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龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

CONTINUING CONNECTED TRANSACTIONS ENTERING INTO FINANCING LEASE RELATED SERVICES FRAMEWORK AGREEMENT

ENTERING INTO FINANCING LEASE RELATED SERVICES FRAMEWORK AGREEMENT

On 29 March 2023, the Company entered into the Financing Lease Related Services Framework Agreement with Guoneng Financial, pursuant to which, Guoneng Financial has agreed to provide the Company with financing lease related services, including direct lease, sales and leaseback and related consulting services. The Financing Lease Related Services Framework Agreement and its corresponding annual caps are valid for two years from 29 March 2023 to 28 March 2025.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.56% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. Guoneng Financial, being the subsidiary of CHN Energy, also constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Financing Lease Related Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the direct lease services under the Financing Lease Related Services Framework Agreement is (are) more than 0.1% but less than 5%, the direct lease services provided by Guoneng Financial to the Company and its annual caps are subject to the annual reporting and announcement requirements as set out in Rule 14A.35 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rules 14A.36 to 14A.39 of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the sales and leaseback services under the Financing Lease Related Services Framework Agreement is (are) more than 0.1% but less than 5%, the sales and leaseback services provided by Guoneng Financial to the Company and its annual caps are subject to the annual reporting and announcement requirements as set out in Rule 14A.35 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rules 14A.36 to 14A.39 of the Listing Rules.

As each of the percentage ratio(s) applicable to the related consulting services under the Financing Lease Related Services Framework Agreement is less than 0.1%, the related consulting services provided by Guoneng Financial to the Company and its annual caps are exempt from the annual reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

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Date

29 March 2023

Parties

The Company and Guoneng Financial

Material Terms

The financing lease related services provided by Guoneng Financial to the Company include:

1. Provision of direct lease related services (“**Direct Lease**”) in financing lease to the Company. In relation to Direct Lease, the lessor (being Guoneng Financial), based on the choice of the lessee (being the Company or its subsidiaries), acquires the leased property for the direct purpose of leasing it out to the lessee. The lessor owns the title to the leased property. The lessee, pursuant to the relevant agreement(s), shall pay the rent (inclusive of interest) to the lessor during the lease term. At the expiry of the lease term, the lessee is given an option to purchase, or to renew or terminate the lease of, the leased property;
2. Provision of sales and leaseback related services (“**Sales and Leaseback**”) in financing lease to the Company. In relation to Sales and Leaseback, the lessor (being Guoneng Financial), based on the choice of the lessee (being the Company or its subsidiaries), acquires from the lessee the leased property and then leases it back to the lessee. The lessee, pursuant to the relevant agreement(s), shall pay the rent and interests to the lessor during the lease term. At the expiry of the lease term, the lessee is given an option to purchase, or to renew or terminate the lease of, the leased property;
3. Provision of consulting services in respect of industry development, business management, asset and equipment management and related laws and taxation (“**Related Consulting Services**”) for financing lease business of the Company.

The Financing Lease Related Services Framework Agreement and its corresponding annual caps are valid for two years from 29 March 2023 to 28 March 2025.

Pricing Policy

Guoneng Financial will provide financing lease related services to the Group on terms no less favourable than those offered by its peers in the financing lease industry or other third party financial institutions. The lease amount under the Financing Lease Related Services Framework Agreement will be determined based on the total purchase price of relevant equipment and interest as agreed between the parties. The lease interest rate is determined by both parties by adopting the floating interest rate with reference to the financial lease market conditions, and the lease interest rate is based on the latest Loan Prime Rate (LPR) with a term of one year/five years or more published by the People’s Bank of China at the time of entering into the contract, and shall (plus or minus) the corresponding basis points as agreed in the Financing Lease Related Services Framework Agreement contract. Handling fee (if any) may be charged by Guoneng Financial from the Company and its subsidiaries at the date of entering into the Financing Lease Related Services Framework Agreement on terms no less favourable than those offered to the Company and its subsidiaries by its peers in

the financing lease industry or other third party financial institutions and still at such rate as fixed by reference to the charge rates of other major financial institutions in the PRC for finance leases of assets of the same or similar type or the applicable rate (if any) published by the PBOC from time to time in relation to such services and as set forth in the relevant written agreements. The lease interest rate will be decided at the commencement of each finance lease executed under the Financing Lease Framework Agreement. In the event the PBOC adjusts the LPR during the term of relevant finance lease agreement, the lease interest rate will be adjusted accordingly. The lease interest rate will be adjusted for a period of 12 months. The transaction amounts shall be paid at the end of each quarter or year or at such other intervals as agreed by the parties.

