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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 TRANSACTION

Formation of a Joint Venture

On 30 June 2020, Guangxi Company (a wholly-owned subsidiary of the Company) entered into a Joint Venture Agreement with Jilin Electric, CEC and Sinohydro B11, pursuant to which the parties agreed to form a Joint Venture in Nanning, Guangxi Zhuang Autonomous Region of the PRC.

Pursuant to the Joint Venture Agreement, the registered capital of the Joint Venture is RMB1,300,000,000 (equivalent to approximately HK\$1,428,571,400) which shall be contributed by Guangxi Company, Jilin Electric, CEC and Sinohydro B11 for the amounts of RMB520,000,000 (equivalent to approximately HK\$571,428,600), RMB455,000,000, RMB260,000,000, and RMB65,000,000 respectively, representing 40%, 35%, 20% and 5% of their respective equity interest in the Joint Venture.

Guangxi Company will make contribution to the Joint Venture by way of Asset Injection and cash. Guangxi Company will use its equity interest in Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power (subsidiaries of Guangxi Company) as its contribution. Upon completing transfer of the equity interest in these three subsidiaries, they will cease to be subsidiaries of the Company.

CEC is a wholly-owned subsidiary of SPIC. SPIC is the ultimate controlling shareholder of the Company, which is interested in approximately 60.04% of the issued share capital of the Company. As such, CEC is a connected person of the Company as defined in the Listing Rules. Accordingly, the formation of the Joint Venture constitutes a connected transaction of the Company under the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the formation of the Joint Venture exceed 0.1% but fall below 5%, it is therefore subject to the announcement and reporting requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT

Date

30 June 2020

Parties

- (i) Guangxi Company (a wholly-owned subsidiary of the Company);
- (ii) Jilin Electric;
- (iii) CEC; and
- (iv) Sinohydro B11.

The Joint Venture

Guangxi SPIC Overseas Energy Investment Co., Ltd.* (廣西國電投海外能源投資有限公司)

Place of incorporation

Nanning, Guangxi Zhuang Autonomous Region of the PRC

Scope of business

The Joint Venture will serve as an investment platform in the ASEAN region that focuses on clean energy investment and development. 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) electric power development and investment; electric power generation and supply;
- (b) electric power engineering; environmental protection engineering; energy-saving project development; industrial waste development and utilization;

- (c) general power facilities contracting, provision of technical assistance and consultancy for tendering, procurement, installation, repair, and testing of electric power facilities; production supervision, and other agency services;
- (d) sales of coal and its products; cargo transportation and storage services; and
- (e) development, investment, construction, operation and management of overseas power business.

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

Registered Capital

The registered capital of the Joint Venture is RMB1,300,000,000 (equivalent to approximately HK\$1,428,571,400). According to the Joint Venture Agreement, the JV Partners have no other commitments for the Joint Venture other than the registered capital.

The JV Partners at present have planned to invest in the clean energy projects in the ASEAN region. The timing and method of financing such projects shall be determined by the board of directors of the Joint Venture based on the then market conditions. The Company will comply with the relevant Listing Rules as and when it requires further disclosure.

Capital Contribution

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

JV Partner	Form of contribution	Amount of contribution (RMB)	Interest in the Joint Venture (%)
Guangxi Company	Asset Injection and cash	520,000,000	40
Jilin Electric	Cash	455,000,000	35
CEC	Cash	260,000,000	20
Sinohydro B11	Cash	65,000,000	5
Total		<u>1,300,000,000</u>	<u>100</u>

The above capital needs of 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. The capital contribution by Guangxi Company to the Joint Venture will be funded by the internal resources of the Group and through the Asset Injection to the Joint Venture.

Board and management structure

The board of the Joint Venture shall consist of five members, of which two will be nominated by Guangxi Company, one will be nominated by Jilin Electric, one will be nominated by CEC and one employee director. The directors are elected by the shareholders' meeting. The employee director is elected by employees of the Joint Venture through employee congress or other forms of democratic election. The board meeting shall be held only when more than half of the directors are present. Any board resolution must be passed by more than half of the attended directors.

The Joint Venture shall also have a board of supervisors which comprises seven members. Among them, three employee supervisors are elected by the employee congress, the remaining four are appointed by Guangxi Company, Jilin Electric, CEC, and Sinohydro B11 respectively. The general manager and the financial controller of the Joint Venture are to be recommended by Guangxi Company and appointed by the board of directors.

Profit sharing

Upon approval by the shareholders of the Joint Venture, distributable profit of the Joint Venture may be distributed to the JV Partners in proportion to their actual capital contribution made to the Joint Venture.

