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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)**

### **CONNECTED TRANSACTIONS**

#### **Disposals of Partial Equity Interests in Two Subsidiaries**

On 10 April 2019, following the conclusion of the tender process for the proposed disposals of 40% equity interest in Pingwei I and 15% equity interest in Pingwei II held by the Company through the Shanghai United Assets and Equity Exchange, the Company entered into the Equity Transfer Agreements with the successful bidder, Huainan Mining. Pursuant to the Equity Transfer Agreements, the Company has agreed to sell and Huainan Mining has agreed to purchase the above equity interests for a consideration of RMB342,973,520 and RMB188,092,440 (equivalent to HK\$398,806,420 and HK\$218,712,140) respectively.

As at the date of this announcement, Huainan Mining is a substantial shareholder of Pingwei II and Pingwei III (subsidiaries of the Company), Huainan Mining is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposals constitute connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in respect of the Disposals exceed 1% but are less than 5%, the Disposals are therefore subject to the announcement and reporting requirements, but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **INTRODUCTION**

During the period from 4 March to 29 March 2019, the Company conducted two open tenders for the proposed disposals of its (1) 40% equity interest in Pingwei I; and (2) 15% equity interest in Pingwei II through the Shanghai United Assets and Equity Exchange (上海聯合產權交易所). In order to promote coal and electricity joint operation, it was one

of the eligibility criteria that the bidder must ensure the coal supply to Pingwei I and Pingwei II at the most favourable market price in the same region. Further, it was one of the conditions that the Pingwei I Disposal and the Pingwei II Disposal are inter-conditional.

On 10 April 2019, following the conclusion of the tender process for the proposed disposals of 40% equity interest in Pingwei I and 15% equity interest in Pingwei II held by the Company through the Shanghai United Assets and Equity Exchange, the Company entered into the Equity Transfer Agreements with the successful bidder, Huainan Mining. Pursuant to the Equity Transfer Agreements, the Company has agreed to sell and Huainan Mining has agreed to purchase the above equity interests.

## **EQUITY TRANSFER AGREEMENTS**

### **Date**

10 April 2019

### **Parties**

- (i) The Company (as the transferor)
- (ii) Huainan Mining (as the transferee)

### **Assets to be disposed of**

The Company has agreed to transfer its 40% equity interest in Pingwei I and 15% equity interest in Pingwei II to Huainan Mining.

According to the Valuation Reports based on the assets open market value approach, the appraised value of Pingwei I and Pingwei II as at 30 June 2018 was approximately RMB857,433,800 and RMB1,253,949,600 (equivalent to approximately HK\$997,016,000 and HK\$1,458,080,900) respectively.

### **Consideration**

The aggregate consideration for the Disposals is RMB531,065,960 (equivalent to approximately HK\$617,518,560), representing RMB342,973,520 for the Pingwei I Disposal (equivalent to approximately HK\$398,806,420) and RMB188,092,440 for the Pingwei II Disposal (equivalent to approximately HK\$218,712,140). The aggregate consideration of the Disposals was offered as the reserve price during the tender process and was accepted by Huainan Mining. The reserve price was arrived at with reference to the asset valuation carried out by an independent valuer in the PRC. The appraised values of 40% equity interest of Pingwei I and 15% equity interest of Pingwei II as at 30 June 2018 were approximately RMB342,973,520 and RMB188,092,440 (equivalent to approximately HK\$398,806,420 and HK\$218,712,140) respectively, according to the Valuation Reports.

A sum of RMB30,000,000 and a sum of RMB10,000,000 were paid by Huainan Mining to the Shanghai United Assets and Equity Exchange as guarantee payments for the tender of Pingwei I and Pingwei II respectively, after Huainan Mining obtained the confirmation notice as the qualified transferee. Upon signing of the Equity Transfer Agreements, the guarantee payments for the tender will be converted into payments of part of the consideration.

