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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)

CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

The Board of the Company announces that, on 25 April 2023, Fujian Longyuan, Fujian Guodian and Wanhua Chemical entered into the Investment Agreement, pursuant to which, Fujian Longyuan, Fujian Guodian and Wanhua Chemical agreed to form the Joint Venture, among which, Fujian Longyuan will contribute RMB299.475 million in cash to the Joint Venture, accounting for 45% of the total registered capital of the Joint Venture.

On the same date, Fujian Longyuan and Fujian Guodian entered into the Shareholders' Voting Rights Exercise Agreement, pursuant to which Fujian Guodian agreed, during the term of its acting as a shareholder of the Joint Venture, to align with Fujian Longyuan in the exercise of proposal rights and voting rights in relation to the operational and financial policy and other matters of the Joint Venture, such as project development, business plans, financial budget and final accounts, financial policy and system, investment and financing management, cash and asset management, or to procure the director(s) whom it appoints to align with that Fujian Longyuan appoints in exercise of voting rights in the meeting of the board of the directors of the Joint Venture. On such basis, the financial results of the Joint Venture will be consolidated into the financial statements of the Company.

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. Fujian Guodian, being a wholly-owned subsidiary of CHN Energy, also constitutes a connected person of the Company under Chapter 14A of the Listing Rules and therefore the Transaction constitutes a connected transaction of the Company.

In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted or completed within a same 12-month period or were otherwise related with each other. Reference is made to the announcement of the Company dated 30 December 2022 in relation to the capital increase to Guangdong New Energy and the announcement of the Company dated 15 February 2023 in relation to the capital increase to Guoneng Financial (the “**Previous Transactions**”). In the Previous Transactions and the Transaction, the counterparties of the Company or its subsidiaries are CHN Energy and its associates, and the nature of these transactions is the same. Accordingly, the Previous Transactions and the Transaction shall be aggregated. As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) of the Transaction after taking into account the aggregated calculations is (are) more than 0.1% but less than 5%, the Transaction shall be subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

I. INVESTMENT AGREEMENT

The main terms of the Investment Agreement are as follows:

Date

25 April 2023

Parties

Fujian Longyuan, Fujian Guodian and Wanhua Chemical

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Wanhua Chemical and its ultimate beneficial owner are both independent third parties of the Company and are not connected persons of the Company.

Name and Organizational Type

Fujian Longyuan, Fujian Guodian and Wanhua Chemical have agreed to jointly contribute funds to form and establish a company in Lianjiang County, Fuzhou City, Fujian Province within 30 working days of the signing of the Investment Agreement.

The Chinese name of the Joint Venture is tentatively Lianjiang Guoneng Longyuan Wanhua New Energy Co., Ltd. (the final name is subject to the business licence issued by the company registration authority) and its organizational type is a limited liability company.

Business Scope

Scope of business of the Joint Venture: Permitted projects: power generation business, power transmission business, power supply (distribution) business (For projects that are subject to approval according to the law, the business activities can be carried out only after obtaining approval by the relevant departments, and the specific business projects are subject to the approval documents or license documents from the relevant departments) General projects: wind power generation technology services; emerging energy technology research and development; technical services, technology development, technology consultation, technology exchange, technology transfer, technology promotion (For projects other than those that are subject to approval according to the law, the business activities can be carried out independently with business license subject to the business scope approved by market supervision and administration authorities).

Registered Capital, Proportion of Capital Contribution and Timing of Capital Contribution

The total registered capital of the Joint Venture shall be RMB665.50 million.

Parties	Amount of Capital Contribution (RMB0'000)	Proportion of Capital Contribution (%)	Amount of Initial Capital Contribution (RMB0'000)
Fujian Longyuan	29,947.5	45	2,994.75
Fujian Guodian	29,947.5	45	2,994.75
Wanhua Chemical	6,655	10	665.5
Total	66,550	100	6,655

Notes:

1. The form of capital contribution shall be in currency;
2. The initial capital contribution shall be paid in full by 30 June 2023.

The amount of capital contribution under the Investment Agreement has been determined by the parties after arm's length negotiations.

The parties shall complete their respective contribution in the proportion and at the time as agreed in the Investment Agreement.

The parties shall pay their respective capital contribution on schedule and in full. If the capital contribution is made in money, the parties shall pay their respective capital contribution in full into the designated account as stipulated in the Investment Agreement.

