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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 AND CONNECTED TRANSACTION

Repurchase of Equity Interests in a Non-Wholly Owned Subsidiary

Equity Transfer Confirmation

Reference is made to the Company's announcement dated 24 October 2018, whereby Wu Ling Power (a 63%-owned subsidiary of the Company) entered into Yuanjiang Capital Injection Agreement and Yuanjiang Equity Transfer Agreement in relation to the Yuanjiang Capital Injection.

On 29 October 2020, Wu Ling Power signed the Equity Transfer Confirmation on exercise of the Original Shareholder's Option to buy back the Yuanjiang Equity Interests held by Huabao Trust and ABC Financial at the exercise price of RMB3,000 million (equivalent to approximately HK\$3,448,276,000). Following the transaction, Huabao Trust and ABC Financial will cease to hold any equity interest in Yuanjiang Company.

Compliance with the Listing Rules

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer is more than 5% but less than 25%, it constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, ABC Financial holds 11.69% equity interest in SPIC Changzhou (an indirect non-wholly owned subsidiary of the Company). As ABC Financial is a substantial shareholder of the subsidiary of the Company, it is thus a connected person at the subsidiary level of the Company as defined in the Listing Rules. Accordingly, the Equity Transfer also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given (1) the Equity Transfer contemplated under the Equity Transfer Confirmation is at the subsidiary level of the Company; (2) the Board has approved the Equity Transfer; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Confirmation are fair and reasonable and the Equity Transfer is conducted on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the said connected transaction is only subject to the reporting and announcement requirements, and will be exempted from the circular, independent financial advice and shareholders' approval requirements, pursuant to Rule 14A.101 of the Listing Rules.

INTRODUCTION

Reference is made to the Company's announcement dated 24 October 2018, whereby Wu Ling Power (a 63%-owned subsidiary of the Company) entered into Yuanjiang Capital Injection Agreement and Yuanjiang Equity Transfer Agreement in relation to the Yuanjiang Capital Injection.

Pursuant to the Yuanjiang Capital Injection Agreement, Huabao Trust and ABC Financial, as investors, agreed to inject RMB2,500 million and RMB500 million respectively, to acquire 41.18% equity interest in Yuanjiang Company by way of cash contribution. Pursuant to the Yuanjiang Equity Transfer Agreement, after completion of the Yuanjiang Capital Injection, Wu Ling Power was granted certain rights to buy back the Yuanjiang Equity Interests from Huabao Trust and ABC Financial upon the occurrence of certain events and subject to the terms and conditions under the Yuanjiang Equity Transfer Agreement.

On 29 October 2020, Wu Ling Power signed the Equity Transfer Confirmation on exercise of the Original Shareholder's Option to buy back the Yuanjiang Equity Interests held by Huabao Trust and ABC Financial as mutually agreed by the parties and in accordance with the relevant terms and conditions of the Yuanjiang Equity Transfer Agreement.

PRINCIPAL TERMS OF THE EQUITY TRANSFER CONFIRMATION

Date

29 October 2020

Parties

- (i) Huabao Trust (holding 34.32% equity interest of Yuanjiang Company, as the transferor);
- (ii) ABC Financial (holding 6.86% equity interest of Yuanjiang Company, as the transferor);
and

(iii) Wu Ling Power (holding 58.82% equity interest of Yuanjiang Company, as the transferee).

The Original Shareholder's Option

Pursuant to the Yuanjiang Equity Transfer Agreement, Wu Ling Power (the original shareholder of Yuanjiang Company) exercised its Original Shareholder's Option at its discretion to buy back the Yuanjiang Equity Interests from Huabao Trust and ABC Financial upon the occurrence of one of the specific circumstances, i.e. within 70 months after the date of Tuokou hydropower station has started operation, and subsequently extended for 10 more months, all the parties have agreed not to further extend the investment period.

Consideration and Payment Terms

Pursuant to the Yuanjiang Equity Transfer Agreement, where the Original Shareholder's Option is exercised upon the occurrence of any of the specific circumstances and the Original Shareholder chooses to buy back the Yuanjiang Equity Interests from the Investors, the exercise price shall be RMB3,000 million (the original amount of the capital injection made by the Investors to Yuanjiang Company).

The consideration of the Equity Transfer (the exercise price of the Original Shareholder's Option) will be payable in cash by Wu Ling Power through bank remittance to the designated bank accounts of Huabao Trust and ABC Financial of RMB2,500 million and RMB500 million respectively on 29 October 2020 (the date of payment of the exercise price).

The above consideration will be satisfied by lending from SPIC through SPIC Financial by way of entrusted loan which is conducted on normal commercial terms or better and is free from any security by the Group's assets.

Completion of the Equity Transfer

Completion is deemed to be done when the consideration of the Equity Transfer has been paid, and all official formalities for the ownership change of Yuanjiang Equity Interests and the corresponding changes to the articles of association of Yuanjiang Company in connection with the Equity Transfer have been completed.

INFORMATION OF YUANJIANG COMPANY AND EFFECTS OF THE EQUITY TRANSFER ON THE GROUP

Yuanjiang Company is a limited liability company incorporated under the laws of the PRC on 13 April 2004. It is principally engaged in development, production and supply of hydropower in Hunan Province, the PRC.

