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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

Partial Disposal of Equity Interest in a Subsidiary

On 21 October 2022, the Company entered into an Equity Transfer Agreement with SPIC DiTech, pursuant to which the Company agreed to sell, and SPIC DiTech agreed to acquire, 51% equity interest in CP Huizhi (a wholly-owned subsidiary of the Company), at a consideration of RMB25,751,634 (equivalent to approximately HK\$28,298,500).

Upon completion of the Target Equity Transfer, CP Huizhi will cease to be a subsidiary and become an associate of the Group. The financial results and financial position of CP Huizhi will be accounted for under the equity method by the Group.

SPIC is the ultimate controlling shareholder of the Company which is interested in approximately 56.18% of the issued share capital of the Company. As SPIC DiTech is a subsidiary of SPIC, it is a connected person of the Company as defined in the Listing Rules. Accordingly, the Target Equity Transfer constitutes a connected transaction of the Company under the Listing Rules.

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Target Equity Transfer exceeds 0.1% but falls 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

As the Group's long-term strategic plan to transform itself towards a clean and green energy supplier and services provider, it is important to keep promoting the Group's technological and innovative capability in support of its transformation and development. The Target Equity Transfer enables the Company to partner with SPIC DiTech and to bring in its technical expertise to CP Huizhi, a wholly-owned subsidiary of the Company that principally engaged in information technology development and related technical consultancy and maintenance services.

THE EQUITY TRANSFER AGREEMENT

Date

21 October 2022

Parties

- (i) the Company (as the Transferor); and
- (ii) SPIC DiTech (as the Transferee).

Asset to be disposed of

Pursuant to the Equity Transfer Agreement, the Company agreed to sell and SPIC DiTech agreed to acquire 51% equity interest in CP Huizhi.

CP Huizhi is principally engaged in information technology development, technical consulting and maintenance services, software research development, and computing system application services. Details of CP Huizhi's financial information are set forth in the section below headed "INFORMATION OF CP HUIZHI".

Consideration, basis of determination and payment terms

The consideration for the Target Equity Transfer is RMB25,751,634 (equivalent to approximately HK\$28,298,500).

The consideration of the Target Equity Transfer was made with reference to the appraised value of the CP Huizhi based on the Asset Appraisal Report prepared by the Independent Appraiser as at 31 March 2022 using the income approach of RMB50,493,400 (RMB25,751,634 for 51% equity interest). Details of the appraisal are set forth in the section below headed "PROFIT FORECASTS IN RELATION TO THE APPRAISAL METHOD".

The entire consideration of the Target Equity Transfer shall be payable by the Transferee in cash through bank remittance to a designated bank account of the Transferor within 7 working days upon execution of the Equity Transfer Agreement.

Completion

The completion date is the fifth working days after the full settlement of the consideration of the Target Equity Transfer (the "**Completion Date**"). Within 20 working days after the Completion Date, the Transferor shall procure CP Huizhi to complete the registration procedure and obtain all necessary approvals for the change of equity holding.

During the transitional period from 31 March 2022 (the date of Asset Appraisal Report) to the date of completing the equity change of the relevant industrial and commercial registration, any profits and losses of CP Huizhi will be entitled to and borne by both the Transferor and the Transferee according to their respective percentage of equity interest in CP Huizhi upon completion pursuant to the Equity Transfer Agreement.

PROFIT FORECASTS IN RELATION TO THE APPRAISAL METHOD

The appraisal that formed the basis of the consideration for the Target Equity Transfer was made under the income approach with discounted cash flow method, which constituted a profit forecast under Rule 14.61 of the Listing Rules. The key assumptions of the Asset Appraisal Report are set out in Appendix I to this announcement. Zero2IPO Capital Limited, the Company's financial adviser appointed in accordance with Rule 14.62(3) of the Listing Rules, has confirmed that they are satisfied that the profit forecast was made by the Board after due and careful enquiry. The full text of the letter from Zero2IPO Capital Limited is contained in Appendix II to this announcement. Ernst & Young, the Company's reporting accountant, has reported on the arithmetical accuracy of the calculations of the discounted cash flow forecast contained in the Asset Appraisal Report. The full text of the report from Ernst & Young is contained in Appendix III to this announcement.

The following are the qualifications of the professional advisers which have given opinions or advice contained in this announcement:

Name	Qualifications
Zero2IPO Capital Limited	a licensed corporation under the SFO, licensed to carry on Type 6 (advising on corporate finance) regulated activities
Ernst & Young	Certified public accountants
Beijing Huaya Zhengxin Assets Appraisal Co., Ltd* (北京華亞正信資產評估有限公司)	independent and qualified PRC appraiser

As at the date of this announcement, all of the experts set out above did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

All of the experts set out above had given and had not withdrawn their written consents to the issue of this announcement with the inclusions of their reports, opinions or statements (as the case may be) as set out in this announcement and references to their name in the form and context in which they are included.

