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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 People's Republic of China (the "PRC"))*  
**(Stock code: 1071)**

**ANNOUNCEMENT**  
**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTIONS**  
**ENTERING INTO THE TRANSFER AGREEMENTS**

**TRANSFER AGREEMENTS**

The Board hereby announces that on 26 February 2021, the Company, together with China Huadian, has entered into (i) the Ningxia Lingwu Agreement, pursuant to which, the Company agreed to sell and China Huadian agreed to purchase 65% equity interests in Ningxia Lingwu held by the Company and the Lingwu Dividend Receivable; and (ii) the Ningxia Heating Agreement, pursuant to which, the Company agreed to sell and China Huadian agreed to purchase 53% equity interests in Ningxia Heating held by the Company, respectively. Upon the completion of the Transfers, the Company will no longer hold any interests in Ningxia Lingwu and Ningxia Heating, while Ningxia Lingwu and Ningxia Heating will cease to be the subsidiaries of the Company.

**HONG KONG LISTING RULES IMPLICATIONS**

China Huadian, being the Controlling Shareholder of the Company, is a connected person of the Company under the Hong Kong Listing Rules. Pursuant to the Chapter 14A of the Hong Kong Listing Rules, the Transfers shall constitute connected transactions of the Company. Pursuant to Rule 14A.81, as one or more of the percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the Transfers, calculated on an aggregate basis, exceed 5%, the Transfers are subject to the annual report, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, as one or more of the percentage ratios in respect of the Transfers, when aggregated, exceed 5% but are less than 25%, pursuant to the Chapter 14 of the Hong Kong Listing Rules, the Transfers also constitute a discloseable transaction of the Company, and is subject to the reporting and announcement requirements but is exempted from Shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has been established pursuant to the Hong Kong Listing Rules to advise the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder.

The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder.

### **EGM**

The Directors propose to put forward the Transfer Agreements and the Transfers contemplated thereunder for the independent Shareholders' approval at the EGM.

Pursuant to the Hong Kong Listing Rules, a circular containing, among others: (i) details of the Transfer Agreements and the Transfers contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder; and (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder will be dispatched on or before 19 March 2021 in accordance with the relevant laws and rules that apply to the Company, as additional time is required for the Company to prepare the circular.

## **I. INTRODUCTION**

The Board hereby announces that on 26 February 2021, the Company, together with China Huadian, has entered into (i) the Ningxia Lingwu Agreement, pursuant to which, the Company agreed to sell and China Huadian agreed to purchase 65% equity interests in Ningxia Lingwu held by the Company and the Lingwu Dividend Receivable; and (ii) the Ningxia Heating Agreement, pursuant to which, the Company agreed to sell and China Huadian agreed to purchase 53% equity interests in Ningxia Heating held by the Company, respectively. Upon the completion of the Transfers, the Company will no longer hold any interests in Ningxia Lingwu and Ningxia Heating, while Ningxia Lingwu and Ningxia Heating will cease to be the subsidiaries of the Company.

## II. NINGXIA LINGWU AGREEMENT

**The principal terms of the Ningxia Lingwu Agreement are summarized as follows:**

**Date:** 26 February 2021

**Parties:** The Company (the transferor); and  
China Huadian (the transferee).

**Subject matter:** The Company agreed to sell and China Huadian agreed to purchase 65% equity interests in Ningxia Lingwu held by the Company and the Lingwu Dividend Receivable.

**Consideration:** The consideration of the transactions contemplated under the Ningxia Lingwu Agreement is RMB2,822,503,971.45, comprising the consideration of:

- (1) the transfer of 65% equity interests in Ningxia Lingwu, being RMB2,095,704,651.68, determined with reference to the appraised value (being approximately RMB4,386,347,000) of owners' equity for Ningxia Lingwu ending 30 June 2020 (namely the valuation reference date), using asset-based approach by Zhonghe Appraisal Co., Ltd. and the Proposal of "Profit Distribution of the Company (2014-2019)" considered and approved by the general meeting of Ningxia Lingwu on 28 July 2020 (the "**Proposal**"), according to which total dividends distributable to its shareholders amounted to RMB1,162,185,995.9; and
- (2) the transfer of the Lingwu Dividend Receivable, being RMB726,799,319.77, determined with reference to the Proposal, according to which the dividends distributable to the Company from Ningxia Lingwu amounted to RMB771,328,762.86, of which, RMB44,529,443.09 has been paid to the Company).

