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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**

#### **Proposed Capital Injection into a Subsidiary**

On 22 November 2018, SPIC Jinzishan (the Company's subsidiary), entered into the following Capital Injection Agreement and Equity Transfer Agreement in connection with the proposed Capital Injection.

#### **JINZISHAN CAPITAL INJECTION AGREEMENT**

On 22 November 2018, SPIC Guangxi, a wholly-owned subsidiary of the Company, Danxia Company, ABC Financial and SPIC Jinzishan entered into the Jinzishan Capital Injection Agreement, pursuant to which ABC Financial, as investor, agreed to inject RMB290 million by way of cash contribution into SPIC Jinzishan, which will be contributed to increase its registered capital and capital reserve.

#### **JINZISHAN EQUITY TRANSFER AGREEMENT**

On 22 November 2018, SPIC Guangxi, Danxia Company, ABC Financial and SPIC Jinzishan also entered into the Jinzishan Equity Transfer Agreement, pursuant to which upon Completion of the Capital Injection, SPIC Guangxi is granted certain rights to purchase the Jinzishan Equity Interests from ABC Financial, and the parties may agree on other treatment of the Jinzishan Equity Interests, upon the occurrence of certain events and subject to the terms and conditions under the Jinzishan Equity Transfer Agreement.

#### **LISTING RULES IMPLICATIONS**

##### ***Capital Injection***

Upon Completion of the Capital Injection, the Company's equity interest in the Target Company will be diluted. The relevant member of the Group is deemed to have made a disposal of interests in the Target Company under Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Deemed Disposal when aggregated together with the deemed disposals of the Previous Capital Injection Agreements insofar as ABC Financial is concerned exceed 5% but are less than 25%, the Capital Injection constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

***Original Shareholder's Option***

The grant of the Original Shareholder's Option would be treated as a notifiable transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. According to Rule 14.75(1) of the Listing Rules, on the grant of the Original Shareholder's Option (the exercise of which is at the discretion of SPIC Guangxi), only the premium will be taken into consideration for calculating the percentage ratios. As no premium is payable on the grant of the Original Shareholder's Option, such grant will not constitute a notifiable transaction of the Company.

The Company will comply with the applicable Listing Rules on any exercise of the Original Shareholder's Option.

**JINZISHAN CAPITAL INJECTION AGREEMENT**

The principal terms of the Jinzishan Capital Injection Agreement are summarized as follows:

<b>Date:</b>	22 November 2018
<b>Parties:</b>	<p>(i) the Original Shareholders; (ii) the Investor; and (iii) the Target Company.</p> <p>To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Investor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.</p>
<b>Consideration:</b>	<p>Pursuant to the Jinzishan Capital Injection Agreement, the total consideration of RMB290 million (equivalent to approximately HK\$326 million) shall be paid by the Investor to acquire approximately 44.32% equity interest in SPIC Jinzishan by way of cash contribution to increase its registered capital and capital reserve.</p> <p>As at the date of this announcement, SPIC Jinzishan is 90.83% held by SPIC Guangxi and 9.17% held by Danxia Company. Upon Completion of the Capital Injection, the equity interests of SPIC Guangxi and Danxia Company in SPIC Jinzishan will be diluted to approximately 50.57% and 5.11% respectively.</p> <p>The Consideration for the Capital Injection Agreement was determined after arm's length negotiation between the parties with reference to (i) the amount of Capital Injection proposed by the Investor, (ii) the operating conditions, financial position and business performance of the Target Company, and (iii) the business prospect of the Target Company.</p> <p>The final Equity Interests will be adjusted with the change in net asset value of the Target Company by reference to its management accounts or audited accounts prepared under the PRC GAAP as mutually accepted by the Original Shareholders and the Investor for the most recent month immediately prior to the date of signing the Jinzishan Capital Injection Agreement.</p>

