

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



龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

CONTINUING CONNECTED TRANSACTION RENEWAL OF FINANCIAL SERVICES AGREEMENT

NEW FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement of the Company issued on 6 September 2010 in relation to the continuing connected transactions between the Company and Guodian Finance. As disclosed in such announcement, the Company entered into the Financial Services Agreement, pursuant to which, Guodian Finance has agreed to provide the Group with loan services, deposit services and other financial services subject to the terms and conditions provided therein.

As the Financial Services Agreement will expire on 5 September 2013 and the annual caps will expire on 1 January 2013, and the Company would continue carrying out the foregoing transactions under the Financial Services Agreement after 31 December 2012 and therefore the Company entered into the New Financial Services Agreement with Guodian Finance on 13 December 2012. The New Financial Services Agreement has a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015. The Company will, in accordance with the Listing Rules, comply with the provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions for the next three years (i.e. from 1 January 2013 to 31 December 2015), including the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

LISTING RULES IMPLICATIONS

As Guodian directly and indirectly holds approximately 63.68% of the issued share capital of the Company, it is a controlling shareholder as defined under the Listing Rules and thus a connected person of the Company. Guodian Finance is a subsidiary of Guodian, and is therefore a connected person of the Company. Accordingly, the New Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

The loan services to be provided by Guodian Finance to the Group will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or even more favourable than those offered by independent third parties for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the deposit services under the New Financial Services Agreement is more than 0.1% but less than 5%, the deposit services to be provided by Guodian Finance to the Group are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rule 14A.66 of the Listing Rules. The Company will disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules.

In respect of other financial services to be provided by Guodian Finance to the Group, each of the percentage ratio(s) is below the *de minimis* threshold set out in Rule 14A.33 of the Listing Rules, therefore the provision of other financial services by Guodian Finance to the Group is exempt from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the New Financial Services Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole. Mr. Zhu Yongpeng, Mr. Wang Baole, Mr. Chen Bin and Mr. Luan Baoxing of the Company, being the connected Directors, have abstained from voting. Save as disclosed above, none of the Directors of the Company has any material interest in the New Financial Services Agreement and the transactions contemplated thereunder.

1. BACKGROUND

Reference is made to the announcement of the Company issued on 6 September 2010 in relation to the continuing connected transactions between the Company and Guodian Finance. As disclosed in such announcement, the Company entered into the Financial Services Agreement, pursuant to which, Guodian Finance has agreed to provide the Group with loan services, deposit services and other financial services subject to the terms and conditions provided therein.

As the Financial Services Agreement will expire on 5 September 2013 and the annual caps will expire on 1 January 2013, and the Company would continue carrying out the foregoing transactions under the Financial Services Agreement after 31 December 2012 and therefore the Company entered into the New Financial Services Agreement with Guodian Finance on 13 December 2012. The New Financial Services Agreement has a term of 3 years commencing from 1 January 2013 and expiring on 31 December 2015. The Company will, in accordance with the Listing Rules, comply with the provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions for the next three years (i.e. from 1 January 2013 to 31 December 2015), including the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules.

2. NEW FINANCIAL SERVICES AGREEMENT

Date: 13 December 2012

Parties: The Company; and
Guodian Finance

Material Terms:

Pursuant to the New Financial Services Agreement, the services to be provided by Guodian Finance to the Group include credit facilities, intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds; bill acceptance and discount services; deposit services; finance lease; investment and financing advice and consultation services; financial consultation and training services and other services.

Guodian Finance shall ensure the stable operation of fund management system to safeguard the fund, and to monitor the credit risk so as to satisfy the payments needs of the Group.

In respect of the provision of the loan services under the New Financial Services Agreement, Guodian Finance will grant integrated credit facilities of RMB3 billion to the Group. The credit facilities shall be free of any security and utilized as fixed assets loans, project financing loans, working capital loans, letter of guarantee and accounts receivable factoring and etc.

In respect of the provision of the deposit services under the New Financial Services Agreement, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the Group's deposits with Guodian Finance shall be RMB1.5 billion for each of the three years ending 31 December 2013, 31 December 2014 and 31 December 2015.

