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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

ACQUISITIONS OF THE ENTIRE EQUITY INTERESTS IN THREE TARGET COMPANIES

THE ACQUISITIONS

On 12 July 2021, Wu Ling Power (a 63%-owned subsidiary of the Company) entered into three Equity Transfer Agreements with Mingyang New Energy, pursuant to which Wu Ling Power has conditionally agreed to acquire, and Mingyang New Energy has conditionally agreed to sell the entire Equity Interests and to assume the Shareholder's Loans of the Target Companies for an aggregated consideration of RMB1,490,283,000 (equivalent to approximately HK\$1,795,522,000), which are subject to adjustments on Completion.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions are more than 5% but less than 25%, the Acquisitions constitute a disclosable transaction for the Company and are therefore subject to the reporting and disclosure requirements under Chapter 14 of the Listing Rules.

Completion is conditional upon the satisfaction or, if applicable, waiver of the conditions precedent under the Equity Transfer Agreements. As the Acquisitions may or may not proceed, shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

On 12 July 2021, Wu Ling Power (a 63%-owned subsidiary of the Company) entered into three Equity Transfer Agreements with Mingyang New Energy, pursuant to which Wu Ling Power has conditionally agreed to acquire, and Mingyang New Energy has conditionally agreed to sell the entire Equity Interests and to assume the Shareholder's Loans of the Target Companies.

The Target Companies hold four wind power projects of a total power generation installed capacity of 203.6 MW located in Inner Mongolia Autonomous Region of the PRC. All of the four wind power projects are now in commercial operation. The Board considers the Acquisitions will establish the Group's clean energy development and presence in Inner Mongolia Autonomous Region.

EQUITY TRANSFER AGREEMENTS

The principal terms of each of the Equity Transfer Agreements are the same, which are summarized as follows:

Date

12 July 2021

Parties

- (i) Wu Ling Power (as the Purchaser); and
- (ii) Mingyang New Energy (as the Seller).

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

Subject Matter

Pursuant to the Equity Transfer Agreements, the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell the entire Equity Interests and to assume the Shareholder's Loans of the Target Companies.

The Target Companies hold four wind power projects of a total power generation installed capacity of 203.6 MW. Details of their respective power generation projects are set out below, and their respective financial information are set forth in the section below headed "INFORMATION OF THE TARGET COMPANIES".

- (i) Target Company I owns a wind power heating project with power generation installed capacity of 50MW, located in Qingshuihe County, Hohhot City, Inner Mongolia Autonomous Region of the PRC.

- (ii) Target Company II owns a decentralized wind power project and a wind power heating project of power generation installed capacity of 3.6MW and 50MW respectively, located in Xilinhot City, Xilingol League, Inner Mongolia Autonomous Region of the PRC.
- (iii) Target Company III owns an ultra-high-voltage wind power project of power generation installed capacity of 100MW, located in Xilinhot City, Xilingol League, Inner Mongolia Autonomous Region of the PRC.

Consideration

Equity Transfer Agreement	Equity Interest ⁽ⁱ⁾ (RMB'000)	Shareholder's Loan ⁽ⁱⁱ⁾ (RMB'000)	Total (RMB'000)
Agreement I	116,341	299,312	415,653
Agreement II	125,946	95,316	221,262
Agreement III	223,377	629,991	853,368
Aggregated Consideration			1,490,283

The consideration for each of the Acquisitions will be adjusted with the change in net asset value of each of the Target Companies by reference to its respective finalized Audited Report for the Transitional Period as at 30 June 2021.

The consideration for each of the Acquisitions was arrived at after arm's length negotiations between the Purchaser and the Seller with reference to, among others, (i) the valuation report of the Target Company as at 31 August 2020 prepared by Vocation (Beijing) International Asset Valuation Company Limited* (沃克森(北京)國際資產評估有限公司), an independent and qualified valuer using the asset-based approach, (ii) the unaudited value of the Shareholder's Loans as at 30 June 2021, (iii) the operating conditions, financial position and future prospect of the Target Company, and (iv) the net asset value of the Target Company based on its Audited Report for the Transitional Period.

The Purchaser will finance the considerations for the Acquisitions by internal resources and/or bank borrowings of the Group.

(1) Payment Terms for the Equity Interests

The first payment

Within five business days after the relevant Equity Transfer Agreement has been executed and become effective, a 10% of the consideration for the relevant Equity Interest shall be deposited into a Co-managed Account. Another 80% of the consideration for the relevant Equity Interest shall be deposited into the Co-managed Account before the Equity Transfer Registration. Such consideration shall be released to the Seller in the following manner and subject to the conditions as set out below.

