
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Longyuan Power Group Corporation Limited***, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**ENTERING INTO THE FRAMEWORK AGREEMENT FOR PURCHASE
AND SALE OF COMPREHENSIVE PRODUCTS AND SERVICES
AMENDMENTS TO THE RULES OF PROCEDURES
OF THE GENERAL MEETING
AMENDMENTS TO THE RULES OF PROCEDURES
OF THE BOARD OF DIRECTORS
PROPOSED APPOINTMENT OF PRC AUDITOR FOR THE YEAR 2023
AND
NOTICE OF THE FIFTH EXTRAORDINARY GENERAL MEETING IN 2023**

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



Gram Capital Limited
嘉林資本有限公司

The Company will convene the fifth extraordinary general meeting in 2023 (the “EGM”) at 9:30 a.m. on Friday, 29 December 2023 at the Conference Room, 3/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People’s Republic of China. Notice of the EGM is set out on pages 75 to 76 in this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned to Computershare Hong Kong Investor Services Limited not less than 24 hours before the time fixed for holding the EGM (i.e. not later than 9:30 a.m. on Thursday, 28 December 2023) or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting.

13 December 2023

* For identification purpose only

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DEFINITIONS

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

“A Shares”	the ordinary shares of the Company with a nominal value of RMB1.00 each, which are listed on the Shenzhen Stock Exchange
“Articles”	the articles of association of China Longyuan Power Group Corporation Limited* (as amended, modified or otherwise supplemented from time to time)
“Board”	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 of the Latest Practicable Date, CHN Energy 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 in aggregate, 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 and its H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 00916) and A Shares are listed on the Shenzhen Stock Exchange (Stock Code: 001289)
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“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)”	director(s) of the Company
“EGM”	the fifth extraordinary general meeting in 2023 to be held by the Company at 9:30 a.m. on Friday, 29 December 2023 at the Conference Room, 3/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People’s Republic of China

DEFINITIONS

“Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services”	the framework agreement on the mutual supply of materials, products and services dated 12 November 2020 entered into by the Company and CHN Energy
“Framework Agreement for Purchase and Sale of Comprehensive Products and Services”	the framework agreement for purchase and sale of comprehensive products and services for 2024 to 2026 to be entered into by the Company and CHN Energy
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent committee of the Board, comprising Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng, the independent non-executive Directors of the Company, established to advise the Independent Shareholders in respect of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the proposed annual caps thereof for 2024, 2025 and 2026
“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 SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the proposed annual caps thereof for 2024, 2025 and 2026

DEFINITIONS

“Independent Shareholders”	Shareholders who are not required under the Listing Rules to abstain from voting on the relevant resolutions to be proposed at the EGM for consideration in respect of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the proposed annual caps thereof for 2024, 2025 and 2026
“Latest Practicable Date”	8 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NDRC”	the National Development and Reform Commission of the PRC
“Notice of the EGM”	the notice of the fifth extraordinary general meeting in 2023
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Rules of Procedures of the Board of Directors”	Rules of Procedures of the Board of Directors of China Longyuan Power Group Corporation Limited
“Rules of Procedures of the General Meeting”	Rules of Procedures of the General Meeting of China Longyuan Power Group Corporation Limited
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	holder(s) of Shares of the Company
“Shares”	share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Tang Jian (*Chairman*)
Mr. Gong Yufei

Non-executive Directors:

Mr. Tang Chaoxiong
Mr. Wang Yiguo
Mr. Ma Bingyan

Independent Non-executive Directors:

Mr. Michael Ngai Ming Tak
Mr. Gao Debu
Ms. Zhao Feng

Registered office in the PRC:

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

Head office in the PRC:

Block c, 6 Fuchengmen North Street
Xicheng District, Beijing
PRC

Principal place of business in Hong Kong:

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

13 December 2023

To the Shareholders

Dear Sirs or Madams,

**ENTERING INTO THE FRAMEWORK AGREEMENT FOR PURCHASE
AND SALE OF COMPREHENSIVE PRODUCTS AND SERVICES
AMENDMENTS TO THE RULES OF PROCEDURES
OF THE GENERAL MEETING
AMENDMENTS TO THE RULES OF PROCEDURES
OF THE BOARD OF DIRECTORS
PROPOSED APPOINTMENT OF PRC AUDITOR FOR THE YEAR 2023
AND
NOTICE OF THE FIFTH EXTRAORDINARY GENERAL MEETING IN 2023**

I. INTRODUCTION

This circular aims to give you the Notice of the EGM and provide you with relevant information, to enable you to make an informed decision on whether to vote for or against the following ordinary resolutions to be proposed at the EGM for consideration:

1. Entering into the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps of 2024, 2025 and 2026;

* For identification purpose only

LETTER FROM THE BOARD

2. Amendments to the Rules of Procedures of the General Meeting;
3. Amendments to the Rules of Procedures of the Board of Directors;
4. Proposed appointment of PRC auditor for the year 2023.

II. FRAMEWORK AGREEMENT FOR PURCHASE AND SALE OF COMPREHENSIVE PRODUCTS AND SERVICES

References are made to the announcements of the Company dated 12 November 2020, 14 December 2020, 30 December 2020 and the circular dated 14 December 2020 in relation to, among other things, the entering into of the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services between the Company and CHN Energy.

In view of the expiry of the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services on 31 December 2023, the Board has resolved and approved to enter into the Framework Agreement for Purchase and Sale of Comprehensive Products and Services with CHN Energy on 20 November 2023 to renew the aforesaid continuing connected transactions.

The Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the proposed annual caps thereof for 2024, 2025 and 2026 are subject to the approval by the Independent Shareholders. The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the proposed annual caps thereof for 2024, 2025 and 2026. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matters.

Reference is also made to the announcement of the Company dated 20 November 2023 in relation to, among other things, the entering into of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services between the Company and CHN Energy, details of which are set out below:

Date

The Framework Agreement for Purchase and Sale of Comprehensive Products and Services will be entered into before the convening of the EGM.

Parties

The Company

CHN Energy

LETTER FROM THE BOARD

Term

The Framework Agreement for Purchase and Sale of Comprehensive Products and Services shall come into force upon the signature and affixing of the official seals by the authorised representatives of both parties and the approval by the EGM, and shall be effective for a term commencing on 1 January 2024 and expiring on 31 December 2026.

Principal Terms

1. Pursuant to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, the Group will provide products and services to CHN Energy and its subsidiaries (other than the Group in terms of the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the Framework Agreement for Purchase and Sale of Comprehensive Products and Services (same as below)), including:
 - (1) in terms of production: electricity trading, power generation rights trading, wind power technical services, resource evaluation of wind power projects, development and technical services of photovoltaic power generation and other related or similar services;
 - (2) in terms of supply: sales or leasing of spare parts, technical and design consulting services such as wind power design and consulting services, and other related or similar products and services;
 - (3) in terms of auxiliary production: engineering general contracting services, software and hardware sales and related technical services, information technology services, logistics services, wind power vocational training, and other related or similar products and services.
2. Pursuant to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, CHN Energy and its subsidiaries will provide products and services to the Group, including:
 - (1) in terms of production: electricity trading, power generation rights trading and other related or similar services;
 - (2) in terms of supply: sales of coal, sales or leasing of production equipment and spare parts (such as wind power generating units, unit spare parts and relevant technical services), office supplies, and other related or similar products and services;
 - (3) in terms of auxiliary production: EPC services for projects, engineering construction, logistics services, training, bidding agency services, information technology services, technical consulting, and other related or similar services;
 - (4) in terms of administrative management: social security and pension management services and staff data recording management services and other related or similar services.

LETTER FROM THE BOARD

The Group and CHN Energy and its subsidiaries will enter into specific transaction agreements setting out the content of the products and/or services to be supplied and the terms and conditions on which such products and/or services will be provided, in accordance with the principles laid down by the Framework Agreement for Purchase and Sale of Comprehensive Products and Services.

The settlement terms shall be determined separately and in line with market practice applicable to each specific transaction. The detailed settlement terms will be set out in specific transaction agreements.

There is no exclusivity arrangement between the Group and CHN Energy under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services. In the event that one party under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services is unable to satisfy the other party's demand for products or services, or if more favourable conditions are offered by an independent third party, the other party will be entitled to enter into a transaction with such independent third party.

If either party violates any term of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services (the "**Defaulting Party**"), the other party (the "**Observant Party**") can notify it in written form about the breach, and require the Defaulting Party to remedy the breach within a reasonable term. If the Defaulting Party fails to make any remedy for the breach within the above term, the Observant Party shall be entitled to terminate the Framework Agreement for Purchase and Sale of Comprehensive Products and Services immediately and reserve the right to claim compensation and any other legally permitted claims against the Defaulting Party.

Pricing Policy

Pursuant to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, the prices and conditions for the provision of products and services by the Group to CHN Energy and its subsidiaries shall be no less favourable than the prices and conditions for the provision of similar products and services by the Group to an independent third party; the prices and conditions for the provision of products and services by CHN Energy and its subsidiaries to the Group shall be no less favourable than the prices and conditions for the provision of similar products and services by an independent third party to the Group.

The prices of the products and services under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services will be determined based on the following principles and order:

1. Government-prescribed price or government-guided prices: if there are prescribed prices or guided prices applicable to products and services under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, such products or services shall be provided at the applicable government-prescribed prices or as agreed within the scope of government-guided prices.

LETTER FROM THE BOARD

For example, for power generation rights trading, the Company has mainly taken into account the policies issued by NDRC and National Energy Administration for the power generation rights trading, and the information published from time to time by the power exchange centres jointly set up by local energy competent authorities and local grid companies. According to the Guiding Opinions on Accelerating the Building of a Nationwide Unified Power Market System (《關於加快建設全國統一電力市場體系的指導意見》), which was considered and approved by the Comprehensive Deepening Reform Commission in November 2021, by 2025, a unified national power market system will be initially built, the national market and the provincial (district and municipal)/regional markets will operate in coordination, the medium- to long-term, spot, and auxiliary services markets for electricity will be designed in an integrated manner and operated in a joint manner, and the market-oriented allocation of inter-provincial and inter-regional resources and the scale of green power trading will be significantly increased. The market trading and pricing mechanisms favorable to the development of new energy and energy storage will be formed initially. By 2030, a unified national power market system will be basically built, adapting to the requirements of a new type of power system, with the national market and provincial (district and municipal)/regional markets operating jointly, new energy fully participating in market transactions, market participants competing on an equal footing and making independent choices, and the allocation of electricity resources on a nationwide scale being further optimised.

For the coal transaction, the Company mainly refers to the Bohai Bay Thermal Coal Price published from time to time by the China National Coal Association, including (but not limited to) the Bohai-Rim Steam-Coal Price Index, which was published on various coal industry websites such as Qinhuangdao Coal Net (<http://www.cqcoal.com>) and sxcoal.com (<http://www.sxcoal.com>). Pursuant to the Notice on the Commissioning Operation of the Bohai Bay Thermal Coal Price Index (《關於開展環渤海動力煤價格指數試運行工作的通知》) issued by the NDRC in 2010, Bohai-Rim Steam-Coal Price Index is authorised and guided by the NDRC, and its data is collected and periodically published by Qinhuangdao Seaborne Coal Market Co., Ltd. It is an index system which reflects the Free On Board price and price volatility of the Bohai Bay thermal coal.

LETTER FROM THE BOARD

2. Tender and bidding price: if laws and regulations require the application of tendering and bidding procedures, the price shall be determined according to the tendering and bidding procedures.

Regarding the tendering and bidding procedures of the Company:

- (1) contact with the suppliers of the Group by way of holding meetings with different suppliers at least once within a month based on purchase needs of the Company in order to keep abreast of the market development and the price trend of the comprehensive services;
- (2) invite at least three suppliers in the approved suppliers' list of the Group (including CHN Energy) to submit quotations or proposals before issuing certain procurement orders;
- (3) the prices of the products and services of the suppliers will be determined by the comprehensive bid-evaluation team of the Company with reference to the measures on the market price enquiry management of the Company; and
- (4) the Company and its subsidiaries will require the quotations of the same products or services from other independent suppliers, so as to ensure if the replaceable products or services with the same quality could be timely obtained at the most competitive price. If the replaceable products or services can be obtained, the Company and its subsidiaries will call for a bid with the selected suppliers of the replaceable products or services. During the bidding process, the Company will treat the connected persons, its associates and other independent suppliers equally. The public tendering procedures mainly consist of three stages: (i) the Company will issue the tender invitation to not less than three entities; (ii) the comprehensive bid-evaluation team, which will be formed by the functional departments including purchasing department, audit department, legal affairs department, financial department, and departments with internal control functions and business units of the Company, shall review and consider the terms to be provided by the tenderers by reference to the terms provided by independent third parties to make sure the reasonableness of the tendering and pricing so as to select the best option; and (iii) the comprehensive bid-evaluation team will consider the comprehensive aspects including the quotations, qualification of suppliers, historical trading records of the suppliers, quality of the products or services, settlement method etc. to form a summary report on the tender results, and enter into a contract with the winning bidder after approval by the Company's senior management team. Thus, if the Company and its subsidiaries can obtain more preferential terms from other suppliers, they will not procure the products and comprehensive services from the connected persons of the Company and its associates.

LETTER FROM THE BOARD

3. Market price: refers to the prices determined according to the following order: (i) the prices charged by at least two independent third parties providing similar-sized products or services for the time being under normal commercial transactions in the places where such products and services are provided or its vicinity; or (ii) the prices charged by at least two independent third parties providing applicable products or services under normal commercial transactions for products or services of similar sizes at that time.

