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龍源電力集團股份有限公司

CHINA LONGYUAN POWER GROUP CORPORATION LIMITED*

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

(Stock Code: 00916)

CONNECTED TRANSACTION CAPITAL INJECTION IN GUODIAN UNITED POWER

THE EQUITY TRANSFER AND CAPITAL INJECTION AGREEMENT

On 16 June 2021 (after trading hours), the Company, CHN Energy, Guodian Technology & Environment and Guodian United Power entered into the Equity Transfer and Capital Injection Agreement, pursuant to which, CHN Energy conditionally agreed to contribute RMB407,681,944 to acquire approximately 15.68% equity interest in Guodian United Power held by Guodian Technology & Environment. Immediately upon completion of the acquisition, CHN Energy will make capital injection to Guodian United Power of RMB1,474,662,400 and the Company will make capital injection to Guodian United Power of RMB631,998,172 (the “**Transaction**”). Pursuant to the Equity Transfer and Capital Injection Agreement, the Equity Transfer and the Capital Injection are part and parcel of each other and shall be completed simultaneously. As at the date of this announcement, the Company holds 30% equity interest in Guodian United Power. Upon Completion of the Transaction, the Company’s proportion of shareholding in Guodian United Power will remain unchanged. Upon Completion of the Transaction, the registered capital of Guodian United Power will be owned as to 40%, 30% and 30% by CHN Energy, the Company and Guodian Technology & Environment, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. Guodian Technology & Environment and Guodian United Power, being subsidiaries of CHN Energy, also constitute connected persons of the Company under Chapter 14A of the Listing Rules, and therefore the injection of capital by the Company to Guodian United Power constitutes a connected transaction.

In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted or completed within a same 12-month period or were otherwise related with each other. Reference is made to the connected transaction announcements of the Company dated 13 August 2020, 27 September 2020, 27 October 2020 and 12 November 2020 in relation to the formation of a joint venture (collectively, the “**Previous Transactions**”). In the Previous Transactions and the Transaction, the counterparties of the Company or its subsidiaries are CHN Energy and its associates, and the nature of these transactions is the same. Accordingly, the Previous Transactions and the Transaction shall be aggregated.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) for the Transaction after taking into account of the aggregated calculations is(are) more than 0.1% but less than 5%, the transaction shall be subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The completion and the effectiveness of the Equity Transfer and Capital Injection Agreement are subject to the conditions precedent set out in the paragraph headed “Conditions Precedent” in this announcement. Accordingly, the Transaction may or may not proceed. The Company will announce the update on the Transaction in due course. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.

THE EQUITY TRANSFER AND CAPITAL INJECTION AGREEMENT

Details of the Equity Transfer and Capital Injection Agreement are summarised as below:

Date

16 June 2021 (after trading hours)

Parties

The Company, CHN Energy, Guodian Technology & Environment and Guodian United Power

Subject Matter

The Transaction comprises the Equity Transfer and the Capital Injection which are part and parcel of each other and shall be completed simultaneously pursuant to the Equity Transfer and Capital Injection Agreement. In this respect, the Equity Transfer and the Capital Injection are regarded as inter-conditional of each other. Guodian Technology & Environment conditionally agreed to dispose of approximately 15.68% equity interest in Guodian United Power to CHN Energy at a consideration of RMB407,681,944. Immediately upon completion of the Equity Transfer, CHN Energy and the Company will make capital injection of RMB1,474,662,400 and RMB631,998,172 into Guodian United Power, respectively.

The following table illustrates the changes in the registered capital (and the contribution made by respective shareholders) and the equity interest in Guodian United Power held by its respective shareholders immediately before and after the Transaction:

Shareholder	Immediately before completion		Immediately after completion of		Immediately after	
	of the Equity Transfer		the Equity Transfer but before		Completion	
			the Capital Injection			
	<i>Contribution</i>		<i>Contribution</i>		<i>Contribution</i>	
	<i>in the</i>		<i>in the</i>		<i>in the</i>	
	<i>registered</i>		<i>registered</i>		<i>registered</i>	
	<i>capital</i>	<i>% of equity</i>	<i>capital</i>	<i>% of equity</i>	<i>capital</i>	<i>% of equity</i>
	<i>(RMB)</i>	<i>interest</i>	<i>(RMB)</i>	<i>interest</i>	<i>(RMB)</i>	<i>interest</i>
Guodian Technology & Environment	1,496,268,970	70.00%	1,161,000,000	54.32%	1,161,000,000	30.00%
CHN Energy	-	-	335,268,970	15.68%	1,548,000,000	40.00%
The Company	641,258,130	30.00%	641,258,130	30.00%	1,161,000,000	30.00%
Total	<u>2,137,527,100</u>	<u>100.00%</u>	<u>2,137,527,100</u>	<u>100.00%</u>	<u>3,870,000,000</u>	<u>100.00%</u>

Upon Completion of the Transaction, the total registered capital of Guodian United Power will be RMB3,870,000,000 owned as to 40%, 30% and 30% by CHN Energy, the Company and Guodian Technology & Environment, respectively.

