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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 under the Hong Kong Companies Ordinance)*

**(Stock Code: 2380)**

### **DISCLOSURE UNDER RULE 13.09(1) OF THE LISTING RULES**

**Possible Discloseable Transaction  
in relation to  
Proposed Acquisition of 25% Equity Interest in  
Guangzhou Power Enterprise Group Company**

On 30 December, 2007, the Company entered into a legally-binding Framework Agreement with Guangzhou Development in relation to the Proposed Acquisition at the aggregate consideration of RMB749,500,000.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules. The transactions contemplated under the Framework Agreement are subject to the obtaining of the approval of the SASAC of Guangdong province. The Parties shall enter into the Equity Transfer Agreement following the obtaining of the approval of the SASAC of Guangdong province to the Framework Agreement. Should the Parties fail to obtain the said approval, the Framework Agreement will be terminated.

The Proposed Acquisition will constitute a discloseable transaction under Rule 14.06(2) of the Listing Rules, as the applicable percentage ratios for the Proposed Acquisition under Rule 14.07 of the Listing Rules are below 25% but above 5%. Accordingly, the Proposed Acquisition is subject to the reporting and announcement requirements under the Listing Rules and a circular containing the relevant information in relation to the Proposed Acquisition will be despatched to the Shareholders following the signing of the Equity Transfer Agreement and the publication of the announcement on the Equity Transfer Agreement.

**The signing of the Framework Agreement in relation to the Proposed Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **THE FRAMEWORK AGREEMENT**

The Board wishes to announce that a Framework Agreement was entered into by the Company with Guangzhou Development on 30 December, 2007. Details of the Framework Agreement are summarised below:

### **Date of the Framework Agreement**

30 December, 2007

### **Parties to the Framework Agreement**

- (1) Guangzhou Development as the transferor
- (2) The Company as the transferee.

Guangzhou Development is an authorized company established under the laws of the PRC and is administered by the SASAC of Guangzhou city for state-owned assets business in Guangzhou. It is principally engaged in the investment, management and operation of power and energy related core industries such as electric power, infra structure, energy source logistics and LNG energy business etc. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Guangzhou Development and its ultimate beneficial owner are independent of the Company and its connected persons as defined under the Listing Rules.

### **Subject matter of the Framework Agreement**

25% equity interest in Guangzhou Power and the rights to dividends and profits attached thereto.

Following the completion of the Proposed Acquisition, Guangzhou Power shall become a sino-foreign equity joint venture and owned as to 75% by Guangzhou Development and as to 25% by the Company.

## **Consideration**

Pursuant to the Framework Agreement, the consideration for the Proposed Acquisition is RMB749,500,000 (equivalent to approximately HK\$771,985,000). The consideration shall be satisfied in the following manner:

- (1) 10% of the deposit in the sum of RMB74,950,000 (equivalent to approximately HK\$77,198,500) shall be paid in cash within 10 business days following the signing of the Share Transfer Agreement;
- (2) A further 70% of the consideration in the sum of RMB524,650,000 (equivalent to approximately HK\$540,389,500) shall be paid in cash within 15 business days upon receipt of the approval documents from the MOFCOM; and
- (3) The remaining balance of RMB149,900,000 (equivalent to approximately HK\$154,397,000) shall be paid in cash within 15 business days upon completion of the due registration procedures with the Guangzhou Administration of Industry and Commerce.

The consideration was negotiated and entered into on arm's length basis and on normal commercial terms, on the basis of the net asset value of Guangzhou Power following the completion of the corporate restructuring of Guangzhou Power, and the company appraisal on the scope of assets and potential development of Guangzhou Power, equivalent to a premium of approximately 1.4% of the evaluation of net asset value of the entitlement of Guangzhou Power in terms of transfer of equity interest as at 31 December, 2006.

The Directors are of the view that the consideration and the terms of the Framework Agreement are fair and reasonable, on normal commercial terms and that the Proposed Acquisition is in the interests of the Company and its shareholders as a whole.

## **Conditions to the Framework Agreement and transfer of Shareholdings**

The effectiveness of the Framework Agreement is conditional upon the obtaining of the approval from the SASAC of Guangdong province.

Guangzhou Development undertakes to transfer the proposed Shareholdings in compliance with the relevant procedures pertaining to the handling of State-owned assets, and that no encumbrances or guarantees have been created over such Shareholdings.

The Parties further agree that the effective date for the exercise rights of the shareholders shall fall on the business day following the fulfilment of the following conditions:

- (a) the obtaining of the approval from the MOFCOM for the Proposed Acquisition; and
- (b) payment of 80% of the consideration as stated in items (1) and (2) in the section headed "Consideration" above.

