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(Stock Code: 00916)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION ANNOUNCEMENT OF UPDATE ON DISPOSAL OF 27% EQUITY INTEREST IN JIANGYIN SULONG BY WAY OF PUBLIC TENDER

DISPOSAL

Reference is made to the announcement (the "Announcement") of China Longyuan Power Group Corporation Limited* (the "Company") dated 27 June 2024 in relation to the disposal of the 27% equity interest held in aggregate in Jiangyin Sulong by the Company and Hero Asia Company, a subsidiary of the Company, by way of public tender on the China Beijing Equity Exchange (the "BEE") (the "Disposal"). Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Announcement.

The Board hereby announces that, following the conclusion of the tender period for the Disposal, on 23 August 2024, the BEE notified the Company that the successful bidder for the Disposal was Jiangyin Power at a final bidding price of RMB1,319,150,070. Accordingly, the Company and Hero Asia Company entered into an equity transaction contract with Jiangyin Power on 23 August 2024. The Company and Hero Asia Company agreed to sell, and Jiangyin Power agreed to purchase the 27% equity interest in Jiangyin Sulong (the "**Target Enterprise**") at a consideration of RMB1,319,150,070. Upon completion of the Disposal, the Company and its subsidiaries will no longer hold any equity interest in Jiangyin Sulong, and the financial results of Jiangyin Sulong will no longer be consolidated into the financial statements of the Company, nor will it remain a subsidiary of the Company.

Listing Rules Implications

It is expected that the highest applicable percentage ratio calculated in respect of the Disposal pursuant to Chapter 14 of the Listing Rules is more than 5% but lower than 25%, therefore, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the shareholders' approval requirement.

The Transferee of the Disposal is Jiangyin Power, an existing shareholder of Jiangyin Sulong. As at the date of this announcement, Jiangyin Power, which holds 30.3% equity interest in Jiangyin Sulong, constitutes a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, the Disposal constitutes a connected transaction conducted with a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Disposal is on normal commercial terms, the Board has approved the Disposal and the independent non-executive Directors have confirmed that the transaction terms of the Disposal are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole. Accordingly, pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement.

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I. MAJOR TERMS OF THE EQUITY TRANSACTION CONTRACT

Date

23 August 2024

Parties

The Company and Hero Asia Company (the "**Transferors**")

Jiangyin Power (the "Transferee")

Consideration and payment

According to the results of public tender, the consideration of the Disposal is RMB1,319,150,070, which is the same as the minimum consideration.

The security deposit paid by the Transferee in accordance with the requirements of Transferors and equity transfer information disclosure announcement will be set off as part of the transfer consideration upon payment of the remaining transfer consideration in addition to the security deposit by the Transferee in accordance with the equity transaction contract.

The Transferee will remit the transfer consideration in the form of a one-off payment to the settlement account designated by the BEE within 5 working days after the equity transaction contract becomes effective.

The parties to the contract shall bear their respective equity transaction costs incurred during the course of the equity transaction under the equity transaction contract in accordance with the relevant provisions.

Completion

Both parties to the contract shall fulfill or assist in fulfilling their obligations to declare to the approval authority, and make every effort to cooperate in handling any reasonable requests and inquiries raised by the approval authority, in order to obtain approval from the approval authority for the equity transaction contract and its related equity transactions.

Within 10 working days after obtaining the equity transaction certificate issued by the BEE for the equity transaction under the equity transaction contract, the Transferors shall urge the Target Enterprise to handle the equity change registration procedures, and the Transferee shall provide necessary assistance and cooperation. If the Target Enterprise uses intangible assets such as the name, business qualifications, and franchise rights of the Transferors or its state-owned enterprises and their subsidiaries at all levels, the Transferee shall, within 10 working days after obtaining the equity transaction certificate issued by the BEE, handle the name change registration and promise not to continue using the above-mentioned name, business qualifications, franchise rights, and other intangible assets.

Both parties shall agree on a specific date and location to handle completion matters related to the transfer of equity. The Transferors shall hand over to the Transferee in accordance with the Property and Information List prepared by the Target Enterprise. The Transferors shall be responsible for the completeness and authenticity of the above-mentioned materials provided, and the consistency between the materials provided and the true situation of the Target Enterprise, and shall bear all legal responsibilities arising from concealment and false reporting.