4. Agreed price: it is determined based on fair negotiations between the parties by adding a reasonable profit margin over a reasonable cost. Reasonable costs refer to the actual costs incurred in providing such products or services by CHN Energy to the Group or by the Group to CHN Energy, as agreed and recognised by the parties. Reasonable profit margin is determined with reference to at least two comparable deals with independent third parties during the same period.

On the basis of the above, the following pricing policies will be adopted for specific types of products or services:

- (1) Engineering construction: if a bidding is required by laws and regulations, the prices shall be determined through the tendering procedures; if there is no requirement for bidding according to laws and regulations, market prices shall be implemented.

- (2) Electricity trading and power generation rights trading: government-guided price if any; unified market-clearing price shall be applicable for the centralised bidding transaction; and the independent negotiated transaction shall refer to transaction price of the recent comparable market deals.

- (3) Hardware and software sales and related technical services: market price (including tender and bidding price).

- (4) Production equipment and spare parts, office products: market price.

- (5) Bidding agency services: price prescribed under relevant rules of NDRC.

- (6) Technical consulting services: agreed price with a profit margin of approximately 10%.

LETTER FROM THE BOARD

- (7) Information technology services: the budget is reviewed by professional institution(s) with pricing reviewing qualification according to relevant rules and regulations on construction pricing, pricing mechanism and fee standards, with reference to the market customs of the information technology industry, actual standards and market price, taking into account the actual condition of the Company's information technology construction. The parties negotiate and agree on the service price within the scope of budget.
- (8) Logistics services and training services: agreed price (cost plus a profit margin of approximately 5%).
- (9) Social security and pension management services and staff data recording services: agreed price (cost plus a profit margin of approximately 5%).

Historical Amounts

The actual transaction amounts under the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services for the years ended 31 December 2021, 31 December 2022 and the nine months ended 30 September 2023 are set out below:

Unit: RMB million

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the nine months ended 30 September 2023
Provision of products and services to CHN Energy by the Group	105.82	167.89	300.87
Provision of products and services to the Group by CHN Energy	2,938.92	3,394.5	2,275.94

Note: The above actual amounts incurred for the nine months ended 30 September 2023 are unaudited. The actual transaction amounts for the year ending 31 December 2023 are not expected to exceed the annual caps under the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services.

LETTER FROM THE BOARD

The annual caps of the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services for the years ended 31 December 2021, 31 December 2022 and the year ending 31 December 2023 are set out below:

Unit: RMB million

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
Provision of products and services to CHN Energy by the Group	1,250	1,250	1,250
Provision of products and services to the Group by CHN Energy	5,298.829	7,048.381	5,446.451

Regarding the estimated annual cap amounts for the long-term mutual provision of products and services between the Group and CHN Energy and its subsidiaries, such annual cap amounts are determined based on the amount of the maximum demand for the procurement or provision of products and services that may arise between the Group and CHN Energy and its subsidiaries. With respect to the actual utilization of the annual caps, the Group or CHN Energy and its subsidiaries will also consider and compare the prices and conditions offered by independent third-party entities in the market for similar transactions. In the event that an independent third-party entity offers more favourable prices and conditions for similar transactions than the Group or CHN Energy and its subsidiaries, under the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services, either the Group or CHN Energy and its subsidiaries have the right to choose to enter into relevant transactions with the independent third party. Accordingly, the annual caps under the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services have not been fully utilized.

LETTER FROM THE BOARD

The above arrangement in relation to the right of the Group and CHN Energy and its subsidiaries to select independent third party counterparties in the market for the long-term mutual provision of products and services is also in line with the pricing policy and internal control measures under the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services. Meanwhile, considering that in accordance with the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services, the provision of products and services by the Group to CHN Energy and its subsidiaries will generate revenue for the Group and the procurement of products and services by the Group from CHN Energy and its subsidiaries is also beneficial for the Group to save costs and maintain business and operation stability, the reservation of sufficient balance of the annual cap amounts for the mutual provision of products and services between the Group and CHN Energy and its subsidiaries is conducive to the convenience of the Group's business operation and is in the interests of the Company and its Shareholders as a whole.

Proposed Annual Caps and Basis of Determination

For the years ending 31 December 2024, 31 December 2025 and 31 December 2026, the proposed aggregate annual transactions under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services shall not exceed the caps set out below:

	<i>Unit: RMB million</i>		
	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Proposed annual caps for the provision of products and services to CHN Energy by the Group	4,030.46	4,276.28	4,664.43
Proposed annual caps for the provision of products and services to the Group by CHN Energy	7,484.21	7,360.14	7,444.47

LETTER FROM THE BOARD

The aforesaid annual caps have been determined after taking into account the following factors:

1. Regarding the proposed annual caps for the provision of products and services by the Group to CHN Energy and its subsidiaries, the Company has taken into consideration:
 - (1) the proposed annual caps in respect of the provision of products and services to CHN Energy by the Group have been determined with reference to the historical transactions and their amounts in respect of the provision of products and services to CHN Energy by the Group, estimated business development and actual demand of CHN Energy, as well as estimates on contractual amount, etc.
 - (2) the Group will provide products and services to CHN Energy, including electricity trading, sales or leasing of spare parts, technical and design consulting services, engineering general contracting services, logistics services, training and other related or similar products and services. CHN Energy has a long-term and stable cooperative relationship with the Group. In 2021 and 2022 and the nine months ended 30 September 2023, the Group provided products and services to CHN Energy and its subsidiaries in amounts of RMB105.82 million, RMB167.89 million, RMB300.87 million, respectively.

The proposed annual caps for the provision of products and services by the Group to CHN Energy and its subsidiaries from 2024 to 2026 have been adjusted upwards from the previous annual caps, mainly due to the following considerations:

- (i) in the future, the Group will continuously promote the development of green energy and continue to expand its scale. In combination with the Company's "14th Five Year Plan", the Company's new energy production plan will maintain a certain growth rate in the next three years. Accordingly, the Company expects that there will be opportunities for more cooperation between the Group and CHN Energy and its subsidiaries, and the Group will be able to provide CHN Energy and its subsidiaries with more services in the field of new energy power generation such as electricity trading, power generation rights trading, wind power technical services, engineering general contracting services, logistics services, etc.

LETTER FROM THE BOARD

- (ii) the amount of the proposed annual caps for the provision of products and services by the Group to CHN Energy and its subsidiaries has been determined based on the amount of the maximum demand for transactions that may arise between the Group and CHN Energy and its subsidiaries. Whereas, at the “2020 Beijing International Wind Power Conference” held in Beijing in October 2020, more than 400 wind power enterprises jointly issued the declaration for the first time in history, defining a “roadmap” for the development of wind power before 2060; the declaration guarantees an annual average additional wind power installed capacity of over 50 million kW, an annual average additional installed capacity of China’s wind power of not less than 60 million kW since 2025, of at least 800 million kW by 2030 and at least 3 billion kW by 2060. Now, new energy has become the incremental subject of power installed capacity, and is showing an accelerating growth trend. During the “14th Five Year Plan” period, it is expected to have approximately 500 to 600 million kW of additional new energy power generation installed capacity. Based on the national policy support and the development trend of the new energy industry, the provision of products and services by the Group to CHN Energy and its subsidiaries will generate revenue for the Group. The Company is of the view that reserving a sufficient balance of the annual caps will help the Group to flexibly respond to the development of the new energy industry or policy, facilitate the conduct of business and enhance its competitiveness in the market, and will be in the interests of the Company and its Shareholders as a whole.
- (iii) considering that there may be changes in the settlement method of the transaction consideration of the Group in respect of the power generation through power generation rights trading in the future, the proposed annual caps for the provision of products and services by the Group to CHN Energy and its subsidiaries have been adjusted upwards compared to previous years, and the Company will need to reserve more quotas for the purpose of determining the proposed annual caps in order to cover the potential increase in the actual amount of the transactions as a result of the changes in the settlement method in the future. In the past pattern of continuing connected transactions, the Group utilized the power generation rights provided by CHN Energy and its subsidiaries to generate electricity, and the settlement method was that the power grid company first pays the price of electricity sales to the Group, and the Group in turn pays the price to CHN Energy and its subsidiaries for the provision of power generation rights. In the event that there is change in the settlement method in the future, the power grid company will first pay the price of electricity sales to CHN Energy and its subsidiaries, which have the power generation rights, and CHN Energy and its subsidiaries then pay the remaining price for electricity to the Group after receiving the price of electricity sales and deducting the amount for usage of the power generation rights.

LETTER FROM THE BOARD

- (3) the Group will continue to expand its scale in the future. Based on the Company's "14th Five Year Plan", the installed capacity will continue to grow steadily over the next three years. With the growth of installed capacity and the incentive-oriented of national policies, the transaction scale will gradually expand; and the capacity of the project to end the full life cycle of reasonable utilization hours is increasing year by year, in order to strive for more favorable tariffs through market trading, the electricity participated in market trading will increase accordingly, in summary, the proportion of traded electricity in total electricity is expected to increase year by year. At the same time, the Ministry of Ecology and Environment, in collaboration with the State Administration for Market Regulation, has issued the "Greenhouse Gas Voluntary Emission Reduction Trading Measures (Pilot)" (《溫室氣體自願減排交易管理辦法(試行)》). In the future, the Company will vigorously develop the Chinese Certified Emission Reduction (CCER) project development and trading related works, and continuously enhance its ability to provide power trading and other related services to CHN Energy. In addition, the demand for green power is expected to expand with the Notice on Matters Related to the Participation of Green Power Projects with Central Government Subsidies in Green Power Deals (《關於享受中央政府補貼的綠電項目參與綠電交易有關事項的通知》) jointly issued by the NDRC, the Ministry of Finance and the National Energy Administration in February 2023, which points out that it is necessary to steadily promote the participation of green power projects with national renewable energy subsidies in green power deals. Accordingly, based on the demand for market transactions such as power generation rights trading, green power deals and green certificate trading expected to take place between the Group and CHN Energy and its subsidiaries from 2024 to 2026, as well as the capacity of CHN Energy and its subsidiaries to provide the relevant power generation rights quotas and to participate in the relevant transactions, the Company expects that for each of the years from 2024 to 2026, the electricity traded in the market between the Group and CHN Energy and its subsidiaries will account for 10% to 15% of the Group's annual wind power generation, and the prices of the relevant transactions are expected to remain at the current level.

LETTER FROM THE BOARD

- (4) considering the impact of growing business demand and equipment overhaul demand of CHN Energy, the enhancement of the Group's supply capacity, and rising prices and labor costs, it is estimated that the amount of products and services provided by the Group to CHN Energy and its subsidiaries from 2024 to 2026 will be RMB4,030.46 million, RMB4,276.28 million, RMB4,664.43 million, respectively.
2. Regarding the proposed annual caps for the provision of products and services by CHN Energy to the Group, the Company has taken into consideration:
 - (1) the proposed annual caps in respect of the provision of products and services to the Group by CHN Energy have been determined with reference to the historical transactions and their amounts in respect of the provision of products and services to the Group by CHN Energy, estimated business development and actual demand of the Group, as well as estimates on contractual amount, etc.
 - (2) CHN Energy will provide products and services to the Group, including sales of coal, sales or leasing of production equipment and spare parts, power generation rights trading, and other related or similar products and services. Given the long-term cooperative relationship between the Group and CHN Energy, CHN Energy has business advantages and good reputation, and is willing to provide production materials and auxiliary services to the Group at fair and reasonable prices. In 2021 and 2022 and the nine months ended 30 September 2023, CHN Energy and its subsidiaries provided products and services to the Group in amounts of RMB2,938.92 million, RMB3,394.5 million, RMB2,275.94 million, respectively.

LETTER FROM THE BOARD

- (3) during the “14th Five Year Plan” period, the Group will continue to promote the development of green energy. In combination with the Company’s “14th Five Year Plan”, the installed capacity will continue to grow steadily over the next three years. The growth in installed capacity is expected to drive the growth in demand for the Group’s power generation rights trading, equipment and spare parts. Meanwhile, in the next three years, the warranty period of wind turbine units of approximately 4,000 MW is expected to expire annually, resulting in significant increase in the Group’s demand for daily units maintenance, regular maintenance, and spare parts for emergency repair. In addition, according to the Company’s overall plan of “14th Five Year Plan”, it will vigorously promote the development of onshore wind power and photovoltaic bases in the future, etc., and vigorously develop photovoltaic projects through various measures, which will also lead to an increase in the Group’s demand for the relevant purchases. The Group’s procurement amount of wind turbines is expected to increase. According to the Company’s “14th Five Year Plan”, the Company’s installed capacity will grow at a certain rate in the next three years. The Company expects that for each of the years from 2024 to 2026, the capacity of wind power generating units purchased by the Group from CHN Energy and its subsidiaries will account for 5% of the Group’s additional installed capacity for each of the years. As the domestic economy continues to recover and improve, it is expected that the demand for electricity will grow accordingly, and the power generation of thermal power units will also rebound synchronously. Accordingly, the demand of coal for power generation and the coal trading volume of the Group’s thermal power subsidiaries will both increase. CHN Energy is the world’s largest coal production company, and the thermal power plants of the Group have been cooperating with CHN Energy for purchasing a certain proportion of coal from CHN Energy. It is expected that for each of the years from 2024 to 2026, the volume of coal purchased by the Group from CHN Energy and its subsidiaries will increase by approximately 22% as compared to the average of the three years from 2021 to 2023.
- (4) in summary, the expenditure on purchasing production equipment and services, engineering construction services, material supply, and technical services from CHN Energy is expected to increase in the next three years. Considering the impact of business growth, rising prices and labor costs, it is estimated that the amount of products and services purchased by the Group from CHN Energy from 2024 to 2026 will be RMB7,484.21 million, RMB7,360.14 million, RMB7,444.47 million, respectively.