### **Termination and Effect**

The Framework Agreement shall take effect upon the obtaining of the approval from the SASAC of Guangdong province.

The Framework Agreement will be automatically terminated if the SASAC of Guangdong province does not approve the Framework Agreement or the Equity Transfer Agreement has been formally executed by the Parties.

If the approval to the Equity Transfer Agreement is not obtained from the MOFCOM on or before 31 June 2008, the Parties shall negotiate as to whether or not, depending on the complexity of the process, to proceed with Proposed Acquisition; and PROVIDED THAT:

- (a) there exists practical complexity in the process of obtaining the approval from the MOFCOM, either Party may terminate the Agreement on 1 July, 2008; or
- (b) if no practical complexity exists in the process of obtaining the approval from the MOFCOM, either Party may terminate the Agreement on 1 January, 2009.

If the Equity Transfer Agreement cannot be signed on or before 1 February 2008 for any reasons other than the Company, the abovementioned deadlines shall be delayed correspondingly.

Upon the termination of the Equity Transfer Agreement due to the above, Guangzhou Development shall return the deposit and the interim payment to the Company together with interest accrued thereon within 10 business days following such termination.

### **Lock Up**

The Company undertakes that, once it holds the equity interest in Guangzhou Power, it shall not, within 5 years from the date of the issuance of the business license of the joint venture company, transfer any of its equity interest in Guangzhou Power to any third parties or request Guangzhou Development to repurchase its equity interest.

## **Principle for dividend distribution**

The Parties agree that during the term of the joint venture, the cash dividend distribution ratio of Guangzhou Power shall not be less than 50% of the actual distributable profit in the year of distribution, and the annual profit distribution for the preceding year shall be paid in the first quarter of each year following the completion of the annual audit of the preceding year.

## **Board Representation**

The Parties further agree that the board of the joint venture company shall consist of 9 directors, the Company is entitled to nominate 2 directors to the board.

## **INFORMATION ON THE COMPANY**

The Company is a flagship company and only listed entity outside the PRC of the CPI Group. CPI Group is one of the five national power generation groups in China, and operates coal-fired, hydroelectric and nuclear power plants in various locations in the PRC. CPI Holding is wholly-owned by CPI Group and owns and operates coal-fired and hydroelectric power plants in the PRC. As at the date of this announcement, CPI Group, through intermediate holding companies, CPI Holding and CPDL, owns and is entitled to control approximately 55.37% of the issued share capital of the Company.

The principal business of the Company and its subsidiaries is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates four high capacity coal fired power plants and it has an attributable installed capacity of 7,215 MW. The Company also manages five other plants which are situated in Liaoning, Anhui, Fujian and Jiangxi, on behalf of its controlling shareholder, CPI Holding.

## **INFORMATION ON GUANGZHOU POWER**

Guangzhou Power is a State-owned enterprise duly incorporated on 24 March, 2003 and existing under the laws of PRC. As at the date of this announcement, it is wholly-owned by Guangzhou Development.

Guangzhou Power is principally engaged in the investment of electricity generation projects, production and sale of power and management of co-generation business in Guangzhou area. As at 31 December, 2006, the net asset value of Guangzhou Power is RMB 2.582 billion.

Guangzhou Power is currently undergoing a corporate restructuring and will have an installed capacity of 1020.3MW following the completion of the corporate

restructuring, which accounts for 22.35% of the total installed capacity in terms of coal fire power units in Guangzhou city, out of which the installed capacity for co-generation is 631.5MW, which accounted for 39.96% of the total installed capacity in terms of co-generation units in Guangzhou City.

In accordance with the “Eleven Five Year Plan”, Guangzhou Power intends to position itself in relation to co-generation and clean energy projects and shall further position itself in terms of strategic development relating to the co-generation in the development industrial district. In the next 5 year, Guangzhou Power will be developed into a large co-generation group in Guangzhou area.

## **INFORMATION OF GUANGZHOU DEVELOPMENT**

Guangzhou Development was founded in September 1989. With a registered capital of RMB 1 billion, it is an authorized company for state asset business in Guangzhou, principally engaged in the investment, operation and management of core energy related industries such as electric power, infrastructure, energy source logistics, and LNG energy business etc.

Since 1997, Guangzhou Development has concentrated on the investment and development of core industries and established diversified industry structure based on three core industries of electricity power, infrastructure and energy source logistics. In 2006, the total asset of Guangzhou Development was RMB21.146 billion with a net asset of RMB 12.3 billion.

