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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)*

**(Stock Code: 2380)**

### **DISCLOSEABLE TRANSACTION**

#### **Formation of a Joint Venture and Incidental Disposal of a Subsidiary**

On 5 February 2018, Shanxi Shentou (a wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with Jiangsu Guoxin, China Coal Pingshuo, Datong Mine, Datang International and Shanxi Solar, pursuant to which the parties agreed to form a Joint Venture in Shanxi Province of the PRC.

Pursuant to the Joint Venture Agreement, the registered capital of the Joint Venture is RMB6,000,000,000 (equivalent to approximately HK\$7,407,407,000) which shall be contributed by Jiangsu Guoxin, China Coal Pingshuo, Datong Mine, **Shanxi Shentou**, Datang International and Shanxi Solar for the amounts of RMB3,060,000,000, RMB900,000,000, RMB900,000,000, **RMB540,000,000**, RMB300,000,000 and RMB300,000,000 respectively, representing 51%, 15%, 15%, **9%**, 5% and 5% of their respective equity interests in the Joint Venture.

Shanxi Shentou will make contribution by way of cash and assets injection. The Company will use its interest in a non-wholly owned subsidiary (80% interest of CP Shentou) as Shanxi Shentou's second tranche contribution to the Joint Venture, which will result in a disposal of that subsidiary. Within 8 months after the date of the Joint Venture Agreement and upon completing the formalities for the relevant change of equity interest, CP Shentou will cease to be a subsidiary of the Company.

In respect of the Joint Venture Agreement, the Company has issued the Undertaking Letter to provide assurance for the performance of the obligations of Shanxi Shentou under the Joint Venture Agreement.

CP Shentou is an insignificant subsidiary of the Company. As China Coal Pingshuo holds a 20% interest in CP Shentou, it is a substantial shareholder of the insignificant subsidiary of the Company. Therefore, notwithstanding the interest of China Coal Pingshuo in CP Shentou, China Coal Pingshuo is not regarded as a connected person of the Company under Rule 14A.09 of the Listing Rules. Hence, the formation of the Joint Venture and CP Shentou Disposal do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the formation of the Joint Venture are below 5%, therefore the formation of the Joint Venture is not a discloseable transaction of the Company.

As certain applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of CP Shentou Disposal exceed(s) 5% but all of them are below 25%, therefore CP Shentou Disposal is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

On 5 February 2018, Shanxi Shentou (a wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with Jiangsu Guoxin, China Coal Pingshuo, Datong Mine, Datang International and Shanxi Solar, pursuant to which the parties agreed to form a Joint Venture in Shanxi Province of the PRC to invest in and operate the Yanhuai UHVDC Matching Power Points Project. The Joint Venture Agreement will take effect on the Effective Date (i.e. 31 March 2018).

## **PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT**

### **Date**

5 February 2018

### **Parties**

- (i) Jiangsu Guoxin;
- (ii) China Coal Pingshuo;

- (iii) Datong Mine;
- (iv) Shanxi Shentou (a wholly-owned subsidiary of the Company);
- (v) Datang International; and
- (vi) Shanxi Solar.

### **The Joint Venture**

Sujin Energy Holding Company Limited\* (蘇晉能源控股有限公司)

### **Scope of business**

The Joint Venture will invest in and operate the Yanhuai UHVDC Matching Power Points Project through centralizing supply and distribution by collectively dealing of all sales and purchases of electricity from Shanxi Province to Jiangsu Province for those relevant project companies.

Subject to the approval by the relevant governmental authorities of the PRC, the business scope of the Joint Venture includes (but not limited to):

- (a) investing in and operating the Yanhuai UHVDC Matching Power Points Project;
- (b) sale and purchase of electricity;
- (c) trading in coal fuel and natural gas; and
- (d) investment and advisory business related to energy projects such as coal mines and renewable energy.

The Joint Venture may revise its business scope by revising its articles of association and then apply for relevant governmental registration approval.

### **Registered capital and capital contribution**

The registered capital of the Joint Venture is RMB6,000,000,000 (equivalent to approximately HK\$7,407,407,000).