LETTER FROM THE BOARD

Reasons for and Benefits of Entering into the Framework Agreement for Purchase and Sale of Comprehensive Products and Services

The transactions under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services are and will continue to be carried out in the ordinary and usual course of business of the Group and such transactions will continue to be agreed on based on arm's length negotiations and on terms that are fair and reasonable to the Group. The prices and conditions at which the Group and CHN Energy and its subsidiaries will provide products and services to each other under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services will be no less favourable than the prices and conditions at which the Group enters into similar transactions with the independent third parties.

The Directors (including the independent non-executive Directors) consider that:

1. The transactions between the Group and CHN Energy and its subsidiaries have been and will continue to be beneficial to the operation and development of the business of the Group. The provision of products and services by the Group to CHN Energy and its subsidiaries enables the Group to carry out its business more extensively and to have a comprehensive understanding of the development of the industry;
2. The Group purchases products and services from CHN Energy and its subsidiaries in the ordinary and usual course of business, and CHN Energy and its subsidiaries have provided a stable supply to the Group for a long period of time. Therefore, CHN Energy and its subsidiaries are able to fully understand the business and operational requirements of the Group. The Group and CHN Energy and its subsidiaries have established a long-term co-operative relationship and understand each other's operational plans, quality control and certain special requirements. The provision of products and services by CHN Energy and its subsidiaries to the Group will, to a large extent, enhance the operational efficiency of the Group and reduce operating costs and risks of the Group;
3. To maintain a stable and high-quality supply of products and services to the Group is crucial to the Group's current and future production and operations. Based on the past experience in the mutual supply of products and services between the Group and CHN Energy and its subsidiaries, CHN Energy and its subsidiaries have a relatively good ability to perform their contracts. The Group has maintained normal business dealings with CHN Energy and its subsidiaries, and all specific connected transactions have been executed in accordance with the business contracts entered into, which have agreed on a reasonable settlement period. So far, all the connected transaction contracts have been well executed. CHN Energy and its subsidiaries are in good financial position. The risk of loss to the Group due to the inability of the connected parties to perform contracts properly is relatively small and within the available range. Accordingly, it is believed that CHN Energy and its subsidiaries are able to effectively meet the Group's requirements for stable and high-quality supply of products and services.

LETTER FROM THE BOARD

Based on the above and having considered the basis on which the proposed annual caps were determined, the Board is of the view that the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Independent Board Committee comprising the independent non-executive Directors, having taken into account the views of Gram Capital, has provided its advice to the Independent Shareholders in the letter from the Independent Board Committee set out in this circular in relation to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps.

Internal Control Measures

In order to ensure that the prices and terms on which the Group enters into specific transactions are entered into on normal commercial terms and that the terms of the relevant specific transactions, in particular the pricing terms, have complied with the pricing policy under the framework agreement for the continuing connected transactions, the Company has adopted the following regulatory and internal control procedures:

1. The Group has adopted and implemented a set of connected transactions administration rules. To be specific, the securities department of the Company is responsible for formulating and supervising the internal control systems and procedures of continuing connected transactions, and examining continuing connected transaction agreements for compliance with the requirements of the laws and regulations, the Company's policies and the Listing Rules with the legal department. The financial department and audit department are responsible for reviewing the pricing strategies and transaction amounts of connected transactions and regularly monitoring and reviewing the implementation and accumulative amounts of continuing connected transactions. The purchasing department is responsible for the organization, supervision and implementation of bidding and purchase, ensuring the compliance of the purchasing procedures and that the purchasing prices and transaction terms are fair and in the interest of the Company, formulating the bidding and purchasing schedules of the Company and accordingly predicting and analyzing the purchasing amounts and scales in the future, etc.
2. In compliance with the Listing Rules, the Company's independent non-executive Directors have reviewed and will continue to review each of the Group's connected transaction agreements and the implementation of the transactions to ensure that such transactions and their terms are fair and reasonable, on normal or better commercial terms and in the interests of the Company and its Shareholders as a whole. The auditors of the Company also conduct annual review of the agreements, pricing policies and transaction amounts of each continuing connected transactions of the Group.

LETTER FROM THE BOARD

Directors' Confirmation

The Board has resolved and approved the resolution in relation to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps on 20 November 2023, and authorised chairman of the Board to deal with all matters relating to the entering into of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, making such amendments to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services as it deems appropriate or necessary. Mr. Tang Chaoxiong, Mr. Wang Yiguo and Mr. Ma Bingyan, connected Directors of the Company, have abstained from voting on the resolution for the approval of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps. Save for the above, none of the other Directors of the Company has a material interest in the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) consider that the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Implications Under the Listing Rules

As of the Latest Practicable Date, 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, and therefore the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio in respect of the provision of products and services by the Group to CHN Energy and its subsidiaries exceeds 5%, such transactions shall be subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the provision of products and services to the Group by CHN Energy and its subsidiaries exceeds 5%, such transactions shall be subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

General Information

1. Information on the Company

The Company is the 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 thermal power, solar power generation, tidal, biomass and geothermal energy. Meanwhile, the Company also provides consulting, 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 thermal power farms. As of the Latest Practicable Date, the ultimate beneficial owner of the Company is CHN Energy.

2. Information on CHN Energy

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

Based on above, an ordinary resolution will be proposed at the EGM to approve the entering into of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services between the Company and CHN Energy and the proposed annual caps thereof, and to propose to the EGM to authorise the chairman of the Board to deal with all matters in connection with the entering into of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services at his sole discretion, to make such amendments to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services as he may deem appropriate or necessary and to authorise the chairman of the Board to sign such other documents as may be required for the purpose of the effectiveness and the implementation of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, or to take such other steps or actions as may be necessary for such purpose.

LETTER FROM THE BOARD

III. AMENDMENTS TO THE RULES OF PROCEDURES OF THE GENERAL MEETING

An ordinary resolution will be proposed at the EGM to approve the amendments to the Rules of Procedures of the General Meeting as set out below in details:

References are made to the circular of the Company dated 16 May 2023 and the announcement of the Company dated 15 June 2023 in relation to, among other things, the consideration and approval of the amendments to the Articles of the Company at the 2022 annual general meeting of the Company. Accordingly, the Company intends to make corresponding amendments to the Rules of Procedures of the General Meeting accordingly in respect of the functions and powers, the time for convening and the means of notification of the general meeting, etc. For details, please refer to the comparison table of amendments to the Rules of Procedures of the General Meeting as set out in Appendix II to this circular.

IV. AMENDMENTS TO THE RULES OF PROCEDURES OF THE BOARD OF DIRECTORS

An ordinary resolution will be proposed at the EGM to approve the amendments to the Rules of Procedures of the Board of Directors as set out below in details:

References are made to the circular of the Company dated 16 May 2023 and the announcement of the Company dated 15 June 2023 in relation to, among other things, the consideration and approval of the amendments to the Articles of the Company at the 2022 annual general meeting of the Company. Accordingly, taking into account the actual operation of the Board, the Company intends to make corresponding amendments to the Rules of Procedures of the Board of Directors accordingly in respect of the powers and responsibilities of the Board, etc. For details, please refer to the comparison table of amendments to the Rules of Procedures of the Board of Directors as set out in Appendix III to this circular.

LETTER FROM THE BOARD

V. PROPOSED APPOINTMENT OF PRC AUDITOR FOR THE YEAR 2023

Reference is made to the announcement of the Company dated 20 November 2023. An ordinary resolution will be proposed at the EGM to approve the appointment of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) as the Company's PRC auditor for the year 2023, also propose at the EGM to authorise the Audit Committee of the Board to adjust and determine the specific fees based on the actual situation in the event that changes in the scope and content of the audit result in exceeding the caps of fees determined by the resolution.

According to the tender results with respect to the 2023 PRC auditor of the Company, the Board has resolved, with the recommendation from the Audit Committee of the Board, to propose the appointment of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) as the Company's PRC auditor for the year 2023, with a term commencing from the date of approval by the Shareholders at the general meeting until the conclusion of the 2023 annual general meeting. The audit fee of the PRC auditor for the year 2023 shall not exceed RMB13 million (inclusive), and the Board will also propose at the EGM to authorise the Audit Committee of the Board to adjust and determine the specific fees based on the actual situation in the event that changes in the scope and content of the audit result in exceeding the caps of fees determined by the resolution.

The term of service for Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**"), the former PRC auditor of the Company, has expired at the conclusion of the 2022 annual general meeting of the Company. Da Hua has confirmed that there were no matters regarding the proposed change of auditor of the Company that need to be brought to the attention of the Shareholders and the Audit Committee of the Board. The Board was also not aware of any matter regarding the proposed change of auditor that should be brought to the attention of the Shareholders. The Board and the Audit Committee of the Board confirmed that there were no disagreements or unresolved matters between the Company and Da Hua regarding the proposed change of auditor.

LETTER FROM THE BOARD

VI. EGM

The Company will convene the EGM at 9:30 a.m. on Friday, 29 December 2023 at the Conference Room, 3/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People's Republic of China. Notice of the EGM is set out in this circular.

In order to determine the holders of Shares who are eligible to attend and vote at the EGM, the H Share register of members of the Company will be closed from Friday, 22 December 2023 to Friday, 29 December 2023, both days inclusive. To be eligible to attend and vote at the EGM, unregistered holders of the H Shares of the Company shall lodge relevant H Share transfer documents with (for holders of H Shares) the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 21 December 2023.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For holders of H Shares, the form of proxy should be returned by courier or post to Computershare Hong Kong Investor Services Limited not less than 24 hours before the time fixed for holding the EGM (i.e. not later than 9:30 a.m. on Thursday, 28 December 2023) or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any other adjourned meeting.

VII. VOTING BY POLL AT EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of Shareholders at the general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM will therefore demand a poll for each resolution put to the vote at the EGM pursuant to Article 89 of the Articles.

On a poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorised representative) shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it used in the same manner.

Under Rule 14A.36 of the Listing Rules, any connected person and Shareholder and his/her associates who have a material interest in the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the transactions thereunder are required to abstain from voting in respect of the related resolutions at the general meeting. Accordingly, any connected person, Shareholders and his/her associates who have a material interest in the resolution are required to abstain from voting on the resolution at the EGM.

LETTER FROM THE BOARD

As of the Latest Practicable Date, CHN Energy directly and indirectly holds 4,908,598,141 A Shares of the Company (of which 4,602,432,800 Shares are directly held by CHN Energy and of the remaining Shares, 212,238,141 Shares are held by 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**”), a subsidiary of CHN Energy, 93,927,200 Shares are held by CHN Energy Liaoning Electric Power Co., Ltd. (國家能源集團遼寧電力有限公司) (“**Liaoning Electric Power**”), a subsidiary of CHN Energy), representing approximately 58.56% of the issued share capital of the Company, is the controlling shareholder and a connected person of the Company, has a material interest in the resolution in relation to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the transactions thereunder. Accordingly, CHN Energy and its associates, Pingzhuang Coal Group and Liaoning Electric Power, are required to abstain from voting on the resolution at the EGM.

As of the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, none of other Shareholders other than CHN Energy and its associates is materially interested in the resolution in relation to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the transactions thereunder.

Mr. Tang Chaoxiong, Mr. Wang Yiguo and Mr. Ma Bingyan, the connected Directors of the Company, have abstained from voting on the relevant Board resolution for the approval of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps. Save for the persons mentioned above, none of the other Directors has a material interest in the above resolution.

VIII. RECOMMENDATION

The Board considers that the resolutions set out in the Notice of the EGM for consideration and approval by the Shareholders is in the best interests of the Company and its Shareholders. As such, the Board recommends the Shareholders to vote in favour of the resolutions set out in the Notice of the EGM which are to be proposed at the EGM.

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

* *For identification purpose only*



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)

13 December 2023

To the Independent Shareholders

Dear Sirs or Madams,

**FRAMEWORK AGREEMENT FOR PURCHASE AND SALE OF
COMPREHENSIVE PRODUCTS AND SERVICES AND THE PROPOSED
ANNUAL CAPS THEREOF**

We refer to the circular dated 13 December 2023 (the “**Circular**”) to all Shareholders of the Company, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the proposed annual caps thereof (details of which are set out in the Letter from the Board in the Circular) are fair and reasonable so far as the Independent Shareholders of the Company are concerned and are in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company on the same. Your attention is drawn to the Letter from Gram Capital set out in the Circular.

Having considered the information set out in the Letter from the Board as well as the principal factors, reasons and opinions stated in the Letter from Gram Capital, we are of the view that the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps for 2024, 2025 and 2026 were entered into in the ordinary and usual course of business of the Company on normal commercial terms. The transactions contemplated under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned on a financial basis and it is believed that the transactions contemplated under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and its proposed annual caps are in the interests of the Company and the Shareholders as a whole. Our view related to fairness and reasonableness is based on information, facts and circumstances currently prevailing.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we advise the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the proposed annual caps thereof for 2024, 2025 and 2026.