If a shareholder fails to pay its capital contribution in full on schedule in the method of capital contribution, amount of capital contribution, period of capital contribution as stipulated in the Investment Agreement, such shareholder shall pay a default fee in an amount of 5% of its outstanding capital contribution payable to the shareholders who have paid their capital contributions in full and on schedule for each day overdue. (which is deductible from their bonuses); If a capital contribution is overdue for more than 14 days and such defaulting shareholder still fails to pay its capital contribution despite the Joint Venture or the shareholder(s) who has/have paid its/their capital contribution in full and on schedule issue a request to ask such defaulting shareholder to pay, the shareholder(s) who has/have paid its/their capital contribution in full on schedule shall be entitled to choose one of the following options to deal with:

1. shareholders who have paid their capital contributions in full and on schedule may, in accordance with the relevant provisions of the Company Law or the articles of association of the Joint Venture, convene or propose to the board of directors or the supervisory board of the Joint Venture to convene a shareholders' general meeting to reduce the capital contribution by the shareholders who have not paid their capital contributions on time, and to reduce the amount and proportion of capital contributions to the Joint Venture held by shareholders who have not paid their capital contributions on time, and the Joint Venture shall carry out the corresponding capital reduction procedures in accordance with the resolutions of the shareholders' meeting.
2. if a shareholder who has paid the capital contribution in full and on schedule is willing to pay the capital contribution payable by the shareholder who has not paid the capital contribution (if two or more shareholders who have paid the capital contribution in full and on schedule are willing to pay, the unpaid capital contribution shall be shared among the shareholders in proportion to their paid capital contribution), the shareholder who has not paid the capital contribution shall be obliged to sign the relevant equity or capital contribution transfer agreement within 30 days after the request of the shareholder(s) who has/have paid the capital contribution in full and on schedule, to transfer its/their unpaid capital contribution to the shareholder(s) who has/have paid the capital contribution in full and on schedule at nil consideration, and the shareholder(s) who has/have paid the capital contribution in full and on schedule shall pay such portion of capital contribution, and at the same time the amount and proportion of the capital contribution held by the shareholders in the Joint Venture shall be adjusted in accordance with the shareholders' respective paid capital contribution to the Joint Venture.

Each shareholder shall bear limited liability for the Joint Venture to the extent of the amount of its capital contribution, and the Joint Venture shall be liable for its debts with all of its assets.

The project construction funds other than the capital fund shall be financed by the Joint Venture through loans from banks or other financial institutions.

EQUITY TRANSFER AND PLEDGE

The parties are allowed to transfer all or part of their capital contributions to each other. For the transfer of equity by one party to a third party other than the shareholders, a written notice shall be given to the other shareholders in respect of such equity transfer for consent thereof. If the other two shareholders fail to reply within 30 days from the date of receiving the written notice, it shall be deemed to have agreed to the transfer. If the other two parties disagree to the transfer, they shall acquire the equity to be transferred; otherwise, it shall be deemed to have agreed to the transfer. Any transfer in breach of the above provisions shall be null and void. Under the same circumstances, the shareholder who agrees to such transfer has the right of first refusal for the equity to be transferred if the other two shareholders have agreed to such transfer. If the other two shareholders both claim to exercise their rights of first refusal, they shall negotiate to determine their respective purchase ratio; if they fail to do so, they shall exercise their rights of first refusal in proportion to their respective capital contributions at the time of the transfer.

During the operating period of the Joint Venture, without written consent by other shareholders, any shareholder shall not pledge or otherwise dispose of all or part of its equity interests in the Joint Venture to a party other than the shareholders of the Joint Venture (unless otherwise agreed in the Investment Agreement). If one party pledges all or part of its equity in the Joint Venture to a party other than the shareholders of the Joint Venture, in addition to the prior written consent by other shareholders, such party shall ensure that it shall be clearly stipulated in the equity pledge agreement to be signed that when its pledged equity of the Joint Venture is disposed of for any reason, the other shareholders have the right of first refusal under the same circumstances. If the equity interest in the Joint Venture is pledged in violation of the provisions of this clause, the other shareholders shall be entitled to jointly dispose of their shareholdings at the same price and on the same conditions (at least not less favourable than the conditions on which the pledged equity is transferred to a third party) to a third party who has acquired the equity in the Joint Venture as a result of the exercise of the pledge. If the third party refuses to accept the pledged equity, the shareholder(s) who pledge(s) the equity shall be liable to the other shareholders for breach of contract.

When the People's Court transfers the equity of one party in accordance with the enforcement procedures provided by law, it shall notify the Joint Venture and the other shareholders. Under the same circumstances, the other shareholders have the right of first refusal. The right of first refusal shall be deemed to have been waived if the other shareholders fail to exercise such right of first refusal within 20 days from the date of notification by the People's Court.

