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## **China Power International Development Limited**

**中國電力國際發展有限公司**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 2380)**

### **DISCLOSEABLE TRANSACTION**

#### **Disposal of a Power Plant**

##### **DISPOSAL OF HEIMIFENG POWER PLANT**

On 26 July 2013, Wu Ling Power Corporation, a 63%-owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which Wu Ling Power Corporation agreed to sell and the Purchaser agreed to purchase Heimifeng Power Plant.

##### **LISTING RULES IMPLICATIONS OF THE DISPOSAL**

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules on the basis that relevant Percentage Ratios for the Company exceed 5% but is less than 25%. The Disposal is therefore subject to reporting and announcement requirements under Chapter 14 of Listing Rules.

#### **THE AGREEMENT**

##### **Date**

26 July 2013

##### **Parties**

Vendor: Wu Ling Power Corporation

Purchaser: State Grid Xinyuan and Hunan Heimifeng (collectively the “Purchaser”)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the counterparties and the ultimate beneficial owners of the counterparties to the Agreement are all third parties independent of the Company and not connected persons of the Company.

### **Assets to be disposed**

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase Heimifeng Power Plant. It was agreed that Heimifeng Power Plant including all its assets and liabilities will be entirely transferred to Hunan Heimifeng (a subsidiary of State Grid Xinyuan). State Grid Xinyuan has undertaken to procure Hunan Heimifeng to bear, or otherwise be responsible to bear ultimately all the liabilities of Heimifeng Power Plant.

Heimifeng Power Plant is engaged in pumped storage hydro-electricity generation, a branch company of Wu Ling Power Corporation, located in Changsha, Hunan Province, PRC.

The Vendor and the Purchaser have agreed that the total asset value of Heimifeng Power Plant including but not limited to land, buildings, waterworks, power generation facilities, vehicles and administrative facilities is approximately RMB3,542,800,000 (equivalent to approximately HK\$4,484,557,000) in accordance with the valuation report (based on the cost method) as at 31 December 2012 prepared by an independent professional valuer of the PRC.

The Purchaser will assume the liabilities of Heimifeng Power Plant relating to payments under contracts, unpaid works, outstanding loans and other outstanding liabilities in the aggregate amount of approximately RMB2,437,922,000 (equivalent to approximately HK\$3,085,977,000) as at 31 December 2012.

Based on the PRC audited accounts of the Heimifeng Power Plant which prepared in accordance with the prevailing PRC GAAP, the net losses of the Heimifeng Power Plant before taxation and extraordinary items for the years ended 31 December of 2011 and 2012 were approximately RMB180,202,000 (equivalent to approximately HK\$228,104,000) and RMB310,469,000 (equivalent to approximately HK\$392,999,000) respectively.

### **Consideration and Payment Terms**

Pursuant to the Agreement, the Consideration payable by the Purchaser to the Vendor will be in the amount of approximately RMB1,104,878,000 (equivalent to approximately

HK\$1,398,580,000) and will be satisfied in cash in the following manner:

- (1) 60% of the Consideration, approximately RMB662,927,000 (equivalent to approximately HK\$839,148,000) will be paid within 20 days after satisfaction of the relevant conditions precedent for the Disposal (*the “First Payment”*);
- (2) 20% of the Consideration, approximately RMB220,976,000 (equivalent to approximately HK\$279,716,000) will be paid within 10 days from the Handover Date after satisfaction of the relevant conditions precedent for the Handover; and
- (3) 20% of the Consideration, approximately RMB220,976,000 (equivalent to approximately HK\$279,716,000) will be paid within 5 days after completion of all title transfer formalities of lands and all the relevant assets to Hunan Heimifeng in accordance with all applicable PRC laws and regulations.

During the transitional period from the 1 January 2013 to the Handover Date, all the income and expenses of Heimifeng Power Plant will be enjoyed and borne by the Purchaser. The Purchaser will be liable for and will pay the Vendor for the expenditures that was or to be incurred by the Vendor, including but not limited to repayment of principal and interest on loans, payments under contracts and salaries and social security payments in respect of employees of Heimifeng Power Plant during the period. The parties have agreed to the production of an audit report on the above expenditures within 10 days from the Handover Date. Within 10 days from the date of this audit report, the Purchaser will be required to reimburse the Vendor such expenditures, and therefore make any necessary adjustments to the Consideration in an amount not exceeding RMB200,000,000 (equivalent to approximately HK\$253,165,000).