Yours faithfully,

Independent Board Committee

Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng

Independent Non-executive Directors

* *For identification purpose only*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

13 December 2023

*To: The independent board committee and the independent shareholders
of China Longyuan Power Group Corporation Limited**

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 13 December 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, in view of the expiry of the Existing Framework Agreement for Purchase and Sale of Comprehensive Products and Services on 31 December 2023, the Board has resolved and approved to enter into the Framework Agreement for Purchase and Sale of Comprehensive Products and Services with CHN Energy on 20 November 2023 (the “**Announcement Date**”). Pursuant to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, the Group has agreed to provide products and services to CHN Energy and CHN Energy has agreed to provide products and services to the Group. The Framework Agreement for Purchase and Sale of Comprehensive Products and Services shall come into force upon the signature and affixing of the official seals by the authorised representatives of both parties and the approval by the general meeting of the Company.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Transactions constitute non-exempted continuing connected transactions of the Company, and are subject to the reporting, announcement and independent shareholders' approval requirements in accordance with the Listing Rules.

The Independent Board Committee comprising Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CHN Energy or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information of the Group

With reference to the Board Letter, the Company is the 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 thermal power, solar power generation, tidal, biomass and geothermal energy. Meanwhile, the Company also provides consulting, 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 thermal power farms. As at the Latest Practicable Date, the ultimate beneficial owner of the Company is CHN Energy.

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Set out below are the financial information on the Group for the two years ended 31 December 2022 and the six months ended 30 June 2023 (together with comparative figures), as extracted from the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report") and the Company's interim report for the six months ended 30 June 2023 (the "2023 Interim Report"), prepared in accordance with International Financial Reporting Standards:

	For the six months ended 30 June 2023 ("1H2023") RMB'000 (unaudited)	For the six months ended 30 June 2022 ("1H2022") RMB'000 (unaudited)	Change from 1H2022 to 1H2023 %	For the year ended 31 December 2022 ("FY2022") RMB'000 (audited)	For the year ended 31 December 2021 ("FY2021") RMB'000 (audited)	Change from FY2021 to FY2022 %
Revenue	19,846,651	21,662,351	(8.38)	39,861,647	39,871,937	(0.03)
– Sales of electricity	17,576,425	16,670,688	5.43	31,875,175	30,611,051	4.13
– Sales of steam	442,199	422,566	4.65	848,838	793,598	6.96
– Service concession construction revenue	Nil	12,615	(100.00)	56,704	170,875	(66.82)
– Sales of coal	1,506,651	4,236,704	(64.44)	6,422,950	7,694,661	(16.53)
– Others	321,376	319,778	0.50	657,980	601,752	9.34
Operating profit	8,615,549	8,196,031	5.12	11,902,935	14,174,395	(16.03)
Profit for the period/year	5,834,442	5,140,287	13.50	6,129,238	8,420,952	(27.21)

As illustrated in the above table, the Group's revenue for FY2022 was approximately RMB39,862 million, representing a decrease of approximately RMB10 million or approximately 0.03% as compared to that for FY2021. With reference to the 2022 Annual Report, the slight decrease in revenue was mainly due to (1) decrease in revenue from service concession construction of approximately RMB114 million as the concession projects under construction in 2022 being close to completion; and (2) decrease in revenue from sales of coal of approximately RMB1,272 million as a result of greater decreases in sales volume in coal than increases in unit selling price of coal, partially offset by (1) increase in revenue from electricity sales and other revenue of wind power segment of approximately RMB651 million, as a result of greater increases in electricity sales volume than decreases in the average electricity sales unit price; (2) increase in revenue from sales of steam of approximately RMB55 million, as a result of greater increases in unit price of steam than decreases in sales volume of steam; (3) increase in revenue from sales of electricity of coal power segment of approximately RMB553 million as a result of increases in unit price of electricity sales of coal power; and (4) increase in revenue from renewable electricity sales of other segments of approximately RMB118 million, as a result of increase in sales volume of photovoltaic power.

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The Group's operating profit and profit for FY2022 were approximately RMB11,903 million and RMB6,129 million respectively, representing decreases of approximately 16.03% and 27.21% as compared to those for FY2021, respectively. With reference to the 2022 Annual Report, the decreases in operating profit and profit for FY2022 were mainly due to decrease in operating profit of wind power segment as a result of increase in depreciation and amortisation of the wind power segment and increase in asset impairment losses.

The Group's revenue for 1H2023 was approximately RMB19,847 million, representing a decrease of approximately RMB1,815 million or approximately 8.38% as compared to that for 1H2022. With reference to the 2023 Interim Report, such decrease was mainly due to (1) the absence of service concession construction revenue in 1H2023; (2) decrease in electricity sales of coal power segment; and (3) decrease in sales of coal as a result of both decrease in sales volume and unit selling price of coal, partially offset by (1) increase in electricity sales and other revenue of wind power segment; (2) increase in revenue from sales of steam as a result of increase in unit selling price of steam; and (3) increase in electricity sales of the photovoltaic power segment.

Notwithstanding the foregoing, the Group's operating profit and profit for 1H2023 increased by approximately 5.12% and 13.50% respectively as compared to those for 1H2022. With reference to the 2023 Interim Report, the increases in operating profit and profit for 1H2023 were mainly due to increase in operating profits of the wind power segment and photovoltaic power segment as a result of the increase in revenue from electricity sales, partially offset by the decrease in operating profit of coal power segment with the scaling down of coal sales business in the coal power segment.

With reference to the 2023 Interim Report, as at 30 June 2023, the Group's consolidated installed capacity was 31,623.25MW, among which the consolidated installed capacity of the wind power segment was 26,317.04MW, the consolidated installed capacity of the photovoltaic and other renewable energy segment was approximately 3,431.21MW and the consolidated installed capacity of coal power segment was 1,875 MW.

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Information on CHN Energy

With reference to the Board Letter, 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. As at the Latest Practicable Date, the ultimate beneficial owner of CHN Energy is the State-owned Assets Supervision and Administration Commission of the State Council.

Reasons for and benefits of the Transactions

With reference to the Board Letter, the Transactions are and will continue to be carried out in the ordinary and usual course of business of the Group and such transactions will continue to be agreed on based on arm's length negotiations and on terms that are fair and reasonable to the Group. The Directors consider that:

- (1) the transactions between the Group and CHN Energy and its subsidiaries have been and will continue to be beneficial to the operation and development of the business of the Group. The provision of products and services by the Group to CHN Energy and its subsidiaries enables the Group to carry out its business more extensively and to have a comprehensive understanding of the development of the industry;
- (2) the Group purchases products and services from CHN Energy and its subsidiaries in the ordinary and usual course of business, and CHN Energy and its subsidiaries have provided a stable supply to the Group for a long period of time. Therefore, CHN Energy and its subsidiaries are able to fully understand the business and operational requirements of the Group. The Group and CHN Energy and its subsidiaries have established a long-term cooperative relationship and understand each other's operational plans, quality control and certain special requirements. The provision of products and services by CHN Energy and its subsidiaries to the Group will, to a large extent, enhance the operational efficiency of the Group and reduce operating costs and risks of the Group; and

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- (3) to maintain a stable and high-quality supply of products and services to the Group is crucial to the Group's current and future production and operations. Based on the past experience in the mutual supply of products and services between the Group and CHN Energy and its subsidiaries, CHN Energy and its subsidiaries have a relatively good ability to perform their contracts. The Group has maintained normal business dealings with CHN Energy and its subsidiaries, and all specific connected transactions have been executed in accordance with the business contracts entered into, which have agreed on a reasonable settlement period. So far, all the connected transaction contracts have been well executed. CHN Energy and its subsidiaries are in good financial position. The risk of loss to the Group due to the inability of the connected parties to perform contracts properly is relatively small and within the available range. Accordingly, it is believed that CHN Energy and its subsidiaries are able to effectively meet the Group's requirements for stable and high-quality supply of products and services.

Pursuant to the the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, we noted that the Group shall be given priority in sourcing materials, products and services from CHN Energy and its associates unless the consideration of such materials, products and services offered by an independent third party are better than those offered by the Group. In addition, CHN Energy and its associates are allowed to provide products and services to third parties, provided that it will not affect the provision of products and services to the Group. As such, we consider that the aforementioned arrangement would allow the Company to have a stable source of materials, products and services without losing the flexibility of purchasing similar materials, products and services from other independent third parties at a more favorable term.

In respect of provision of products and services to CHN Energy and its subsidiaries by the Group, the transactions contemplated thereunder are in revenue nature.

As mentioned above, the continuing connected transactions are and will be conducted in the ordinary and usual course of business of the Group. Furthermore, as also confirmed by the Directors, the Transactions are conducted on a frequent and (if applicable) successful bidding basis. As such, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the Transactions will be beneficial to the Company and the Shareholders as a whole.

In view of the above factors, we concur with the Directors that the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

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Principal terms of the Transactions

Set out below are the principal terms of the Transactions, details of which are set out under the section headed “II. FRAMEWORK AGREEMENT FOR PURCHASE AND SALE OF COMPREHENSIVE PRODUCTS AND SERVICES” of the Board Letter:

Parties

- (i) The Company; and
- (ii) CHN Energy

Term

The Framework Agreement for Purchase and Sale of Comprehensive Products and Services shall come into force upon the signature and affixing of the official seals by the authorised representatives of both parties and the approval by the general meeting of the Company, and shall be effective for a term commencing on 1 January 2024 and expiring on 31 December 2026.

Principal terms

1. Pursuant to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, the Group will provide products and services to CHN Energy and its subsidiaries (other than the Group) (the “**Products and Services (Sale) Transactions**”), including:
 - (1) in terms of production: electricity trading power generation rights trading (the “**Power Generation Rights Trading**”), wind power technical services, resource evaluation of wind power projects, development and technical services of photovoltaic power generation and other related or similar services;
 - (2) in terms of supply: sales or leasing of spare parts, technical and design consulting services such as wind power design and consulting services, and other related or similar products and services; and
 - (3) in terms of auxiliary production: engineering general contracting services, software and hardware sales and related technical services, information technology services, logistics services, wind power vocational training, and other related or similar products and services.

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2. Pursuant to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, CHN Energy and its subsidiaries (other than the Group) will provide products and services to the Group (the “**Products and Services (Purchase) Transactions**”), including:
- (1) in terms of production: electricity trading, power generation rights trading and other related or similar services;
 - (2) in terms of supply: sales of coal (the “**Coal Transactions**”), sales or leasing of production equipment and spare parts (such as wind power generating units, unit spare parts and relevant technical services), office supplies, and other related or similar products and services;
 - (3) in terms of auxiliary production: EPC services for projects, engineering construction, logistics services, training, bidding agency services, information technology services, technical consulting, and other related or similar services;
 - (4) in terms of administrative management: social security and pension management services and staff data recording management services.

The Group and CHN Energy and its subsidiaries will enter into specific transaction agreements setting out the content of the products and/or services to be supplied and the terms and conditions on which such products and/or services will be provided, in accordance with the principles laid down by the Framework Agreement for Purchase and Sale of Comprehensive Products and Services.

There is no exclusivity arrangement between the Group and CHN Energy under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services. In the event that one party under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services is unable to satisfy the other party’s demand for products or services, or if more favourable conditions are offered by an independent third party, the other party will be entitled to enter into a transaction with such independent third party.

If either party violates any term of the Framework Agreement for Purchase and Sale of Comprehensive Products and Services (i.e. the Defaulting Party), the other party (i.e. the Observant Party) can notify it in written form about the breach, and require the Defaulting Party to remedy the breach within a reasonable term. If the Defaulting Party fails to make any remedy for the breach within the above term, the Observant Party shall be entitled to terminate the Framework Agreement for Purchase and Sale of Comprehensive Products and Services immediately and reserve the right to claim compensation and any other legally permitted claims against the Defaulting Party.

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Pricing policy

With reference to the Board Letter, the prices and conditions for the provision of products and services by the Group to CHN Energy and its subsidiaries shall be no less favourable than the prices and conditions for the provision of similar products and services by the Group to an independent third party; the prices and conditions for the provision of products and services by CHN Energy and its subsidiaries to the Group shall be no less favourable than the prices and conditions for the provision of similar products and services by an independent third party to the Group.

The prices of the products and services under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services will be determined based on the following principles and order:

- (1) Government-prescribed price or government-guided prices: If there are prescribed prices or guided prices applicable to products and services under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services, such products or services shall be provided at the applicable government-prescribed prices or as agreed within the scope of government-guided prices.
- (2) Tender and bidding price: if laws and regulations require the application of tendering and bidding procedures, the price shall be determined according to the tendering and bidding procedures.
- (3) Market price: refers to the prices determined according to the following order: (i) The prices charged by at least two independent third parties providing similar-sized products or services for the time being under normal commercial transactions in the places where such products and services are provided or its vicinity; or (ii) the prices charged by at least two independent third parties providing applicable products or services under normal commercial transactions for products or services of similar sizes at that time.
- (4) Agreed price: it is determined based on fair negotiations between the parties by adding a reasonable profit margin over a reasonable cost. Reasonable costs refer to the actual costs incurred in providing such products or services by CHN Energy to the Group or by the Group to CHN Energy, as agreed and recognised by the parties. Reasonable profit margin is determined with reference to at least two comparable deals with independent third parties during the same period.

Based on our independent research on continuing connected transactions conducted by other companies which were listed on the Stock Exchange involving the purchase/sales of materials/products/services from/to their connected persons, we noted that the comparing prices to independent third parties for same/similar materials/products/services was one of the commonly adopted pricing policies adopted in the continuing connected transactions. The pricing principles under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services are in line with the commonly adopted pricing policies adopted for continuing connected transactions.