A 50% of consideration shall be paid to the Seller on the date when the Equity Transfer Registration has been completed and a new business registration has been obtained.

A 40% of the consideration shall be paid to the Seller on the date when the confirmation for transfer of the management rights has been executed according to the terms of the Completion.

The second payment

A 5% of consideration shall be paid to the Seller within five business days when the following conditions have been satisfied:

- (a) the relevant Target Company has settled all the payments for the development and completion of its existing wind power project(s);
- (b) the relevant Target Company has obtained all the tax invoices that should be obtained in accordance with the list of contracts as disclosed by the Target Company (or if not obtained, the corresponding taxes have been borne by the Seller);
- (c) the relevant Target Company has obtained all the approvals required for the operation of the power generation business and for the power on-grid tariff, and has entered into the relevant power sale and purchase agreements;
- (d) the Seller has assisted the relevant Target Company in obtaining all the government approvals or opinion for compliance purposes that the relevant Target Company should possess; and
- (e) the Seller has rectified all issues identified in relation to the relevant wind power project(s), and the Purchaser has confirmed such rectifications.

The third payment

The remaining 5% of the consideration shall be paid to the Seller within five business days when the relevant wind power project(s) owned by the relevant Target Company have been included in the Renewable Energy Additional Subsidies Catalogue of the State (國家可再生能源附加補貼目錄) and no objection was raised after such inclusion was publicly announced.

(2) Assumption of the Shareholder's Loans

Wu Ling Power has undertaken to procure the Target Companies (i) to apply for entrusted loans for settlement of the Shareholder's Loans (principal and interest) and (ii) to arrange distribution of the distributable profits prior to the period ended 30 June 2021, based on the relevant Audited Report for the Transitional Period as at 30 June 2021, to the Seller within seven business days after the Equity Transfer Registration of the relevant Target Company has been completed.

Conditions Precedent for transfer of the Equity Interests

The Seller and the relevant Target Company shall be obliged to proceed for the Equity Transfer Registration upon satisfaction (or waiver, where applicable) of the following conditions:

- (a) The relevant Equity Transfer Agreement has been executed and become effective.
- (b) The Seller has obtained the approval of the board of directors and the general meeting of shareholders and bondholders of its ultimate controlling shareholder (Ming Yang Smart Energy Group Limited) for entering into the Equity Transfer Agreements, and has reported it to the Shanghai Stock Exchange and made appropriate announcement.
- (c) The Purchaser has obtained the approvals of the relevant authorities (including but not limited to the State-owned asset management agencies) for entering into the Equity Transfer Agreements, such approvals are still valid as of the signing date of the Equity Transfer Agreements, and the Purchaser has completed the Company's statutory information disclosure procedures (if any) in relation to the Acquisitions.
- (d) The Seller has obtained the written documents recording the early repayment of the debts due from the relevant Target Company to financial institutions and the discharge of the relevant wind power project(s) from mortgage and pledge (if any); or the written documents from the financial institutions given consent to the relevant Acquisition.
- (e) The Seller has provided a letter of undertaking for termination of all labour contracts of all the existing employees of the relevant Target Company, and the relevant supporting documents for termination of those contracts.
- (f) The Acquisitions have not been restricted, stopped, prohibited, declared invalid or otherwise prevented (or sought to prevent it) from government authorities, stock exchanges or financial institutions in the PRC or any other relevant jurisdictions.
- (g) The relevant Audited Report for the Transitional Period has been mutually concurred by both parties.
- (h) The Purchaser has deposited 90% of the consideration for the relevant Equity Interest to the Co-managed Account.

The conditions set out in the paragraphs (so far it applies to the obligations of the Purchaser) other than paragraph (c) above, may be waived by the Seller. The conditions set in the paragraphs (so far it applies to the obligations of the Seller) other than paragraph (b) above, may be waived by the Purchaser. Any waiver of the above conditions will not affect the right of the other party to seek compensation for any losses and damages that caused by the party that breached its representations, warranties, undertakings or other obligations.

Conditions Precedent for transfer of the management rights

The Seller and the Purchaser shall be obliged to proceed for the Completion upon satisfaction of all the following conditions:

- (a) The list of assets, production equipment, materials, tools and spare parts, and the list of all contracts and contract-related settlement documents and all document files (including but not limited to project construction approval documents) of the relevant Target Company have been completed counting and inspection by both parties.
- (b) The list of all the financial data and accounting records, all bank accounts, seals, and licenses of the relevant Target Company has been completed counting and inspection by both parties.
- (c) The Equity Transfer Registration of the relevant Target Company has been completed.
- (d) A 50% of the consideration for the Equity Interest shall be released from the Co-managed Account to the Seller.
- (e) The Purchaser shall procure the relevant Target Company to settle the Shareholder's Loans (principal and interest), and to distribute the distributable profits prior to the period ended 30 June 2021 as per the Audited Report for the Transitional Period to the Seller.