The Consideration for the Disposal was determined after arm’s length negotiation between the Vendor and the Purchaser having regard to the appraised value of Heimifeng Power Plant and taking into account the liabilities of Heimifeng Power Plant as at 31 December 2012. The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and its shareholders taken as a whole.

### **Conditions Precedent**

The Disposal is conditional upon fulfillment of the following conditions precedent:

- CPI Group has approved the Disposal; and

- State Grid Corporation, the shareholder of the Purchaser, has approved the Disposal.

## **Handover**

Handover is the handing over of all assets, personnel, management, operation and all other rights, obligations and responsibilities for running of Heimifeng Power Plant from the Vendor to the Purchaser on the Handover Date as specified in the Agreement. Handover Date is any one business day within 3 days right after the fulfillment of the following conditions precedent for the Handover as agreed by the Vendor and the Purchaser.

- Hunan Electric Power Corporation (a wholly-owned subsidiary of State Grid Corporation), within two days after the signing of this Agreement, has fulfilled the payment of the outstanding electricity fee of Heimifeng Power Plant in year 2012 for approximately RMB200 million (equivalent to approximately HK\$253 million) to the Vendor; and
- The Purchaser has fulfilled the First Payment of the Consideration.

It was agreed between the parties that all the contractual obligations and responsibilities in respect of Heimifeng Power Plant before the Handover Date should be borne by the Vendor whereas the Purchaser should bear them from the Handover Date and thereafter.

## **Completion**

Completion of the Disposal shall be on or before 31 December 2013 when the formalities of title transfers for all the relevant assets and liabilities (including bank borrowings and release of related guarantees) have been done as specified in the Agreement, or otherwise on such date as agreed by the Vendor and the Purchaser.

## **Termination Events**

The Agreement shall be terminated upon the occurrence of either:

- any event rendering the Agreement illegal; or
- the winding up (either compulsorily by operation of law or voluntarily) of any one party of the Agreement.

## **FINANCIAL EFFECT OF THE DISPOSAL**

As a result of the Disposal, the Company will recognise an estimated and unaudited pre-tax gain of approximately RMB771 million (equivalent to approximately HK\$976 million). This has been calculated in accordance with the HKFRSs based upon (i) the Consideration and (ii) the net asset value of Heimifeng Power Plant as at 31 December 2012. The net proceeds generated from the Disposal will be applied as general working capital of the Group.

## **REASONS AND BENEFITS OF THE DISPOSAL**

The Disposal is made in accordance with the relevant provisions of the national power system and market-oriented electricity pricing mechanism reform issued by the National Energy Administration of the PRC requiring that all pumped storage power plants should be developed, owned and operated solely by the State's grid enterprises. Heimifeng Power Plant, being the only pumped storage power plant that is presently owned and operated by a power generating company (the Vendor) that is not solely controlled by the State's grid enterprise in the PRC, has to be disposed of accordingly. It is also expected that the Disposal will bring benefits to the Company in terms of reduction in the overall operational costs and risks.

Having regard to the nature of and the benefits resulting from the Disposal, the Directors (including the independent non-executive Directors) believe that the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders taken as a whole.

## **INFORMATION ON THE COMPANY**

The Company is the listed flagship company outside the PRC of CPI Group. The CPI Group is one of the five national power generation groups in China, and operates coal-fired, hydroelectric and nuclear power plants in various locations in the PRC. CPI Holding is wholly-owned by CPI Group. As at the date of this announcement, CPI Group, through CPI Holding, owns approximately 61.13% of the issued share capital of the Company.

The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates high-capacity coal-fired power plants and hydropower plants. The Company also manages on behalf of its controlling shareholder two other power plants in the PRC.