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In order to ensure that the prices and terms on which the Group enters into specific transactions are entered into on normal commercial terms and that the terms of the relevant specific transactions, in particular the pricing terms, have complied with the pricing policy under the framework agreement for the continuing connected transactions, the Company has adopted the certain regulatory and internal control procedures, details of which are set out under the section headed “Internal Control Measures” of the Board Letter. Having considered that there are different departments involving in the internal control measures for pricing related matters (e.g. review pricing strategies, organization, supervision and implementation of bidding and purchase, etc.), we consider the effective implementation of the supervision and internal control procedures would help ensure the fair pricing of the Transactions.

As advised by the Directors, the Company keeps a record of and calculates on a monthly basis that the transaction values for each month in relation to the Transactions, so as to ensure the proposed annual caps not being exceeded.

With reference to the 2022 Annual Report, the Company engaged its auditor to report on the Group’s continuing connected transactions for FY2022. The Company’s auditor has issued an unqualified letter containing their conclusions in respect of the Group’s continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. The independent non-executive Directors of the Company have reviewed each of the abovementioned continuing connected transactions and confirmed that such transactions have been conducted: (1) in the usual course of business of the Group; (2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether the transaction terms are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties; and (3) in accordance with relevant terms of the transaction agreements, and the transaction terms are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Having considered the above, we do not doubt the effectiveness of the implementation of the internal control procedures as mentioned above.

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Proposed annual caps

The table below shows (i) the historical amounts of the Transactions for the two years ended 31 December 2022 and nine months ended 30 September 2023, together with the existing annual caps and utilization rate; and (ii) the proposed annual caps for the three years ending 31 December 2026:

	For the year ended 31 December 2021 <i>RMB million</i>	For the year ended 31 December 2022 <i>RMB million</i>	For the year ending 31 December 2023 <i>RMB million</i>
Historical amounts of Product and Services (Sale) Transactions	105.82	167.89	300.87 <i>(Note)</i>
Existing annual caps	1,250	1,250	1,250
Utilization rate	8.47%	13.43%	Undetermined
Historical amounts of Products and Services (Purchase) Transactions	2,938.92	3,394.50	2,275.94 <i>(Note)</i>
Existing annual caps	5,298.829	7,048.381	5,446.451
Utilization rate	55.46%	48.16%	Undetermined
	For the year ending 31 December 2024 ("FY2024") <i>RMB million</i>	For the year ending 31 December 2025 ("FY2025") <i>RMB million</i>	For the year ending 31 December 2026 ("FY2026") <i>RMB million</i>
Proposed annual caps:			
– Products and Services (Sale) Transactions (the “ Sale Cap(s) ”)	4,030.46	4,276.28	4,664.43
– Products and Services (Purchase) Transactions (the “ Purchase Cap(s) ”)	7,484.21	7,360.14	7,444.47

Note: the figures were for the nine months ended 30 September 2023.

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With reference to the Board Letter, the proposed annual caps for the three years ending 31 December 2026 were determined after taking into account of various factors, details of which are set out under the section headed “Proposed Annual Caps and Basis of Determination” of the Board Letter.

According to the above table, the utilisation rates of the existing annual caps in respect of (i) the Products and Services (Sale) Transactions were approximately 8.47% for FY2021 and 13.43% for FY2022; and (ii) the Products and Services (Purchase) Transactions were approximately 55.46% for FY2021 and 48.16% for FY2022. Despite the low utilization of the existing annual caps, the Company upward adjusted (i) the Sale Caps by approximately 222.44%, 242.10% and 273.15%; and (ii) the Purchase Caps by approximately 37.41%, 35.14% and 36.68%, for FY2024, FY2025 and FY2026, respectively, as compared to the respective existing annual caps for FY2023.

A. Sale Caps

To assess the fairness and reasonableness of the Sale Caps for the three years ending 31 December 2026, we obtained from the Company breakdown of the Sale Caps. We noted that the Sale Caps were formulated primarily to cater for the possible demand for Power Generation Rights Trading, accounted for over 95% of the Sale Caps.

We understood from the Directors that the estimated transaction amounts of Power Generation Rights Trading were formulated with reference to (i) the estimated volume of substituted power generation (in kWh) to be generated by the Group pursuant to power generation quota sold by CHN Energy and/or its subsidiaries (the “**Substituted Power Generation Volume**”) under electricity trading power generation rights trading for each of the three years ending 31 December 2026; and (ii) the estimated unit price of the power generation rights.

The Power Generation Rights Trading included electricity trading power generation rights trading, green power and green certificate trading. The electricity trading power generation rights trading was expected to be majority part of the Power Generation Rights Trading for the three years ending 31 December 2026.

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As advised by the Directors, under an electricity trading power generation rights trading transaction, the receiver of power generation quota (the “**Receiver**”) will use the power generation quota from its seller (the “**Seller**”) for substituted power generation. The power grid companies are located in different provinces across the country, and the structures and methods of payment of the transaction price are different according to different contracts entered into between relevant parties. The transaction prices of substituted power generation by the Receiver will be settled in two ways: after using the power generation quota of the Seller to generate electricity, (i) the Receiver of power generation quota will settle with the power grid company(ies) first, and then pay the prices for the power generation quota to the Seller; and/or (ii) the Seller will settle with the power grid company(ies) first and then pay the electricity revenue after deduction of the amount of the quota usage prices to the Receiver. The purpose of electricity trading power generation rights trading, in principle, is to involve the substitution of high-efficiency and environmental-friendly power generating units for low-efficiency and high-polluting thermal power units, and to replace thermal power units with clean energy power generating units.

As further advised by the Directors, the substituted power generation will be conducted by wind power generating units of the Group and the Directors assumed the second settlement method will be adopted in electricity trading power generation rights trading transaction with CHN Energy and/or its subsidiaries.

The table below shows the Group’s wind power output and wind power consolidated installed capacity for each of the five years ended 31 December 2022, as extracted from the 2022 Annual Report:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Wind power output (GWh)	39,542	40,732	43,683	51,300	58,308
<i>Annual growth rate</i>		<i>3.01%</i>	<i>7.24%</i>	<i>17.44%</i>	<i>13.66%</i>
<i>Compound annual growth rate</i>			<i>10.20%</i>		
Wind power consolidated installed capacity (MW)	18,919	20,032	22,303	23,668	26,192
<i>Annual growth rate</i>		<i>5.88%</i>	<i>11.34%</i>	<i>6.12%</i>	<i>10.66%</i>
<i>Compound annual growth rate</i>			<i>8.47%</i>		

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As illustrated above, the Group recorded year-on-year increases in (i) wind power output; and (ii) wind power consolidated installed capacity, for each of the year ended 31 December 2019, 2020, 2021 and 2022. The Group's wind power output increased from 39,542 GWh for the year ended 31 December 2018 to 58,308 GWh for FY2022, representing a compound annual growth rate of approximately 10.20%; while the Group's wind power consolidated installed capacity increased from 18,919 MW for the year ended 31 December 2018 to 26,192 MW for FY2022, representing a compound annual growth rate of approximately 8.47%.

Based on the information provided by the Directors, the estimated Substituted Power Generation Volume for each of the three years ending 31 December 2026 each represented 10% to 15% of the Group's wind power output for FY2022. Having considered the aforesaid and that the estimated Substituted Power Generation Volume with CHN Energy and/or its subsidiaries for FY2024 were less than the Power Generation Rights Trading volume in total for 1H2023, we consider that the Substituted Power Generation Volume with CHN Energy and/or its subsidiaries for FY2024 were justifiable.

The Substituted Power Generation Volume for FY2025 and FY2026 represented increases of approximately 6% and 9% respectively as compared to that for FY2024 and FY2025. Having considered the abovementioned compound annual growth rate of approximately 10.20% in the Group's wind output from 2018 to 2022, we are of the view that the aforesaid increases are justifiable. Accordingly, we are of the view that the Substituted Power Generation Volume with CHN Energy and/or its subsidiaries for FY2025 and FY2026 were justifiable.

In respect of the estimated unit price of the power generation rights, the Directors provided us with supporting information in respect of previous power generation rights trading. We noted that the estimated unit price of the power generation rights was one of prices under power generation rights trading. As such, we consider the estimated unit price of the power generation rights for the three years ending 31 December 2026 to be acceptable.

Having considered the above factors, we are of the view that the Sale Caps are fair and reasonable.

B. Purchase Caps

To assess the fairness and reasonableness of the Purchase Caps for the three years ending 31 December 2026, we obtained from the Company breakdown of the Purchase Caps. We noted that the Purchase Caps were formulated primarily to cater for the possible demand for Coal Transactions, wind power generating units and the relevant services (the “**Wind Power Generating Units Transactions**”) and EPC services for photovoltaic power projects (the “**PV EPC Transactions**”), the aggregate of which accounted for over 90% of the Purchase Caps.

Coal Transactions

We understood from the Directors that the estimated amounts of Coal Transactions were formulated based on (i) the estimated quantity of coal to be procured by the Group from CHN Energy for each of the three years ending 31 December 2026; and (ii) the estimated coal price of RMB810 per tonne.

Upon our enquiry, the Directors advised us the Group’s historical procurement quantity of coal from CHN Energy for the three years ended 31 December 2022. We noted that the estimated annual quantity of coal (in tonne) to be procured by the Group from CHN Energy for the three years ending 31 December 2026 represented substantial increases of approximately 65% as compared to the Group’s average procurement quantity of coal from CHN Energy for the three years ended 31 December 2022. Despite the aforesaid, the estimated procurement quantity of coal for each of the three years ending 31 December 2026 represented an increase of approximately 22% to the Group’s average annual demand of coal for the three years ended 31 December 2022 (from both independent third parties and members of CHN Energy).

We understood from the Directors that the estimated increase in annual demand of coal was primarily due to (i) the expected increase in coal power output following the expected increase in electricity demand; and (ii) the expected increase in coal trading volume, for the three years ending 31 December 2026.

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The table below shows the electricity consumption in the PRC, the electricity generation in the PRC and the thermal power generation in the PRC (included in for each of the five years ended 31 December 2022, as extracted from the National Bureau of Statistics of the PRC and the National Energy Administration of the PRC:

	2018	2019	2020	2021	2022
Electricity consumption in the PRC (<i>GWh</i>)	6,844,900	7,225,500	7,511,000	8,312,800	8,637,200
Electricity generation in the PRC (<i>GWh</i>)	7,111,770	7,503,430	7,779,060	8,534,250	8,848,710
Thermal power generation in the PRC (<i>GWh</i>) (<i>Note</i>)	5,073,860	5,220,150	5,330,250	5,805,870	5,888,790
<i>Proportion of thermal power generation in the PRC to the total electricity generation in the PRC</i>	71.34%	69.57%	68.52%	68.03%	66.55%

Note: Thermal power generation in the PRC includes coal-fired power generation, fuel-fired generation, gas power generation, waste heat, residual pressure and residual gas power generation, waste incineration power generation and biomass power generation.

As illustrated above, the electricity consumption in the PRC recorded year-on-year increases for each of the year 2019, 2020 2021 and 2022. The electricity consumption in the PRC increased from approximately 6,844,900 GWh in 2018 to 8,637,200 GWh in 2022, representing a compound annual growth rate of 5.99%. Along with the increase in electricity consumption in the PRC, the electricity generation in the PRC also recorded year-on-year increases for each of the year 2019, 2020, 2021 and 2022. Thermal power generation in the PRC remained as the largest contributor to the total electricity generation in the PRC despite the contribution decreased from approximately 71.34% in 2018 to 66.55% in 2022.

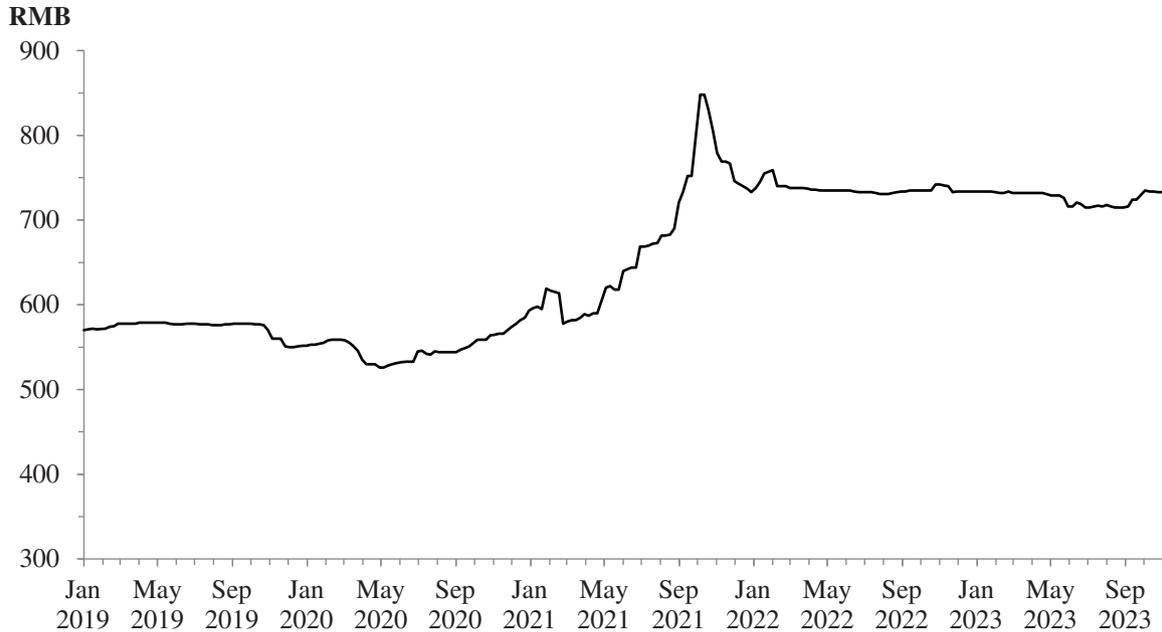
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As detailed in the section headed “Information on the Group” above, the Groups’ revenue from sales of coal (i) decreased from approximately RMB7.69 billion for FY2021 to approximately RMB6.42 billion for FY2022, representing a year-on-year decrease of approximately 16.53%; and (ii) decreased from approximately RMB4.24 billion for 1H2022 to approximately RMB1.51 billion for 1H2023, representing a year-on-year decrease of approximately 64.44%. With reference to the 2022 Annual Report and 2023 Interim Report, such decreases in revenue from sales of coal were primarily due to decrease in sales volume of coal despite the increase in unit selling price of coal. As further advised by the Directors, the decreases in sale volume of coal were primarily attributable to the increase in coal price during FY2022 and 1H2023. Considering the possible fluctuation in coal price and the possible changes in the policy environment, the Group expects the sales volume of coal shall increase during the three years ending 31 December 2026.