EQUITY TRANSFER CONSIDERATION AND CAPITAL INJECTION AMOUNTS

In the Transaction, CHN Energy conditionally agreed to contribute RMB407,681,944 to acquire approximately 15.68% equity interest in Guodian United Power held by Guodian Technology & Environment. Immediately upon completion of the acquisition, CHN Energy will make capital injection to Guodian United Power of RMB1,474,662,400 and the Company will make capital injection to Guodian United Power of RMB631,998,172. Upon completion of the Capital Injection, the registered capital of Guodian United Power will increase to RMB3,870,000,000, which will be owned as to 40%, 30% and 30% by CHN Energy, Guodian Technology & Environment and the Company, respectively.

Both the consideration for the Equity Transfer to be contributed by CHN Energy and the amounts of the capital injected by CHN Energy and the Company, respectively, shall be satisfied in cash by the relevant parties within thirty days after the Equity Transfer and Capital Injection Agreement becoming effective, being the date when all the conditions precedent set out in the paragraph headed “Conditions Precedent” below have been satisfied.

The consideration for the Equity Transfer and the amounts of Capital Injection were determined after arm’s length negotiations among the parties with reference to, among other things, (i) the historical financial performance of Guodian United Power and its subsidiaries for the three years ended 31 December 2018, 2019 and 2020 that reflected the status of continuous loss of Guodian United Power and its subsidiaries; (ii) the valuation of the Guodian United Power and its subsidiaries undertaken by an independent valuer based on asset-based approach, which is RMB2,599,200,287.47 as at 31 December 2020; (iii) the future development plan of Guodian United Power and its subsidiaries and its funding needs in its ordinary course of business; and (iv) the factors as set out in the paragraph headed “Reasons for and Benefits of the Transaction” in this announcement.

The amount of the Capital Injection by each of CHN Energy and the Company, respectively, is determined based on the following factors: (i) the reduction of gearing ratio of the Guodian United Power and its subsidiaries to approximately 75% through the Capital Injection with reference to the market practice that commercial banks generally require borrowers to keep their gearing ratio below 75%; (ii) the funding needs of the Guodian United Power and its subsidiaries for its business development; (iii) the shareholding structure of Guodian United Power after the Capital Injection, such that CHN Energy will become the first majority shareholder of Guodian United Power by holding 40% of its total registered capital after the Capital Injection and the business synergy between the Company and Guodian United Power while the Company maintaining its shareholding of 30% equity interest in Guodian United Power after the Capital Injection; and (iv) the valuation of the Guodian United Power and its subsidiaries.

In particular, the total assets and total liabilities of the Guodian United Power and its subsidiaries as at 31 December 2020 was RMB12,765,911,000 and RMB11,163,367,000, respectively. Under the condition that the total liabilities of Guodian United Power and its subsidiaries remain unchanged, an additional capital of approximately RMB2.1 billion is needed to reduce the gearing ratio of the Guodian United Power and its subsidiaries to around 75%. Further, the consideration of the Equity Transfer and amounts of the Capital Injection were calculated with reference to the valuation of the Guodian United Power and its subsidiaries, which is approximately RMB2,599,200,000 as at 31 December 2020 and the holding of 40% and 30% of the equity interests in Guodian United Power by CHN Energy and the Company upon the Completion. An illustration of the aforesaid is set out below:

1. CHN Energy acquires approximately 15.68% equity interests in Guodian United Power held by Guodian Technology & Environment at a consideration of RMB407,681,944. Immediately after completion of the Equity Transfer but before the Capital Injection, the registered capital and shareholding of Guodian United Power are as follow:

Shareholder	Immediately before completion of the Equity Transfer		Registered capital acquired (RMB) (b)	Immediately after completion of the Equity Transfer but before the Capital Injection	
	<i>Registered capital</i>			<i>Registered capital</i>	
	(RMB) (a)	% of equity interest		(RMB) (a+b)	% of equity interest
CHN Energy	–	–	335,268,970	335,268,970	15.68%
Guodian Technology & Environment	1,496,268,970	70.00%	-335,268,970	1,161,000,000	54.32%
The Company	641,258,130	30.00%	–	641,258,130	30.00%
Total	2,137,527,100	100.00%	–	2,137,527,100	100.00%

2. Immediately after completion of the Equity Transfer, CHN Energy makes a capital injection of RMB1,474,662,400 into Guodian United Power, and the Company makes a capital injection of RMB631,998,172 into Guodian United Power, totaling RMB2,106,660,572. After the Capital Injection, the shareholding of Guodian United Power is as follows:

