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# 華電國際電力股份有限公司

**HUADIAN POWER INTERNATIONAL CORPORATION LIMITED\***

*(A Sino-foreign investment joint stock company limited by shares incorporated in the PRC)*

(Stock code: 1071)

## **Discloseable Transaction**

### **Acquisition of 100% Equity Interest in Pingshi Power**

The Board is pleased to announce that on 20 May 2010, the Company entered into the Pingshi Power Equity Transfer Agreement with Haiyue Power and Jinda Power, pursuant to which Haiyue Power and Jinda Power will sell, and the Company will purchase, 100% equity interest in Pingshi Power, as to 75% equity interest from Haiyue Power and 25% equity interest from Jinda Power, for a total consideration of RMB0.9 billion on the terms and subject to the conditions of the Pingshi Power Equity Transfer Agreement.

As one of the relevant percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) exceeds 5% but less than 25%, the transaction contemplated under the Pingshi Power Equity Transfer Agreement constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules and is therefore subject to the notification and announcement requirements as set out in Rules 14.34 to 14.38 of the Hong Kong Listing Rules.

#### **I. Introduction**

The Board is pleased to announce that on 20 May 2010, the Company entered into the Pingshi Power Equity Transfer Agreement with Haiyue Power and Jinda Power, pursuant to which Haiyue Power and Jinda Power will sell, and the Company will purchase, 100% equity interest in Pingshi Power, as to 75% equity interest from Haiyue Power and 25% equity interest from Jinda Power, for a total consideration of RMB0.9 billion on the terms and subject to the conditions of the Pingshi Power Equity Transfer Agreement.

#### **II. Pingshi Power Equity Transfer Agreement**

##### **1. Signing date and effective date**

Signing date: 20 May 2010.

Effective date:

Certain provisions of the Pingshi Power Equity Transfer Agreement will immediately become effective upon the signing date of the Pingshi Power Equity Transfer Agreement. Subject to the above, the effective

date of the Pingshi Power Equity Transfer Agreement shall be the date when all of the following conditions have been satisfied:

- (i) the Pingshi Power Equity Transfer Agreement having been duly executed by the two parties;
- (ii) all necessary internal approvals or authorizations having been obtained by Haiyue Power and Jinda Power in respect of the Acquisition;
- (iii) all internal approvals having been obtained by the Company in respect of the Acquisition;
- (iv) the Pingshi Power Equity Transfer Agreement having been approved by the relevant PRC government authorities, including but not limit to the approval by MOFCOM or its local counterpart;
- (v) the appraised asset value of the Acquisition having been duly filed with the relevant authorities by the Company;
- (vi) the Acquisition by the Company is in compliance with the equity acquisition procedures for listed companies; and
- (vii) the disposition plan of the guarantee made by Pingshi Power in respect of the bank loans granted to seven enterprises having been accepted by Agricultural Bank of China (or its Guangdong Branch) and confirmed in writing by both Haiyue Power and Jinda Power and the Company.

## **2. Parties**

- (i) The Company; and
- (ii) Haiyue Power and Jinda Power.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Haiyue Power and Jinda Power and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## **3. Equity interests to be acquired**

The Company has agreed to acquire 100% equity interest in Pingshi Power on the terms and subject to the conditions of the Pingshi Equity Transfer Agreement. Upon completion of the Acquisition, Pingshi Power will become a wholly-owned subsidiary of the Company and the results of Pingshi Power will be consolidated into the accounts of the Group.

## **4. Consideration**

- (i) Consideration

The consideration is RMB0.9 billion (approximately HK\$1.02 billion), subject to adjustments set out in paragraph 5 below.

The total consideration will be paid by the Company (i) subject to compliance with the relevant PRC laws and regulations, as to 75% in US dollar to Haiyue Power into an overseas bank account designated by Haiyue Power as the consideration for the 75% equity interest in Pingshi Power; and (ii) as to 25% in RMB to Jinda Power to a domestic bank account designated by Jinda Power as the consideration for the 25% interest in Pingshi Power.

- (ii) Basis for determination of the consideration

The consideration has been determined after arm's length negotiations between the two parties with

reference to the favorable electricity market environment in Guangdong area, which generally has a higher on-grid tariff, power consumption demand and utilization hours, as well as the good operation and superior location of Pingshi Power.