The Transferors shall transfer the assets, control rights, and management rights of the Target Enterprise to the Transferee within 10 working days from the date on which the Transferee completes the industrial and commercial changes and obtains a new business licence for the Target Enterprise, and the Transferee shall implement management and control over the Target Enterprise.

Both parties of the equity transaction contract shall complete the transfer according to the status of the Target Enterprise. Before signing the equity transaction contract, the Transferee has conducted a thorough and careful investigation into whether the Target Enterprise has defects and its actual situation. The signing of this contract is an indication that the Transferee has fully understood and accepted the current situation of the Target Enterprise, and shall bear the transaction risks on their own.

During the period from the signing of the equity transaction contract to the completion of the transfer of the Target Enterprise, the Transferors shall have a good management obligation towards the Target Enterprise and its assets. The Transferors shall ensure and urge the normal operation of the Target Enterprise during this period. If the Target Enterprise experiences any significant adverse effects during this period, the Transferors shall promptly notify the Transferee and take appropriate measures.

Liability for breach of contract

After the equity transaction contract has entered into force, any party that proposes to terminate the contract without cause shall pay to the other party penalty for breach of contract in lump sum at 20% of the transfer consideration under the contract, and moreover, shall be liable to assume compensation liability for any loss caused to the other party.

If the Transferee fails to pay the transfer consideration before the contractual deadline, it shall pay to the Transferors liquidated damages for late payment. The liquidated damages shall be calculated at 5‱ of the unpaid consideration payable per day during the period of delayed payment. If the payment is overdue for more than 30 days, the Transferors shall have the right to terminate the contract and request the deduction of the security deposit paid by the Transferee. The deducted security deposit shall firstly be used to pay the service fees to be charged by the BEE, the remaining amount shall be used as the compensation to the Transferors, and if it is insufficient to make up for the loss incurred to the Transferee.

If the Transferors fail to transfer the subject matter as agreed in the contract, the Transferee shall have the right to terminate the contract and require the Transferors to pay penalty for breach of contract to the Transferee at 20% of the total transfer consideration under the contract.

If there are significant matters regarding the assets, debts, etc. of the Target Enterprise that have not been disclosed or have omissions, which may have a significant adverse impact on the Target Enterprise or may affect the equity transfer price, the Transferee has the right to terminate the contract and demand that the Transferors bear a breach of contract at 20% of the total transfer consideration under the equity transaction contract.

If the Transferee does not terminate the contract, it has the right to demand compensation from the Transferors regarding relevant matters. The compensation amount shall be equivalent to the losses amount regarding the corresponding portion to the transfer target that may result in to the Target Enterprise due to undisclosed or omitted assets, debts, and other matters mentioned above.

If the Transferee and the Target Enterprise violate the provisions of the equity transaction contract, they shall make corrections within 30 working days after receiving the notice from the Transferors, and the Transferee shall pay a penalty of 20% of the total transfer consideration under the equity transaction contract to Transferors.

II. FURTHER INFORMATION ON THE VALUATION REFERENCE FOR THE MINIMUM CONSIDERATION

As disclosed in the Announcement, the Minimum Consideration for the Disposal was determined with reference to the appraised value of the entire shareholders' equity of Jiangyin Sulong as at 30 June 2023 (the valuation benchmark date) as valued by China United Assets Appraisal Group (a third-party independent valuer) (the "Valuer") adopting the asset-based approach, being RMB4,885.741 million, and taking into account the proportion of equity interest in Jiangyin Sulong to be disposed of. Further information on the valuation is set out below:

Valuation method

(I) Introduction on valuation methods

In accordance with the Standards of Practice for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38) and the Standards of Practice for Asset Valuation – Asset Valuation Methods (Zhong Ping Xie [2019] No. 35), in evaluating enterprise value, the applicability of the three basic approaches, namely income approach, market approach and asset-based approach shall be analysed to select the valuation approach pursuant to the valuation purpose, target of valuation, value type, conditions for the applicability of the valuation approach and quality and quantity of the data on which the application of the valuation approach is based, etc..

The income approach in the valuation for enterprise value refers to the valuation method of determining the value of the target of valuation by capitalizing or discounting the expected income. The professional valuer shall consider the applicability of the income approach appropriately after taking into account a combination of the nature of business, asset size, historical operating conditions, the predictability of future earnings, and the adequacy of the valuation data obtained.