Shareholder	Registered capital in proportion to the Capital Injection	Immediately after completion of the Equity Transfer but before the Capital Injection	Immediately after Completion	
	(RMB) (c) ^(Note)	% of equity interest	Registered capital (RMB) (a+b+c)	% of equity interest
CHN Energy	1,212,731,030	15.68%	1,548,000,000	40.00%
Guodian Technology & Environment	–	54.32%	1,161,000,000	30.00%
The Company	519,741,870	30.00%	1,161,000,000	30.00%
Total	1,732,472,900	100.00%	3,870,000,000	100.00%

Note: Registered capital in proportion to the Capital Injection = the amount of Capital Injection/the price of each registered capital; the price of each registered capital = the appraisal value of all shareholders' equity of Guodian United Power/registered capital immediately before completion of the Equity Transfer = RMB1.2160.

CONDITIONS PRECEDENT

The Equity Transfer and Capital Injection Agreement shall become effective upon the satisfaction of the following:

- (1) the signing and execution of the Equity Transfer and Capital Injection Agreement;
- (2) all necessary consents and approvals for or in connection with the Equity Transfer and the Capital Injection having been obtained, including but not limited to (a) the approval of the Equity Transfer and the Capital Injection by the relevant state-owned assets regulatory authority in the PRC; (b) the completion of the filing of the valuation report of the Guodian United Power and its subsidiaries with the relevant state-owned assets regulatory authority in the PRC; (c) the approval by the board of directors of CHN Energy; (d) the approval by the Board; (e) the approval by the board of directors of Guodian Technology & Environment; (f) the approval by the shareholders at the shareholders' general meeting of Guodian Technology & Environment; and (g) the approval by the shareholders of Guodian United Power at its shareholders' meeting; and
- (3) the Supplemental Agreement having become unconditional (other than the condition relating to the Equity Transfer and Capital Injection Agreement having become unconditional).

As at the date of this announcement, other than conditions precedent 2(f), 2(g) and (3) above, all of the conditions precedent set out above have been fulfilled.

COMPLETION

Guodian United Power shall complete all requisite registration and filing procedures with the State Administration for Industry and Commerce in the PRC to effect the change of its share capital as a result of the Equity Transfer and the Capital Injection within thirty days upon the consideration of the Equity Transfer and the amounts of the Capital Injection having been settled, or the date on which the relevant resolutions of the board of directors and shareholders' meeting of Guodian United Power having been signed, whichever is later. The profits and losses of Guodian United Power and its subsidiaries during the period from 31 December 2020 to the date of Completion shall be enjoyed and borne by CHN Energy, the Company and Guodian Technology & Environment in proportion to their shareholding in Guodian United Power and its subsidiaries after the Completion.

The completion and the effectiveness of the Equity Transfer and Capital Injection Agreement and the Supplemental Agreement are inter-conditional to each other.

LIABILITY FOR BREACH OF CONTRACT

Either party in breach of its obligations under the Equity Transfer and Capital Injection Agreement shall continue to perform the Equity Transfer and Capital Injection Agreement, in addition to which the breaching party shall timely, effectively and fully compensate the other party for any economic or other losses incurred.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Transaction will be conducive to improving the financial position of Guodian United Power, increasing its production capacity, and significantly reducing its financial risk; conducive to carrying out continued cooperation in technology research and development between the Company and Guodian United Power, effectively using the big data on wind power operation and Internet of Things and intelligent technology, and carrying out in-depth cooperation in development of customized models, operation and maintenance of smart wind farms, etc.; and conducive to taking advantage by the Company of the local implementation and expansion of the wind turbine manufacturing business of Guodian United Power to obtain wind power resource reserves and expand wind power business. The Company can also benefit from the future development of Guodian United Power and obtain higher investment income.

The directors (including independent non-executive directors) consider that the terms of the Equity Transfer and Capital Injection Agreement are determined on normal commercial terms in the usual and ordinary business course of the group, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Liu Jinhuan, Mr. Yang Xiangbin, and Mr. Tian Shaolin, all being non-executive directors of the Company, are appointed by and hold positions in CHN Energy and therefore have material interests in the Transaction. They have abstained from voting on the Board resolution for the approval of the Equity Transfer and Capital Injection Agreement and the transactions thereunder. Save as disclosed above, there are no other directors who have any material interests in the Transaction.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CHN Energy, being the controlling shareholder of the Company, directly and indirectly holds approximately 58.44% of the issued share capital of the Company and is a connected person of the Company under Rule 14A.07 of the Listing Rules. Guodian Technology & Environment and Guodian United Power, being subsidiaries of CHN Energy, also constitute connected persons of the Company under Chapter 14A of the Listing Rules, and therefore the injection of capital by the Company to Guodian United Power constitutes a connected transaction.