(iii) Payment of the consideration

The consideration is payable by the Company to Haiyue Power and Jinda Power in the manner as follows:

**Deposit:** RMB30 million (approximately HK\$34.08 million) shall be paid by the Company to the bank account of Jinda Power designated by the Seller within 15 working days from the signing date of the Pingshi Power Equity Transfer Agreement.

**First payment:** The Company shall pay RMB180 million (approximately HK\$204 million) (inclusive of the deposit), which is 20% of the total consideration, to the domestic bank account designated by Jinda Power within 30 days from the effective date of the Pingshi Power Equity Transfer Agreement, subject to the conditions that Jinda Power shall pledge its 25% equity interest in Pingshi Power in favour of the Company and such pledge shall be registered with AIC.

**Second payment:** After the first payment having been fully paid, the Company shall pay RMB360 million (approximately HK\$408 million), which is 40% of the total consideration, to Haiyue Power and Jinda Power within 30 days after the completion of 168 trial operation hours of Phase III Project of Pingshi Power and on the next date upon certain conditions as more particularly specified in the Pingshi Power Equity Transfer Agreement having been satisfied.

**Third payment:** After the second payment having been fully paid, the Company shall pay RMB225 million (approximately HK\$254 million), which is 25% of the total consideration, to Haiyue Power and Jinda Power within six months after the completion of the 168 trial operation hours of Phase III Project of Pingshi Power, upon certain conditions as more particularly specified in the Pingshi Power Equity Transfer Agreement having been satisfied.

**Fourth payment:** After the third payment having been fully paid, the Company shall pay RMB135 million (approximately HK\$153 million), which is 15% of the total consideration, to Haiyue Power and Jinda Power within 365 days after the completion of the 168 trial operation hours of Phase III Project of the Pingshi Power and within 10 business days upon certain conditions as more particularly specified in the Pingshi Power Equity Transfer Agreement having been satisfied.

## **5. Adjustment to consideration**

The two parties agree to engage qualified accountant to audit the changed assets, liabilities and net assets of Pingshi Power for the period between 30 June 2009 and the date of Closing. The total consideration under the Pingshi Power Equity Transfer Agreement shall be adjusted according to the audited results and the principles negotiated and agreed by the two parties.

All debts payable of Pingshi Power before the signing date of the Pingshi Power Equity Transfer Agreement shall be reflected in the Financial Report of Pingshi Power as of 30 June 2009. The Seller is liable for possible debts which have not been reflected in the audited Financial Report.

The Seller is liable for the amount for the purchase of equipment and new construction costs of the Phase III Project incurred prior to the Closing date, which have not been included in the valuation.

## **III. Information on Pingshi Power**

Pingshi Power is a limited liability company incorporated in Guangdong province with a registered capital of US\$140.04 million. Prior to the Acquisition, Haiyue Power held 75% and Jinda Power held 25% equity interest in Pingshi Power respectively. The net profits after extraordinary gains and losses as well as bad debts (the extraordinary gains and losses as well as bad debts were all assumed by the Seller) before and after taxation of Pingshi Power for the year of 2008 were RMB-73.71 million and RMB-73.71 million respectively, and the net profits after extraordinary gains and losses as well as bad debts (the extraordinary gains and losses as well as bad debts were all assumed by the Seller) before taxation and after taxation for the year of 2009 were RMB-99.15 million and RMB-99.15 million, respectively. These results were mainly due to the shut down of the generating units of Phase I, while two 300 MW generating units of Phase III were under construction, which led to a relative low income for the accounting period. The recorded audited net assets value of Pingshi Power as of 30 June 2009 was approximately RMB-497 million (approximately HK\$-565 million), which was mainly due to the adjustment of extraordinary gains and losses as well as bad debts of Pingshi Power and the shut down of the Phase I generating units Pingshi Power (which led to an increase in the impairment allowance) in accordance with government's policy of "building large ones and shut down small ones".

Pingshi Power is located in Shaoguan City, Guangdong province. After the closing down of the 60 MW generating units for Phase I in June 2009, Pingshi Power currently owns three generating units, with a total installed capacity of 725 MW. There is one 125 MW generating unit for Phase II which was put into production in December 2003 and two 300 MW generating units for the Phase III Project, which have been recently put into trial operation or production .

#### **IV. Reasons for and benefits expected to accrue to the Company from the Acquisitions**

The on-grid tariff and utilization hours of generating units in Guangdong area are relatively higher, with strong profitability, as compared with other regions in China. Further, the Pingshi Power is close to coal mining areas of Chenzhou, Hunan province, which will ensure steady supply of coal. The Acquisition, which is a strategic development of the Company, when completed will mark the successful entry by the Company into the Guangdong province power market, which has a more prosperous development and future operation, and is expected to create a favorable environment for the Company's further expansion in Guangdong area.