During the transition period commencing on the valuation reference date to the completion date (being the completion date of the industrial and commercial change registration for the shareholders in respect of the transfer of 65% equity interests in Ningxia Lingwu), the Company shall be entitled to assume the corresponding profit or loss attributable to the abovesaid 65% equity interests in Ningxia Lingwu. And the third instalment of consideration shall be adjusted based on such audited profit/loss.

To the knowledge of the Company, during the transition period, Ningxia Lingwu has neither any plans for capital increase nor dividend incurred during the transition period to be distributed in cash to the Company. As a result, the Company expects that the adjustment on the amount of consideration arising from the audit results of Ningxia Lingwu as at the completion date during the transition period will be minimal, and therefore, the transactions contemplated under the Ningxia Lingwu Agreement will not end up with a higher classification of transaction. In addition, the Company will make further announcement on the details of the adjusted consideration of the transactions under the Ningxia Lingwu Agreement as and when appropriate.

- Payments:** The consideration for the transactions contemplated under the Ningxia Lingwu Agreement will be paid in cash by China Huadian to the Company in three instalments under the proportions of 51%, 29% and 20%, in which:
- (i) China Huadian shall pay the first instalment of consideration (being RMB1,439,477,025.44) for transfer within five working days after the Ningxia Lingwu Agreement has come into effect;
  - (ii) China Huadian shall pay the second instalment of consideration being RMB818,526,151.72) for transfer within five working days after Ningxia Lingwu has completed the industrial and commercial change registration for the transfer of its 65% equity interests; and
  - (iii) The audit of Ningxia Lingwu for the transition period shall be completed and the corresponding audit report shall be issued within 15 working days after the industrial and commercial change registration. Within five working days after the issuance of the abovementioned audit report, China Huadian shall pay the third instalment of adjusted consideration for transfer, i.e. the consideration payable with the adjustment on the results of the abovesaid audit report on top of RMB564,500,794.29.

- Conditions precedent:** The completion of transactions contemplated under the Ningxia Lingwu Agreement is conditional upon the fulfillment of the following matters:
- (i) the asset valuation report of Ningxia Lingwu being filed with the competent authority in accordance with relevant regulations on the administration of state-owned assets;
  - (ii) the transactions contemplated under the Ningxia Lingwu Agreement being considered and approved at the general meeting of Ningxia Lingwu, and other shareholders have explicitly waived their rights of first refusal in relation to the 65% equity interests in Ningxia Lingwu;
  - (iii) the transactions contemplated under the Ningxia Lingwu Agreement, being considered and approved at the general meeting of the Company; and
  - (iv) the transactions contemplated under the Ningxia Lingwu Agreement to be conducted by way of transfer by agreement, being approved by the relevant authority responsible for the administration of state-owned assets.

**Completion:** The Company shall procure Ningxia Lingwu to complete the industrial and commercial change registration (as determined by the acceptance of the relevant change registration by the competent department of industrial and commercial administration) in respect of the change of the shareholders and shareholding as well as articles of association of Ningxia Lingwu within 30 days upon the fulfillment of the above conditions precedent.

### III. NINGXIA HEATING AGREEMENT

#### 1. Principal terms of the Ningxia Heating Agreement are summarized as follows:

- Date:** 26 February 2021
- Parties:** The Company (the transferor); and  
China Huadian (the transferee).
- Subject matter:** The Company agreed to sell and China Huadian agreed to purchase 53% equity interests in Ningxia Heating held by the Company.
- Consideration:** The consideration of transaction contemplated under the Ningxia Heating Agreement is determined with reference to the appraised value of owners' equity in Ningxia Heating ending 30 June 2020 (namely the valuation reference date), using income approach by the Valuer, being approximately RMB2,342,227,800. Taking into account the insufficient capital contribution by minority shareholders to Ningxia Heating, the consideration for the disposal of 53% equity interests in Ningxia Heating arrived at RMB1,249,728,234.

During the transition period commencing on the valuation reference date to the completion date (being the completion date of the industrial and commercial change registration for the shareholders in respect of the transfer of 53% equity interests in Ningxia Heating), the Company shall be entitled to assume the corresponding profit or loss attributable to the abovesaid 53% equity interests in Ningxia Heating. And the third instalment of consideration shall be adjusted based on such audited profit/loss.

To the knowledge of the Company, during the transition period, Ningxia Heating has neither any plans for capital increase nor dividend incurred during the transition period to be distributed in cash to the Company. As a result, the Company expects that the adjustment on the amount of consideration arising from the audit results of Ningxia Heating as at the completion date during the transition period will be minimal, and therefore, the transaction contemplated under the Ningxia Heating Agreement will not end up with a higher classification of transaction. In addition, the Company will make further announcement on the details of the adjusted consideration of the transaction under the Ningxia Heating Agreement as and when appropriate.