The term of the New Financial Services Agreement shall be three years, i.e. from 1 January 2013 to 31 December 2015. The term can be extended for another three years subject to the consents of both parties and full compliance with relevant laws and the Listing Rules, as appropriate.

Pricing Policy:

Guodian Finance has undertaken to provide the aforementioned financial services to the Group based on the following pricing principles:

- (1) the interest rate for the Group's deposits with Guodian Finance shall be fixed as the deposit interest rate as published by the PBOC from time to time;
- (2) the interest rate for loans granted to the Group by Guodian Finance shall be 10% below the benchmark interest rates as published by the PBOC from time to time;
and
- (3) the fees charged by Guodian Finance for the provision of financial services other than deposits and loans services shall not be higher than the rate charged by the other financial institutions in the PRC for similar services.

3. ANNUAL CAPS AND BASIS OF ANNUAL CAPS

Loan Services:

In view of the loan services provided by Guodian Finance to the Group are on normal commercial terms which are similar to or more favourable than those offered from independent third parties for comparable services in the PRC, and that no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt from reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules. As such, no cap has been set for such services.

Deposit Services:

The Company estimates that the proposed annual caps for the maximum daily deposit balance (including any interest accrued thereon) with Guodian Finance for each of the three years ending 31 December 2013, 31 December 2014 and 31 December 2015 is RMB1.5 billion, after taking into account of:

- (1) the total asset of the Group;
- (2) the historical amount of the daily outstanding balances of deposits of the Group: the maximum daily outstanding balances (including interests accrued thereon) of deposits placed by the Group with Guodian Finance for the two years ended 31 December 2010 and 31 December 2011 and for the period from 1 January 2012 to 30 November 2012 are within the existing caps for daily balance of deposits and are set out as follows:

	Year ended 31 December 2010 (RMB million)	Year ended 31 December 2011 (RMB million)	Period from 1 January 2012 to 30 November 2012 (RMB million)
Maximum daily outstanding balances (including interests accrued thereon) of deposits placed by the Group with Guodian Finance	Approximately 1,632.3	Approximately 2,021.8	Approximately 1,833.0

- (3) the fact that the Company holds a 9.51% equity interest in Guodian Finance and the Company will generate a higher return deriving from a growth of profits at Guodian Finance as a result of the Company's support to Guodian Finance; and
- (4) Guodian Finance is under the supervision of the CBRC and it has been maintaining satisfactory operating results and financial position with good risks control and well-regulated management in the past three years. The safety standards of its settlement system reach the standards of domestic commercial banks. The collaboration between the Group and Guodian Finance may reduce finance costs, increase interest income of deposits, lower settlement costs and control risks.

The deposit transactions form part of the daily operations of the Group. The commercial terms (including the rates) offered by Guodian Finance in respect of such transaction are no less favourable than those offered by domestic commercial banks for provision of similar services to the Group. The Directors are of the view that the deposit transactions do not have any adverse effect on the assets and liabilities of the Group. Instead, the Group can earn interests out of the deposit transactions. As the Group has already deposited the remaining cash with a number of other independent financial institutions, the Company considers that the arrangement of deposits with Guodian Finance helps diversify the Group's deposits risk.

Other Financial Services:

Apart from the loan services and the deposit services, the other financial services which may be provided by Guodian Finance to the Group mainly include intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds; bill acceptance and discount services; financing lease; investment and financing advice and consultation services; financial consultation and training services.

The Company confirms that there will not be any provision of financial assistance by the Company to Guodian Finance under this arrangement. The other financial services provided under the New Financial Services Agreement will be on normal commercial terms and on terms similar to or even more favourable than those offered by independent third parties for comparable services in the PRC.

The Company expects that each of the percentage ratios (as defined in Rule 14.07 of Listing Rules) of the total fees payable by the Group to Guodian Finance will fall within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. The Company will comply with the reporting, announcement and independent shareholders' approval requirements of the Listing Rules if the transaction amount of the other financial services to be provided by Guodian Finance to the Group under the New Financial Services Agreement exceed the relevant threshold.