The market approach in the valuation for enterprise value refers to the valuation method of determining the value of the target of valuation by comparing the target of valuation with comparable listed companies or comparable transaction cases. The professional valuer shall consider the applicability of the market approach based on the adequacy and reliability of the operation and financial information available of the comparable enterprises, and the number of comparable enterprises that can be collected.

The asset-based approach in the valuation for enterprise value refers to the method of determining the value of the target of valuation by reasonably valuating the value of each on-balance-sheet and identifiable off-balance-sheet asset and liability of the enterprise based on the balance sheet of the valued entity on the valuation benchmark date.

(II) Selection of valuation methods

The purpose of this valuation is the transfer of equity interest and the asset-based approach reflects the value of the enterprise from the perspective of its acquisition and construction, and can provide reference for the parties to the economic behavior in judging the value of the assets and liabilities of the enterprise, therefore the asset-based approach has been selected for the purpose of this valuation.

The valued entity is mainly engaged in the thermal power generation business and has a stable operating history. Considering the conditions for the application of the income approach, as the enterprise has independent profitability and the management of the valued entity has provided profit forecast data for future years, the future profitability of the enterprise can be reasonably estimated on the basis of the enterprise's historical operating data and the internal and external operating environment, moreover, the risk about future earnings can be reasonably quantified, therefore the income approach has been selected for this valuation.

As recent transaction cases involving enterprises of the same scale before and after the valuation benchmark date were not available and there were few comparable listed companies of the same scale and same business structure in the market, therefore the market approach was not selected for this valuation.

To sum up, the asset-based approach and the income approach have been adopted for the purpose of this valuation.

(III) Reasons for selection of asset-based approach for valuation conclusion

Jiangyin Sulong is principally engaged in thermal power generation, which falls under the livelihood project, and the electricity price is significantly influenced by the government's regulatory policies; in addition, in recent years, the coal price has remained high and experienced significant volatility, resulting in certain uncertainties as to the future annual earnings of Jiangyin Sulong. Meanwhile, considering that thermal power generation is a traditional energy industry and falls under the heavy asset investment industry, and investment in production facilities accounts for a significant proportion of the total assets, the adoption of the asset-based approach may better reflect the value of the Company's assets. After the Valuer investigated the financial condition and analysed the historical operating results of Jiangvin Sulong, according to the provisions of the asset appraisal standards, combined with the target and purpose of the valuation, and applicable value types, upon comparative analysis, the Valuer is of the view that the valuation resulted from the asset-based approach can more comprehensively and reasonably reflect the value of all shareholders' equity of Jiangyin Sulong.

Key quantitative input parameters and assumptions

(I) Key quantitative input parameters

1. Long-term equity investment

For wholly-owned, 50% and more owned subsidiaries or subsidiaries under actual control or subsidiaries with minority equity that meet the conditions for overall valuation, the Valuer conducted a valuation of the entire assets of the invested entity as at the valuation benchmark date, and then multiplied the evaluated value of the net assets of the invested entity on the valuation benchmark date by the shareholding percentage of the evaluated entity, to calculate and determine the evaluated value: Evaluated value of long-term equity investment = evaluated value of net assets of the invested entity \times shareholding percentage.

For other subsidiaries with minority equity other than those mentioned above, the evaluated value is determined at the book value of the actual net assets of subsidiaries with minority equity on the benchmark date \times shareholding percentage.

In this valuation, when determining the evaluated value of long-term equity investment, the Valuer did not take into account the premium and discount caused by such factors as controlling shares and minority shares, and did not take into account the impact from equity liquidity on the valuation results.

- 2. Fixed assets
 - (1) Fixed assets housing and building

According to structural features, function nature and other characteristics of housing and building assets included in the valuation scope, the Valuer analyzed the application of different valuation approaches and finally determined the reasonable valuation approach for each kind of assets. For housing and building assets the enterprise constructed by itself, cost approach was adopted for valuation; for residential buildings such as staff dormitories, market approach was adopted for valuation.

Among them, the cost approach refers to the approach of calculating the investment required for the replacement of similar properties according to the market conditions and the structural characteristics of the housing and building to be appraised at a point of time on the valuation benchmark date, multiplying by the residue rate of the housing and building after comprehensive evaluation, and finally determining the value of the housing and building. The calculation formula was as follows: Evaluated value = Replacement cost \times Residue rate.

