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龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

ANNOUNCEMENT ON THE ACHIEVEMENT OF PERFORMANCE COMMITMENT AND PERFORMANCE COMPENSATION SCHEME FOR THE YEAR 2022

References are made to the announcements dated 15 January 2021, 18 June 2021, 23 July 2021 and 20 January 2022 and the circular dated 8 July 2021 (the “**Circular**”) of China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) (the “**Company**”) in relation to, among other things, the absorption and merger of Inner Mongolia Pingzhuang Energy Co., Ltd. (“**Pingzhuang Energy**”) through share swap, disposal of material assets, purchase of assets through cash payment and the issuance of A Shares, in which the Company entered into the Profit Compensation Agreements and the Agreement on Purchase of Assets through Cash Payment (“**Agreement on Purchase of Assets through Cash Payment**”) with CHN Energy Northeast Electric Power Co., Ltd. (“**Northeast Electric Power**”), CHN Energy Shaanxi Electric Power Co., Ltd. (“**Shaanxi Electric Power**”), CHN Energy Guangxi Electric Power Co., Ltd. (“**Guangxi Electric Power**”), CHN Energy Yunnan Electric Power Co., Ltd. (“**Yunnan Electric Power**”), CHN Energy Gansu Electric Power Co., Ltd. (“**Gansu Electric Power**”) and CHN Energy North China Electric Power Co., Ltd. (“**North China Electric Power**”), respectively. Unless otherwise defined herein, the terms used in this announcement shall have the same meanings as defined in the Circular.

The board of directors of the Company (the “**Board**”) hereby announces that the Resolution on the Achievement of Performance Commitment and Performance Compensation Scheme for the Year 2022 was considered and approved at the meeting of the Board held on 29 March 2023.

I. THE TRANSACTION AND ITS PERFORMANCE COMMITMENT

(1) Overview of the Transaction

The Company considered and approved “the Resolution on absorption and merger of Inner Mongolia Pingzhuang Energy Co., Ltd. through Share Swap by the issuance of A Shares of the Company and disposal of material assets and purchase of assets through cash payment of China Longyuan Power Group Corporation Limited and proposal of related party transactions” (collectively referred to as the “**Transaction**”) and a total of 23 resolutions related to the Transaction at the third extraordinary general meeting in 2021 held on 23 July 2021.

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment with CHN Energy Liaoning Electric Power Co., Ltd. (“**Liaoning Electric Power**”) (formerly known as Northeast Electric Power), pursuant to which the Company acquired its 100% equity interests in Guoneng Northeast New Energy Development Co., Ltd. (formerly known as Guodian Northeast New Energy Development Co., Ltd.).

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment with Shaanxi Electric Power, pursuant to which the Company acquired 100% of its equity interests in Guoneng Dingbian New Energy Co., Ltd.

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment with Guangxi Electric Power, pursuant to which the Company acquired 100% of its equity interests in Guangxi Guoneng Energy Development Co., Ltd.

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment with Yunnan Electric Power, pursuant to which the Company acquired its 100% equity interests in Guoneng Yunnan New Energy Co., Ltd.

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment with North China Electric Power, pursuant to which the Company acquired 100% equity interests in Guodian North China Inner Mongolia New Energy Co., Ltd.

Since all parties were controlled by CHN Energy before and after the above mergers and such control was not temporary, the merger was a business combination under common control. Pursuant to the Agreement on Purchase of Assets through Cash Payment in respect of the aforesaid matters, the closing date of equity interest agreed upon by the parties was 4 January 2022 and on 4 January 2022, the Company has effectively acquired control of the merged party and therefore the date of merger was determined to be 4 January 2022.

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment with North China Electric Power, pursuant to which the Company acquired its 100% equity interests in Guodian Shanxi Jieneng Co., Ltd. Since both parties were controlled by CHN Energy both before and after the merger and such control was not temporary, the merger was a business combination under common control. Pursuant to the aforesaid Agreement on Purchase of Assets through Cash Payment, the closing date of equity interest agreed upon by the parties was 5 January 2022 and on 5 January 2022, the Company has effectively acquired control of the merged party and therefore the date of merger was determined to be 5 January 2022.

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment with Gansu Electric Power, pursuant to which the Company acquired its 100% equity interests in Guodian Gansu New Energy Co., Ltd. Since both parties were controlled by CHN Energy both before and after the merger and such control was not temporary, the merger was a business combination under common control. Pursuant to the aforesaid Agreement on Purchase of Assets through Cash Payment, the closing date of equity interest agreed upon by the parties was 6 January 2022 and on 6 January 2022, the Company has effectively acquired control of the merged party and therefore the date of merger was determined to be 6 January 2022.