The JV Partners will pay their respective contributions to the registered capital of the Joint Venture in two tranches as follows:

JV Partner	First tranche contribution		Second tranche contribution		Total amount of contribution (RMB)	Interest in Joint Venture (%)
	Amount (RMB)	Form	Amount (RMB)	Form		
Jiangsu Guoxin	102,000,000	Cash	2,958,000,000	Cash	3,060,000,000	51
China Coal Pingshuo	30,000,000	Cash	870,000,000	51% interest in Pingshuo Power I and 20% interest in CP Shentou	900,000,000	15
Datong Mine	30,000,000	Cash	870,000,000	60% interest in Tashan Power II	900,000,000	15
<b>Shanxi Shentou</b>	<b>18,000,000</b>	<b>Cash</b>	<b>522,000,000</b>	<b>80% interest in CP Shentou</b>	<b>540,000,000</b>	<b>9</b>
Datang International	10,000,000	Cash	290,000,000	40% interest in Tashan Power II	300,000,000	5
Shanxi Solar	10,000,000	Cash	290,000,000	100% interest in Baode	300,000,000	5
Total	200,000,000		5,800,000,000		6,000,000,000	100

The first tranche contribution:

Each of the JV Partners will pay in cash within 1 month after the Effective Date. The contribution of Shanxi Shentou of RMB18,000,000 (equivalent to approximately HK\$22,222,000) will be financed by the Group's internal resources and/or external loan financing.

The second tranche contribution:

The JV Partners (other than Jiangsu Guoxin) will pay by way of injecting their respective interests in the Portfolio Companies whereas Jiangsu Guoxin will pay by cash for its second tranche contribution. The JV Partners (other than Jiangsu Guoxin) will complete the valuation, audit, due diligence and the formalities for the relevant change of equity interests in respect of their interests in the Portfolio Companies within 8 months after the date of the Joint Venture Agreement. All JV Partners (including Jiangsu Guoxi) shall pay their respective second tranche contributions to the Joint Venture within 1 month of such completion.

Shanxi Shentou will contribute RMB522,000,000 (equivalent to approximately HK\$644,444,000) by way of asset injection. The Company will use its interest in a non-wholly owned subsidiary (80% interest of CP Shentou) as Shanxi Shentou's second tranche contribution to Joint Venture (please see the sub-section headed "Incidental disposal of a subsidiary" below). The valuation for the interests in the Portfolio Companies should be performed by a valuer which will be an independent intermediary jointly approved by all JV Partners.

The above contribution amounts to the Joint Venture were determined by the JV Partners after arm's length negotiation and taking into account the development plan of the Joint Venture.

## **Undertaking Letter**

CP Shentou is currently owned as to 80% by the Company and 20% by China Coal Pingshuo. The Company will procure that the 80% interest in CP Shentou be transferred to Shanxi Shentou to enable it to complete its second tranche contribution to the Joint Venture.

In connection with the Joint Venture Agreement, the Company has issued the Undertaking Letter to the JV Partners (other than Shanxi Shentou) and the Joint Venture which sets out the following terms:

- (a) the Company guarantees the performance of the obligations of Shanxi Shentou under the Joint Venture Agreement;
- (b) the Company will procure the 80% interest in CP Shentou be transferred to Shanxi Shentou and its injection into the Joint Venture be completed within 8 months after the date of the Joint Venture Agreement;
- (c) prior to the change of equity interest of CP Shentou to the Joint Venture, the Company should complete the formalities for changing the employment relationship between CP Shentou and all its existing employees, and be responsible for the hiring and management of all existing employees of CP Shentou. The employing entity will be changed from CP Shentou to other company designated by the Company;
- (d) the Joint Venture will appoint the Group's subsidiary (a company designated by the Company) to operate and maintain the power generating units of CP Shentou after it has been injected into the Joint Venture and to maintain such number of production, operational and maintenance employees according to SPIC's standards for staffing of power plants or any other applicable standards (such arrangement is also set out in the Joint Venture Agreement)\*; and
- (e) the Company authorizes the Joint Venture to sell the electricity produced by Shentou Power II which are to be transmitted to Jiangsu Province and to enter into electricity sale contracts and documents relating to grid connection and dispatch etc. with State Grid or its subsidiaries on its behalf (such arrangement is also set out in the Joint Venture Agreement)\*.