Completion

Subject to the above conditions precedent for transfer of the management rights, Completion shall take place within seven business days after the Equity Transfer Registration of the relevant Target Company has been completed, which shall not be later than 31 August 2021, or such other day as agreed by the Seller and the Purchaser. On the date of the Completion:

- (a) The Seller shall receive the settlement of the Shareholder's Loans (principal and interest) and the distributable profits prior to the period ended 30 June 2021 as per the Audited Report for the Transitional Period.
- (b) All the documents and records set out in the paragraphs (a) and (b) under the conditions precedent for transfer of the management rights above shall be delivered from the Seller to the Purchaser, and both parties shall execute a confirmation for transfer of the management rights.
- (c) A 40% of the consideration shall be released from the Co-managed Account to the Seller after execution of the confirmation for transfer of the management rights.

Upon completion of the Acquisitions, the Target Companies will become subsidiaries of the Company and its financial results will be consolidated to the accounts of the Group.

INFORMATION OF THE TARGET COMPANIES

Target Company I - Qingshuihe Mingyang

Qingshuihe Mingyang was incorporated in the PRC in March 2016 with a registered and paid up capital of RMB100 million and is a wholly-owned subsidiary of Mingyang New Energy. It is principally engaged in development, construction, production and sales and supply of heat and power generation from wind and photovoltaic power projects in Inner Mongolia Autonomous Region of the PRC.

The financial information prepared in accordance with the general accepted accounting principles of the PRC for the latest two financial years ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 is set out below.

	Financial year ended 31 December 2019 (RMB'000)	Financial year ended 31 December 2020 (RMB'000)	Six months ended 30 June 2021 (RMB'000)
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
Net profit before taxation	-	3,527	22,282
Net profit after taxation	-	3,527	22,282
Net asset value	100,000	103,527	102,766

Target Company II - Mingyang Wind Power

Mingyang Wind Power was incorporated in the PRC in April 2015 with a registered and paid up capital of RMB80 million and is a wholly-owned subsidiary of Mingyang New Energy. It is principally engaged in investment, development, production and sales and supply of heat and power generation from wind power and photovoltaic power projects in Inner Mongolia Autonomous Region of the PRC.

The financial information prepared in accordance with the general accepted accounting principles of the PRC for the latest two financial years ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 is set out below.

	Financial year ended 31 December 2019 (RMB'000)	Financial year ended 31 December 2020 (RMB'000)	Six months ended 30 June 2021 (RMB'000)
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
Net profit before taxation	1,728	7,080	18,165
Net profit after taxation	1,728	7,125	18,165
Net asset value	81,728	88,853	98,098

Target Company III - Mingyang Intelligent

Mingyang Intelligent was incorporated in the PRC in December 2017 with a registered capital of RMB146 million (which was paid up to approximately RMB120 million as at 30 June 2021) and is a wholly-owned subsidiary of Mingyang New Energy. It is principally engaged in investment, development, production and sales and supply of heat and power generation from wind power and photovoltaic power projects in Inner Mongolia Autonomous Region of the PRC.

The financial information prepared in accordance with the general accepted accounting principles of the PRC for the latest two financial years ended 31 December 2019 and 2020 and for the six months ended 30 June 2021 is set out below.

	Financial year ended 31 December 2019 (RMB'000)	Financial year ended 31 December 2020 (RMB'000)	Six months ended 30 June 2021 (RMB'000)
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
Net profit/(loss) before taxation	(0.104)	(0.393)	18,069
Net profit/(loss) after taxation	(0.104)	(0.393)	18,069
Net asset value	26,000	120,428	122,235

INFORMATION OF THE GROUP, THE PURCHASER AND THE SELLER

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) is one of the five major electricity generation groups and 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 was incorporated in the PRC in May 1995 and is a 63%-owned subsidiary of the 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.

Mingyang New Energy was incorporated in the PRC in December 2014 and is a wholly-owned subsidiary of and ultimately controlled by Ming Yang Smart Energy Group Limited* (明陽智慧能源集團股份公司, a company listed on the Shanghai Stock Exchange, stock code: 601615). It is principally engaged in wind power and photovoltaic power generation, technology development, technical consultation, technical services, and bidding and tendering agency services in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

According to the published information from the Inner Mongolia Development and Reform Commission, the National Development and Reform Commission has emphasized the importance of the development of Inner Mongolia's new energy industry, by making good use of Inner Mongolia's rich natural resources to develop and build new energy power generation projects such as wind power, photovoltaic power, and complementary multi-energy on a large scale. The government of Inner Mongolia will further promote various policies for healthy and orderly development of the local new energy industry, and help achieving the national development goal of "carbon peak and carbon neutrality" in fighting against climate change.