The market comparison approach is to make comparison with similar real estate transactions occurred during the recent period in terms of transaction conditions, time of price formation, regional factors (external conditions of real estate) and individual factors (conditions of real estate), and obtain a most likely reasonable price of the appraised real estate to be realised by making necessary corrections based on the prices of similar real estate.

(2) Fixed assets – equipment assets

According to the purpose of this valuation, the Valuer adopted the replacement cost approach on sustainable use assumption based on the market price, combining with the characteristics of the equipment under valuation and the information collected. The calculation formula was as follows: Evaluated value = Replacement cost \times Residue rate.

(II) Key assumptions

- 1. General assumptions
 - (1) Transaction assumption

In the transaction assumption, all assets to be valued are assumed to be already in the process of transaction, and the valuers assess the value based on the trading conditions of the assets to be valued in a simulated market. The transaction assumption is one of the most basic prerequisites that asset valuation can be carried out.

(2) Open market assumption

In the open market assumption, it is assumed that for assets to be traded or intended to be traded in the market, the parties to the asset transaction shall have equal status, and also have opportunity and time to gain sufficient market information, so as to make rational judgement on functions, purpose and trading prices of assets. The open market assumption is based on the fact that assets can be publicly traded on the market.

(3) Going concern assumption

The going concern assumption is the assumption made by taking the overall assets of the enterprise as the appraisal target. Namely, the enterprise, as the operating entity, can operate on a going concern basis in accordance with its business objectives under the external environment where it exists. The enterprise operators are responsible for and capable of taking responsibility; in order to maintain its ability to operate on a going concern basis, the enterprise can operate legally and obtain appropriate profits. For all kinds of operating assets of the enterprise, they can be used continuously for current purposes and in current method, scale, frequency and environment of application, or can be used on a changed basis.

2. Special assumptions

- (1) There will be no significant change in current macroeconomic policies, financial and industrial policies in China.
- (2) There will be no significant change in the social and economic environment for the valued entity in the future operating period.
- (3) The management of the valued entity will diligently fulfil its responsibilities in the future operating period, and it will continue to operate in the same operation and management model as that on the benchmark date.
- (4) The target of the valuation will maintain its main business and product structure, composition of revenue and costs, sales strategy and cost control in the future operating period the same as they have been in recent years or in line with the current development trend without significant changes. Gains or losses arising from changes in the size and composition of assets and the principal business and product structure or inconsistency with the current development trend, which may be caused by changes of management, business strategies and the business environment in the future, will not be taken into account.
- (5) In this valuation, it is assumed that all basic information and financial information provided by the clients and the appraised entity are true, correct and complete.
- (6) In view of the frequent changes or significant changes of the enterprise's monetary funds or its bank deposits in the production and operation process, interest income generated from its deposits and extraordinary gains and losses, such as exchange gains and losses, are not taken into account in assessing the financial expenses in this valuation.
- (7) There will be no significant changes in the relevant interest rates, exchange rates, tax bases and rates, and policy levies.

- (8) It is assumed that the valued entity will receive net cash flow evenly during the year.
- (9) The office premises of the valued entity are self-constructed office premises, and it is assumed that the acquisition and utilisation of the office premises of the valued entity will continue in accordance with the pattern as at the valuation benchmark date, without taking into account matters such as possible future renting of office premises.
- (10) It is assumed that the tax incentives enjoyed by the valued entity as at the benchmark date, such as instant tax rebates, can be renewed normally.
- (11) It is assumed that the qualification certificates or licences of the valued entity that are closely related to its production and operation, such as electricity business licences and sewage licences, can be renewed normally upon expiry.
- (12) The values of the parameters measured in this valuation have been taken without taking into account the impact of inflationary factors.

Book value and evaluated value of the main assets and liabilities involved in the valuation

The book value and evaluated value of Jiangyin Sulong's main assets and liabilities are as follows:

Unit: RMB10,000

				Increase or	Appreciation
		Book value	Evaluated value	decrease	rate %
Item		Α	В	C=B-A	D=C/A × 100%
1	Current assets	86,708.51	86,983.40	274.89	0.32
2	Non-current assets	486,237.00	673,061.98	186,824.98	38.42
3	Including: Long-term				
	equity investment	290,104.28	323,738.36	33,634.08	11.59
4	Other equity instruments	5,000.00	4,934.55	-65.45	-1.31
5	Investment properties	_	_	_	_
6	Fixed assets	165,058.76	276,713.90	111,655.14	67.65
7	Construction in progress	20,905.52	21,583.20	677.68	3.24
8	Intangible assets	4,224.36	46,000.54	41,776.18	988.94
8-1	Including: land use right	4,182.29	45,950.78	41,768.49	998.70
9	Other non-current assets	944.08	91.43	-852.65	-90.32
10	Total assets	572,945.51	760,045.38	187,099.87	32.66
11	Current liabilities	233,471.28	233,471.28	-	_
12	Non-current liabilities	41,416.27	38,000.00	-3,416.27	-8.25
13	Total liabilities	274,887.55	271,471.28	-3,416.27	-1.24
14	Net assets (Owner's equity)	298,057.96	488,574.10	190,516.14	63.92