**Payment:**

The consideration for the transactions contemplated under the Ningxia Heating Agreement will be paid in cash by China Huadian to the Company in three instalments under the proportions of 51%, 29% and 20%, in which:

- (i) China Huadian shall pay the first instalment of consideration for transfer (being RMB637,361,399.34) within five working days after the Ningxia Heating Agreement has come into effect;
- (ii) China Huadian shall pay the second instalment of consideration (being RMB362,421,187.86) for transfer within five working days after Ningxia Heating has completed the industrial and commercial change registration for the transfer of its 53% equity interests; and
- (iii) The audit of Ningxia Heating for the transition period shall be completed and the corresponding audit report shall be issued within 15 working days after the industrial and commercial change registration. Within five working days after the issuance of the abovementioned audit report, China Huadian shall pay the third instalment of adjusted consideration for transfer; i.e. the consideration payable with the adjustment on the results of the abovesaid report on top of RMB249,945,646.80.

**Conditions precedent:**

The completion of transaction contemplated under the Ningxia Heating Agreement is conditional upon the fulfillment of the following matters:

- (i) the assets valuation report of Ningxia Heating being filed with the competent authority in accordance with relevant regulations on the administration of state-owned assets;
- (ii) the transaction contemplated under the Ningxia Heating Agreement being considered and approved at the general meeting of Ningxia Heating, and other shareholders have explicitly waived their rights of first refusal in relation to the 53% equity interests in Ningxia Heating;
- (iii) the transaction contemplated under the Ningxia Heating Agreement, being considered and approved at the general meeting of the Company; and
- (iv) the transactions contemplated under the Ningxia Heating Agreement to be conducted by way of transfer by agreement, being approved by the relevant authority on the administration of state-owned assets.

**Completion:**

The Company shall procure Ningxia Heating to complete the industrial and commercial change registration (as determined by the acceptance of the relevant change registration by the competent department of industrial and commercial administration) in respect of the change of the shareholders and shareholding as well as articles of association of Ningxia Heating shall be completed within 30 days upon the fulfillment of the above conditions precedent.

## **2. Profit forecast in relation to the valuation approach on the equity interests in Ningxia Heating**

As income approach is adopted for the valuation of equity interests in Ningxia Heating, the valuation is deemed as a profit forecast under Rule 14.61 of the Hong Kong Listing Rules. As such, the Company discloses the following details of the valuation in accordance to Rules 14.62 of the Hong Kong Listing Rules.

The appraised value of the equity interests in Ningxia Heating set out in the valuation report are based on the following principal assumptions:

### ***(1) General assumptions***

- a) It is assumed that the appraised entity will continue to operate as a going concern after the valuation reference date;
- b) It is assumed that there will be no material changes in the political, economic and social environment of the country and region in which the appraised entity is located after the valuation reference date;
- c) It is assumed that there will be no material changes to the macro-economic policies, industrial policies or regional development policies of the country after the valuation reference date;
- d) It is assumed that there will be no material changes to the interest rates, exchange rates, tax bases, tax rates and policy-imposed levies in relation to the appraised entity after the valuation reference date;
- e) It is assumed that the management of the appraised entity will be responsible and stable, and have the capability to take on their duties after the valuation reference date;
- f) It is assumed that the appraised entity will fully comply with all relevant laws and regulations;
- g) It is assumed that there will be no force majeure and unforeseen factors that may have material adverse impact on the appraised entity after the valuation reference date.

### ***(2) Specific assumptions***

- a) It is assumed that the accounting policies to be adopted by the appraised entity after the valuation reference date will be consistent in key aspects with the accounting policies adopted when this valuation report is prepared;
- b) It is assumed that the business scope and practice of the appraised entity will, after the valuation reference date, remain consistent with what they are currently based on its existing management practice and management level;
- c) It is assumed that the appraised entity will have even cash inflow and cash outflow after the valuation reference date;