*\* Note: If the relevant management service agreements will constitute notifiable transaction(s) under the Listing Rules, the Company will comply with the applicable Listing Rules for disclosure.*

## **Profit sharing**

Upon approval by the majority of shareholders of the Joint Venture, distributable profit of the Joint Venture may be distributed to the JV Partners in proportion to their paid-up capital contribution made to the Joint Venture. If both the accumulated undistributed profit and the net profit of the Joint Venture in a reporting period are positive, and on the assumption that the normal working capital needs of the Joint Venture are satisfied, the Joint Venture will distribute not less than 50% of its distributable profit. However, no profits will be distributed if there is any prior year accumulated loss which is not set-off yet.

### **Term of Joint Venture and non-competition undertaking**

The term of the Joint Venture, unless terminated earlier, will be 30 years starting from the date of issuance of business license of the Joint Venture. During that period, any of the JV Partners and its Affiliated Companies will not, by way of establishing any company alone or with any third party or in any other form, directly or indirectly invest in or operate other Yanhuai UHVDC Matching Power Points Project for power transmission to Jiangsu Province.

### **Incidental disposal of a subsidiary**

CP Shentou, a non-wholly owned subsidiary which is 80% owned by the Company, owns and operates two 600 MW coal-fired power generating units in Shanxi Province. The Company uses its 80% interest in CP Shentou as Shanxi Shentou's second tranche contribution to the Joint Venture will result in a disposal of that subsidiary. Within 8 months after the date of the Joint Venture Agreement, upon completing the formalities for the relevant change of equity interest, CP Shentou will cease to be a subsidiary of the Company and will not be consolidated into the Group's consolidated financial statements.

Set out below is the financial information of CP Shentou prepared in accordance with the prevailing generally accepted accounting principles in the PRC:

	<b>For the year ended 31 December 2017 Unaudited (RMB)</b>	<b>For the year ended 31 December 2016 Audited (RMB)</b>	<b>For the year ended 31 December 2015 Audited (RMB)</b>
<b>Net (loss)/profit before taxation</b>	(216,005,000)	(258,446,000)	25,913,000
<b>Net (loss)/profit after taxation</b>	(163,428,000)	(195,416,000)	25,913,000

	<b>As at 31 December 2017 Unaudited (RMB)</b>	<b>As at 31 December 2016 Audited (RMB)</b>	<b>As at 31 December 2015 Audited (RMB)</b>
<b>Net assets</b>	826,187,000	989,615,000	1,185,031,000

Under the Joint Venture Agreement, the valuation of the Portfolio Companies should be performed by a valuer which will be an independent intermediary approved by all JV Partners. Assuming that (i) the ultimate assessed value of the 80% interest in CP Shentou and (ii) the 80% net asset value of CP Shentou on the Effective Date are equal to each other, the Group will not record any pre-tax gain or loss. However, the actual financial effect on the consolidated income statement of the Group is subject to the assessed value and the change in the fair value of the interest in CP Shentou as at the completion of the Joint Venture Agreement.

Pursuant to the Joint Venture Agreement, (i) if the assessed value of the interest of CP Shentou is lower than the amount of second tranche contribution of Shanxi Shentou, then Shanxi Shentou will supplement the capital to be contributed to the Joint Venture by way of cash from the internal resources and/or external loan financing of the Group; and (ii) if the assessed value of the interest of CP Shentou exceeds the amount of second tranche contribution of Shanxi Shentou, then the excess will be refunded by the Joint Venture to Shanxi Shentou in cash within 1 month after the completion of the capital contribution, and any net proceeds received will be used as general working capital of the Group. These same terms are applicable to other JV Partners that make their contribution by way of their respective interests in the Portfolio Companies.

The Company expects that CP Shentou Disposal will not result in any material financial impact to the Group. The Company will comply with the applicable Listing Rules for disclosure if such disposal will result in a material gain or loss to the Group.

## **REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE**

The Joint Venture will serve as the platform for the long-term strategic cooperation between Shanxi and Jiangsu Provinces, which aims to complement the advantages of Shanxi Province in coal prices and power capacity with the electricity market advantages of Jiangsu Province, having attained strong support from the two provincial governments. Electricity which is transmitted from Shanxi Province to Jiangsu Province through the channels of the Yanhuai UHVDC (the “Yanhuai DC”) Matching Power Points Project will be centrally distributed and sold by the Joint Venture, and will balance the current surplus power supply in Shanxi Province and meet the huge electricity demand in Jiangsu Province.