ANNUAL CAPS AND BASIS

During the term of the Financing Lease Related Services Framework Agreement, (1) the total transaction amounts of Direct Lease between the Company and Guoneng Financial shall not exceed RMB500 million per year; (2) the total transaction amounts of Sales and Leaseback between the Company and Guoneng Financial shall not exceed RMB390 million per year; and (3) the total amounts of Related Consulting Services fees provided by Guoneng Financial to the Company in relation to the financing lease business shall not exceed RMB10 million per year.

As of the date of this announcement, the Group has not conducted any Direct Lease, Sales and Leaseback or Related Consulting Services transactions with Guoneng Financial in the past.

Such caps are determined after taking into account:

1. The financing lease arrangements between the Company and Guoneng Financial are applicable to International Financial Reporting Standards 16 (Leases). Pursuant to International Financial Reporting Standards 16 (Leases), the Company recognises right-of-use assets at the commencement date of the lease (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. At the commencement date of a lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is hardly determinable. Accordingly, under International Financial Reporting Standards 16 (Leases), the Company will recognise the target assets of the relevant Direct Leases, which represent its right to use the assets for which the Company (subject to the specific lease terms and conditions set out in each lease agreement) is reasonably certain to obtain ownership of the leased assets at the expiry of the lease term, which are included in right-of-use assets and lease liabilities on initial recognition. With regard to the Sales and Leaseback, the relevant transactions will be accounted for as financing lease arrangements between the Company and Guoneng Financial.

2. Considering (i) the growing number of projects, size of assets, financing needs and financing scale of the Group; and (ii) the existing stock business scale of Guoneng Financial is approximately RMB40 billion, of which the stock asset size of wind power projects is approximately RMB3.9 billion. Guoneng Financial possesses the service capability and experience in financing lease related business, and the Company expects that Guoneng Financial will continue to provide Direct Lease, Sales and Leaseback and Related Consulting Services to the Group to meet the future financing needs of the Group's relevant projects.
3. The interest rate level for the provision of financing lease related services by Guoneng Financial to the Group is lower than the interest rate level for similar business in the market in general. Guoneng Financial will provide financing lease related services to the Group on terms no less favourable than those offered by its peers in the financing lease industry or other third party financial institutions, and the provision of financing lease related services by Guoneng Financial to the Group can effectively reduce the Group's financing costs, and the Company expects that the aforesaid annual cap amount can meet the Group's capital requirements for the expected new investments in the next two years.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTIONS

As a financial service platform of China Energy Capital Holdings Co., Ltd., Guoneng Financial Leasing Co., Ltd. provides the Company with high-quality financing lease and related business management consulting services under the premise of ensuring the safety of funds. The Company has conducted connected transactions with Guoneng Financial based on the following advantages: firstly, broadening financing channels and enriching sources of funds; secondly, improving cash management and optimizing capital planning; and thirdly, reducing financing costs and improving capital efficiency.

The Directors, including the independent non-executive Directors, are of the view that the Financing Lease Related Services Framework Agreement and its annual cap are conducted on normal commercial terms, in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Mr. Tian Shaolin, Mr. Tang Chaoxiong, Mr. Wang Yiguo and Mr. Ma Bingyan, the connected directors of the Company, have abstained from voting on the resolution for the approval of the Financing Lease Related Services Framework Agreement and its annual cap. Save as disclosed above, there are no other Directors who have any material interests in the Financing Lease Related Services Framework Agreement and the transactions contemplated thereunder.