Having considered (i) the Group’s expected increase in annual demand of coal (in tonnes) (ii) the possible increase in procurement quantity of coal from members of CHN Energy instead of from independent third party supplier(s) as the terms of products and services offered by CHN Energy and its associates to the Group are no less favourable to the Group than those offered by independent third parties pursuant to the Framework Agreement for Purchase and Sale of Comprehensive Products and Services; and (iii) CHN Energy is the world’s largest producer of coal, thermal power, wind power, as well as coal-to-liquids and coal chemical products, we do not doubt the reasonableness of the estimated procurement quantity of coal from member of CHN Energy for the three years ending 31 December 2026.

As aforementioned, the estimated coal price of RMB810 per tonne was adopted in formulating the estimated procurement amounts of coal. To assess the fairness and reasonableness of the estimated coal price adopted, we searched for the weekly Bohai-Rim Steam-Coal Price Index for 5,500kcal/kg (“**BSPI**”) for approximately 5-year period commencing from 9 January 2019 up to and including the Announcement Date (the “**Review Period**”).

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Source: Wind Financial Terminal

The BSPI fluctuated between RMB526 per tonne and RMB585 per tonne during the period from 9 January 2019 to 30 December 2020, before the BSPI formed an increasing trend and reached the highest of RMB848 per tonne as recorded on 13 October 2021 and 20 October 2021. Thereafter, the BSPI formed a decreasing trend from 27 October 2021 to 29 December 2021. From the start of 2022 up to and including the Announcement Date, the BSPI fluctuated between RMB715 per tonne and RMB759 per tonne.

Despite the estimated coal price of RMB810 per tonne is higher than the recent BSPI, given that (i) the Company expected the coal price to remain at relatively high level, as substantiated by the BSPI since the start of 2022 up to and including the Announcement Date; and (ii) the estimated coal price of RMB810 per tonne is within the range of BSPI during the Review Period, we consider the estimated coal price of RMB810 per tonne adopting in formulating the estimated amounts of Coal Transactions to be justifiable.

Based on the above factors, we do not doubt the reasonableness of the estimated amounts of Coal Transactions for the three years ending 31 December 2026.

LETTER FROM GRAM CAPITAL

Wind Power Generation Units Transactions

We understood from the Directors that the estimated amounts of Wind Power Generation Units Transactions comprised (i) the procurement of wind power generating units, which were formulated based on (a) the estimated installed capacity of new wind power generation units to be procured from CHN Energy for each of the three years ending 31 December 2026; and (b) the estimated unit price; and (ii) maintenance services for wind power generating units.

Procurement of wind power generating units

As illustrated under the sub-section headed “A. Sale Caps” above, the Group’s newly added consolidated wind power installed capacity ranged from approximately 1,113 MW to 2,524 MW for the five years ended 31 December 2022. Based on the information provided by the Directors, the estimated installed capacity of new wind power generation units to be procured from CHN Energy for each of the three years ending 31 December 2026 were less than the aforesaid range of newly added consolidated wind power installed capacity.

We understood from the Directors that the estimated installed capacity of new wind power generation units to be procured from CHN Energy was determined with reference to the Company’s “14th Five Year Plan”. We obtained from the Company its “14th Five Year Plan” and noted the Group’s planned installed capacity of wind power generation units to be newly added during the “14th Five Year” period (i.e. from 2021 to 2025) (the “**Planned Wind Capacity**”). After comparing with Planned Wind Capacity, the estimated installed capacity of new wind power generation units for the three years ending 31 December 2026 to be procured from CHN Energy represented 5% or less of the Planned Wind Capacity.

In light of the above factors, we do not doubt the reasonableness of the estimated installed capacity of new wind power generation units to be procured from CHN Energy for each of the three years ending 31 December 2026.

To assess the fairness and reasonableness of the estimated unit price of wind power generation units, we obtained from the Company copies of individual contracts entered into between the Group and members of CHN Energy. We noted that the implied unit costs of the wind power generation units under the individual contracts (based on the contract value (excluding tax) and the planned total installed capacity of such wind power generation units) were not materially different from the estimated unit price. As such, we consider the estimated unit price to be acceptable.

LETTER FROM GRAM CAPITAL

Maintenance services for wind power generating units

We understood from the Directors that the Group shall procure maintenance services for its wind power generating units which the warranty period expired, which is formulated based on the installed capacity of wind power generating units (in terms of kW) which the warranty period shall expire for each of the three years ending 31 December 2026 and the unit maintenance costs.

Based on the historical transactions amount of maintenance services for wind power generating units for 1H2023 as provided by the Company, we noted that the estimated amounts of maintenance services for wind power generating units for each of the three years ending 31 December 2026 were less than the annualized amounts of maintenance services for wind power generating units for the year ending 31 December 2023. As such, we do not doubt the reasonableness of the estimated amounts of maintenance services for wind power generating units for the three years ending 31 December 2026.

Based on the above factors, we do not doubt the reasonableness of the estimated amounts of Wind Power Generating Units Transactions for the three years ending 31 December 2026.

PV EPC Transactions

We understood from the Directors that the estimated amounts of PV EPC Transactions were formulated based on (i) the estimated installed capacity of photovoltaic power generation units which requires the EPC services from CHN Energy for each of the three years ending 31 December 2026; and (ii) the estimated unit price.

The table below shows the Group's photovoltaic power consolidated installed capacity for each of the five years ended 31 December 2022, as extracted from the Company's past annual reports:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Photovoltaic power consolidated installed capacity (MW)	189.7	189.7	442.7	1,095.7	2,980.9
<i>Annual growth rate</i>		<i>Nil</i>	<i>133.37%</i>	<i>147.50%</i>	<i>172.05%</i>
<i>Compound annual growth rate</i>			<i>99.10%</i>		

LETTER FROM GRAM CAPITAL

As illustrated above, the Group recorded year-on-year increases in photovoltaic power consolidated installed capacity for each of the year ended 31 December 2019, 2020 2021 and 2022. The Group's photovoltaic power consolidated installed capacity increased from 189.7 MW for the year ended 31 December 2018 to 2,980.9 MW for FY2022, representing a compound annual growth rate of approximately 99.10%.

We understood from the Directors that the estimated installed capacity of new photovoltaic power generation units to be procured from CHN Energy was determined with reference to the Company's "14th Five Year Plan". We noted from the Company's "14th Five Year Plan" the Group's planned installed capacity of photovoltaic power generation units (including centralized and distributed photovoltaic power generation units) to be newly added during the "14th Five Year" period (i.e. from 2021 to 2025) (the "**Planned PV Capacity**"). After comparing with Planned PV Capacity, the estimated installed capacity of new photovoltaic power generation units for the three years ending 31 December 2026 to be procured from CHN Energy represented less than 5% of the Planned PV Capacity.

To assess the fairness and reasonableness of the estimated unit price of photovoltaic power generation units, we obtained from the Company individual contracts entered into between the Group and members of CHN Energy. We noted that the implied unit costs of the photovoltaic power generation units under the individual contracts (based on the contract value (excluding tax) and the planned total installed capacity of such photovoltaic power generation units) were not materially different from the estimated unit price. As such, we consider the estimated unit price to be acceptable.

Based on the above factors, we do not doubt the reasonableness of the estimated amounts of PV EPC Transactions for the three years ending 31 December 2026.

Given that the estimated amounts of Coal Transactions, Wind Power Generating Units Transactions and PV EPC Transactions are acceptable (the aggregate of which accounted for over 90% of the Purchase Caps), we are of the view that the Purchase Caps are fair and reasonable.

Shareholders should note that as the Sale Caps and the Purchase Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of revenue to be generated or costs to be incurred from the Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated or costs to be incurred from the Transactions will correspond with the proposed annual caps.

In light of the above, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the respective annual caps for the period concerned under the Framework Agreement for Purchase and Sale of Comprehensive Products and Services; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the total amounts of the Transactions are anticipated to exceed the respective annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

2. DISCLOSURE OF INTERESTS AND CONFIRMATIONS

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had an interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations. As at the Latest Practicable Date:

- (1) none of the Directors, supervisors or chief executives of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provision of the SFO); or are required pursuant to section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers;
- (2) the Company has not granted its Directors, supervisors, chief executives or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities;
- (3) apart from Mr. Tang Chaoxiong, Mr. Wang Yiguo and Mr. Ma Bingyan, Directors of the Company, who are deemed under the Listing Rules as connected Directors and have abstained from voting for the consideration by the Board on 29 March 2023, 26 October 2023 and 17 November 2023 in respect of the continuing connected transactions in relation to CHN Energy, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group since 31 December 2022, being the date to which the latest published audited annual financial statements of the Company were made up, and which was subsisting as at the date of this circular and significant in relation to the business of the Group;

- (4) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2022 (being the date to which the latest published audited annual financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group;
- (5) save as disclosed in the section “Interest of Directors in Competing Business” of the Appendix I of this circular, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group’s business) which competes or is likely to compete either directly or indirectly with the Group’s business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder);
- (6) the Directors are not aware of any material adverse change in the financial or trading positions of the Company since 31 December 2022 (the date to which the latest published audited annual financial statements of the Company were made up); and
- (7) none of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. INTEREST OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Position in the Company	Other Interests
Tang Chaoxiong	Non-executive Director	Director of audit department of CHN Energy
Wang Yiguo	Non-executive Director	A full-time director of CHN Energy
Ma Bingyan	Non-executive Director	A second-level business director of the strategic planning department of CHN Energy

Save as disclosed above, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which is required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at the Latest Practicable Date, so far as known to the Directors, the following persons (other than the Directors, chief executives or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held <i>(Share)</i>	Percentage in the Relevant Class of Share Capital ^(Note 1) <i>(%)</i>	Percentage in the Total Share Capital ^(Note 1) <i>(%)</i>
CHN Energy	A shares	Beneficial owner and interest of corporation controlled by substantial Shareholders	4,908,598,141 ^(Note 2) (Long position)	97.36	58.56
Wellington Management Group LLP	H shares	Investment manager	199,433,154 ^(Note 3) (Long position)	5.97	2.37
Wellington Management Group LLP	H shares	Investment manager	751 ^(Note 4) (Short position)	0.00	0.00
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	300,372,814 ^(Note 5) (Long position)	8.99	3.58
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	1,650,000 ^(Note 6) (Short position)	0.04	0.02
GIC Private Limited	H shares	Investment manager	168,003,000 (Long position)	5.02	2.00
Citigroup Inc.	H shares	Interest of corporation controlled by substantial Shareholders and approved lending agent	275,153,241 ^(Note 7) (Long position)	8.23	3.28

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held <i>(Share)</i>	Percentage in the Relevant Class of Share Capital <i>(Note 1)</i> <i>(%)</i>	Percentage in the Total Share Capital <i>(Note 1)</i> <i>(%)</i>
Citigroup Inc.	H shares	Interest of corporation controlled by substantial Shareholders	6,862,864 <i>(Note 8)</i> (Short position)	0.21	0.08
Citigroup Inc.	H shares	Approved lending agent	266,811,739 (Shares in a lending pool)	7.99	3.18
Brown Brothers Harriman & Co.	H shares	Approved lending agent	191,636,293 (Long position)	5.74	2.29
Brown Brothers Harriman & Co.	H shares	Approved lending agent	191,636,293 (Shares in a lending pool)	5.74	2.29
Lazard Asset Management LLC	H shares	Investment manager	167,128,772 (Long position)	5.00	1.99

Notes:

1. The percentage is based on the issued number of relevant class of shares/total issued shares of the Company as at Latest Practicable Date.
2. Among these 4,908,598,141 A shares, 4,602,432,800 A shares were directly held by CHN Energy while the remaining 212,238,141 A shares were held by Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司), an indirect non-wholly-owned subsidiary of CHN Energy and 93,927,200 A shares were held by CHN Energy Liaoning Electric Power Co., Ltd. (國家能源集團遼寧電力有限公司), a wholly-owned subsidiary of CHN Energy. Accordingly, CHN Energy was deemed as the owner of the equity interests held by its aforesaid subsidiaries.
3. Among these 199,433,154 H shares, 198,900,197 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 453,319 H shares were held by Wellington Management International Ltd., an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 79,638 H shares were held by Wellington Management Singapore Pte. Ltd., an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
4. These 751 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H share short positions held by its aforesaid subsidiary.