- d) It is assumed that the products or services of the appraised entity will maintain current market competitiveness after the valuation reference date;
- e) It is assumed that the heating franchise license of the appraised entity will be renewable upon expiry;
- f) Works of the Yinchuan intelligent central heating project (Phase II) undertaken by Huadian Lingwu Power Plant, the appraised entity, commenced in September 2019 and are expected to be completed in November 2022. Total investment of the project is approximately RMB3.445 billion. As at the valuation reference date, 25% of the project works have been completed. It is assumed that the Yinchuan intelligent central heating project (Phase II) undertaken by Huadian Lingwu Power Plant, the appraised entity, can be completed and enter the trial operation stage as expected by the management; and all heating-related operating parameters of the project can meet the planning and design as provided by the appraised entity in terms of heating area, heating index, heating load, annual heat supply, etc.;
- g) It is assumed that the Yinchuan intelligent central heating project undertaken by Huadian Lingwu Power Plant, the appraised entity, can be completed within the investment budget as provided by the appraised entity on the valuation reference date;
- h) It is assumed that the current preferential income tax policies for the Western Development and the value-added tax, real estate tax and urban land use tax related preferential policies for heating enterprises of China will remain unchanged in the coming years;
- i) It is assumed that all lease contracts entered into by the appraised entity will be renewable upon expiry;
- j) The lands within the scope of valuation include 29 housing buildings of heat exchange stations in 29 locations, and all those lands, being used by the appraised entity for the heat exchange stations at no consideration, are owned by the community landlords or the government where each of the heat exchange stations are located. It is assumed that the appraised entity will continue to use the aforesaid lands at no consideration in the coming years.

BDO Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of calculations of relevant forecasts by income approach in the valuation, which does not involve reasonableness for the adoption of accounting policies and assumptions. The Board confirms that the profit forecast of Ningxia Heating as set out in the valuation report has been made after due and careful enquiry by the Board. The letters issued by BDO Limited and the Board are set out in Appendix I and Appendix II to this announcement, respectively. The following are the qualifications of the experts who have given their opinions or advices which are contained in this announcement:

<b>Name</b>	<b>Qualification</b>	<b>Date of opinion or advice</b>
BDO Limited	Certified Public Accountants	26 February 2021
Beijing China Enterprise Appraisal Co., Ltd. (北京中企華資產評估 有限責任公司)	Qualified PRC Valuer	10 November 2020

As at the date of this announcement, as far as the Directors are aware, each of the experts did not have any beneficial interest in the share capital of any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the publication of this announcement with the inclusion herein of its letter or report and/or reference to its name.

#### **IV. FINANCIAL IMPACT OF THE TRANSFERS AND USE OF PROCEEDS**

Upon completion of the Transfers, the Company will no longer hold any interests in Ningxia Lingwu and Ningxia Heating, while Ningxia Lingwu and Ningxia Heating will cease to be the subsidiaries of the Company.

The gain arising from the Transfers (before deducting taxes and other expenses payable by the Company in respect of the Transfers) amounts to RMB953,704,164.28, of which, it is calculated in accordance with the difference between the total consideration of the transfer of 65% equity interests in Ningxia Lingwu and 53% equity interests in Ningxia Heating and the their respective net book value at the valuation reference date (namely 30 June 2020). The estimated gain from the disposal of 65% equity interests in Ningxia Lingwu and the disposal of 53% equity interests in Ningxia Heating are approximately RMB351,610,706.56 and RMB602,093,457.72, respectively. And it is expected that no gain or loss from the transfer of the Lingwu Dividend Receivable will be recorded by the Company. The Company intends to use the net proceeds arising from the Transfers for general working capital of the Group.

#### **V. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSFER AGREEMENTS**

Upon completion of the Transfers, the asset deployment of the Group is expected to be further optimized.

Directors (excluding the independent non-executive Directors, who will provide their opinions in the circular after taking into account of the opinions of the Independent Financial Adviser on the Transfer Agreements and the Transfers contemplated thereunder) are of the view that the terms of the Transfer Agreements and the Transfers contemplated thereunder are on normal commercial terms, which are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

#### **VI. HONG KONG LISTING RULES IMPLICATIONS**

China Huadian, being the Controlling Shareholder of the Company, is a connected person of the Company under the Hong Kong Listing Rules. Pursuant to the Chapter 14A of the Hong Kong Listing Rules, the Transfers shall constitute connected transactions of the Company. Pursuant to Rule 14A.81, as one or more of the percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the Transfers, calculated on an aggregate basis, exceed 5%, the Transfers are subject to the annual report, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, as one or more of the percentage ratios in respect of the Transfers, when aggregated, exceed 5% but are less than 25%, pursuant to the Chapter 14 of the Hong Kong Listing Rules, the Transfers also constitute a discloseable transaction of the Company, and is subject to the reporting and announcement requirements but is exempted from Shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

Given that Mr. Ding Huande, Mr. Peng Xingyu, Mr. Gou Wei and Mr. Hao Bin, the Directors of the Company, held positions in China Huadian, they have abstained from voting on the resolutions regarding the abovementioned transactions at the seventh meeting of the ninth session of the Board. Save for the disclosed above, as at the date when the Board considered the abovementioned resolutions, no other Directors have any material interest in the Transfers contemplated under the Transfer Agreements and therefore no other Directors have abstained from voting on such resolutions of the Board.