FINANCIAL IMPACT OF THE TARGET EQUITY TRANSFER AND USE OF PROCEED

As at the date of this announcement, the Company holds 100% equity interest of CP Huizhi. Upon completion of the Target Equity Transfer, the Company will hold 49% equity interest of CP Huizhi. CP Huizhi will cease to be a subsidiary but become an associate of the Group. Its financial results and financial position will be accounted for under the equity method. Based on the current internal management accounts of CP Huizhi, it is estimated that the Group will record a gain (pre-tax) of around RMB11.78 million from the Target Equity Transfer (subject to possible audit adjustments).

The Company intends to use the net proceed from the Target Equity Transfer for business development and general working capital.

INFORMATION OF CP HUIZHI

CP Huizhi is a limited liability company incorporated in the PRC in April 2012 with a registered capital and a paid-up capital of RMB20,000,000, and is wholly-owned by the Company. It is principally engaged in information technology development, technical consulting and maintenance services, software research and development, and computing system application services.

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

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)	For the nine months ended 30 September 2022 (RMB'000)
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
Net profit before taxation	4,313	4,822	625
Net profit after taxation	3,666	4,522	653

	As at 31 December 2020 (RMB'000)	As at 31 December 2021 (RMB'000)	As at 30 September 2022 (RMB'000)
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
Net assets	33,412	37,934	38,046

INFORMATION OF THE GROUP AND THE TRANSFEREE

The Company is the core and flagship listed subsidiary of SPIC. SPIC (together with its subsidiaries) is an 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 sales 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.

SPIC DiTech is a limited liability company incorporated in PRC in August 2013 and is a subsidiary of SPIC. It is principally engaged in information system operation and maintenance services, software design and development, information management and technical consulting, Internet-of-things system engineering research and development, design and application involving network, communication, smart-intelligent, automation, information security and related services, sales and agency services of network and communication equipment, etc. It is a certified high-tech enterprise and certified software enterprise, and possesses qualified certification of information technology, consultancy, security and management system issued by the relevant authorities in the PRC.

SPIC is the ultimate controlling shareholder of the Company and SPIC DiTech. SPIC is principally engaged in investment holding with business covers the power, coal, aluminum, logistics, finance, environmental protection and high-tech industries in the PRC and overseas countries.

REASONS FOR AND BENEFITS OF THE TARGET EQUITY TRANSFER

At present, CP Huizhi is mainly providing maintenance of operating information system and related services for development of its auxiliary functions to certain subsidiaries of the Group. The Target Equity Transfer enables the Group to leverage on the technological and innovative capability of SPIC DiTech. The Company believes that the technical know-how of SPIC DiTech will create synergy with CP Huizhi in the area of smart and intelligent information system, and in turn will render support to the Group's strategic transformation and development towards a clean and green energy supplier and services provider.

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 have 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 Equity Transfer Agreement or is required to abstain from voting on the relevant Board resolutions.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, SPIC owns approximately 56.18% of the issued share capital of the Company and 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.

As SPIC DiTech is a subsidiary of SPIC, it is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Target Equity Transfer constitutes a connected transaction of the Company under the Listing Rules.

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Target Equity Transfer exceeds 0.1% but falls 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.

After completion of the Target Equity Transfer, CP Huizhi will continue to provide the existing information system related supporting maintenance services to the Group. Should any of the coming transactions between the Group and CP Huizhi constitutes connected transaction under Chapter 14A of the Listing Rules, the Company will comply with all the relevant requirements as and when appropriate.

DEFINITIONS

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

“Asset Appraisal Report”	the asset appraisal report with regard to the value of the equity interest of CP Huizhi as at 31 March 2022, prepared by the Independent Appraiser
“Board”	the board of Directors of the Company
“Company” or “Transferor”	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
“CP Huizhi”	Beijing CPI Huizhi Technology Co., Ltd (北京中電滙智科技有限公司), a company incorporated in PRC with limited liability, a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the agreement dated 21 October 2022 entered into between the Company and SPIC DiTech in relation to the transfer of 51% equity interest in CP Huizhi
“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”	Beijing Huaya Zhengxin Assets Appraisal Co., Ltd* (北京華亞正信資產評估有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“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 DiTech” or “Transferee”	SPIC Digital Technology Co., Ltd (國家電投集團數字科技有限公司), a company incorporated in PRC with limited liability, a subsidiary of SPIC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity Transfer”	the transfer of 51% equity interest in CP Huizhi from the Transferor to the Transferee pursuant to the Equity Transfer Agreement

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.91 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, 21 October 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.