5. Among these 300,372,814 H shares, 3,144,000 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 17,243,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 56,359,693 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 77,641,000 H shares were held by BlackRock Fund Advisors, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 4,604,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 4,900,196 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 755,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,876,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 3,071,604 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 5,031,440 H shares were held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,013,000 H shares were held by BlackRock Advisors (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 21,107,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 71,307,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 5,361,233 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 22,610,870 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 216,999 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 4,022,779 H shares were held by BlackRock (Singapore) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 45,000 H shares were held by BlackRock Asset Management Schweiz AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 63,000 H shares were held by Aperio Group, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
6. Among these 1,650,000 H shares, 78,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 305,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,267,000 shares were held by BlackRock Advisors, LLC. Accordingly, BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.
7. Among these 275,153,241 H shares, 266,811,739 H shares were held by Citibank, N.A., an indirect wholly-owned subsidiary of Citigroup Inc., 1,601,902 H shares were held by Citigroup Global Markets Hong Kong Limited, an indirect wholly-owned subsidiary of Citigroup Inc., 6,739,600 H shares were held by Citigroup Global Markets Limited, an indirect non-wholly-owned subsidiary of Citigroup Inc. Accordingly, Citigroup Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.
8. Among these 6,862,864 H shares, 4,400,864 H shares were held by Citigroup Global Markets Hong Kong Limited, an indirect wholly-owned subsidiary of Citigroup Inc., 2,462,000 H shares were held by Citigroup Global Markets Inc., an indirect wholly-owned subsidiary of Citigroup Inc. Accordingly, Citigroup Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

5. SERVICE AGREEMENTS

The Company has entered into service agreements with all of its Directors and supervisors. None of the Directors or supervisors has entered into or proposed to enter into any service agreements with the Company which cannot be terminated by the Company within one year without any compensation (other than the statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no legal litigation or claim of material importance was known to the Directors of the Company to be pending or threatened against the Company.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published audited consolidated financial statements of the Company were made up.

8. QUALIFICATION OF EXPERT AND CONSENT

The following are the qualifications of the expert who has provided opinion or advice contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

(1) As at the Latest Practicable Date, Gram Capital did not hold any beneficial interest in the share capital of any member of the Group, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(2) As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consents to the issue of this circular with inclusion of its letter, as the case may be, and references to its name included herein in the form and context in which it appears.

- (3) As at the Latest Practicable Date, Gram Capital did not have any interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited annual accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. OTHER INFORMATION

- (1) The company secretary of the Company is Ms. Chan Sau Ling.
- (2) The registered office of the Company is at Room 2006, 20/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the PRC.
- (3) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.clypg.com.cn>) for a period of not less than 14 days from the date of this circular:

- (1) the Framework Agreement for Purchase and Sale of Comprehensive Products and Services.

COMPARISON TABLE OF AMENDMENTS TO THE
RULES OF PROCEDURES OF THE GENERAL MEETING OF
CHINA LONGYUAN POWER GROUP CORPORATION LIMITED

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 1	In a bid to safeguard the legitimate rights and interests of all Shareholders, to regulate the activities of China Longyuan Power Group Corporation Limited (the “ Company ”), and ensure that the General Meeting operate in a standard and efficient way and that Shareholders equally and effectively exercise their authorities, the rules are specifically formulated in accordance with the laws, regulations and regulatory documents, including the Company Law of the People’s Republic of China (the “ Company Law ”), the Securities Law of the People’s Republic of China, the Rules of General Meeting of Listed Companies <u>(as amended in 2016)</u> , the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Articles of Association of China Longyuan Power Group Corporation Limited (“ Articles of Association ”).	Article 1	In a bid to safeguard the legitimate rights and interests of all Shareholders, to regulate the activities of China Longyuan Power Group Corporation Limited (the “ Company ”), and ensure that the General Meeting operate in a standard and efficient way and that Shareholders equally and effectively exercise their authorities, the rules are specifically formulated in accordance with the laws, regulations and regulatory documents, including the Company Law of the People’s Republic of China (the “ Company Law ”), the Securities Law of the People’s Republic of China, the Rules of General Meeting of Listed Companies (as amended in 2016) , the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Rules Governing the Listing of Stock on the Shenzhen Stock Exchange and the Articles of Association of China Longyuan Power Group Corporation Limited (“ Articles of Association ”).

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 3	<p>The general meeting may exercise the following functions and powers:</p> <p>.....</p> <p>(14) to consider and approve matters relating to the purchases and disposals of the Company's material assets which exceed <u>10%</u> of the Company's latest audited total assets within one (1) year;</p> <p>.....</p>	Article 3	<p>The general meeting may exercise the following functions and powers:</p> <p>.....</p> <p>(14) to consider and approve matters relating to the purchases and disposals of the Company's material assets which exceed 30% of the Company's latest audited total assets within one (1) year;</p> <p>.....</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 5	<p>The Board shall hold an extraordinary general meeting within two (2) months upon the occurrence of one of the following circumstances:</p> <p>.....</p> <p>(4) the Board considers it necessary or the supervisory board proposes to hold such a meeting; <u>or</u></p> <p>(5) One half or more of the independent Directors propose to hold such a meeting.</p>	Article 5	<p>The Board shall hold an extraordinary general meeting within two (2) months upon the occurrence of one of the following circumstances:</p> <p>.....</p> <p>(4) the Board considers it necessary or the supervisory board proposes to hold such a meeting; or</p> <p>(5) One half or more of the independent Directors propose to hold such a meeting; or</p> <p>(6) Other circumstances required by laws, administrative regulations, the securities regulatory rules in the place where the Shares of the Company are listed or the Articles of Association.</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
<p>Article 21</p>	<p><u>An at least twenty (20) business days' prior written notice</u> for convening the annual general meeting shall be given; <u>a fifteen (15) days' or at least ten (10) business days' (whichever is longer) prior written notice</u> for convening the extraordinary general meeting shall be given. Where the relevant rules of the regulatory authorities and the stock exchange of the place where the Company's Shares are listed provide otherwise for that, such provisions shall prevail.</p> <p>When calculating the time limit, the date of convening the meeting and the date of issuing the notice of the meeting shall not be included.</p>	<p>Article 21</p>	<p>A twenty (20) days' prior announcement for convening the annual general meeting shall be given to all Shareholders; a fifteen (15) days' prior announcement for convening the extraordinary general meeting shall be given to all Shareholders. Where the relevant rules of the regulatory authorities and the stock exchange of the place where the Company's Shares are listed provide otherwise for that, such provisions shall prevail.</p> <p>When calculating the time limit, the date of convening the meeting and the date of issuing the notice of the meeting shall not be included.</p>

COMPARISON TABLE OF AMENDMENTS TO THE
RULES OF PROCEDURES OF THE GENERAL MEETING

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 22	<p>A notice of the general meeting shall be dispatched to Shareholders (regardless of their voting rights at the general meeting) by hand or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of members. For holders of domestic-invested Shares, a notice of the general meeting may also be made by way of announcement.</p> <p>The announcement referred in the preceding paragraph shall be published in one or more newspapers and journals designated by securities regulatory authority of the State Council. Once an announcement is made, all holders of the domestic-invested Shares are deemed to have received the relevant notice of the general meeting.</p> <p>.....</p>	Article 22	<p>A notice of the general meeting shall be dispatched to Shareholders (regardless of their voting rights at the general meeting) by hand or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of members. For holders of domestic-invested Shares, a notice of the general meeting may also be made by way of announcement.</p> <p>The announcement referred in the preceding paragraph shall be published in one or more newspapers and journals designated by securities regulatory authority of the State Council. Once an announcement is made, all holders of the domestic-invested Shares are deemed to have received the relevant notice of the general meeting.</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
			<p>After the notice of general meeting is issued, the general meeting shall not be postponed or cancelled without a proper reason and the proposals stated in the notice of the general meeting shall not be cancelled. In the event of any postponement or cancellation, the convener shall issue an announcement and state the reasons therein at least two working days before the original date of the general meeting.</p> <p>.....</p>
Article 23	<p>A notice of general meeting shall meet the following requirements:</p> <p>(10) it shall state the names and contact telephone numbers of the contact persons in connection with the meeting;</p> <p>(11) other content required by the regulatory rules of the place where the Shares of the Company are listed.</p>	Article 23	<p>A notice of general meeting shall meet the following requirements:</p> <p>(10) it shall state the names and contact telephone numbers of the contact persons in connection with the meeting;</p> <p>(11) voting time and voting procedure online or by other means;</p> <p>(12) other content required by the regulatory rules of the place where the Shares of the Company are listed.</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 25	In addition to the adoption of the <u>cumulative</u> voting mechanism to elect Directors and supervisors, each candidate for Directors or supervisors shall be proposed in a separate proposal.	Article 25	In addition to the adoption of the cumulative voting mechanism to elect Directors and supervisors, each candidate for Directors or supervisors shall be proposed in a separate proposal.
Article 63	Upon completion of voting at a general meeting, the vote counters and scrutinizers shall count the votes for each of the resolutions. The chairman of the meeting shall announce the voting details and results of each proposal in a timely manner. The Company, vote counters, scrutineers, significant Shareholders and other parties involved in <u>on-site of voting at the general meeting</u> are obliged to keep the voting results confidential before such results are officially announced.	Article 63	Upon completion of voting at a general meeting, the vote counters and scrutinizers shall count the votes for each of the resolutions. The chairman of the meeting shall announce the voting details and results of each proposal in a timely manner. The Company, vote counters, scrutineers, significant Shareholders and other parties involved in on-site, online or other means of voting at the general meeting are obliged to keep the voting results confidential before such results are officially announced.
Article 92	Any variation or abrogation of the rights of any class of Shareholders proposed by the Company may only come into effect upon the adoption of a special resolution at a general meeting and approval by the affected Shareholders of that class at a separate meeting held in accordance with Articles 94 to <u>97</u> in the Rules.	Article 92	Any variation or abrogation of the rights of any class of Shareholders proposed by the Company may only come into effect upon the adoption of a special resolution at a general meeting and approval by the affected Shareholders of that class at a separate meeting held in accordance with Articles 94 to 99 in the Rules.

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 99	<p>Save for Shareholders of shares of other classes, the holders of Domestic shares and holders of Overseas listed Foreign shares are deemed to be different classes of Shareholders.</p> <p>The special procedures for voting by class Shareholders shall not apply in the following circumstances:</p> <p>(1) where the Company issues, upon approval by a special resolution at a general meeting, Domestic shares and Overseas listed Foreign shares once every twelve (12) months, either separately or concurrently, and the respective numbers of Domestic shares and Overseas listed Foreign shares proposed to be issued do not exceed 20% of the respective numbers of the issued Domestic shares and Overseas listed Foreign shares;</p> <p>(2) where the Company's plan to issue Domestic shares and Overseas listed Foreign shares at the time of incorporation is carried out within fifteen (15) months from the date of approval by the securities regulatory authority of the State Council.</p>	Article 99	<p>Save for Shareholders of shares of other classes, the holders of Domestic shares and holders of Overseas listed Foreign shares are deemed to be different classes of Shareholders.</p> <p>The special procedures for voting by class Shareholders shall not apply in the following circumstances:</p> <p>(1) where the Company issues, upon approval by a special resolution at a general meeting, Domestic shares and Overseas listed Foreign shares once every twelve (12) months, either separately or concurrently, and the respective numbers of Domestic shares and Overseas listed Foreign shares proposed to be issued do not exceed 20% of the respective numbers of the issued Domestic shares and Overseas listed Foreign shares;</p> <p>(2) where the Company's plan to issue Domestic shares and Overseas listed Foreign shares at the time of incorporation is carried out within fifteen (15) months from the date of approval by the securities regulatory authority of the State Council.</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
			(3) transfer of shares held by holders of Domestic shares to overseas investors or domestic Shares to be converted into foreign shares listed overseas under the approval by the securities supervision and administrative authority of the State Council, and are dealt with on overseas stock exchanges.
Article 103	The Rules was considered and approved at the general meeting of the Company and shall take effect and implement on the date of <u>initial public issue of the RMB ordinary shares (A shares) by the Company and listing of such shares.</u>	Article 103	The Rules was considered and approved at the general meeting of the Company and shall take effect and implement on the date of initial public issue of the RMB ordinary shares (A shares) by the Company and listing of such shares the general meeting.

COMPARISON TABLE OF AMENDMENTS TO THE RULES OF PROCEDURES OF THE BOARD OF DIRECTORS OF CHINA LONGYUAN POWER GROUP CORPORATION LIMITED

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 1	In order to ensure the standardized operation of China Longyuan Power Group Corporation Limited (the “ Company ”), improve the working efficiency as well as the scientific and legal decision-making of the Board, standardize the composition, responsibilities, authority and operation procedures of the Board, and safeguard the interests of the Company and the legitimate rights and interests of the Shareholders, the rules have been formulated in accordance with the Company Law of the People’s Republic of China, <u>the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas</u> , the Guidelines on Articles of Association of Listed Companies, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “ Hong Kong Listing Rules ”) and other domestic and overseas regulatory requirements, and the Articles of Association of China Longyuan Power Group Corporation Limited (the “ Articles of Association ”).	Article 1	In order to ensure the standardized operation of China Longyuan Power Group Corporation Limited (the “ Company ”), improve the working efficiency as well as the scientific and legal decision-making of the Board, standardize the composition, responsibilities, authority and operation procedures of the Board, and safeguard the interests of the Company and the legitimate rights and interests of the Shareholders, the rules have been formulated in accordance with the Company Law of the People’s Republic of China, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), the Guidelines on Articles of Association of Listed Companies, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “ Hong Kong Listing Rules ”), the Rules Governing the Listing of Stock on the Shenzhen Stock Exchange (the “SZSE Listing Rules”) and other domestic and overseas regulatory requirements, and the Articles of Association of China Longyuan Power Group Corporation Limited (the “ Articles of Association ”).