On 15 January 2021, the Company entered into the Agreement on Purchase of Assets through Cash Payment with North China Electric Power, pursuant to which the Company acquired its 100% equity interests in Tianjin Guodian Jieneng Electric Power Co., Ltd. Since both parties were controlled by CHN Energy both before and after the merger and such control was not temporary, the merger was a business combination under common control. Pursuant to the aforesaid Agreement on Purchase of Assets through Cash Payment, the closing date of equity interest agreed upon by the parties was 6 January 2022 and on 6 January 2022, the Company has effectively acquired control of the merged party and therefore the date of merger was determined to be 6 January 2022.

(2) Content of Performance Commitment

On 18 June 2021, the Performance Undertakers, being Liaoning Electric Power, Gansu Electric Power, Guangxi Electric Power, North China Electric Power, Shaanxi Electric Power and Yunnan Electric Power, all entered into the Profit Compensation Agreement with the Company. The Performance Commitment Period refers to the year following the completion of the purchase of the assets and the two subsequent accounting years, i.e. 2022, 2023 and 2024, during which commitment to the net profit attributable to shareholders of the parent company after deduction of non-recurring profit or loss shall be made. Details are as follows:

Unit: RMB'0,000

| No. | Counterparty | Committed Net Profit for the Year 2022 | Committed Net Profit for the Year 2023 | Committed Net Profit for the Year 2024 |
|-----|-------------------------------|--|--|--|
| 1 | Liaoning Electric Power | 8,882.29 | 9,205.16 | 8,894.29 |
| 2 | Shaanxi Electric Power | 10,914.34 | 10,642.48 | 11,429.55 |
| 3 | Guangxi Electric Power | 22,900.01 | 23,820.20 | 23,401.92 |
| 4 | Yunnan Electric Power | 15,702.47 | 13,017.78 | 10,658.67 |
| 5 | Gansu Electric Power | 2,910.08 | 3,958.41 | 4,743.56 |
| 6 | North China Electric Power | 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.

II. ACHIEVEMENT OF PERFORMANCE COMMITMENT AND REASONS

The achievement of performance commitment is as follows:

Unit: RMB'0,000

| No. | Counterparty | Committed Net Profit for the Year 2022 | Net Profit Attributable to Owners of the Parent Company after Deduction of Non-recurring Profit or Loss (Audited) | Achievement Rate (%) |
|-----|-------------------------------|--|---|----------------------------|
| 1 | Liaoning Electric Power | 8,882.29 | 9,719.25 | 109.42 |
| 2 | Shaanxi Electric Power | 10,914.34 | 12,692.19 | 116.29 |
| 3 | Guangxi Electric Power | 22,900.01 | 18,952.32 | 82.76 |
| 4 | Yunnan Electric Power | 15,702.47 | 15,725.79 | 100.15 |
| 5 | Gansu Electric Power | 2,910.08 | 5,502.24 | 189.08 |
| 6 | North China Electric Power | 13,564.53 | 12,447.65 | 91.77 |

In 2022, Guangxi Electric Power and North China Electric Power failed to meet their performance commitments mainly due to the following reasons:

Guangxi Electric Power: the utilization hours were 258 hours less than the committed target, resulting in a decrease in revenue.

North China Electric Power: due to the difference between new energy subsidy income and forecast, resulting in a decrease in revenue.

III. PERFORMANCE COMPENSATION SCHEME

Pursuant to the Profit Compensation Agreement, Liaoning Electric Power, Gansu Electric Power, Guangxi Electric Power, North China Electric Power, Shaanxi Electric Power and Yunnan Electric Power shall make compensation to the Company 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, Liaoning 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 Target as at the end of the year – the cumulative Actual Net Profit of the Valuation Adjustment Target as at the end of the Year) ÷ the cumulative Committed Net Profit of the Valuation Adjustment Target during the Performance Commitment Period × the transaction consideration of the Valuation Adjustment Target – the cumulative amount compensated.

The Company 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, Liaoning Electric Power, Gansu Electric Power, Shaanxi Electric Power and North China Electric Power in writing. Yunnan Electric Power, Guangxi Electric Power, Liaoning 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 of the Company within 30 days from the date of receipt of the notice of the Company.

In 2022, Guangxi Electric Power and North China Electric Power failed to meet their performance commitments and the compensation payable is as follows:

The amount of compensation payable by Guangxi Electric Power was RMB55,509,200:

Compensation amount for the period = $(22,900.01 - 18,952.32) / (22,900.01 + 23,820.2 + 23,401.92) * 98,600 = \text{RMB}55,509,200$

The amount of compensation payable by North China Electric Power was RMB53,201,300:

Compensation amount for the period = $(13,564.53 - 12,447.65) / (13,564.53 + 14,115.01 + 13,971.47) * 198,400 = \text{RMB}53,201,300$

As at the date of this announcement, a special audit report has been issued by accountancy firm.

Further announcement(s) will be made by the Company in relation to the progress of the compensation as and when appropriate.

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*