Against this background, the Acquisitions will establish and strengthen the Group's clean energy development and presence in Inner Mongolia Autonomous Region. It is also in line with Group's strategic goal to transform itself further towards clean and green energy power generation.

Taking into account of the above and the prospects and potential of the Target Companies, the Directors consider that the Acquisitions will diversify and expand the clean energy portfolio of the Group in different regions of the PRC and optimize the Group's income sources.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Equity Transfer Agreements have been entered into in the ordinary course of the business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

COMPLIANCE WITH THE LISTING RULES

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions are more than 5% but less than 25%, the Acquisitions constitute a disclosable transaction for the Company and are therefore subject to the reporting and disclosure requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisitions”	the acquisitions of the entire equity interests in the Target Companies by the Purchaser from the Seller, as contemplated under the Equity Transfer Agreements, individually the Acquisition and collectively the Acquisitions
“Agreement I”	the Equity Transfer Agreement dated 12 July 2021 entered into between the Purchaser and the Seller in relation to the acquisition of Target Company I

“Agreement II”	the Equity Transfer Agreement dated 12 July 2021 entered into between the Purchaser and the Seller in relation to the acquisition of Target Company II
“Agreement III”	the Equity Transfer Agreement dated 12 July 2021 entered into between the Purchaser and the Seller in relation to the acquisition of Target Company III
“Audited Report for the Transitional Period”	an audited report to be prepared by an independent audit firm on the relevant Target Company’s financial statements for the period from 1 September 2020 (i.e. subsequent to the valuation report of the relevant Target Company as at 31 August 2020 prepared by Vocation (Beijing) International Asset Valuation Company Limited* (沃克森(北京)國際資產評估有限公司)) to 30 June 2021 as agreed by the Purchaser and the Seller
“Board”	the board of Directors of the Company
“Co-managed Account”	a new bank account to be opened under the name of the Purchaser and to be jointly operated, monitored and authorized by a designated representative from each of the Purchaser and the Seller
“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
Completion	the transfer of the management rights of the relevant Target Company after satisfaction or, if applicable, waiver of the conditions precedent under the relevant Equity Transfer Agreement
“Director(s)”	director(s) of the Company
“Equity Interest(s)”	the entire equity interest in each of the Target Companies or the entire equity interests in the Target Companies collectively
“Equity Transfer Agreements”	the equity transfer agreements dated 12 July 2021 entered into between the Purchaser and the Seller in relation to the Acquisitions, individually the Equity Transfer Agreement and collectively the Equity Transfer Agreements

“Equity Transfer Registration”	the necessary documentation and formalities for registration or filing in accordance with the requirements of the regulatory authorities in the PRC to effect the change of the Equity Interests, including the change of industrial and commercial registration and the changes of directors, supervisors, managers and legal representatives of the Target Companies
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mingyang New Energy” or “Seller”	Inner Mongolia Mingyang New Energy Development Company Limited* (內蒙古明陽新能源開發有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of and ultimately controlled by Ming Yang Smart Energy Group Limited* (明陽智慧能源集團股份公司, a company listed on the Shanghai Stock Exchange, stock code: 601615)
“MW”	megawatt, that is, one million watts. The installed capacity of a power plant is generally expressed in MW
“PRC” or “China” or “State”	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
“Shareholder’s Loans”	the amount due from the relevant Target Company to the Seller and/or its related parties
“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
“Target Companies”	Qingshuihe Mingyang, Mingyang Wind Power and Mingyang Intelligent

“Target Company I” or “Qingshuihe Mingyang”	Qingshuihe County Mingyang New Energy Company Limited* (清水河縣明陽新能源有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Mingyang New Energy
“Target Company II” or “Mingyang Wind Power”	Xilinhot City Mingyang Wind Power Company Limited* (錫林浩特市明陽風力發電有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Mingyang New Energy
“Target Company III” or “Mingyang Intelligent”	Xilinhot City Mingyang Intelligent Energy Company Limited* (錫林浩特市明陽智慧能源有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Mingyang New Energy
“Wu Ling Power” or “Purchaser”	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

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.83 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, 12 July 2021

As at the date of this announcement, the directors of the Company are: executive director HE Xi, non-executive directors WANG Xianchun and ZHOU Jie, and independent non-executive directors LI Fang, YAU Ka Chi, HUI Hon Chung, Stanley.