### **Other principal terms**

- The residual of the consideration after netting off the guarantee payments for the tender is required to be paid in full within 5 working days following the signing of the Equity Transfer Agreements. If Huainan Mining is unable to pay the consideration in full by the agreed time, it is obliged to pay the Company with an overdue payment at a rate of 0.05% of the outstanding part of the consideration per day. Then, the Company has the right to terminate the Equity Transfer Agreements and claim for damages from Huainan Mining if the payment is overdue for more than 15 working days.
- Within 30 working days after Huainan Mining obtained the equity transaction certificate, the Company and Huainan Mining shall procure Pingwei I and Pingwei II to complete the change of business registration with SAMR in relation to the Disposals. If the Company fails to or is unwilling to procure Pingwei I and Pingwei II to complete the SAMR filing by the agreed time, it is obliged to pay Huainan Mining with an overdue payment at a rate of 0.05% of the consideration per day. Then, Huainan Mining has the right to terminate the Equity Transfer Agreements and claim for damages from the Company if the late performance is overdue for more than 15 working days.
- Each of the Company and Huainan Mining undertakes to have obtained all approvals required for the Disposals from its relevant governing body, respectively.

### **IMPACT OF THE DISPOSALS AND USE OF PROCEEDS**

As at the date of this announcement, the Company holds 100% equity interest of Pingwei I and 75% equity interest of Pingwei II. Upon completion of the Disposals, the Company will hold 60% equity interest of each of Pingwei I and Pingwei II, and both Pingwei I and Pingwei II will remain as subsidiaries of the Company and their respective financial results and positions will continue to be consolidated into the financial statements of the Group. There is no expected gain or loss for the Disposals.

The Company intends to use the net proceeds from the Disposals for future business development and general working capital.

### **REASONS FOR AND BENEFITS OF THE DISPOSALS**

Choosing Huainan Mining as a co-operator will help deepen the co-development of coal and electricity businesses and promote the integration of upstream and downstream industries of coal and electric power. It helps building a collaboration framework to share benefits and risks as well as ensuring the long-term stable coal supply to Pingwei I and Pingwei II. After the completion of the Disposals, it will reduce the Company's equity interests in traditional coal-fired power generation companies and help optimize the energy source mix between fossil fuel energy and renewable clean energy of the Company. The proceeds from the Disposals will further improve the liquidity and financial position of the Group.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Equity Transfer Agreements were entered into in the ordinary course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has material interest in the transactions contemplated under the Equity Transfer Agreements or is required to abstain from voting on the Board resolution.

#### **INFORMATION ON PINGWEI I**

Pingwei I is a limited liability company incorporated under the laws of the PRC on 17 September 1999. It is principally engaged in generation and sales of coal-fired power, production and sales of heat in Huainan, Anhui Province, the PRC. At present, it holds two coal-fired power generating units with an installed capacity of 1,260MW.

Based on the audited financial statements of Pingwei I prepared under the PRC GAAP, the key audited financial information of Pingwei I is set out as follows:

	<b>For the year ended 31 December 2018 (RMB'000)</b>	<b>For the six months ended 30 June 2018 (RMB'000)</b>	<b>For the year ended 31 December 2017 (RMB'000)</b>
Net profit before taxation	133,240	86,759	113,614
Net profit after taxation	99,915	64,851	85,109
	<b>As at 31 December 2018 (RMB'000)</b>	<b>As at 30 June 2018 (RMB'000)</b>	<b>As at 31 December 2017 (RMB'000)</b>
Net assets value	575,766	540,702	606,572

As at the date of this announcement, Pingwei I is a wholly-owned subsidiary of the Company.

#### **INFORMATION ON PINGWEI II**

Pingwei II is a limited liability company incorporated under the laws of the PRC on 17 November 2003. It is principally engaged in generation and sales of coal-fired power, power-related maintenance and technical services, production and sales of power by-products in Huainan, Anhui Province, the PRC. At present, it holds two coal-fired power generating units with an installed capacity of 1,280MW.