Transfer of equity interest

Transfer of equity interest in whole or in part of the Joint Venture held by Jilin Electric, CEC and Sinohydro B11 will be subject to the first right of refusal by Guangxi Company. If Guangxi Company has renounced its first right of refusal, the JV Partner that intends to transfer its equity interest of the Joint Venture shall have the right to transfer it to any one of the other JV Partners.

If any JV Partner proposes to transfer any part or all of its equity interest in the Joint Venture to any person other than another JV Partner, the consent of the other JV Partners and the approval or filing with the relevant governmental authorities will be required. Any other JV Partners who do not consent to the transfer shall purchase the equity interest proposed to be transferred and those who do not so purchase are deemed to have consented to the proposed transfer.

ASSET INJECTION

Guangxi Company will use its equity interest in Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power (subsidiaries of Guangxi Company) as its contribution to the Joint Venture. Set out below the transfer of the equity interest held by Guangxi Company in these three subsidiaries to the Joint Venture (of which Guangxi Company will hold its 40% equity interest):

	Lingchuan Wind Power	Lingshan Wind Power	Jinzishan Wind Power
	%	%	%
Before the Asset Injection	100.00	84.22 [#]	50.57
The Asset Injection	(100.00)	(55.00)	(35.35)
Indirect equity interest held through the Joint Venture after the Asset Injection	40.00	22.00	14.14

SPIC Guangxi Changzhou Hydropower Development Co., Ltd (國家電投集團廣西長洲水電開發有限公司), a 64.93%-owned subsidiary of Guangxi Company, holds 45% equity interest in Lingshan Wind Power.*

Set out below is the financial information of Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power prepared in accordance with the prevailing generally accepted accounting principles in the PRC:

Lingchuan Wind Power

	For the five months ended 31 May 2020 Unaudited (RMB'000)	For the year ended 31 December 2019 Audited (RMB'000)	For the year ended 31 December 2018 Audited (RMB'000)
Net profit before taxation	24,334	26,512	0
Net profit after taxation	24,334	26,512	0

	As at 31 May 2020 Unaudited (RMB'000)	As at 31 December 2019 Audited (RMB'000)	As at 31 December 2018 Audited (RMB'000)
Net assets	194,972	170,638	101,400

Lingshan Wind Power

	For the five months ended 31 May 2020 Unaudited (RMB'000)	For the year ended 31 December 2019 Audited (RMB'000)	For the year ended 31 December 2018 Audited (RMB'000)
Net profit before taxation	10,273	3,629	0
Net profit after taxation	10,273	3,629	0

	As at 31 May 2020 Unaudited (RMB'000)	As at 31 December 2019 Audited (RMB'000)	As at 31 December 2018 Audited (RMB'000)
Net assets	198,972	188,699	103,700

Jinzishan Wind Power

	For the five months ended 31 May 2020 Unaudited (RMB'000)	For the year ended 31 December 2019 Audited (RMB'000)	For the year ended 31 December 2018 Audited (RMB'000)
Net profit before taxation	27,270	31,316	33,187
Net profit after taxation	20,554	23,584	24,037

	As at 31 May 2020 Unaudited (RMB'000)	As at 31 December 2019 Audited (RMB'000)	As at 31 December 2018 Audited (RMB'000)
Net assets	658,495	637,941	632,897

Based on the valuation reports prepared by the Independent Valuer as at the Valuation Benchmark Date as of 31 December 2019 using the assets open market value approach, the values of Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power were RMB178,938,400, RMB195,004,300 and RMB655,249,100 respectively. The final consideration of the Asset Injection will be based on the above valuation adjusted with the change in net asset value of each of the three subsidiaries from the Valuation Benchmark Date to the completion date of the Asset Injection. Guangxi Company will pay the balance of its contribution to the Joint Venture in cash after the Asset Injection (if any).

Assuming the completion date of the Asset Injection was 31 May 2020, the above valuation adjusted with the change in the net asset value based each of the management accounts of Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power as at 31 May 2020 and an anticipated profit distribution of total RMB101,000,000 to their respective shareholders prior to the actual completion date of the Asset Injection, the consideration of the Asset Injection would be approximately RMB488,000,000 (equivalent to HK\$536,263,700). In accordance with the Hong Kong Financial Reporting Standards, the Group is then expected to record an estimated after tax gain of approximately RMB23,380,000 (equivalent to HK\$25,692,300) for the Asset Injection.

The consideration of the Asset Injection was determined by the JV Partners after arm's length negotiation and taking into account of the valuation reports prepared by the Independent Valuer, its assumption bases and valuation methods, and the net asset value of the above three subsidiaries.

Upon completing transfer of the equity interest in these three subsidiaries, they will cease to be subsidiaries of Guangxi Company. The Joint Venture will be treated as a long-term equity investment and accounted for under the equity method by Guangxi Company. The Company expects that the Asset Injection will not result in material financial impact to the Group.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE AND THE ASSET INJECTION

The formation of the Joint Venture enables each of the JV Partners to leverage on their capital and investment capabilities, to share technical experience and to explore market development opportunities in a greater joint strategic manner. It is beneficial to the Company's development and exploration of clean energy projects in the ASEAN region, and will provide beneficial experience and reference for the Company's future overseas project development.