4. LISTING RULES IMPLICATIONS

As Guodian directly and indirectly holds approximately 63.68% of the issued share capital of the Company, it is a controlling shareholder as defined under the Listing Rules and thus a connected person of the Company. Guodian Finance is a subsidiary of Guodian, and is therefore a connected person of the Company. Accordingly, the New Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

The loan services to be provided by Guodian Finance to the Group will constitute financial assistance to be provided by a connected person for the benefit of the Group. As such services are on normal commercial terms which are similar to or more favourable than those offered by independent third parties for comparable services in the PRC, and no security over the assets of the Group will be granted in respect of the loan services, the loan services are exempt under Rule 14A.65(4) of the Listing Rules from reporting, announcement and independent shareholders' approval requirements.

As each of the percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) applicable to the deposit services under the New Financial Services Agreement is more than 0.1% but less than 5%, the deposit services to be provided by Guodian Finance to the Group are subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirement under Rule 14A.66 of the Listing Rules. The Company will disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules.

In respect of other financial services to be provided by Guodian Finance to the Group, each of the percentage ratio(s) is below the de minimis threshold set out in Rule 14A.33 of the Listing Rules, therefore the provision of other financial services by Guodian Finance to the Group is exempt from the reporting, announcement and independent shareholders' approval requirements of the Listing Rules. The Company will comply with the reporting, announcement and independent shareholders' approval requirements of the Listing Rules if the transaction amount of the other financial services to be provided by Guodian Finance to the Group under the New Financial Services Agreement exceed the relevant threshold.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the New Financial Services Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole. The Board has resolved and approved the New Financial Services Agreement and the transactions contemplated thereunder on 13 December 2012. Mr. Zhu Yongpeng, Mr. Wang Baole, Mr. Chen Bin and Mr. Luan Baoxing of the Company, being the connected Directors, have abstained from voting. Save as disclosed above, none of the Directors of the Company has any material interest in the New Financial Services Agreement and the transactions contemplated thereunder.

5. GENERAL INFORMATION

Information on the Company

The Company is the leading wind power generation company in the PRC. The Group is primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, the Group also operates other power projects such as coal power, solar power, tidal, biomass and geothermal energy. Meanwhile, the Group 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 coal power plants.

Information on Guodian Finance

Guodian Finance was established in the PRC as a non-bank financial institution in December 2004. The registered capital of Guodian Finance is RMB5,050 million, of which RMB765.985 million, RMB480.300 million and RMB3,803.715 million were contributed by Guodian, the Company and other ten subsidiaries of Guodian, respectively, representing 15.17%, 9.51%, and 75.32%, respectively, of the registered capital of Guodian Finance. Guodian Finance is principally engaged in the provision of, among others, deposit services, loan services, entrusted loan services and entrusted investment services. It is a subsidiary of Guodian.

6. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	means the board of directors of the Company
“CBRC”	means China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	means 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 PRC, the H shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	means the director(s) of the Company

“Financial Services Agreement”	means the financial services agreement entered into between Guodian Finance and the Company on 6 September 2010
“Group”	means the Company and its subsidiaries from time to time
“Guodian”	means 中國國電集團公司 (China Guodian Corporation), a state-owned enterprise established in the PRC and the controlling shareholder of the Company
“Guodian Finance”	means 國電財務有限公司 (Guodian Finance Corporation Ltd.)
“H Shares”	means the overseas listed foreign shares of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“New Financial Services Agreement”	means the financial services agreement entered into between Guodian Finance and the Company on 13 December 2012
“PBOC”	means People’s Bank of China (中國人民銀行)
“PRC”	means the People’s Republic of China
“RMB”	means Renminbi, the lawful currency of the PRC
“Shareholder(s)”	means holder(s) of shares of the Company

“Stock Exchange” means The Stock Exchange of Hong Kong Limited

“subsidiaries” has the meaning ascribed to it under the Listing Rules

By Order of the Board
China Longyuan Power Group Corporation Limited*
Xie Changjun
Executive Director

Beijing, PRC, 13 December 2012

As at the date of this announcement, the executive directors of the Company are Mr. Xie Changjun and Mr. Huang Qun; the non-executive directors are Mr. Zhu Yongpeng, Mr. Wang Baole, Mr. Chen Bin, and Mr. Luan Baoxing; and the independent non-executive directors are Mr. Lv Congmin, Mr. Zhang Songyi and Mr. Meng Yan.

* *For identification purpose only*