<b>Conditions Precedent:</b>	<p>Payment of Consideration by the Investor is subject to the fulfilment and/or waiver of the following conditions precedent:</p> <ol style="list-style-type: none"> <li>(1) The Investor is satisfied with the due diligence results of different aspects of the Target Company including legal, financial and business.</li> <li>(2) All relevant agreements and legal documents for this transaction being executed.</li> <li>(3) No default has occurred since the date of signing, or despite the event of default, the Investor is satisfied with its settlement or have exempted it.</li> <li>(4) The Target Company has engaged a valuation agent, which is approved by the Investor, and has the legal qualifications and completed the asset valuation of the Target Company.</li> <li>(5) The Original Shareholders and the Investor have reached a written consensus in respect of the revisions made in the Target Company's articles of association as a result of the Capital Injection and in accordance with the Capital Injection Agreement.</li> <li>(6) The Target Company has opened a designated bank account in relation to capital injection in accordance with the Account Supervisory Agreement signed between them.</li> <li>(7) The Original Shareholders have issued a legally valid written resolution to agree that the Investor will make the Capital Injection to the Target Company.</li> <li>(8) The financial conditions of the Target Company and the Original Shareholders have remained basically the same and no material adverse change has occurred from the date of the agreement to the payment date of the Consideration.</li> <li>(9) For the purpose of the Capital Injection, all valuation, audit, registration, filing and approval required by laws and regulations, rules, authorities or departments have been obtained.</li> </ol>
<b>Payment:</b>	<p>The Consideration will be payable by the Investor in cash by the date specified on the payment notice, which may be issued by the Target Company within 5 business days from the date on which all conditions precedent above are fulfilled or waived.</p>
<b>Completion of the Capital Injection:</b>	<p>Within 50 business days from the date the Consideration was paid (inclusive of that day) or such other date as agreed between the parties to the Capital Injection Agreement, the Target Company shall apply for, and complete, all requisite registration and filing procedures with the State Administration for Industry and Commerce of the PRC.</p>
<b>Performance requirement:</b>	<p>In any financial year during which the Investor are holding the Equity Interests, the annual distributable profits to the shareholders of SPIC Jinzishan is required to be RMB44,494,600.</p> <p><i>For the avoidance of doubt, it does not constitute a breach of contract when the Target Company fails to meet the performance requirement under the Capital Injection Agreement.</i></p>

<b>Exit arrangement:</b>	Upon the Completion of the Capital Injection, SPIC Guangxi is granted certain rights to buy back the Equity Interests from the Investor, and the parties may agree on other treatment of the Equity Interests, upon the occurrence of certain events and subject to the terms and conditions under the Equity Transfer Agreement.
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## JINZISHAN EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized as follows:

<b>Date:</b>	22 November 2018
<b>Parties:</b>	(i) the Original Shareholders; (ii) the Investor; and (iii) the Target Company.
<b>Original Shareholder's Option:</b>	<p>In the event of any of the following "specific circumstances", SPIC Guangxi shall have the following Original Shareholder's Option (at its discretion) to buy back the Equity Interests from the Investor upon the terms of the Equity Transfer Agreement, including:</p> <ol style="list-style-type: none"> <li>(1) From 36 months after the Jinzishan Capital Injection, SPIC Guangxi has not designated a third party to purchase the Jinzishan Equity Interests on terms agreed between the parties, and the parties have not agreed to extend the investment period.</li> <li>(2) From 28 months after the Jinzishan Capital Injection, the Shiwan Gutian wind project (150MW capacity) has not fully commenced operation, and SPIC Guangxi is unable to resolve this within a grace period.</li> <li>(3) From 30 months after the Jinzishan Capital Injection, the Majia wind project (80MW capacity) has not fully commenced operation, and SPIC Guangxi is unable to resolve this within a grace period.</li> <li>(4) In any financial year during which the Investor is holding the Equity Interests, the annual distributable profits of the Target Company have not met the performance requirement as stated in the Capital Injection Agreement, unless approved by the Investor.</li> <li>(5) In any financial year, the profits distributed by the Target Company to the Investor have not reached the amount required allocation to the Investor (RMB19,720,000), and SPIC Guangxi is unable to properly resolve this within the grace period to be given by the Investor.</li> <li>(6) The Target Company, SPIC Guangxi or its subsidiaries breached the Capital Injection Agreement, this agreement and the Account Supervisory Agreement, and failed to properly address such breach within the grace period to be given by, or in accordance with requirements of the Investor.</li> <li>(7) The Target Company is subject to bankruptcy or liquidation.</li> <li>(8) The purpose of the Investor's investment cannot be achieved due to force majeure.</li> </ol>