In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted or completed within a same 12-month period or were otherwise related with each other. Reference is made to the connected transaction announcements of the Company dated 13 August 2020, 27 September 2020, 27 October 2020 and 12 November 2020 in relation to the formation of a joint venture. In the Previous Transactions and the Transaction, the counterparties of the Company or its subsidiaries are CHN Energy and its associates, and the nature of these transactions is the same. Accordingly, the Previous Transactions and the Transaction shall be aggregated.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) for the Transaction after taking into account of the aggregated calculations is(are) more than 0.1% but less than 5%, the Transaction shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

Information on the Company

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

Information on CHN Energy

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

Information on Guodian Technology & Environment

Guodian Technology & Environment is primarily engaged in the provision of integrated clean technology solutions and services within the PRC through its two main business segments, with established market leading or dominant positions in the environmental protection, energy conservation and renewable energy equipment manufacturing and related services industries in the PRC. The ultimate beneficial owner of Guodian Technology & Environment is CHN Energy.

Information on Guodian United Power

Guodian United Power, a company incorporated in the PRC with limited liability, is primarily engaged in the research and development, production and sales of wind turbines. The ultimate beneficial owner of Guodian United Power is CHN Energy.

Financial Summary of Guodian United Power and its Subsidiaries

The following financial information of the Guodian United Power and its subsidiaries for the three years ended 31 December 2018, 2019 and 2020 is extracted from its unaudited financial statements prepared in accordance with the International Financial Reporting Standards:

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3,511,759	4,458,786	6,355,072
Gross profit	1,054,780	955,774	997,429
Loss before taxation	(138,292)	(557,803)	(466,212)
Loss after taxation	(127,570)	(728,776)	(568,308)

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	12,447,734	12,848,900	12,765,911
Total liabilities	9,548,106	10,678,048	11,163,367
Net assets	2,899,628	2,170,852	1,602,544

The completion and the effectiveness of the Equity Transfer and Capital Injection Agreement are subject to the conditions precedent set out in the paragraph headed “Conditions Precedent” in this announcement. Accordingly, the Transaction may or may not proceed. The Company will announce the update on the Transaction in due course. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

“Board”	the board of directors of the Company
“Capital Injection”	the capital injection of RMB1,474,662,400 and RMB631,998,172 into the share capital of Guodian United Power by CHN Energy and the Company, respectively, in accordance with the Equity Transfer and Capital Injection Agreement

“CHN Energy”	CHN Energy Investment Corporation Limited (國家能源投資集團有限責任公司), as at the date of this announcement, CHN Energy in aggregate directly and indirectly holds 4,696,360,000 domestic shares (representing approximately 58.44% of the total issued share capital of the Company) in the Company, and is the controlling shareholder of the Company
“Company”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司), a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange
“Completion”	the completion of the Equity Transfer and the Capital Injection pursuant to the terms and conditions of the Equity Transfer and Capital Injection Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Equity Transfer”	the equity transfer of approximately 15.68% equity interest in Guodian United Power from Guodian Technology & Environment to CHN Energy at a consideration of RMB407,681,944 in accordance with the Equity Transfer and Capital Injection Agreement
“Equity Transfer and Capital Injection Agreement”	the Equity Transfer and Capital Injection Agreement in respect of Guodian United Power dated 16 June 2021 entered into among CHN Energy, Guodian Technology & Environment, the Company and Guodian United Power
“Guodian Technology & Environment”	Guodian Technology & Environment Group Corporation Limited* (國電科技環保集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 1296)
“Guodian United Power”	Guodian United Power Technology Co., Ltd.(國電聯合動力技術有限公司), a company established in the PRC with limited liability, and owned as to 70% by Guodian Technology & Environment and 30% by the Company as at the date of this announcement

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Supplemental Agreement”	the Supplemental Agreement to the Non-competition Agreement to be entered into between Guodian Technology & Environment and CHN Energy. The Supplemental Agreement is conditional upon the (a) the passing of the relevant resolution(s) by the independent shareholders at the shareholders’ general meeting of Guodian Technology & Environment; (b) the approval by the board of directors of Guodian Technology & Environment; (c) the approval by the board of directors of CHN Energy; (d) the approval by the Stock Exchange (if required); and (e) the Equity Transfer and Capital Injection Agreement having become unconditional (other than the condition relating to the Supplemental Agreement having become unconditional)

By order of the Board
China Longyuan Power Group Corporation Limited*
Tang Jian
Executive Director and President

Beijing, the PRC, 16 June 2021

As at the date of this announcement, the executive directors of the Company are Mr. Jia Yanbing and Mr. Tang Jian; the non-executive directors are Mr. Liu Jinhuan, Mr. Yang Xiangbin and Mr. Tian Shaolin; and the independent non-executive directors are Mr. Zhang Songyi, Mr. Meng Yan and Mr. Han Dechang.

* *For identification purpose only*