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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**

#### **Partial Disposal of Equity Interest in Xinyuan Ronghe**

On 26 December 2022, the Company entered into the Equity Transfer Agreements with China Coal Power, an independent third party, pursuant to which the Company agreed to sell, and China Coal Power agreed to purchase, 60% equity interest in Xinyuan Ronghe, a wholly-owned subsidiary of the Company, at a consideration of RMB1,264,735,140 (equivalent to approximately HK\$1,421,051,000).

Immediately upon completion of the Disposal, Xinyuan Ronghe will cease to be a subsidiary and become an associate of the Company. The Group will account for the financial results and financial position of Xinyuan Ronghe using the equity method in its consolidated financial statements.

As the highest applicable percentage ratio in respect of the Disposal is more than 5% but less than 25%, the entering into the Equity Transfer Agreements and the Disposal contemplated thereunder constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

As the Group's long-term strategic plan to transform itself towards a green and low-carbon energy supplier and service provider, it has been optimizing its asset structure and accelerate its strategic transformation. Through an open market tender on the China Beijing Equity Exchange (北京產權交易所), the Company divested part of its equity interest in Xinyuan Ronghe, a wholly-owned subsidiary of the Company which holds Dabieshan Power Plant and Yaomeng Power Plant, both of which are principally engaged in the generation and sales of coal-fired power, to a large-scale coal supplying group to achieve a mutually beneficial cooperation.

## **THE EQUITY TRANSFER AGREEMENTS**

### ***Date***

26 December 2022

### ***Parties***

- (i) the Company, as the Seller; and
- (ii) China Coal Power, as the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

### ***Asset to be disposed of***

Pursuant to the Equity Transfer Agreements, the Company agreed to sell, and China Coal Power agreed to purchase, 60% equity interest in Xinyuan Ronghe.

As at the date of this announcement, Xinyuan Ronghe is a wholly-owned subsidiary of the Company incorporated in the PRC which is principally engaged in power generation, power transmission, power distribution, power generation technical services and emerging energy technology research and development. In September 2022, the Group completed an internal reorganization and transferred 51% equity interests in Dabieshan Power Plant and 100% equity interest in Yaomeng Power Plant from the Company to Xinyuan Ronghe. Dabieshan Power Plant and Yaomeng Power plant hold nine coal-fired power generating units with a total installed capacity of 4,760MW located in Henan and Hubei Provinces of the PRC and a thermal power project which is currently under construction. Details of Xinyuan Ronghe's shareholding structure and financial information are set forth in the section below headed "INFORMATION OF XINYUAN RONGHE".

### ***Consideration, basis of determination and payment terms***

The consideration for the Target Equity Interest is RMB1,264,735,140 (equivalent to approximately HK\$1,421,051,000). The consideration of the Target Equity Interest was determined by the parties with reference to the Asset Appraisal Report prepared by the Independent Appraiser on the assessed market value of the net asset of Xinyuan Ronghe in the amount of RMB2,107,891,900 as at the Appraisal Reference Date using the assets-based approach.

A sum of RMB200,000,000 was paid by the Purchaser to the China Beijing Equity Exchange as guarantee payment for participating in the tender for the Target Equity Interest. Upon execution of the Equity Transfer Agreements, the aforementioned guarantee payment shall be converted into payment for part of the consideration. The remaining balance of the consideration is required to be paid in full within two working days following the execution of the Equity Transfer Agreements.

### ***Completion and handover***

Upon the execution of the Equity Transfer Agreements, the Seller shall hand over the control and management rights of the Target Company to the Purchaser, and the Purchaser shall then take over the control and management rights of the Target Company.

The date on which the China Beijing Equity Exchange issues the equity transaction certificate (產權交易憑證) after settlement of the consideration of the Disposal by the Purchaser, and handover of the control and management rights of the Target Company by the Seller, shall deem to be the date the transfer of the Target Equity Interest has been completed (the “**Completion Date**”).

Within 20 working days after the Completion Date, the Seller shall procure and ensure that the Target Company completes the registration procedures and obtain all necessary approvals for the Disposal and transfer of intangible rights (if any), and the Purchaser shall provide all necessary assistance and cooperation.

From the date of execution of the Equity Transfer Agreements to the Completion Date, the Seller shall have the obligation to manage the Target Company. The Seller shall guarantee and ensure the normal operation of the Target Company. In the case of any adverse event (other than normal operating loss) that caused material impact to the Target Company during this period, the Seller shall notify the Purchaser in a timely manner and to compensate the Purchaser for any damages it has suffered (if any).