	<p>SPIC Guangxi or its designated third party may choose to purchase the Equity Interests, and the consideration shall be the exercise price under formula 1 (please see below the section headed “Exercise price”).</p> <p>No premium is payable for the grant of the Original Shareholder’s Option.</p>
<b>Extension of investment period:</b>	<p>Within 33 months of the Capital Injection, SPIC Guangxi or the Investor may propose an extension to the investment period by the Investor subject to the agreement of the other party(ies).</p>
<b>Investor’s rights:</b>	<p>In the event that the above “specific circumstances” occurred but SPIC Guangxi did not buy back the Equity Interests held by Investor, the latter shall have the following rights, including amongst others:</p> <ol style="list-style-type: none"> <li>(1) The Investor shall enjoy its shareholder rights in proportion to its shareholding in the Target Company (including but not limited to undistributed profits, surplus reserves) and all interests, rights and benefits associated with or derived from such rights in future. Any restrictions stipulated in the transaction documents or other documents on the profits to be paid to, and other interests, rights and benefits of, the Investor, will no long apply.</li> <li>(2) From the date of occurrence of the “specific circumstances” and during the investment period (as extended, if applies), SPIC Guangxi or its designated third party may choose to purchase the Equity Interests, and the consideration of the Equity Interests shall be higher of the price assessed by the valuation agent engaged jointly by the parties or the exercise price under formula 2 (please see below the section headed “Exercise price”).</li> <li>(3) The Investor has the right to sell all or part of the Equity Interests to a third party, and SPIC Guangxi shall waive the right of first refusal to such interests.</li> <li>(4) The Investor may agree with the Original Shareholders to reduce their investment in the Target Company in whole or in part of the Equity Interests in a manner to be agreed (including but not limited to conversion from equity to perpetual bonds).</li> </ol>
<b>Exercise price :</b>	<p>There are two ways of calculating the exercise price for transfer of the Equity Interests in the Target Company:</p> <p><u>Formula 1</u></p> <p>Formula 1 (where the Original Shareholder’s Option is exercised upon the occurrence of any of the “specific circumstances” and SPIC Guangxi chooses to purchase the Equity Interests from the Investor):</p> <p>Based on “Principal investment amount + Difference”. The Difference is calculated using the formula below:</p> <p>Difference = (Annual profits distributable to the shareholders calculated based on the requirements on profit distribution of the Target Company × the Equity Interests × the number of days between the date of payment of Capital Injection by the Investor and the date of payment of the exercise price / 360 – investment income already obtained by the Investor during the period of its shareholding in the Target Company) / 75%</p>

	<p><u>Formula 2</u></p> <p>Formula 2 (where the Investor’s right is exercised and SPIC Guangxi may choose to purchase the Equity Interests from the Investor):</p> <p>If the exercise price calculated under the formula 2 is higher than that calculated in formula 1 or if the parties agree to adopt formula 2, then the amount calculated under formula 1 will be used as the base value, and from the day following the occurrence of “specific circumstances” (the “Point of Increase”), the following formula will be used to calculate the exercise price:</p> <p>Exercise price from the Point of Increase = base value × (1 + annualized rate of return after the Point of Increase × n / 360)</p> <p>a) Annualized rate of return after Point of Increase = 6.8% × (1 + 10%)<sup>[n / 180]</sup></p> <p>b) n is the number of days between the date of occurrence of the above “specific circumstances” and the date of payment of the exercise price.</p> <p>c) [n / 180] is rounded down for n / 180.</p> <p>d) The annualized rate of return after the Point of Increase does not exceed four times the PBOC 3-year loan interest rate.</p>
<b>Conditions precedent:</b>	Before the above rights can be exercised, the Investor must have already acquired the Equity Interests pursuant to the Capital Injection Agreement.

### INFORMATION ON THE TARGET COMPANY AND EFFECTS OF THE DEEMED DISPOSAL ON THE GROUP

SPIC Jinzishan is a limited liability company incorporated under the laws of the PRC on 28 July 2010. It is principally engaged in development, production and supply of wind power in Guangxi Zhuang Autonomous Region, the PRC.

Based on SPIC Jinzishan’s audited financial statements prepared under the PRC GAAP, the audited net asset value of SPIC Jinzishan as at 31 December 2017 was approximately RMB227,070,000 and the audited net profit of SPIC Jinzishan before and after taxation for the years ended 31 December 2017 and 2016 are set out as follows:

	<b>For the financial year ended 31 December 2016 (RMB’000)</b>	<b>For the financial year ended 31 December 2017 (RMB’000)</b>
Net profit before taxation	41,635	42,160
Net profit after taxation	36,454	34,188

Based on the valuation report prepared by the Independent Valuer, the value of total shareholders’ equity of SPIC Jinzishan as at 31 December 2017 was approximately RMB248,649,000.

