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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)

SUPPLEMENTAL ANNOUNCEMENT

Discloseable And Connected Transaction for Deemed Disposal of Equity Interest in Pingwei Power

Reference is made to the announcement issued by the Company dated 6 December 2024 (the “**Announcement**”) in relation to the Company’s deemed disposal of an 11% equity interest in Pingwei Power to Huainan Mining (the “**Deemed Disposal**”). Unless otherwise stated, capitalized terms in this supplemental announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide additional information to shareholders and potential investors in relation to the valuation of the consideration for the Deemed Disposal.

Basis of determination of the amount of Capital Injection

As disclosed in the Announcement, the amount of the Capital Injection was determined by the contracting parties to the Capital Injection Agreement after arm’s length negotiations with reference to the following:

- (i) the Asset Appraisal Report prepared by the Independent Appraiser in accordance with the asset-based approach by reference to the appraised value of the entire equity interest (or net assets) of Pingwei Power of approximately RMB680.76 million as at 31 December 2023, the Appraisal Benchmark Date, which represents an increase in value of approximately RMB110.62 million over Pingwei Power’s net assets of approximately RMB570.14 million as at 31 December 2023 (after deducting its accumulated losses and excluding its perpetual bonds); and
- (ii) the percentage of equity interest in Pingwei Power, i.e. 11%, to be acquired by Huainan Mining.

Pursuant to Capital Injection Agreement, the registered capital of Pingwei Power shall be enlarged by RMB188.96 million from existing RMB841.60 million to RMB1,030.53 million. Huainan Mining shall pay a cash contribution of RMB 152.82 million to Pingwei Power as the consideration for acquiring its 11% equity interest. The consideration is calculated as follows:

$$\text{Capital Injection Consideration} = (\text{A}) \div (\text{B}) \times (\text{C})$$

(A) Appraised value of Pingwei Power (being RMB680.76 million)

(B) Existing registered capital of Pingwei Power (being RMB841.6 million)

(C) Increase in the registered capital of Pingwei Power (being RMB188.96 million)

The difference of RMB36.14 million between the consideration of RMB152.82 million and the increase in registered capital of RMB188.96 million will be accounted for as a reduction in capital reserve (accumulated losses) of Pingwei Power.

Reasons for the selection of the asset-based approach

Pursuant to the Asset Appraisal Report, the Independent Appraiser has taken into account the operations and the nature of the industry of Pingwei Power in considering the appropriate approach to obtain the market value of the entire equity interest of Pingwei Power from the three accepted approaches, namely the income-based approach, market-based approach and asset-based approach.

The income-based approach refers to the approach that capitalizes or discounts the expected income of the target entity to determine its value. The income-based approach was not adopted due to uncertainties in producing an accurate financial forecast of future income streams from the new investment of Pingwei Phase IV Project by Pingwei Power. Accordingly, the evaluation results using the income-based approach was not considered.

The market-based approach involves a valuation method that compares the target entity under valuation with comparable businesses or transactions. However, there have been very few sales, purchase or merger and acquisition transactions of comparable businesses in the same industry within the PRC that share a similar corporate structure, growth, operation risk, and financial risk with Pingwei Power around the Appraisal Benchmark Date. As a result, the Independent Appraiser was not able to obtain sufficient operation and financial data from comparable transactions, which led to the conclusion that the market-based approach was not suitable.

The asset-based approach is appropriate in situations where the income potential of the target entity is uncertain or difficult to predict, as was the case with the development of Pingwei Phase IV Project by Pingwei Power. By focusing on the net asset value, the Independent Appraiser can provide a more stable and reliable estimate of the company's net worth, reflecting its actual financial position.

Key assumptions used in the valuation

General Assumptions:

1. Transaction assumption: it is assumed that all assets to be appraised are in the process of transaction, and the Independent Appraiser makes estimations in an analogical market according to the transaction conditions of the assets to be appraised;
2. Open market assumption: the open market assumption is a hypothesis about the conditions under which assets are intended to enter the market and the impact that assets will receive under such market conditions. An open market is a competitive market with fully developed, sound market conditions and willing buyers and sellers, in which the buyers and the sellers have equal standing and are provided with the opportunity and time to obtain sufficient market information and conduct transaction behaviours in a willing and rational state without compulsion or restrictions;

3. Continued use assumption: it is assumed that the appraised asset is continuously used according to its current purpose and usage method;
4. Enterprise going concern assumption: it is assumed that Pingwei Power will continue to operate based on the actual condition of the assets on the Appraisal Benchmark Date.