During the transitional period from the Appraisal Reference Date to the Completion Date, the Purchaser and the Seller will be entitled to, or borne, all profits and losses (as the case may be) of the Target Company based on their respective percentage of equity interest in the Target Company after the Completion Date.

#### ***Post-Completion Commitment***

Both the Seller and the Purchaser has confirmed that after completion of the Disposal, the Purchaser as the controlling shareholder of the Target Company, the Purchaser and/or its affiliated companies shall have the right to establish a long-term and stable coal supply relationship with Dabieshan Power Plant and Yaomeng Power Plant.

The Purchaser has committed that, within 6 months after the completion of the change of industrial and commercial registration for the Target Equity Interest, it shall assist Yaomeng Power Plant and Dabieshan Power Plant to raise an amount of not more than RMB3,619,000,000 for repayment of their debts due to the Seller and its affiliated companies.

#### **FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS**

As at the date of this announcement, Xinyuan Ronghe holds 51% equity interest in Dabieshan Power Plant and 100% equity interest in Yaomeng Power Plant. Immediately upon completion of the Disposal, the Company will hold 40% equity interest in Xinyuan Ronghe and therefore indirectly hold 20.4% equity interest in Dabieshan Power Plant and 40% equity interest in Yaomeng Power Plant. Xinyuan Ronghe will cease to be a subsidiary and become an associate of the Company. The Group will account for the financial results and financial position of Xinyuan Ronghe using the equity method in its consolidated financial statements. According to the current unaudited internal management accounts of Xinyuan Ronghe, it is estimated that the Group will record a gain of approximately RMB 650 million from the Disposal.

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

## REASONS FOR AND BENEFITS OF THE DISPOSAL

By bringing in a new investor backed by a large-scale coal supplying group to Xinyuan Ronghe, the Group can realize strategic and operational synergies of ensuring dual security for stable coal supply and stable electricity generation of its coal-fired power business. The Disposal is expected to reduce the Group's gearing ratio and the overall operating costs of its coal-fired power business. The proceeds from the Disposal will be beneficial to the Group's financial and cash flow position and reinforce its continual focus on promoting sustainable development of clean and low-carbon energy.

The Directors (including the independent non-executive Directors) are of the view that, as far as the shareholders of the Company are concerned, the transaction contemplated under Equity Transfer Agreements has been conducted on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

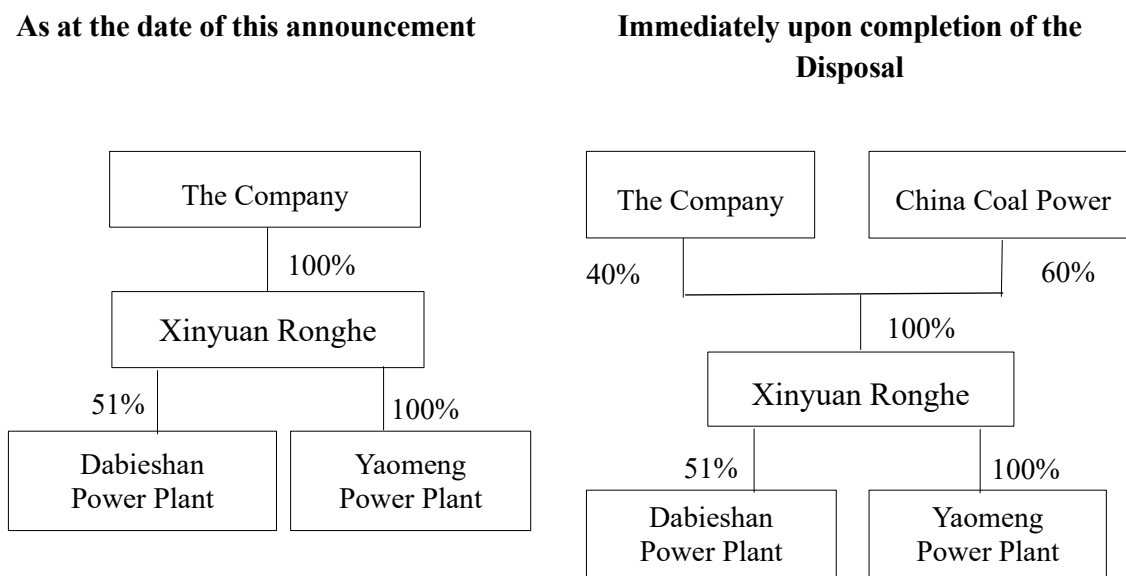
None of the Directors has a material interest in the transactions contemplated under the Equity Transfer Agreements or is required to abstain from voting on the relevant Board resolutions.