Guangxi Company's contribution to the Joint Venture by means of Asset Injection will enable it to utilize the cash contribution and expertise from the other JV Partners to develop the existing wind power plant projects that are now in the progress of construction under Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power.

The Directors (including the independent non-executive Directors) are of the view that, as far as the shareholders of the Company are concerned, the Joint Venture Agreement and the Asset Injection are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

None of the Directors has material interest in the Joint Venture Agreement or is required to abstain from voting on the relevant Board resolutions.

INFORMATION OF THE GROUP AND THE JV PARTNERS

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.

Guangxi Company was incorporated in the PRC in May 2016 and is a wholly-owned subsidiary of the Company. Guangxi Company is principally engaged in development, investment, construction, operation and management of power generation projects (mainly hydropower, wind power and photovoltaic power plants at present).

Lingchuan Wind Power was incorporated in the PRC in January 2017 and a wholly-owned subsidiary of Guangxi Company. It is principally engaged in development, production and supply of wind power in Guangxi Zhuang Autonomous Region, the PRC. At present, Lingchuan Wind Power has a power generation installed capacity of approximately 110MW, among which, 60MW is in operation and 50MW is under construction.

Lingshan Wind Power was incorporated in the PRC in April 2017 and a 84.22%-owned subsidiary of Guangxi Company. It is principally engaged in development, production and supply of wind power in Guangxi Zhuang Autonomous Region, the PRC. At present, Lingshan Wind Power has a power generation installed capacity of approximately 200MW, among which, 44MW is in operation and 156MW is under construction.

Jinzishan Wind Power was incorporated in the PRC in July 2010 and a 50.57%-owned subsidiary of Guangxi Company. It is principally engaged in development, production and supply of wind power in Guangxi Zhuang Autonomous Region, the PRC. At present, Jinzishan Wind Power has a power generation installed capacity of approximately 329MW, among which, 99MW is in operation and 230MW is under construction.

Jilin Electric was incorporated in the PRC in April 1993 and was listed on the Shenzhen Stock Exchange in September 2002. It is principally engaged in the business of power generation and sale of electricity, including thermal power and hydropower, heat, industrial gas, and maintenance and service of power stations. At the date of this announcement, its ultimate controlling shareholder is SPIC which owns approximately 28.15% of its issued share capital.

“Asset Injection”	Guangxi Company’s transfer of its equity interest in Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power as part of its contribution to the Joint Venture pursuant to the Joint Venture Agreement
“Board”	the board of Directors of the Company
“CEC”	China Power Complete Equipment Co., Ltd.* (中國電能成套設備有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC
“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
“Group”	the Company and its subsidiaries from time to time
“Guangxi Company”	SPIC Guangxi Power Company Limited* (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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	For the purpose of valuation of Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power, the independent valuer is China Tong Cheng Assets Appraisals Co., Ltd.* (中通誠資產評估有限公司)
“Jilin Electric”	Jilin Electric Power Co., Ltd. * (吉林電力股份有限公司), a company incorporated in the PRC with limited liability whose shares are listed on the Shenzhen Stock Exchange
“Jinzishan Wind Power”	SPIC Guangxi Jinzishan Wind Power Ltd* (國家電投廣西金紫山風電有限公司), a company incorporated in the PRC with limited liability and a 50.57%-owned subsidiary of Guangxi Company

“Joint Venture”	Guangxi SPIC Overseas Energy Investment Co., Ltd.* (廣西國電投海外能源投資有限公司), a company to be incorporated in the PRC with limited liability pursuant to the Joint Venture Agreement
“Joint Venture Agreement”	the joint venture agreement dated 30 June 2020 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 Guangxi Company, Jilin Electric, CEC and Sinohydro B11
“Lingchuan Wind Power”	SPIC Guangxi Lingchuan Wind Power Ltd* (國家電投廣西靈川風電有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Guangxi Company
“Lingshan Wind Power”	Guangxi Lingshan Dahuaishan New Energy Ltd* (廣西靈山大懷山新能源有限公司), a company incorporated in the PRC with limited liability and a 84.22%-owned subsidiary of Guangxi Company
“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
“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
“Sinohydro B11”	Sinohydro Bureau 11 Co., Ltd* (中國水利水電第十一工程局有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Power Construction Corporation of China Limited* (中國電力建設股份有限公司) which is listed on the Shanghai Stock Exchange
“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), the ultimate controlling shareholder 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 Benchmark 31 December 2019
Date”

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.91 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
Chairman

Hong Kong, 2 July 2020

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.