The Acquisition, if completed, is expected to enhance the Company's overall profitability and improve the operating results of the Company in Guangdong area and may contribute better return to the shareholders of the Company.

The Directors, including the independent non-executive Directors, consider that the Pingshi Power Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

#### **V. Information on Haiyue Power and Jinda Power and the Company**

##### **(i) Haiyue Power and Jinda Power**

Haiyue Power is a Company incorporated in Hong Kong and mainly engaged in investments in energy industry, etc.

Jinda Power is a limited liability company established in Guangdong province and mainly engaged in making investments in energy industry and comprehensive development and utilization, etc.

##### **(ii) The Company**

The Company and its subsidiaries are principally engaged in the construction and operation of power plants and other businesses related to power generation.

#### **VI. Hong Kong Listing Rules Implications**

As one of the relevant percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) exceeds 5% but is less than 25%, the transaction contemplated under the Pingshi Power Equity Transfer Agreement constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules and is therefore subject to the notification and announcement requirements as set out in Rules 14.34 to 14.38 of the Hong Kong Listing Rules.

## Definitions

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

“Acquisition”	means the acquisition of 100% equity interest in Pingshi Power on the terms and subject to the conditions of the Pingshi Power Equity Transfer Agreement;
“AIC”	means the related Administration For Industry and Commerce in the PRC;
“Board”	means the board of Directors of the Company;
“Closing Date”	means the next day after the date of obtaining the new business license (which shows the Company as the sole promoter) by Pingshi Power following the completion of the equity transfer in Pingshi Power;
“Closing of Acquisition”	means, for the purpose of acquiring 100% equity interest in Pingshi Power, upon amendment of the shareholders’ registrar and the articles of association and upon completion of the filing procedures with AIC for the equity transfer;
“Company”	means 華電國際電力股份有限公司 Huadian Power International Corporation Limited*, a Sino-foreign investment joint stock company limited by shares established in the PRC, whose H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, respectively;
“Connected Person(s)”	has the meaning ascribed to such term in the Hong Kong Listing Rules;
“Directors”	means the directors of the Company;
“Financial Report”	means the financial report of Pingshi Power as of 30 June 2009 provided by the Seller, which was audited by the accountant engaged by the Company;
“Group”	means the Company and its subsidiaries;
“Haiyue Power”	means 海粵電力投資有限公司 Haiyue Power Investment Co., Ltd.*, a company established in Hong Kong;
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Jinda Power”	means 樂昌市進達電力有限公司 Lechang City Jinda Power Co., Ltd.*,

	a limited liability company established in the PRC;
“MOFCOM”	means the Ministry of Commerce of the PRC;
“Phase III Project”	means two 300 MW generating units constructed by Pingshi Power;
“Pingshi Power ”	means 韶關市坪石發電廠有限公司 (B 廠) Shaoguan City Pingshi Electric Power Plant Co., Ltd. (B Plant)*, a limited liability company established in the PRC;
“Pingshi Power Equity Transfer Agreement”	means the Agreement on Equity Transfer of Pingshi Power entered into among Haiyue Power and Jinda Power and the Company on 20 May 2010 in relation to the acquisition of 100% equity interest in Pingshi Power by the Company;
“PRC”	means the People’s Republic of China;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Seller”	means Haiyue Power and Jinda Power, which have joint rights and obligations and joint liabilities to the Company under the Pingshi Power Equity Transfer Agreement; and
“US dollar”	the lawful currency of the United States of America.

By order of the Board  
**Huadian Power International Corporation Limited\***  
**Zhou Lianqing**  
*Company Secretary*

As at the date of this announcement, the Board comprises:

Yun Gongmin (Chairman, Non-executive Director), Chen Feihu (Vice Chairman, Non-executive Director), Chen Dianlu (Vice Chairman, Non-executive Director), Chen Jianhua (Executive Director), Wang Yingli (Non-executive Director), Chen Bin (Non-executive Director), Zhong Tonglin (Executive Director), Chu Yu (Non-executive Director), Wang Yuesheng (Independent Non-executive Director), Hao Shuchen (Independent Non-executive Director), Ning Jiming (Independent Non-executive Director) and Yang Jinguan (Independent Non-executive Director).

Beijing, the PRC  
20 May 2010

*\* For identification purposes only*