Upon Completion of the Capital Injection, the Target Company will continue to be a subsidiary of the Group. The financial results and positions of the Target Company will continue to be consolidated into the financial statements of the Group. There is no expected gain or loss for the Deemed Disposal.

## **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION AND THE USE OF PROCEEDS**

The Target Company will use the proceeds from the Capital Injection for repayment of existing debts. The leverage ratio of the Target Company will be effectively reduced, its financial expenses and funding costs effectively lessened, which are conducive to upgrading the Group's competitiveness and sustainability for healthy development.

Upon Completion of the Capital Injection, it will result in an increase in equity of RMB290 million to the Target Company. It will help to release the financing capacity of the Target Company and SPIC Guangxi, and provide further support for its clean energy development, in particular for wind power projects.

At the Target Company's level, based on the unaudited financial information prepared under the PRC GAAP as at 30 June 2018, it is estimated that the asset-liability ratio of SPIC Jinzishan will be effectively lower approximately from 59.49% to 43.47%.

At the Group's level, based on the unaudited financial information prepared under the HKFRS as at 30 June 2018, it is estimated that the asset-liability ratio of the Group will decrease by approximately 0.26 percentage points from 66.93% to 66.67%. The Capital Injection will bring in more capital to the Group, provide improved asset-liability structure, increase debt capacity for future new projects and subsequently decrease the Group's financial risks.

Following Completion of the Capital Injection, the Target Company will continue to be a subsidiary of the Group and the Group would remain in control of the future development of the Target Company. The exit arrangement under the Equity Transfer Agreement provides SPIC Guangxi (upon occurrence of certain specific circumstances) with an option to buy back the Equity Interests from the Investor, which after all was established for the benefit of the Group. Should the Original Shareholder's Option be exercised, the Group would again maintain greater control over the Target Company with more flexibility and provide us with the opportunities to further explore the business development in clean energy projects without sharing potential economic return with other entities.

Given the aforementioned factors, the Directors believe the Capital Injection will have positive impact on the Group's future prospects and thus benefiting the Group. The Directors are of the view that the terms of the Capital Injection Agreement and the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

### ***Capital Injection***

Upon Completion of the Capital Injection, the Company's equity interest in the Target Company will be diluted. The relevant member of the Group is deemed to have made a disposal of interests in the Target Company under Rule 14.29 of the Listing Rules. As one or more applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Deemed Disposal when aggregated together with the deemed disposals of the Previous Capital Injection Agreements insofar as ABC Financial is concerned exceed 5% but are less than 25%, the Capital Injection constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### ***Original Shareholder's Option***

The grant of the Original Shareholder's Option would be treated as a notifiable transaction and classified by reference to the percentage ratios pursuant to Rules 14.04(1)(b) and 14.73 of the Listing Rules. According to Rule 14.75(1) of the Listing Rules, on the grant of the Original Shareholder's Option (the exercise of which is at the discretion of SPIC Guangxi), only the premium will be taken into consideration for calculating the percentage ratios. As no premium is payable on the grant of the Original Shareholder's Option, such grant will not constitute a notifiable transaction of the Company.

The Company will comply with the applicable Listing Rules on any exercise of the Original Shareholder's Option.

### **INFORMATION ON THE GROUP**

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) is the only one 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.

### **INFORMATION ON THE ORIGINAL SHAREHOLDERS**

#### ***SPIC Guangxi***

SPIC Guangxi is a limited liability company incorporated under the laws of the PRC on 31 May 2016 and a wholly-owned subsidiary of the Company and the immediate holding company of SPIC Jinzishan. It is principally engaged in development, investment, construction, operation and management of power generation projects (mainly hydropower, wind power and photovoltaic power plants at present). Prior to the Jinzishan Capital Injection, it held 90.83% of the equity interest in SPIC Jinzishan.

#### ***Danxia Company***

Danxia Company is a limited liability company incorporated under the laws of the PRC on 9 November 2009 and a minority shareholder of SPIC Jinzishan. It is principally engaged in wind power and solar power project development and infrastructure. Prior to the Jinzishan Capital Injection, it held 9.17% of the equity interest in SPIC Jinzishan.