## **INFORMATION RELATING TO THE VENDOR AND THE PURCHASER**

### **The Vendor**

The Vendor is a company incorporated in the PRC with limited liability and a 63%-owned subsidiary of the Company. It is principally engaged in hydropower generation business in the PRC.

### **The Purchaser**

State Grid Xinyuan is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of State Grid Corporation. It is specialised in and principally responsible for development, construction and management of pumped storage power station projects for State Grid Corporation. State Grid Corporation's core businesses are the construction and operation of power networks in China.

Hunan Heimifeng is a company incorporated in the PRC with limited liability and is a newly established subsidiary of State Grid Xinyuan for the purpose of acquisition of Heimifeng Power Plant.

## **LISTING RULES IMPLICATIONS OF THE DISPOSAL**

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules on the basis that the relevant Percentage Ratios for the Company exceed 5% but is less than 25%. The Disposal is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Agreement”	the sale and purchase agreement dated 26 July 2013 made between the Vendor and the Purchaser, relating to the transfer of Heimifeng Power Plant
“Board”	the board of Directors of the Company
“Company”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

“Completion”	completion of sale and purchase of Heimifeng Power Plant in accordance with the Agreement
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Consideration”	the sum payable by the Purchaser to the Vendor pursuant to the Agreement in the amount of approximately RMB1,104,878,000 (equivalent to approximately HK\$1,398,580,000)
“CPI Group”	China Power Investment Corporation* (中國電力投資集團公司), a wholly State-owned enterprise established by the State Council of the PRC* (中華人民共和國國務院) and the ultimate controlling company of the Company
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the intermediate controlling company of the Company and a wholly-owned subsidiary of CPI Group
“Directors”	the director(s) of the Company
“Disposal”	the disposal of Heimifeng Power Plant by the Vendor to the Purchaser pursuant to the Agreement
“First Payment”	the first payment of the Consideration payable by the Purchaser to the Vendor on the terms and subject to the conditions as set out in the Agreement
“Group”	the Company and its subsidiaries from time to time
“Handover”	the handing over of assets, personnel, management, operation and all other rights, obligations and responsibilities for running of Heimifeng Power Plant from the Vendor to the Purchaser on the Handover Date as specified in the Agreement
“Handover Date”	any one business day within 3 days right after the fulfillment of the relevant conditions precedent for the Handover as agreed by the Vendor and the Purchaser as set out in the Agreement
“Heimifeng Power Plant”	Heimifeng Pumped Storage Power Plant* (黑麋峰抽水蓄能電廠) located in Changsha, Hunan Province, PRC, a branch company of Wu Ling Power Corporation
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hunan Heimifeng”	Hunan Heimifeng Pumped Storage Power Company Ltd.* (湖南黑麴峰抽水蓄能有限公司), a company incorporated in the PRC with limited liability and a newly established subsidiary of State Grid Xinyuan for the purpose of acquisition of Heimifeng Power Plant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC” or “State”	the People’s Republic of China, not including Taiwan, Hong Kong and Macau Special Administrative Region of the People’s Republic of China
“PRC GAAP”	the general accepted accounting principles and interpretation issued by the Ministry of Finance of the PRC (中華人民共和國財政部)
“Purchaser”	State Grid Xinyuan and Hunan Heimifeng, collectively the “Purchaser”
“RMB”	Renminbi, the lawful currency of the PRC
“State Grid Corporation”	State Grid Corporation of China* (國家電網公司), a wholly State-owned enterprise established by the State Council of the PRC* (中華人民共和國國務院)
“State Grid Xinyuan”	State Grid Xinyuan Company Ltd* (國網新源控股有限公司), a company incorporated in the PRC with limited liability, the entire issued share capital of which is beneficially owned by State Grid Corporation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Wu Ling Power Corporation* (五凌電力有限公司), a company incorporated in PRC with limited liability and a 63%-owned subsidiary of the Company

\* *English names of the PRC entities are the literal translations of their Chinese names and are included for identification purposes only.*

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.79 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.

By order of the Board  
**China Power International Development Limited**  
**Li Xiaolin**  
*Chairman*

Hong Kong, 26 July 2013

*As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Gu Dake, non-executive directors Guan Qihong and Wang Zichao, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.*