INTERNAL CONTROL MEASURES

The Company will adopt the following internal control measures:

1. The Financing Lease Related Services Framework Agreement will be conducted on a non-exclusive basis;
2. Before conducting leasing finance transactions, the finance department of the Company or relevant subsidiaries will obtain quotations of terms from major domestic financing lease companies independent of the Company and inquire about the benchmark interest rates for term loans published by the People's Bank of China from time to time;
3. A coordination meeting, chaired by the financial executive of the Company with the attendance of finance departments of subsidiaries, is convened on a regular basis by the Group, to consider the transactions under the Financing Lease Related Services Framework Agreement between the Group and Guoneng Financial, keep abreast of the relevant progress in a timely manner, and reasonably coordinate recent transaction arrangements between the Company and Guoneng Financial, which shall also be reported to the management of the Company for decision-making.
4. The finance department of the Company will strictly control the balance of the caps to ensure that the relevant proposed annual cap will not be exceeded. Guoneng Financial will assist in monitoring the balance of the caps, in order to ensure that relevant balance does not exceed the annual caps. If the relevant service amounts are expected to exceed the caps, Guoneng Financial shall inform the Company in a timely manner. If the cost of services provided by Guoneng Financial reaches the relevant cap for the year, the Company's member units will suspend such services with Guoneng Financial for the remainder period of the year unless otherwise approved by the Board or the general meeting of the Company (as applicable).
5. In occurrence of material events in Guoneng Financial which may affect its normal operation, including changes in significant institution, equity transaction or operation risks and other matters, serious malfunction in computer system, being robbed or defrauded, or when directors or the senior management are involved in severe violation of discipline or criminal cases, Guoneng Financial shall inform the Group in a timely manner, and if necessary, the Group is entitled to terminate the business in Guoneng Financial, and negotiate the subsequent matters with Guoneng Financial.
6. Guoneng Financial agrees that the Group and its auditor review the records of transactions of Guoneng Financial under the Financing Lease Related Services Framework Agreement, for the purpose of performing disclosure obligations of the Group under the Listing Rules.

7. Before commencing each leasing business or adjusting the interest rate level of existing leasing business, the finance departments of the Company or relevant subsidiaries will provide the Group with the latest (LPR with a term of one year/ five years or more published by the People's Bank of China and compare the rates charged by other major financial institutions for financing leases of the same or similar asset types to ensure that the terms offered by Guoneng Financial are strictly in line with the pricing policies set out in the Financing Lease Related Services Framework Agreement and that the relevant terms are no less favourable than those offered by major domestic financial institutions for similar financial services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.56% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. Guoneng Financial, being the subsidiary of CHN Energy, also constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Financing Lease Related Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

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GENERAL INFORMATION

Information on the Company

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

Information on Guoneng Financial

Guoneng Financial is a company incorporated in the PRC with limited liability. It is mainly engaged in leasing business, finance leasing business, purchase of domestic and foreign rental properties, disposal of residual value and maintenance of rental property as well as advice and guarantees of leasing transactions. As at the date of this announcement, Guoneng Financial is a subsidiary of CHN Energy and its ultimate beneficial owner is CHN Energy.

Information on CHN Energy

As a state-owned enterprise established in accordance with the laws of the PRC, CHN Energy is the controlling shareholder of the Company, and operates eight business segments including coal, thermal power, new energy, hydropower, transportation, chemicals, environmental technologies and finance. It is the world's largest producer of coal, thermal power, wind power, as well as coal-to-liquids and coal chemical products.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“CHN Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), as at the date of this announcement, CHN Energy in aggregate directly and indirectly holds 4,908,598,141 shares (representing approximately 58.56% of the total issued share capital of the Company) in the Company, and is the controlling shareholder of the Company

“Company”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司), a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 00916) and the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 001289)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Financing Lease Related Services Framework Agreement”	the financing lease related services framework agreement entered into between the Company and Guoneng Financial on 29 March 2023
“Group”	the Company and its subsidiaries
“Guoneng Financial”	Guoneng Financial Leasing Co., Ltd., (國能融資租賃有限公司), a limited liability company incorporated in the PRC, is a subsidiary of CHN Energy. As at the date of this announcement, Guoneng Financial is held as to 51% by China Energy Capital Holdings Co., Ltd., a wholly-owned subsidiary of CHN Energy, and as to 49% by Hero Asia (BVI) Company Limited, a wholly-owned subsidiary of the Company
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC

“subsidiary” or
“subsidiaries”

has the meaning ascribed to it under the Listing Rules

“%”

percentage

By order of the Board
China Longyuan Power Group Corporation Limited*
Tang Jian
Chairman

Beijing, the PRC, 29 March 2023

As at the date of this announcement, the executive director of the Company is Mr. Tang Jian; the non-executive directors are Mr. Tian Shaolin, Mr. Tang Chaoxiong, Mr. Wang Yiguo and Mr. Ma Bingyan; and the independent non-executive directors are Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng.

* *For identification purpose only*