### **INFORMATION ON THE INVESTOR**

ABC Financial is a limited liability company incorporated under the laws of the PRC on 1 August 2017 and is one of the first bank-affiliated entities established with the approval of the China Banking Regulatory Commission to specialize in market-driven debt-to-equity swap business in the PRC. It is principally engaged in market-driven debt-to-equity swap business.

### **DEFINITIONS**

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

“ABC Financial” or “Investor”	ABC Financial Asset Investment Co., Ltd* (農銀金融資產投資有限公司), a company incorporated in the PRC with limited liability
“Account Supervisory Agreement”	the agreement dated 22 November 2018 in relation to the Capital Injection Agreement, pursuant to which the Target Company will open an designated bank account to hold all the funds received from the Capital Injection to ensure that the funds shall be used exclusively to repay, amongst others, bank loans as permitted by and under the terms and conditions of such agreement
“Board”	the board of Directors of the Company
“Capital Injection” or “Jinzishan Capital Injection”	the capital injection of RMB290 million in cash by ABC Financial into SPIC Jinzishan under the terms and conditions of the Jinzishan Capital Injection Agreement
“Capital Injection Agreement” or “Jinzishan Capital Injection Agreement”	the agreement dated 22 November 2018 signed between SPIC Guangxi, Danxia Company, ABC Financial and SPIC Jinzishan in relation to the Jinzishan Capital Injection, details of which are set out in the section headed “Jinzishan Capital Injection Agreement”
“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
“Completion of the Capital Injection”	within 50 business days from the date the Consideration was paid (inclusive of that day) or such other date as agreed between the parties to the Capital Injection Agreement, the Target Company shall apply for, and complete, all requisite registration and filing procedures with the State Administration for Industry and Commerce of the PRC
“Consideration”	being the amount of the Capital Injection payable by the Investor pursuant to the Capital Injection Agreement
“Danxia Company”	Ziyuan County Danxia Ecological Energy Company Limited* (資源縣丹霞生態能源有限公司), a company incorporated in the PRC with limited liability and a minority shareholder of SPIC Jinzishan (the Target Company)
“Deemed Disposal”	the deemed disposal through the dilution of equity interest in the Target Company as a result of the Capital Injection by the Investor pursuant to the Capital Injection Agreement
“Director(s)”	director(s) of the Company
“Equity Interests” or “Jinzishan Equity Interests”	44.32% of the equity interest in SPIC Jinzishan, to be held by ABC Financial upon Completion of the Capital Injection

“Equity Transfer Agreement” or “Jinzishan Equity Transfer Agreement”	the agreement dated 22 November 2018 signed between SPIC Guangxi, Danxia Company, ABC Financial and SPIC Jinzishan, details of which are set out in the section headed “Jinzishan Equity Transfer Agreement”
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	China Valuer International Co., Ltd* (北京中天衡平國際資產評估有限公司)
“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)
“Original Shareholders”	SPIC Guangxi and Danxia Company
“Original Shareholder’s Option”	the rights granted to SPIC Guangxi or its designated third party to purchase the Jinzishan Equity Interests from ABC Financial at the exercise price pursuant to and subject to the terms and conditions of the Jinzishan Equity Transfer Agreement
“PRC” or “China”	the People’s Republic of China. Geographical references in this announcement to the PRC excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Previous Capital Injection Agreements”	Changzhou Capital Injection Agreement and Yuanjiang Capital Injection Agreement dated 24 October 2018, the details of which was set out in the announcements of the Company dated 24 October 2018 and 26 October 2018
“RMB”	Renminbi, the lawful currency of the PRC
“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)
“SPIC Guangxi”	SPIC Guangxi Electric Power Co., Ltd* (國家電投集團廣西電力有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company

“SPIC Jinzishan” or “Target Company”      SPIC Guangxi Jinzishan Wind Power Ltd\* (國家電投集團廣西金紫山風電有限公司), a company incorporated in the PRC with limited liability

“Stock Exchange”      The Stock Exchange of Hong Kong Limited

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.89 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**  
**Tian Jun**  
*Executive Director*

Hong Kong, 22 November 2018

*As at the date of this announcement, the directors of the Company are: executive director 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.*