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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

Transfer of Equity Interest in an Associated Company to a Joint Venture

On 29 July 2020, Changzhou Hydropower (an indirect non wholly-owned subsidiary of the Company) entered into an Equity Transfer Agreement with Guangxi Overseas (a joint venture company indirectly held by the Company), pursuant to which Changzhou Hydropower has agreed to sell, and Guangxi Overseas has agreed to acquire, 45% of the equity interest of Lingshan Wind Power.

As at the date of this announcement, Lingshan Wind Power is owned as to 45% by Changzhou Hydropower and 55% by Guangxi Overseas. Upon completion of the Equity Transfer, Guangxi Overseas will hold the entire equity interest of Lingshan Wind Power, and the Group will indirectly hold 40% equity interest of Lingshan Wind Power through Guangxi Overseas.

SPIC is the ultimate controlling shareholder of the Company, which is interested in approximately 60.04% of the issued share capital of the Company. Guangxi Overseas is a 30%-controlled company and an associate of SPIC as defined under Chapter 14A of the Listing Rules. Accordingly, Guangxi Overseas is a connected person of the Company and the Equity Transfer 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 Equity Transfer when aggregated with the asset injection in the Previous Transaction, 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.

INTRODUCTION

Reference is made to the Company's announcement dated 2 July 2020. Guangxi Company used its 55% directly held equity interest of Lingshan Wind Power as part of its contribution to the joint venture company, namely Guangxi Overseas (the "Previous Transaction"). Subsequent to the formation of Guangxi Overseas, it entered into an Equity Transfer Agreement with Changzhou Hydropower to acquire the remaining 45% of the equity interest of Lingshan Wind Power. Upon completion of the Equity Transfer, Guangxi Overseas will hold the entire equity interest of Lingshan Wind Power.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date

29 July 2020

Parties

- (i) Changzhou Hydropower (an indirect non wholly-owned subsidiary of the Company, the Transferor); and
- (ii) Guangxi Overseas (a joint venture company indirectly held by the Company, the Transferee).

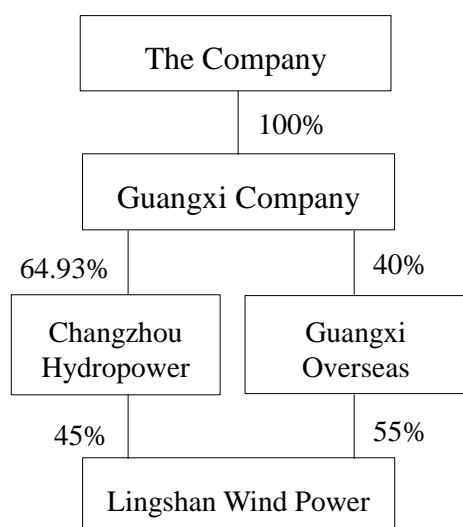
Assets to be transferred

Pursuant to the Equity Transfer Agreement, Changzhou Hydropower has agreed to sell, and Guangxi Overseas has agreed to acquire, 45% of the equity interest of Lingshan Wind Power.

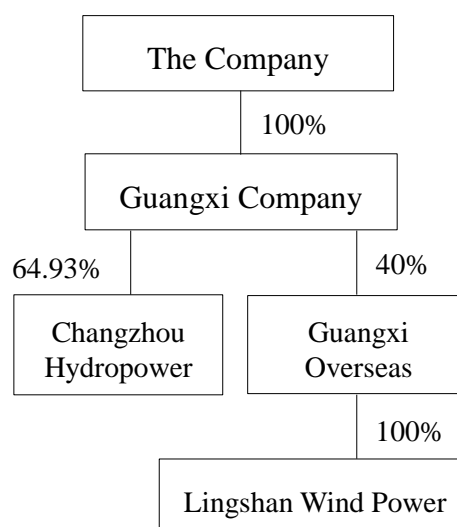
Lingshan Wind Power is a limited liability company incorporated in the PRC in April 2017 and is owned as to 45% by Changzhou Hydropower and 55% by Guangxi Overseas. It is principally engaged in development, production and supply of wind power in Guangxi Zhuang Autonomous Region, the PRC. At present, Lingshan Wind Power has a power generation installed capacity of approximately 200MW, among which, 44MW is in operation and 156MW is under construction.

The following diagrams illustrate the changes in shareholding structures of Lingshan Wind Power contemplated under the Equity Transfer Agreement:

Prior to completion of the Equity Transfer



Upon completion of the Equity Transfer



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

	For the six months ended 30 June 2020 Audited (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	13,027	3,629	0
Net profit after taxation	13,027	3,629	0

	As at 30 June 2020 Audited (RMB'000)	As at 31 December 2019 Audited (RMB'000)	As at 31 December 2018 Audited (RMB'000)
Net assets	191,131	188,699	103,700

Consideration and payment terms

Based on the valuation report prepared by the Independent Valuer as at the Valuation Benchmark Date as of 31 December 2019 using the assets open market value approach, the value of Lingshan Wind Power was RMB195,004,300. The final consideration of the Equity Transfer will be based on the above valuation adjusted with the change in net asset value of Lingshan Wind Power from the Valuation Benchmark Date up to the last day of the calendar month immediately prior to completion of the Equity Transfer.

The consideration of the Equity Transfer will be payable by Transferee in a lump sum through bank remittance to a designated bank account of Transferor within 90 days after the conditions precedent of the Equity Transfer Agreement have been fulfilled.