Based on the audited financial statements of Pingwei II prepared under the PRC GAAP, the key audited financial information of Pingwei II is set out as follows:

	<b>For the year ended 31 December 2018 (RMB'000)</b>	<b>For the six months ended 30 June 2018 (RMB'000)</b>	<b>For the year ended 31 December 2017 (RMB'000)</b>
Net profit/(loss) before taxation	136,719	90,582	(9,458)
Net profit/(loss) after taxation	108,745	69,919	(9,512)
	<b>As at 31 December 2018 (RMB'000)</b>	<b>As at 30 June 2018 (RMB'000)</b>	<b>As at 31 December 2017 (RMB'000)</b>
Net assets value	986,459	947,638	1,009,253

As at the date of this announcement, the Company owns 75% equity interest in Pingwei II, whereas the remaining 25% of the equity interest is held by Huainan Mining.

#### **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. As at the date of this announcement, SPIC indirectly owns approximately 56.04% of the issued share capital of the Company.

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 HUAINAN MINING**

Huainan Mining is a limited liability company incorporated under the laws of the PRC in November 1981 with its headquarters situated at Huainan, Anhui Province, the PRC. Huainan Mining is principally engaged in various industries such as coal mining, electricity, logistics and finance. It is ranked one of the 14 coal bases of 100-million-ton level and one of the six large coal-electricity bases in the PRC.

As at the date of this announcement, Huainan Mining holds 25% equity interest in Pingwei II and 40% equity interest in Pingwei III, and is a substantial shareholder of Huanggang Dabieshan Power Company Limited\* (黃岡大別山發電有限責任公司) (a 51%-owned subsidiary of the Company).

## COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, Huainan Mining is a substantial shareholder of Pingwei II and Pingwei III (subsidiaries of the Company), Huainan Mining is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposals constitute connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in respect of the Disposals exceed 1% but are less than 5%, the Disposals are therefore subject to the announcement and reporting requirements, but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“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
“Director(s)”	director(s) of the Company
“Disposals”	the Pingwei I Disposal and the Pingwei II Disposal
“Equity Transfer Agreements”	the Pingwei I Equity Transfer Agreement and the Pingwei II Equity Transfer Agreement
“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
“Huainan Mining”	Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司), a company incorporated in the PRC with limited liability
“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)

“Pingwei I”	Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司), a company incorporated in the PRC with limited liability
“Pingwei I Disposal”	the disposal of 40% equity interest in Pingwei I by the Company pursuant to the Pingwei I Equity Transfer Agreement
“Pingwei I Equity Transfer Agreement”	the agreement dated 10 April 2019 signed between the Company and Huainan Mining in relation to the transfer of 40% equity interest in Pingwei I
“Pingwei II”	Huainan Pingwei No. 2 Electric Power Co., Ltd. (淮南平圩第二發電有限責任公司), a company incorporated in the PRC with limited liability
“Pingwei II Disposal”	the disposal of 15% equity interest in Pingwei II by the Company pursuant to the Pingwei II Equity Transfer Agreement
“Pingwei II Equity Transfer Agreement”	the agreement dated 10 April 2019 signed between the Company and Huainan Mining in relation to the transfer of 15% equity interest in Pingwei II
“Pingwei III”	Huainan Pingwei No. 3 Electric Power Co., Ltd.* (淮南平圩第三發電有限責任公司), a company incorporated in the PRC with limited liability and a 60%-owned subsidiary of the Company
“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
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	the State Administration for Market Regulation of the PRC or its local counterpart
“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)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Reports”	the asset appraisal reports with regard to the value of the equity interests of Pingwei I and Pingwei II as at 30 June 2018, prepared by Pan-China Asset Appraisal Co., Ltd* (北京天健興業資產評估有限公司), an independent valuer, for the purpose of the Disposals

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.86 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, 11 April 2019

*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.*