Special Assumptions:

1. There are no material changes in the PRC's relevant laws, regulations and policies, and the PRC's macroeconomic situation; there are no material changes in the politics, economy and social environments of the regions where the contracting parties to this transaction are located at;
2. There will be no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-related charges after the Appraisal Benchmark Date;
3. It is assumed that the management of Pingwei Power is responsible, stable, and capable of assuming their positions after the Appraisal Benchmark Date;
4. Unless otherwise specified, it is assumed that Pingwei Power is fully complied with all relevant laws and regulations;
5. There are no force majeure factors and unforeseeable factors after the Appraisal Benchmark Date that could lead to have a significant adverse impact on Pingwei Power;
6. It is assumed that the accounting policies adopted by Pingwei Power after the Appraisal Benchmark Date are consistent in all material respects with the accounting policies adopted at the time of preparation of the Asset Appraisal Report;
7. It is assumed that on the basis of Pingwei Power's existing management methods and management levels, the business scope and methods after the Appraisal Benchmark Date are consistent with the current situation;
8. It is assumed that the cash inflow and cash outflow of Pingwei Power will be evenly distributed after the Appraisal Benchmark Date.

Input parameters and calculation process of the valuation

Pursuant to the Asset Appraisal Report and the valuation method adopted, on the Appraisal Benchmark Date, the appraised value of the total equity of Pingwei Power is the sum of (1) the appraised value of current assets; and (2) the appraised value of non-current assets, minus (3) the total liabilities.

1. Current assets

The current assets of Pingwei Power primarily include cash and cash equivalents, accounts receivable, notes receivable, prepayments, inventory, and other current assets.

Inputs and computation process for value of current assets:

- A. Cash and cash equivalents, notes receivable, prepayments, and other current assets are evaluated based on the verified book value.
- B. Accounts receivable, the Independent Appraiser makes a detailed analysis of the amount owed, the time and reason of debt, the collection status of the debt, the capital, creditworthiness and operation management status of the debtor. Based on the examination of each account receivable, the Independent Appraiser determines the appraised value by evaluating the amounts likely to be recovered from each debtor.
- C. Inventory, which primarily consists of fuel and consumable materials, is evaluated based on the market price as of the Appraisal Benchmark Date, minus the transportation costs and wear and tear (if applicable) to derive the net appraised value.

2. Non-current assets

The non-current assets of Pingwei Power include fixed assets, construction in progress, and intangible assets.

Inputs and computation process for value of non-current assets:

- A. Fixed assets, including buildings, machinery and equipment, are mainly evaluated using the cost method. The cost method calculation formula is: appraised value = reset cost × newness rate
- B. Construction in progress is evaluated based on the verified book value.
- C. Intangible assets mainly consist of externally purchased software, if it is sold in the market with updated versions, the valuation is determined by deducting the software upgrade fee from the current market price. For those not sold in the market but can still be used for the original purpose, the valuation is determined with reference to the original purchase cost and the depreciation rate which is determined by referring to the market price trend of similar software.

3. Liabilities

The liabilities of Pingwei Power include both current and non-current liabilities. Current liabilities consist of short-term borrowings, accounts payable, contractual obligations, employee wages payable, taxes payable, other current liabilities, and the current portions of non-current liabilities. Non-current liabilities encompass lease liabilities, long-term borrowings, and deferred tax liabilities.

The appraised value for liabilities is determined by the actual liabilities that Pingwei Power should bear.

Analysis of the reasons of the difference between appraised value and book value

As of the Appraisal Benchmark Date, the appraised value of the entire equity interest of Pingwei Power was approximately RMB680.76 million, and the net assets was RMB570.14 million, representing an appreciation amount of approximately RMB110.62 million. The appreciation was mainly attributable to the following items:

- A. Fixed assets - Buildings: the value appreciated by approximately RMB196.97 million. The appreciation was mainly driven by a significant increase in reset cost, including labor and materials needed to reconstruct a similar building.
- B. Fixed assets - Machinery and equipment: the value decreased by approximately RMB74.62 million. The reduction reflects a decrease in reset cost resulting from rapid technological advancements.
- C. Construction in progress: the value reduced by approximately RMB18.09 million. Pursuant to the Asset Appraisal Report, the Independent Appraiser identified certain costs associated with construction in progress as completed and incorporated these costs into the valuation of fixed assets. To avoid any duplication in the valuation with fixed assets, these deducted costs reflected a reduction in the appraised value of construction in progress.
- D. Intangible assets – purchased software: the value of intangible assets appreciated by approximately RMB6.36 million. The appreciation was primarily attributable to the purchased software having a longer economic life than initially expected.

Based on the valuation methods described above, as of the Appraisal Benchmark Date, the Independent Appraiser adopted the asset-based approach to determine the entire equity interest of Pingwei Power of approximately RMB680.76 million.

By Order of the Board
China Power International Development Limited
HE Xi
Chairman

Hong Kong, 20 December 2024

As at the date of this announcement, the directors of the Company are: executive directors HE Xi and GAO Ping, non-executive directors HU Jiandong, ZHOU Jie, HUANG Qinghua and CHEN Pengjun, and independent non-executive directors LI Fang, YAU Ka Chi and HUI Hon Chung, Stanley.