## INFORMATION OF XINYUAN RONGHE

Xinyuan Ronghe is a limited liability company incorporated in the PRC in September 2022 with a registered capital of RMB2 billion and a paid-up capital of RMB908,910,472. It is principally engaged in power generation, power transmission, power distribution, power generation technical services and emerging energy technology research and development.

It is the immediate holding company of Dabieshan Power Plant and Yaomeng Power Plant which together hold nine coal-fired power generating units with a total installed capacity of 4,760MW located in Henan and Hubei Provinces of the PRC and a thermal power project which is currently under construction.

The following diagrams illustrate the shareholding structure of Xinyuan Ronghe at the date of this announcement and immediately upon completion of the Disposal:



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

	<b>For the period ended 30 September 2022 since its incorporation (RMB'000)</b>		<b>As at 30 September 2022 (RMB'000)</b>
	<i>Audited</i>		<i>Audited</i>
Net loss before taxation	866,850	Net assets	2,799,637
Net loss after taxation	774,897		

## INFORMATION OF THE GROUP

The Company is the core and flagship listed subsidiary of SPIC. The Group is principally engaged in generation and sale of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and coal-fired power plants; and provision of energy storage, green power transportation, and integrated intelligent energy solution services. Its businesses are located in various major power grid regions of China.

## INFORMATION OF CHINA COAL POWER

China Coal Power was established in January 2020 with a registered capital of approximately RMB 3.71 billion. It is a wholly-owned subsidiary of 中國中煤能源集團有限公司 (China Coal Energy Group Co., Ltd.\*, “**China Coal Group**”) and is principally engaged in wind power generation, engineering design, technical services, technology development, contract energy management services and power supply.

China Coal Group is wholly owned by the State Council of the PRC. It is a large-scale energy enterprise managed by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) which is principally engaged in coal production and trade, coal chemical industry, power generation, coal mine construction, coal mine equipment manufacturing and related engineering technical services, covering the entire coal industry.

## LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal is more than 5% but less than 25%, the entering into the Equity Transfer Agreements and the Disposal contemplated thereunder constitutes a disclosable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Appraisal Reference Date”	30 September 2022, being the reference date on which the value of Xinyuan Ronghe was appraised
“Asset Appraisal Report”	the asset appraisal report with regard to the market value of the net asset of Xinyuan Ronghe as at the Appraisal Reference Date, prepared by the Independent Appraiser
“Board”	the board of Directors of the Company
“China Coal Power” or “Purchaser”	中煤電力有限公司 (China Coal Power Co., Ltd.*), a company incorporated in PRC with limited liability, and a wholly-owned subsidiary of China Coal Group which is ultimately managed by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Company” or “Seller”	China Power International Development Limited (中國電力國際發展有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“Dabieshan Power Plant”	黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*), a company incorporated in the PRC with limited liability and a 51%-owned subsidiary of Xinyuan Ronghe
“Director(s)”	director(s) of the Company
“Disposal”	The disposal of the Target Equity Interest from the Seller to the Purchaser pursuant to the Equity Transfer Agreements
“Equity Transfer Agreement”	the agreement dated 26 December 2022 entered into between the Company and China Coal Power in relation to the transfer of the Target Equity Interest
“Equity Transfer Agreements”	the Equity Transfer Agreement and the Supplemental Agreement, collectively
“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
“Independent Appraiser”	Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司), a qualified asset valuer in the PRC
“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, which for the purpose of this announcement, 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 26 December 2022 entered into between the Company and China Coal Power to supplement the Equity Transfer Agreement
“Target Equity Interest”	60% equity interest in Xinyuan Ronghe
“Yaomeng Power Plant”	Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Xinyuan Ronghe
“Xinyuan Ronghe” or “Target Company”	新源融合(北京)電力有限公司 (Xinyuan Ronghe (Beijing) Power Co., Ltd.*), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement

\* *English or Chinese translation, as the case may be, is for identification purposes 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**  
**HE Xi**  
*Chairman*

Hong Kong, 28 December 2022

*As at the date of this announcement, the directors of the Company are: executive directors HE Xi and GAO Ping, non-executive directors ZHOU Jie and XU Zuyong, and independent non-executive directors LI Fang, YAU Ka Chi and HUI Hon Chung, Stanley.*