Organizational Structure

The Joint Venture shall set up a board of shareholders consisting of all of its shareholders. The board of shareholders shall be the highest authority of the Joint Venture, and its powers and rules of procedure shall be in accordance with the provisions of the Company Law and relevant laws and the articles of association of the Joint Venture.

The Joint Venture shall set up a board of directors consisting of seven directors, among which, three to be elected by the board of shareholders from among the candidates to be recommended by Fujian Longyuan, two to be elected from among the candidates to be recommended by Fujian Guodian, one to be elected from among the candidates to be recommended by Wanhua Chemical; one employee director, who shall be democratically elected by the staff assembly or staff congress or in other forms.

The board of directors shall have one chairman, who shall be recommended by Fujian Longyuan and elected by the board of directors; and one vice chairman, who shall be recommended by Fujian Guodian and elected by the board of directors.

The chairman shall be the legal representative of the Joint Venture. The powers and rules of procedure of the board of directors shall be in accordance with the provisions of the Company Law and relevant laws and the articles of association of the Joint Venture.

The Joint Venture shall have one general manager, who shall be recommended by Fujian Longyuan and appointed or dismissed by the board of directors. The powers and duties of the general manager shall be in accordance with the provisions of the Company Law and relevant laws and the articles of association of the Joint Venture.

The Joint Venture shall set up a supervisory board. The supervisory board shall consist of five supervisors, one to be elected by the board of shareholders from among the persons to be recommended by Fujian Longyuan, one to be elected from among the candidates to be recommended by Fujian Guodian, one to be elected by Wanhua Chemical from among the candidates to be recommended by Wanhua Chemical, and two employee supervisors, who shall be democratically elected by the employees of the Joint Venture by its staff assembly or staff congress or in other forms.

The supervisory board shall have one chairman, who shall be recommended by Fujian Longyuan and elected by a majority of all supervisors of the supervisory board. The powers of the supervisors and the rules of procedure of the supervisory board shall be in accordance with the provisions of the Company Law and relevant laws and the articles of association of the Joint Venture.

LIABILITIES ON DEFAULT

Upon the consensus of the shareholders and the resolution of the shareholders' meeting of the Joint Venture, the shareholders may elect to provide financing or the guarantee required for financing to the Joint Venture in proportion to their respective shareholding; if any party fails to provide financing to the Joint Venture or fails to fulfill its responsibility for financing guarantee within the period as mutually agreed by the parties, it shall constitute a default. The defaulting party shall pay liquidated damages to the observant party from the date of default until the corresponding amount is provided in full or the financing guarantee responsibility is fully discharged, and the liquidated damages shall be calculated in accordance with the provisions of the People's Bank of China on late repayment. In the event that one of the parties fails to fulfil its obligations under the financing guarantee, the Joint Venture shall be entitled to take appropriate financing to cover the shortage of funds of the Joint Venture caused by the defaulting party, and the interest and all other costs incurred thereon shall be borne by the defaulting party.

If a party has difficulties in providing financing guarantees in proportion to its capital contribution and cannot overcome such difficulties within six months or if the target company has already obtained corresponding funds through other financing channels, such shareholder may select to voluntarily relinquish its equity interests or assume the liability for breach of contract as stipulated in the Investment Agreement.

In the event that a party breaches its obligations other than the duty to pay the registered capital contribution, provide financing and financing guarantee, the defaulting party shall, except in the event of force majeure, compensate the observant party and/or the Joint Venture for the direct economic loss caused by the defaulting party's breach. In the event of a default by either party under the Investment Agreement, the observant party shall be entitled to request the defaulting party to continue to perform the Investment Agreement or to terminate the Investment Agreement early, in addition to the defaulting party being liable for such default.

II. SHAREHOLDERS' VOTING RIGHTS EXERCISE AGREEMENT

The main terms of the Shareholders' Voting Rights Exercise Agreement are as follows:

Date

25 April 2023

Parties

Fujian Longyuan and Fujian Guodian

Acting in Concert

During the period when Fujian Guodian acts as a shareholder of the Joint Venture, Fujian Guodian shall align with Fujian Longyuan in the exercise of proposal rights and voting rights in relation to the operational and financial policy and other matters of the Joint Venture, such as project development, business plans, financial budget and final accounts, financial policy and system, investment and financing management, cash and asset management, or procure the director(s) whom it appoints to align with that Fujian Longyuan appoints in exercise of voting rights in the meeting of the board of directors of the Joint Venture.