The injection of the interest in CP Shentou into the Joint Venture will ease the present situation of insufficient utilization hours of its generating units and improve their operating efficiency and competitiveness. The incidental CP Shentou Disposal is expected to reduce the overall operating costs and risks of the Group’s coal-fired power business and will therefore benefit the Group. In addition, the Joint Venture Agreement stipulates that the Joint Venture intends to potentially invest in Shentou Power II, which is located in Shanxi Province, in the future and to assist its power transmission to Jiangsu Province through Yanhuai DC for sale, which will also help the Group to better utilize its resources and expand income in the future.

The Directors (including the independent non-executive Directors) are of the view that, the Joint Venture Agreement, the Undertaking Letter and CP Shentou Disposal are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE JV PARTNERS**

Shanxi Shentou is a wholly-owned subsidiary of the Company. The Company is a core subsidiary of SPIC for conventional energy business. SPIC is the only integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC. The Group is principally engaged in generation and sale of electricity in Mainland China, including investment, development, operation and management of coal-fired power, hydropower, wind power and photovoltaic power plants. Its businesses are located in the major power grid regions of China.

Jiangsu Guoxin is a company listed on the Shenzhen Stock Exchange. It is principally engaged in investments in financial and energy companies. It is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Jiangsu Provincial Government.

China Coal Pingshuo is a wholly-owned subsidiary of China Coal Energy Company Limited\* (中國中煤能源股份有限公司). China Coal Energy Company Limited is a joint stock company incorporated in the PRC with limited liability. Its shares are listed on both the Stock Exchange and the Shanghai Stock Exchange. It is mainly engaged in coal production and trade, coal chemical, power generation and coal mining equipment manufacturing. China Coal Pingshuo is a substantial shareholder of CP Shentou, an insignificant subsidiary of the Company.

Datong Mine is a state-owned enterprise in the PRC and is principally engaged in coal mining and supply, and the investment in and development of companies in various industries such as power, coal chemical, metallurgy and coal machinery manufacturing, construction and building material, logistics and foreign trade.

Datang International is company listed on the Stock Exchange and the Shanghai Stock Exchange. It and its subsidiaries are principally engaged in power generation and power plant development in the PRC, coal trading and chemical products manufacturing and selling, etc.

Shanxi Solar is a company incorporated in the PRC and is principally engaged in the production, purchase and sales of electricity, thermal products and supplies and fuels related to electricity production, the provision of electricity technology consulting services, catering, accommodation and leasing of properties.

Other than the fact that China Coal Pingshuo holds a 20% interest in CP Shentou, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jiangsu Guoxin, China Coal Pingshuo, Datong Mine, Datang International, Shanxi Solar and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## **COMPLIANCE WITH THE LISTING RULES**

CP Shentou is an insignificant subsidiary of the Company. As China Coal Pingshuo holds a 20% interest in CP Shentou, it is a substantial shareholder of the insignificant subsidiary of the Company. Therefore, notwithstanding the interest of China Coal Pingshuo in CP Shentou, China Coal Pingshuo is not regarded as a connected person of the Company under Rule 14A.09 of the Listing Rules. Hence, the formation of the Joint Venture and CP Shentou Disposal do not constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the formation of the Joint Venture are below 5%, therefore the formation of the Joint Venture is not a discloseable transaction of the Company.

As certain applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of CP Shentou Disposal exceed(s) 5% but all of them are below 25%, therefore CP Shentou Disposal is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Affiliated Companies”	in respect of each of the JV Partners, any company or entity which directly or indirectly controls it, or is directly or indirectly controlled by it (other than the Joint Venture), or is directly or indirectly under common control with it by another company or entity
“Baode”	Jinneng Baode Coal Electricity Co., Ltd.* (晉能保德煤電有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Shanxi Solar and owns two 660MW coal-fired power generating units under construction
“Board”	the board of Directors of the Company
“China Coal Pingshuo”	China Coal Pingshuo Group Company Limited* (中煤平朔集團有限公司), a company incorporated in the PRC with limited liability which holds a 20% interest in CP Shentou
“China Datang”	China Datang Corporation Limited* (中國大唐集團有限公司), a wholly State-owned enterprise established in the PRC and the controlling shareholder of Datang International
“Company”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“CP Shentou”	China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司), a company incorporated in the PRC with limited liability and a 80%-owned subsidiary of the Company and owns two 600MW coal-fired power generating units
“CP Shentou Disposal”	the injection of 80% interest of CP Shentou into the Joint Venture by Shanxi Shentou pursuant to the second tranche contribution of the Joint Venture Agreement