## **LISTING RULES IMPLICATIONS**

The Framework Agreement is legally-binding on the Parties. The transactions contemplated under the Framework Agreement are subject to the obtaining of the approval of the SASAC of Guangdong province. The Parties shall enter into the Equity Transfer Agreement following the obtaining of the approval of the SASAC of Guangdong province to the Framework Agreement. Should the Parties fail to obtain the said approval, the Framework Agreement will be terminated.

The Proposed Acquisition will constitute a discloseable transaction under Rule 14.06(2) of the Listing Rules, as the applicable percentage ratios for the Proposed Acquisition under Rule 14.07 of the Listing Rules are below 25% but above 5%. Accordingly, the Proposed Acquisition is subject to the reporting and announcement requirements under the Listing Rules and a circular containing the relevant information in relation to the Proposed Acquisition will be despatched to the Shareholders following the signing of the Equity Transfer Agreement and the publication of the announcement on the Equity Transfer Agreement.

**The signing of the Framework Agreement in relation to the Proposed Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **REASONS FOR ENTERING INTO THE FRAMEWORK AGREEMENT**

Since Guangzhou Power is the major electricity supplier in the Guangzhou city, the Proposed Acquisition by the Company represents a strategic opportunity for the Company to:

- (a) enter into an attractive expanding electricity market with great opportunities in Guangzhou. During the period 2001-2005, there is an increase of 13.82% in the annual GDP of Guangzhou city. The annual growth rate of power consumption is 12.49%.
- (b) utilize the outstanding regional advantages of Guangzhou Power. The power plants of Guangzhou Power is located in the economic development area of Guangzhou city, its assets dominate a favourable geographical edge. In the past years, operating hours of power equipment, on average, is higher than other similar generators in Guangdong area, on-grid tariffs are also higher than similar generators in the area.
- (c) enhance future capacity growth. Guangzhou Power enjoys a geographical advantage as one of the key enterprises in Guangzhou city, and has a reserve of certain project resources which has a future capacity growth.
- (d) establish close co-operation relationship. Having become a strategic investor of Guangzhou Power, the Company is able to further expand the business in the Pearl River Delta region together with Guangzhou Development.

## **DEFINITIONS**

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

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| “Board”   | the board of Directors of the Company;  |
| “Company” | China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange; |

“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI holding which holds approximately 55.37% equity interest in the Company;
“CPI Group”	China Power Investment Corporation, a wholly State-owned enterprise established by SASAC;
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CPI Group;
“Directors”	director(s) of the Company;
“Equity Transfer Agreement”	the formal equity transfer agreement to be entered into by the Company as the transferee and Guangzhou Development as the transferor relating to the transfer of the Shareholdings under the Framework Agreement;
“Framework Agreement”	the agreement dated 30 December, 2007, entered into between the Company and Guangzhou Development setting out the preliminary terms and conditions of the Proposed Acquisition;
“Guangzhou Development”	Guangzhou Development Group Limited Company* 廣州發展集團有限公司, a unit administered by the SASAC of Guangzhou city since 2002, its predecessor was Economic Construction Development Company of Guangzhou city incorporated on 29 September, 1989 and was restructured into Guangzhou Development in 1998; and is the holding company of Guangzhou Power;
“Guangzhou Power”	Guangzhou Power Enterprise (Group) Limited Company*, 廣州電力企業集團有限公司 a State-owned enterprise duly incorporated on 24 March, 2003 and existing under the laws of PRC and was the wholly-owned subsidiary of Guangzhou Development;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“LNG”	liquid nature gas;



“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“MW”	megawatt. One million watts. The installed capacity of power plants is generally expressed in MW;
“MOFCOM”	the Ministry of Commerce of the PRC, the PRC government agency responsible for the administration of domestic and international trade, foreign investment and international economic cooperation;
“Party/Parties”	the Parties of the Framework Agreement or any party of the Framework Agreement;
“PRC”	the People’s Republic of China;
“Proposed Acquisition”	the proposed acquisition of the Shareholdings under the terms of the Framework Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SASAC”	State-owned Assets Supervision and Administration Commission;
“Shares”	shares of HK\$1.00 each in the issued share capital of the Company;
“Shareholders”	shareholders of the Company;
“Shareholdings”	the 25% equity interest in Guangzhou Power;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
%	per cent.

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

This announcement contains translation between Renminbi amounts and Hong Kong dollars at RMB1.00 to HK\$1.03. 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**  
**Li Xiaolin**  
*Vice Chairman*

Hong Kong, 30 December, 2007

*As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Hu Jiandong, non-executive directors Wang Binghua and Gao Guangfu, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.*