Termination and Variation

The parties may vary, terminate and early terminate the Shareholders' Voting Rights Exercise Agreement by mutual agreement.

The Shareholders' Voting Rights Exercise Agreement shall terminate when Fujian Guodian transfers all or part of its equity interests in the Joint Venture to a third party other than its wholly-owned or controlled subsidiary(ies).

III. REASONS FOR AND BENEFITS OF THE TRANSACTION

The establishment of the Joint Venture can fully utilise and mobilise the local resources of Fujian Guodian and Wanhua Chemical, which will facilitate the Company's access to more offshore wind power resources, thereby further leveraging the Company's expertise and technical advantages in the field of offshore wind power and realising a strong alliance to jointly develop, construct and operate offshore wind power projects.

The Directors (including independent non-executive Directors) consider that the terms of the Transaction are on normal commercial terms, which 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, being Directors of the Company, hold positions in CHN Energy and therefore have material interests in the Transaction. They have abstained from voting on the resolution of the Board for the approval of the Transaction. Save as mentioned above, there are no other Directors of the Company who have any material interests in the Transaction.

IV. 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. Fujian Guodian, being a wholly-owned subsidiary of CHN Energy, also constitutes a connected person of the Company under Chapter 14A of the Listing Rules and therefore the Transaction constitutes a connected transaction of the Company.

In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted or completed within a same 12-month period or were otherwise related with each other. Reference is made to the announcement of the Company dated 30 December 2022 in relation to the capital increase to Guangdong New Energy and the announcement of the Company dated 15 February 2023 in relation to the capital increase to Guoneng Financial (the “**Previous Transactions**”). In the Previous Transactions and the Transaction, the counterparties of the Company or its subsidiaries are CHN Energy and its associates, and the nature of these transactions is the same. Accordingly, the Previous Transactions and the Transaction shall be aggregated. As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) of the Transaction after taking into account the aggregated calculations is (are) more than 0.1% but less than 5%, the Transaction shall be subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

V. 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 Fujian Longyuan

Fujian Longyuan is a company incorporated in the PRC with limited liability and is principally engaged in the business of power generation, transmission and supply. As at the date of this announcement, Fujian Longyuan is a wholly-owned subsidiary of the Company.

Information on Fujian Guodian

Fujian Guodian is a company incorporated in the PRC with limited liability and is principally engaged in the business of power generation, transmission and supply. As at the date of this announcement, Fujian Guodian is a wholly-owned subsidiary of CHN Energy and its ultimate beneficial owner is CHN Energy.

Information on Wanhua Chemical

Wanhua Chemical is a company incorporated in the PRC with limited liability and its A shares are listed on the Shanghai Stock Exchange (stock code: 600309). Its business covers four industry clusters, namely polyurethane, petrochemicals, fine chemicals and emerging materials, and serves the following industries: household, sports and leisure, automotive and transportation, construction industry, electronics and electrical, personal care and green energy. As at the date of this announcement, the ultimate beneficial owner of Wanhua Chemical is Yantai State-owned Assets Supervision and Administration Commission.

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.

VI. DEFINITIONS

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

“Board”	the board of directors of the Company
“CHN Energy”	CHN 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), the A shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 001289)
“Company Law”	the Company Law of the People's Republic of China
“connected person”	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
“Fujian Guodian”	Fujian Guodian Wind Power Generation Company Limited, a wholly-owned subsidiary of CHN Energy
“Fujian Longyuan”	Fujian Longyuan Wind Power Generation Co., Ltd., a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Investment Agreement”	Lianjiang Guoneng Longyuan Wanhua New Energy Co., Ltd. Investment Agreement entered into among Fujian Longyuan, Fujian Guodian and Wanhua Chemical on 25 April 2023
“Joint Venture”	Lianjiang Guoneng Longyuan Wanhua New Energy Co., Ltd. (tentative name) to be established under the Investment Agreement
“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
“Shareholders’ Voting Rights Exercise Agreement”	the Agreement between Fujian Guodian Wind Power Generation Company Limited and Fujian Longyuan Wind Power Generation Co., Ltd. on the Exercise of the Voting Rights of Shareholders of Lianjiang Guoneng Longyuan Wanhua New Energy Co., Ltd. entered into between Fujian Longyuan and Fujian Guodian on 25 April 2023
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the Investment Agreement and the Shareholders’ Voting Rights Exercise Agreement and the transactions thereunder

“Wanhua Chemical” Wanhua Chemical Group Co., Ltd.

“%” per cent

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

Beijing, the PRC, 25 April 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*