. (國家能源集團雲南電力有限公司) with a consideration payable by the Company in cash, (together, the “**Transaction**”), in relation to, among other things, the Transaction. Unless otherwise defined or if the context otherwise requires, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Announcement refers to valuation reports dated 28 April 2021 and 8 June 2021 prepared by China United Assets Appraisal Group Co., Ltd. (the “**Valuer**”) in respect of the Assets to be Purchased and the Assets to be disposed respectively (the “**Valuation Reports**”). We note that the Valuer have represented in the Valuation Reports that the Valuation has been arrived at using the discounted cash flow method is regarded as a profit forecast (the “**Forecast**”) under Rule 14.61 of the Listing Rules.

For the purpose of giving this letter, we have (i) reviewed the Forecast disclosed in the Announcement, for which you as the Directors are solely responsible; and (ii) discussed with you, the management of the Target Assets and Disposed Assets, and the Valuer regarding the qualifications, bases and assumptions upon which the Forecast has been made; and (iii) considered the report from Ernst & Young, Certified Public Accountants, Hong Kong dated 18 June 2021 as set out in the Announcement addressed to you regarding arithmetical accuracy of the calculations of the discounted cash flows in accordance with the bases and assumptions adopted by the Directors. We noted that in the opinion of Ernst & Young, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, that the Forecast has been properly compiled, in all material respects, in accordance with the assumptions adopted by the Directors.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Valuer and the Company for which the Valuer and the Company are solely responsible, we are of the opinion that the Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

Having regard to the information made available to us as at the date of this letter, without giving any other opinion or expressing any other view on the Valuation Reports, for which the Valuer and the Company are responsible, we are satisfied that: (i) the qualifications, bases and assumptions have been made by the Valuer with due care and objectivity and on a reasonable basis; (ii) the Forecast disclosed in the Announcement, for which you as the Directors are solely responsible, has been made with due and careful enquiry, care and consideration by you; and (iii) the Valuer is qualified and experienced to prepare the Valuation Reports.

The work undertaken by us is for the sole purpose of reporting to you under Rule 14.62(3) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of, arising out or in connection with such work.

Yours faithfully,
For and on behalf of CLSA Capital Markets Limited

Edmund Chan
Managing Director, Head of M&A