Analysis of reasons for difference between evaluated value and book value

The analysis of the reasons for main asset appreciation is as follows: the evaluated value of the evaluated entity is RMB4,885.741 million, the asset appreciation is RMB1,905.1614 million at an appreciation rate of 63.92%. The appreciation, and intangible asset appreciation. Among them, the appreciation of fixed assets is mainly due to the earlier construction time of buildings, structures, etc., the increase in labor and material prices, and the fact that the financial depreciation period of the enterprise is less than the economic service life of the assets, resulting in the appreciation. The appreciation of intangible assets is mainly due to the appreciation of building assets; the depreciation period adopted by equipment asset enterprises is shorter than the economic service life, resulting in equipment appreciation. The appreciation of intangible assets is mainly due to the appreciation of intangible assets, intangible assets, etc. of the invested entity due to the aforementioned reasons, resulting in the appreciation of the appreciation of fixed assets, intangible assets, etc. of the invested entity due to the aforementioned reasons, resulting in the appreciation of the invested entity.

III. FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon the completion of the Disposal, Jiangyin Sulong will no longer be included in the Company's consolidated financial statements. The Company's controlling installed capacity is expected to decrease by 1,240.764 MW, including a decrease of 1,215 MW in thermal power installed capacity and 25.764 MW in photovoltaic installed capacity. Based on the valuation benchmark date, the Company expects to record income before tax of approximately RMB514,393,578 from the Disposal (calculated on the basis of the transfer price of RMB1,319,150,070 less 27% (shareholding of equity interest in the Target Enterprise to be disposed of) of the book value of the Target Enterprise as at the valuation benchmark date of RMB804,756,492). The above data have not been audited, and the final amount of the impact of this transaction on the Company will be subject to the annual accountant's audit report.

The proceeds from the Disposal will be used in the daily production and operation of the Company.

IV. LISTING RULES IMPLICATIONS

It is expected that the highest applicable percentage ratio calculated in respect of the Disposal pursuant to Chapter 14 of the Listing Rules is more than 5% but lower than 25%, therefore, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, but exempt from the shareholders' approval requirement.

The Transferee of the Disposal is Jiangyin Power, an existing shareholder of Jiangyin Sulong. As at the date of this announcement, Jiangyin Power, which holds 30.3% equity interest in Jiangyin Sulong, constitutes a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, the Disposal constitutes a connected transaction conducted with a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Disposal is on normal commercial terms, the Board has approved the Disposal and the independent non-executive Directors have confirmed that the transaction terms of the Company and its shareholders as a whole. Accordingly, pursuant to Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement.

V. GENERAL INFORMATION

Further information on Jiangyin Sulong

The audited gross profit (profit before tax) and net profit (profit after tax) of Jiangyin Sulong for the year ended 31 December 2022 amounted to RMB512,546,660.09 and RMB451,558,650.27 respectively; and the audited gross profit (profit before tax) for the year ended 31 December 2023 amounted to RMB583,679,996.19.

Information on Jiangyin Power

Jiangyin Power is a company incorporated in the PRC with limited liability and is principally engaged in equity investment, sales of electrical equipment, sales of electric utility equipment, and thermal production and supply, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Office of Jiangyin People's Government.

> By order of the Board China Longyuan Power Group Corporation Limited* Gong Yufei Chairman

Beijing, the PRC, 23 August 2024

As at the date of this announcement, the executive directors of the Company are Mr. Gong Yufei and Mr. Wang Liqiang; the non-executive directors are Mr. Tang Chaoxiong, Ms. Wang Xuelian and Ms. Chen Jie; and the independent non-executive directors are Mr. Michael Ngai Ming Tak, Mr. Gao Debu and Ms. Zhao Feng.

* For identification purpose only