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

	For the six months ended 30 June 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/(loss) before taxation	258,002	411,605	(4,963)
Net profit/(loss) after taxation	193,502	308,701	(741)

	As at 30 June 2020 Unaudited (RMB'000)	As at 31 December 2019 Audited (RMB'000)	As at 31 December 2018 Audited (RMB'000)
Net assets	7,230,110	7,237,608	7,042,807

Financial Effects of the Equity Transfer

Upon completing the Equity Transfer, Yuanjiang Company will be a wholly-owned subsidiary of Wu Ling Power, and a 63%-owned indirect subsidiary of the Company. The financial results of Yuanjiang Company will continue to be consolidated into the financial statements of the Group; and the non-controlling interests in Yuanjiang Company will cease. There is no expected gain or loss on repurchase of the Yuanjiang Equity Interests. The Company expects that the Equity Transfer will not result in material financial impact to the Group.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

Yuanjiang Company has achieved satisfactory financial results in the year 2019 and the first half of 2020. Following the completion of the Equity Transfer, Yuanjiang Company will no longer be required to make mandatory annual dividend distribution to the Investors pursuant to the performance obligation under the Yuanjiang Capital Injection Agreement, and thus reduce its cash outflow.

From the Group's perspective, it would again maintain full control over Yuanjiang 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.

The Directors (including the independent non-executive Directors) are of the view that, as far as the shareholders of the Company are concerned, the consideration for the Equity Transfer (which is the pre-determined exercise price of the Original Shareholder's Option) and the other terms of the Equity Transfer Confirmation are conducted 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 a material interest in the Equity Transfer Confirmation or is required to abstain from voting on the relevant Board resolutions.

INFORMATION OF THE GROUP, HUABAO TRUST AND ABC FINANCIAL

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.

Wu Ling Power

Wu Ling Power is a limited liability company incorporated under the laws of the PRC on 3 May 1995 and a 63%-owned subsidiary of the Company and the immediate holding company of Yuanjiang Company. It is principally engaged in development, production and supply of hydropower, wind power and other clean energy power in Hunan, Guizhou, Sichuan and Xinjiang, the PRC.

Huabao Trust

Huabao Trust is a limited liability company incorporated under the laws of the PRC on 10 September 1998 and is ultimately controlled by China Baowu Steel Group Corporation Limited* (中國寶武鋼鐵集團有限公司). It is principally engaged in fund trust, management of investment funds and provision of various financial services.

ABC Financial

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 and Insurance Regulatory Commission (formerly known as China Banking Regulatory Commission) to specialize in market-driven debt-to-equity swap business in the PRC. It is ultimately controlled by Agricultural Bank of China Limited.

COMPLIANCE WITH THE LISTING RULES

As one of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Equity Transfer is more than 5% but less than 25%, it constitutes a discloseable transaction of the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, ABC Financial holds 11.69% equity interest in SPIC Changzhou (an indirect non-wholly owned subsidiary of the Company). As ABC Financial is a substantial shareholder of the subsidiary of the Company, it is thus a connected person at the subsidiary level of the Company as defined in the Listing Rules. Accordingly, the Equity Transfer also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given (1) the Equity Transfer contemplated under the Equity Transfer Confirmation is at the subsidiary level of the Company; (2) the Board has approved the Equity Transfer; and (3) the independent non-executive Directors have confirmed that the terms of the Equity Transfer Confirmation are fair and reasonable and the Equity Transfer is conducted on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the said connected transaction is only subject to the reporting and announcement requirements, and will be exempted from the circular, independent financial advice and shareholders' approval requirements, pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

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

“ABC Financial”	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
“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 Yuanjiang Equity Interests from Huabao Trust and ABC Financial to Wu Ling Power pursuant to the Equity Transfer Confirmation

“Equity Transfer Confirmation”	the confirmation on exercise of the Original Shareholder’s Option at the discretion of Wu Ling Power to buy back the Yuanjiang Equity Interests from Huabao Trust and ABC Financial dated 29 October 2020
“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
“Huabao Trust”	Huabao Trust Company Limited* (華寶信託有限責任公司), a company incorporated in the PRC with limited liability
“Investors”	Huabao Trust and ABC Financial
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Shareholder”	Wu Ling Power
“Original Shareholder’s Option”	the right granted to Wu Ling Power or its designated third party to buy back the Yuanjiang Equity Interests from Huabao Trust and ABC Financial at the exercise price pursuant to and subject to the terms and conditions of the Yuanjiang Equity Transfer Agreement
“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
“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)
“SPIC Changzhou”	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 an indirect non-wholly owned subsidiary of the Company

“SPIC Financial”	SPIC Financial Company Limited* (國家電投集團財務有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of SPIC and a non-bank financial institution approved by the China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wu Ling Power”	Wu Ling Power Corporation* (五凌電力有限公司), a company incorporated in the PRC with limited liability and a 63%-owned subsidiary of the Company
“Yuanjiang Capital Injection”	the capital injection of RMB2,500 million and RMB500 million in cash by Huabao Trust and ABC Financial, respectively into Yuanjiang Company under the terms and conditions of the Yuanjiang Capital Injection Agreement
“Yuanjiang Capital Injection Agreement”	the agreement dated 24 October 2018 signed between Wu Ling Power, Huabao Trust, ABC Financial and Yuanjiang Company in relation to the Yuanjiang Capital Injection, details of which are set out in the Company’s announcement dated 24 October 2018
“Yuanjiang Company”	Huaihua Yuanjiang Power Development Co., Ltd.* (懷化沅江電力開發有限責任公司), a company incorporated in the PRC with limited liability and a 58.82%-owned subsidiary of Wu Ling Power
“Yuanjiang Equity Interests”	the 41.18% equity interest in Yuanjiang Company held by Huabao Trust and ABC Financial holding for 34.32% and 6.86% respectively
“Yuanjiang Equity Transfer Agreement”	the agreement dated 24 October 2018 signed between Wu Ling Power, ABC Financial and Huabao Trust, details of which are set out in the Company’s announcement dated 24 October 2018

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.87 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 October 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.