“Datang International”	Datang International Power Generation Co., Ltd.* (大唐國際發電股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange
“Datong Mine”	Datong Coal Mine Group Co., Ltd.* (大同煤礦集團有限責任公司), a State-owned enterprise established in the PRC with limited liability
“Director(s)”	director(s) of the Company
“Effective Date”	the effective date of the Joint Venture Agreement, that is, 31 March 2018
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“insignificant subsidiary”	has the meaning ascribed to it under Rule 14A.09 of the Listing Rules
“Jiangsu Guoxin”	Jiangsu Guoxin Corp. Limited* (江蘇國信股份有限公司), a company incorporated in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange
“Joint Venture”	Sujin Energy Holding Company Limited* (蘇晉能源控股有限公司), a company to be incorporated in the PRC with limited liability pursuant to the Joint Venture Agreement, the name and the establishment of which shall be subject to the approval of relevant PRC governmental authority(ies)
“Joint Venture Agreement”	the joint venture agreement dated 5 February 2018 entered into between the JV Partners in relation to the establishment of the Joint Venture
“JV Partners”	the party(ies) to the Joint Venture Agreement, namely Jiangsu Guoxin, China Coal Pingshuo, Datong Mine, Shanxi Shentou, Datang International and/or Shanxi Solar
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt, that is, one million watts. The installed capacity of a power plant is generally expressed in MW

“Pingshuo Power I”	China Coal Pingshuo No. 1 Coal Gange Power Generation Company Limited* (中煤平朔第一煤矸石發電有限公司), a company incorporated in the PRC with limited liability and a joint venture between China Coal Pingshuo, China Datang and Dongfang Electric Corporation* (中國東方電氣集團有限公司) and owns two 660MW coal-fired power generating units under construction
“Portfolio Companies”	The company(ies) whose interests are to be injected into the Joint Venture under the second tranche contribution of the Joint Venture Agreement, namely Pingshuo Power I, Tashan Power II, CP Shentou and Baode
“PRC” or “China”	the People’s Republic of China. Geographical references in this announcement to the PRC excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanxi Shentou”	Shanxi Shentou Power Generating Company Limited* (山西神頭發電有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shanxi Solar”	Shanxi Solar Power Generation Company Limited* (山西陽光發電有限責任公司), a company incorporated in the PRC with limited liability
“Shentou Power II”	Shanxi CPI Shentou No. 2 Power Generation Co., Ltd.* (山西中電神頭第二發電有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company and owns two 1,000MW proposed coal-fired power generating units
“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), the ultimate controlling company of the Company, a wholly State-owned enterprise established by the approval of the State Council of the PRC* (中華人民共和國國務院)
“State Grid”	State Grid China Co., Ltd. (國家電網有限公司), a wholly State-owned enterprise in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tashan Power II”	Tongmei Datang Tashan No. 2 Power Generation Company Limited* (同煤大唐塔山第二發電有限責任公司), a company incorporated in the PRC with limited liability and a joint venture between Datong Mine and Datang International and owns two 660MW coal-fired power generating units
“Undertaking Letter”	A letter of undertaking issued by the Company to provide assurance for the performance of the obligations of Shanxi Shentou under the Joint Venture Agreement
“Yanhuai UHVDC Matching Power Points Project” or “Yanhuai DC”	The project in relation to matching power source points which using 800kV ultra high-voltage direct current transmission from Shuozhou City of Shanxi Province to Huaian City of the Jiangsu Province, including but not limited to the power generating units held by the Portfolio Companies

\* *English or Chinese translation, as the case may be, is for identification only*

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.81 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**  
**Yu Bing**  
*Chairman*

Hong Kong, 6 February 2018

*As at the date of this announcement, the directors of the Company are: executive directors Yu Bing and Tian Jun, non-executive directors Guan Qihong and Wang Xianchun, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Yau Ka Chi.*