The consideration of the Equity Transfer was determined by the Transferor and the Transferee after arm's length negotiation and taking into account of the valuation report prepared by the Independent Valuer, its assumption bases and valuation methods, and the net asset value of Lingshan Wind Power.

Conditions precedent

The Equity Transfer is conditional upon the Transferor having obtained the necessary approvals from the relevant stock exchange, third parties and government authorities, and completed the necessary procedures in accordance with the applicable laws and regulations.

Completion of the Equity Transfer

Subject to the fulfilment of the above conditions precedent, completion is deemed to be done when all the formalities of the 45% equity interest transfer and the corresponding changes to the articles of association of Lingshan Wind Power in connection with the Equity Transfer have been completed.

Financial effect of the Equity Transfer

Assuming completion of the Equity Transfer was done within July 2020, the last day of the calendar month immediately prior to completion of the Equity Transfer would be 30 June 2020. When the above valuation was adjusted with the change in the net asset value based on the audited accounts of Lingshan Wind Power as at 30 June 2020, the consideration of the Equity Transfer would be approximately RMB89,000,000 (equivalent to HK\$98,889,000). In accordance with the Hong Kong Financial Reporting Standards, as the carrying amount of the Lingshan Wind Power has already been adjusted to its fair value following the Previous Transaction, the Group will not record any gain or loss on the Equity Transfer.

Upon completing the Equity Transfer, Guangxi Overseas will hold the entire equity interest of Lingshan Wind Power, and the Group will indirectly hold 40% equity interest of Lingshan Wind Power through Guangxi Overseas. The Company expects that the Equity Transfer will not result in material financial impact to the Group.

The net proceeds generated from the Equity Transfer will be applied as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

The Equity Transfer will enable Guangxi Overseas to hold the entire equity interest of Lingshan Wind Power in addition to the 55% of its equity interest that already held by Guangxi Overseas for the benefits of a more efficient and effective management of Lingshan Wind Power under a single holding company. The Group is able to leverage on the cash contribution and expertise from the other joint venture partners of Guangxi Overseas to develop the existing wind power plant projects that are now in the progress of construction under Lingshan Wind Power. It is expected that the Equity Transfer will bring benefits to the Group in terms of reduction in the overall operational costs and risks.

The Directors (including the independent non-executive Directors) are of the view that, as far as the shareholders of the Company are concerned, the terms of the Equity Transfer Agreement and the Equity Transfer contemplated thereunder are 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 a material interest in the Equity Transfer Agreement or is required to abstain from voting on the relevant Board resolutions.

INFORMATION OF THE GROUP, THE TRANSFEROR AND THE TRANSFEREE

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.

The Transferor

Changzhou Hydropower is a limited liability company incorporated in the PRC in October 2003. It is principally engaged in development, investment, production and supply of hydropower, wind power and solar power in Guangxi Zhuang Autonomous Region, the PRC.

The Transferee

Guangxi Overseas is a joint venture company formed and incorporated in the PRC with limited liability in June 2020. It is principally engaged in electric power development and investment; electric power generation and supply; electric power engineering; environmental protection engineering; energy-saving project development; industrial waste development and utilization; contracting, provision of technical assistance and consultancy for general power facilities in Guangxi Zhuang Autonomous Region, the PRC and overseas.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, SPIC owns approximately 60.04% of the issued share capital of the Company. As SPIC is the ultimate controlling shareholder of the Company, SPIC, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

Guangxi Overseas is a 30%-controlled company and an associate of SPIC as defined under Chapter 14A of the Listing Rules. Accordingly, Guangxi Overseas is a connected person of the Company and the Equity Transfer 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 Equity Transfer when aggregated with the asset injection in the Previous Transaction, 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.

DEFINITIONS

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

“associate(s)”	having the meaning ascribed to it under the Listing Rules
“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
“Equity Transfer”	the transfer of 45% equity interest of Lingshan Wind Power by the Transferor to the Transferee pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the sale and purchase agreement dated 29 July 2020 made between the Transferor and the Transferee, relating to the transfer of 45% equity interest of Lingshan Wind Power
“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, a wholly-owned subsidiary of the Company and the controlling shareholder of Changzhou Hydropower
“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 Lingshan Wind Power, the independent valuer is China Tong Cheng Assets Appraisals Co., Ltd.* (中通誠資產評估有限公司)
“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 is owned as to 45% by Changzhou Hydropower and 55% by Guangxi Overseas
“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
“Previous Transaction”	the asset injection transaction in which Guangxi Company using its 55% directly held equity interest of Lingshan Wind Power as part of its contribution to the joint venture company, the details of which were set out in the Company’s announcement dated 2 July 2020
“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 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

“Transferee” or “Guangxi Overseas”	Guangxi SPIC Overseas Energy Investment Co., Ltd.* (廣西國電投海外能源投資有限公司), a company incorporated in the PRC with limited liability and an 40%-owned joint venture company of Guangxi Company and a joint venture company indirectly held by the Company
“Transferor” or “Changzhou Hydropower”	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 company incorporated in the PRC with limited liability and a 64.93%-owned subsidiary of Guangxi Company and an indirect non wholly-owned subsidiary of the Company
“Valuation Benchmark Date”	31 December 2019

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.90 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, 29 July 2020

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