APPENDIX I: KEY ASSUMPTIONS OF THE ASSET APPRAISAL REPORT

For the purpose of complying with Rule 14.62 of the Listing Rules, the following are the principal assumptions of the income approach valuation as set out in the Asset Appraisal Report of CP Huizhi based on discounted cash flow method (which constituted a profit forecast under Rule 14.61 of the Listing Rules):

(I) General Assumptions

1. Transaction assumption: It is assumed that all assets to be appraised are in the course of transaction pending for sales and purchase, and the asset appraiser carries out the valuation by benchmarking to simulated market based on the conditions for buy-and-sell transaction of the assets to be appraised.
2. Open market assumption: It is assumed that both parties to the transaction of the assets to be traded or proposed to be traded in the market are in equal positions, and have opportunities and time to acquire adequate market information so as to make rational judgments on the functions, purposes and transaction price of the assets.
3. There are no material changes to the relevant national laws, regulations and policies and the macroeconomic situation, and there are no material changes to the political, economic and social environment in the regions where the parties to the transaction are located.
4. The appraised entity will continue to operate as a going concern after 31 March 2022 (the "Appraisal Benchmark Date").
5. There are no material changes to the tax bases, tax rates, policy-imposed levies in relation to the appraised entity after the Appraisal Benchmark Date.
6. The management of the appraised entity is responsible and stable, and has the capability to perform their duties after the Appraisal Benchmark Date.
7. The appraised entity fully complies with all relevant laws and regulations.
8. There are no force majeure and unforeseeable factors which may have a material adverse impact on the appraised entity after the Appraisal Benchmark Date.

(II) Specific Assumptions

1. The accounting policies to be adopted by the appraised entity after the Appraisal Benchmark Date are consistent with the accounting policies adopted in the preparation of the Asset Appraisal Report in all material respects.
2. Based on the existing management style and standard of the appraised entity, the scope and way of business operation will remain consistent after the Appraisal Benchmark Date.
3. The cash inflow and cash outflow of the appraised entity will be evenly distributed over time after the Appraisal Benchmark Date.
4. All information related to the said appraisal provided by the Company and the appraised entity are true, complete, legal and valid.
5. The high-tech industry certificate of the appraised entity can be renewed in 2022 with a validity period of three years.
6. Assets with core elements will be leased, renewed, and renewed.

In accordance with the requirements of appraisal, it is determined that these assumptions are valid on the Appraisal Benchmark Date. When the economic environment changes significantly in the future, no liability will be assumed for deriving different appraisal conclusions due to changes of these assumptions.

APPENDIX II: LETTER FROM ZERO2IPO CAPITAL LIMITED

The following is the full text of the letter from Zero2IPO Capital Limited, for the purpose of, among other things, incorporation into this announcement.

21 October 2022

The Board of Directors
China Power International Development Limited
Suite 6301, 63/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sir/ Madam,

We refer to the valuation report (the “Valuation Report”) dated 31 July 2022 and prepared by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd (北京華亞正信資本評估有限公司) (the “Valuer”) in relation to the valuation on Beijing CPI Huizhi Technology Company Limited (北京中電匯智科技有限公司) as at 31 March 2022 (the “Valuation”). The Valuation was considered as part of consideration in the announcement expected to be issued on 21 October 2022 of China Power International Development Limited (the “Announcement”). Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

According to the Valuation Report, the Valuer considered the adoption of the income approach in arriving at the Valuation. Under the income approach, the Valuer adopted the discounted cash flow method. We note that the Valuation, which has been arrived based on discounted cash flow method, is regarded as profit forecast (the “Profit Forecast”) under Rule 14.61 of the Listing Rules.

We have discussed with the management of the Company and the Valuer regarding the bases and assumptions (the “Assumptions”) of the Valuation Report, and have reviewed the report dated 21 October 2022 issued by Ernst & Young, the auditor of the Company. Ernst & Young is of the opinion that, so far as the arithmetical accuracy of the calculations of the Profit Forecast is concerned, the Profit Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

On the basis of the foregoing and the calculations reviewed by Ernst & Young, we are of the opinion that the Profit Forecast underlying the Valuation, for which the Directors are jointly and severally responsible, has been made after due and care enquiry.

Yours faithfully,
For and on behalf of
Zero2IPO Capital Limited

Yang Peng
Managing director

APPENDIX III: REPORT FROM ERNST & YOUNG

The following is the full text of the report from Ernst & Young, for the purpose of, among other things, incorporation into this announcement.

21 October 2022

The Board of Directors

China Power International Development Limited

Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai,
Hong Kong

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN BEIJING CPI HUIZHI TECHNOLOGY CO., LTD

Dear Sirs,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “Forecast”) on which the valuation dated 31 March 2022 prepared by Beijing Huaya Zhengxin Assets Appraisal Co., Ltd in respect of the equity interest of Beijing CPI Huizhi Technology Co., Ltd (“CP Huizhi”) as at 31 March 2022 was based. The valuation is set out in the announcement of China Power International Development Limited (the “Company”) dated 21 October 2022 (the “Announcement”) in connection with the proposed partial disposal of equity interest in CP Huizhi. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Directors’ responsibilities

The directors of the Company (the “Directors”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The key Assumptions are set out in Appendix I (Key Assumptions of the Asset Appraisal Report) to the Announcement.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of CP Huizhi. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Certified Public Accountants
Hong Kong