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 3	<p>The Board shall exercise the following main functions and powers:</p> <p>.....</p> <p>(4) to formulate the Company's plans on annual financial budgets and final accounts;</p> <p>(5) to formulate the Company's profit distribution plans and plans on making up losses;</p> <p>(6) to formulate the proposal for increase or decrease of the registered capital of the Company;</p> <p>(7) to formulate the proposal for issuance of bonds or other securities of the Company and listing thereof;</p> <p>(8) to formulate plans for substantial acquisition, repurchase of shares of the Company or merger, division, dissolution and alteration of corporate form of the Company;</p> <p>.....</p>	Article 3	<p>The Board shall exercise the following main functions and powers:</p> <p>.....</p> <p>(4) to formulate the Company's plans on annual financial budgets and final accounts;</p> <p>(5) to formulate the Company's profit distribution plans and plans on making up losses;</p> <p>(6) to formulate the proposal for increase or decrease of the registered capital of the Company;</p> <p>(7) to formulate the proposal for issuance of bonds or other securities of the Company and listing thereof;</p> <p>(8) to propose plans for substantial acquisition, repurchase of shares of the Company or merger, division, dissolution and alteration of corporate form of the Company;</p> <p>.....</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
	<p>(12) to appoint or dismiss deputy manager and the chief accountant of the Company upon the nomination of the general manager, and to determine their remunerations, incentives and punishments;</p> <p>.....</p> <p>(22) to decide upon projects for which the investment amount for each project will not exceed RMB1 billion and is not within the budget;</p> <p>(23) to authorize the managing staff of the Company to decide expense out of budget which will not exceed RMB50 million accumulatively in twelve (12) months;</p> <p>.....</p>		<p>(12) to appoint or dismiss deputy manager, the chief accountant and other senior management members of the Company upon the nomination of the general manager, and to determine their remunerations, incentives and punishments;</p> <p>.....</p> <p>(22) to decide individual investments outside the budget that are related to the main business of the Company in accordance with the laws and regulations, the listing rules of the stock exchange where the stock of the Company is listed and the authorization of the general meeting;</p> <p>(23) to decide sustainability goals and plans of the Company;</p> <p>.....</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
<p>Article 14</p>	<p>The Board of Directors shall establish nomination committee, strategic committee, remuneration and assessment committee, <u>audit committee</u> and other special committees. These special committees shall consider specific matters and give their opinions and proposals for the Board’s reference when the Board makes decisions.</p> <p>All members of special committees shall be Directors, among which, the independent non-executive Directors shall represent the majority of remuneration and assessment committee; the members of the audit committee are non-executive Directors, most of which are independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, and the chairman of the audit committee must be an independent non-executive Director; the independent non-executive Directors shall represent the majority in number of the nomination committee, and the chairman of the nomination committee must be an independent non-executive Director or the chairman of the Board.</p>	<p>Article 14</p>	<p>The Board of Directors shall establish nomination committee, strategic committee, remuneration and assessment committee, audit committee, sustainable development committee and other special committees. These special committees shall consider specific matters and give their opinions and proposals for the Board’s reference when the Board makes decisions.</p> <p>All members of special committees shall be Directors, among which, the independent non-executive Directors shall represent the majority of remuneration and assessment committee and the chairman of the remuneration and assessment committee must be an independent non-executive Director; the members of the audit committee are non-executive Directors, most of which are independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise, and the chairman of the audit committee must be an independent non-executive Director; the independent non-executive Directors shall represent the majority in number of the nomination committee, and the chairman of the nomination committee must be an independent non-executive Director.</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
		Article 19	<p data-bbox="963 300 1393 374">The main duties of the sustainable development committee include:</p> <ol style="list-style-type: none"> <li data-bbox="963 427 1393 800">(1) to focus on the significant information on sustainable development related to the businesses of the Company and research and make recommendations on the Company’s sustainable development policies and measures; <li data-bbox="963 853 1393 1225">(2) to research and provide decision-making recommendations on the ESG governance, including evaluating the ESG governance objective and plan, etc., and supervise the implementation and execution of the ESG governance plan of the Company; <li data-bbox="963 1278 1393 1438">(3) to review the Company’s performance and relevant risks in the ESG area, and propose countermeasures; <li data-bbox="963 1491 1393 1693">(4) to timely follow up on the requirements of national policies, laws and regulations, etc. to guide the ESG-related work of the Company; <li data-bbox="963 1747 1393 1906">(5) to review the annual ESG report of the Company and make recommendations to the Board of Directors;

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
			<p>(6) to hear the Company’s ESG work report every half year;</p> <p>(7) to research and make recommendations on major matters affecting the sustainable development of the Company;</p> <p>(8) to be responsible for other matters authorized by the Board of Directors.</p>
Article 26	<p>Regular Board meetings shall comprise but be not limited to:</p> <p>(I) <u>Board meeting for approval of the Company’s results report:</u></p> <p>1. <u>Board meeting for annual results</u></p> <p>The Board meeting shall be held within three (3) months subsequent to the end of the Company’s accounting year, primarily to consider the Company’s annual results and annual report and deal with any other relevant matters. An annual Board meeting shall be held at such time as to ensure that the annual report of the Company shall be despatched to Shareholders within the time frame required by relevant regulations and the Articles of Association, that preliminary annual financial results of the Company shall be announced within the time frame required by relevant regulations, and that the annual general meeting shall be held within six (6) months subsequent to the end of the Company’s accounting year.</p>	Article 27	<p>Regular Board meetings shall comprise but be not limited to:</p> <p>(I) Board meeting for annual results</p> <p>The Board meeting shall be held within three (3) months subsequent to the end of the Company’s accounting year, primarily to consider the Company’s annual results and annual report and deal with any other relevant matters. An annual Board meeting shall be held at such time as to ensure that the annual report of the Company shall be despatched to Shareholders within the time frame required by relevant regulations and the Articles of Association, that preliminary annual financial results of the Company shall be announced within the time frame required by relevant regulations, and that the annual general meeting shall be held within six (6) months subsequent to the end of the Company’s accounting year.</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
	<p>2. Board meeting for half-yearly results</p> <p>The Board meeting shall be held within two (2) months subsequent to the end of the first six-month period of the Company's accounting year, primarily to consider the Company's half-yearly results and half-yearly report and deal with any other relevant matters.</p> <p>(II) <u>Board meeting for year-end review</u></p> <p><u>The Board meeting shall be held in December of each year, to receive and consider the report of the general manager regarding the implementation of tasks scheduled for the year and the arrangements for tasks in the coming year.</u></p>		<p>(II) Board meeting for half-yearly results</p> <p>The Board meeting shall be held within two (2) months subsequent to the end of the first six-month period of the Company's accounting year, primarily to consider the Company's half-yearly results and half-yearly report and deal with any other relevant matters.</p> <p>(III) Board meeting for quarterly results</p> <p>The Board meeting shall be held within one (1) month after the end of the first three (3) months and the first nine (9) months of the Company's accounting year, respectively, to consider the Company's first-quarterly/ third-quarterly results, first-quarterly/third-quarterly reports and transact any other relevant matters.</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 31	<p>Notice of meeting</p> <p>.....</p> <p>(2) Notices of Board meetings are given in accordance with the following requirements and manner:</p> <p>1. Notices of the Board meetings should be served by phone, facsimile or email.</p> <p>2. Notices of regular Board meetings shall be given fourteen (14) days in advance of the meetings; <u>the requirement on the notice period is not applicable to extraordinary Board meetings;</u></p> <p>.....</p>	Article 32	<p>Notice of meeting</p> <p>.....</p> <p>(2) Notices of Board meetings are given in accordance with the following requirements and manner:</p> <p>1. Notices of the Board meetings should be served by phone, facsimile or email.</p> <p>2. Notices of regular Board meetings shall be given fourteen (14) days in advance of the meetings; notices of extraordinary Board meetings shall be given three (3) days prior to the date of the meetings. However, if it is a must to temporarily convene the Board meeting due to the special emergencies, a meeting notice may be given by phone or oral means. The notice requirement is not applicable to emergency Board meetings, and the convener shall make an explanation at the meeting;</p> <p>.....</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
<p>Article 33</p>	<p>Attendance of Meetings</p> <p>A Board meeting may not be held unless not less than half of the Directors (including Directors represented by proxies in accordance with the requirements) are present at the meeting.</p> <p>Directors shall attend Board meetings in person. If a Director is unable to attend a meeting due to any reasons, he/she may appoint another Director in writing to attend the meeting on his/her behalf (if an independent non-executive Director is unable to attend the meeting, he/she may appoint another independent non-executive Director to attend the meeting on his/her behalf). The letter of authorization shall contain the name of the proxy, the matters represented, scope of authorization and validity period and shall be signed or sealed by the principal. A director who acts as a proxy of another director at a meeting shall exercise director's rights within the authorized scope.</p> <p>.....</p>	<p>Article 34</p>	<p>Attendance of Meetings</p> <p>A Board meeting may not be held unless not less than half of the Directors (including Directors represented by proxies in accordance with the requirements) are present at the meeting.</p> <p>Directors shall attend Board meetings in person. If a Director is unable to attend a meeting due to any reasons, he/she may appoint another Director in writing to attend the meeting on his/her behalf (if an independent non-executive Director is unable to attend the meeting, he/she may appoint another independent non-executive Director to attend the meeting on his/her behalf). The letter of authorization shall contain the name of the proxy, the matters represented, scope of authorization and validity period and shall be signed or sealed by the principal. A director who acts as a proxy of another director at a meeting shall exercise director's rights within the authorized scope.</p> <p>Where the Board of Directors discusses matters involving legal issues, the general legal counsel shall attend the meeting and provide legal opinions.</p> <p>.....</p>

Original Article	Contents of Original Article	Amended Article	Contents of Amended Article
Article 50	The Rules was considered and approved at the general meeting of the Company and shall take effect and implement on the date of <u>initial public issue of the RMB ordinary shares (A shares) by the Company and listing of such shares.</u>	Article 51	The Rules was considered and approved at the general meeting of the Company and shall take effect and implement on the date of initial public issue of the RMB ordinary shares (A shares) by the Company and listing of such shares the general meeting.



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)

NOTICE OF THE FIFTH EXTRAORDINARY GENERAL MEETING IN 2023

NOTICE IS HEREBY GIVEN that the fifth extraordinary general meeting (the “EGM”) of China Longyuan Power Group Corporation Limited* (the “**Company**”) in 2023 will be held at the Conference Room, 3/F, Block c, 6 Fuchengmen North Street, Xicheng District, Beijing, the People’s Republic of China at 9:30 a.m. on Friday, 29 December 2023 to consider and approve the following matters:

ORDINARY RESOLUTIONS

1. To consider and approve the Framework Agreement for Purchase and Sale of Comprehensive Products and Services and the proposed annual caps thereof for 2024, 2025 and 2026
2. To consider and approve the amendments to the Rules of Procedures of the General Meeting
3. To consider and approve the amendments to the Rules of Procedures of the Board of Directors
4. To consider and approve the proposed appointment of PRC auditor for the year 2023

By order of the Board

China Longyuan Power Group Corporation Limited*

Tang Jian

Chairman

Beijing, the PRC, 13 December 2023

As at the date of this notice, the executive directors of the Company are Mr. Tang Jian and Mr. Gong Yufei; the non-executive directors are 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*

NOTICE OF THE FIFTH EXTRAORDINARY GENERAL MEETING IN 2023

Notes:

1. In order to determine the holders of Shares who are eligible to attend and vote at the EGM, the H share register of members of the Company will be closed from Friday, 22 December 2023 to Friday, 29 December 2023, both days inclusive. No delivery registration of the Company's H Shares will be accepted during the period. To be eligible to attend the EGM, all H share transfer documents accompanied by relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares of the Company), for registration not later than 4:30 p.m. on Thursday, 21 December 2023.
2. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies (whether he/she is a Shareholder) to attend and vote at the EGM on his, her or its behalf.
3. The instrument to appoint a proxy shall be signed by the appointer or his/her attorney duly authorised in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its director or attorney duly authorised.
4. To be valid, the form of proxy must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares of the Company) not less than 24 hours prior to the holding of the EGM (i.e. not later than 9:30 a.m. on Thursday, 28 December 2023). If such form of proxy is signed by another person under a power of attorney or other authorisation documents given by the appointer, such power of attorney or other authorisation documents shall be notarized by a notary. The notarized power of attorney or other authorisation documents shall, together with the form of proxy, be deposited at the specified place at the time set out in such form of proxy.
5. If the appointer is a legal person, its legal representative or any person authorised by resolution of its board or other governing bodies may attend the EGM on behalf of the appointer.
6. Voting at the EGM will be conducted through on-site voting and online voting (online voting for A Shareholders only).
7. The Company has the rights to request a Shareholder or a proxy who attends the EGM on behalf of a Shareholder to provide proof of identity.
8. The EGM is expected to take less than half a day. Shareholders who attend the EGM shall be responsible for their own travel and accommodation expenses.