## VII. INFORMATION RELATING TO NINGXIA LINGWU AND NINGXIA HEATING

### 1. Ningxia Lingwu

Ningxia Lingwu was established in 2006 with a registered capital of RMB1,332,655,261. It is principally engaged in coal-fired power generation and business related to power production and operation. As at the date of this announcement, 65% and 35% equity interests of Ningxia Lingwu are held by the Company and Chalco Ningxia Energy Group Co., Ltd.\* (中鋁寧夏能源集團有限公司) respectively.

In accordance with the PRC Generally Accepted Accounting Principles, the audited profits (before and after taxation) of Ningxia Lingwu for the six months ended 30 June 2020 and the financial years ended 31 December 2019 and 31 December 2018 are set out as follows:

	<b>Six months ended 30 June 2020</b> (Audited) <i>(RMB million)</i>	<b>Year ended 31 December 2019</b> (Audited) <i>(RMB million)</i>	<b>Year ended 31 December 2018</b> (Audited) <i>(RMB million)</i>
Net profit before taxation	129.25	89.39	-167.28
Net profit after taxation	94.79	76.12	-141.97

The book value of the total assets and net assets of Ningxia Lingwu as at 30 June 2020 were approximately RMB7,837.24 million and RMB3,671.44 million respectively. The appraised value of owners' equity of Ningxia Lingwu as at 30 June 2020 was approximately RMB4,386.35 million.

## 2. Ningxia Heating

Ningxia Heating was established in 2017 with a registered capital of RMB1,050,000,000. It is principally engaged in the investment, construction and operation of heating supply projects for Yinchuan by Ningxia Lingwu. As at the date of this announcement, the Company holds 53% equity interests in Ningxia Heating, and the remaining equity interests are held by Yinchuan Municipal Construction Group Co., Ltd.\* (銀川市政建設集團有限公司), Ningxia Construction Investment Group Co., Ltd.\* (寧夏建設投資集團有限公司), Yinchuan Gas Heating Co., Ltd.\* (銀川市煤氣供熱有限公司), China Metallurgical Huatian Nanjing Engineering Technology Co., Ltd.\* (中冶華天南京工程技術有限公司) as to 21%, 14%, 9% and 3%, respectively.

In accordance with the PRC Generally Accepted Accounting Principles, the audited profits (before and after taxation) of Ningxia Heating for the six months ended 30 June 2020 and the financial years ended 31 December 2019 and 31 December 2018 are set out as follows:

	<b>Six months ended 30 June 2020</b> (Audited) <i>(RMB million)</i>	<b>Year ended 31 December 2019</b> (Audited) <i>(RMB million)</i>	<b>Year ended 31 December 2018</b> (Audited) <i>(RMB million)</i>
Net profit before taxation	96.65	42.75	47.71
Net profit after taxation	87.95	38.86	43.42

The book value of the total assets and net assets of Ningxia Heating as at 30 June 2020 were approximately RMB3,833.41 million and RMB1,204.48 million respectively. The appraised value of owners' equity of Ningxia Heating as at 30 June 2020 was approximately RMB2,342.23 million.

## **VIII. GENERAL INFORMATION**

### **Information relating to the Group**

The Group is one of the largest comprehensive energy companies in the PRC, and is primarily engaged in the construction and operation of power plants, including large-scale efficient coal or gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines.

### **Information relating to China Huadian**

China Huadian, the Controlling Shareholder of the Company, directly and indirectly holds approximately 46.84% of total issued share capital of the Company as at the date of this announcement. China Huadian is primarily engaged in power generation, heat production and supply, energy development of coal and other resources related to the power generation and relevant professional technical services.

## **IX. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has been established pursuant to the Hong Kong Listing Rules to advise the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder.

The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder.

## **X. EGM**

The Directors propose to put forward the Transfer Agreements and the Transfers contemplated thereunder for the independent Shareholders' approval at the EGM.

China Huadian, which holds 4,534,199,224 issued A Shares of the Company, representing approximately 45.97% of the total issued share capital of the Company, and China Huadian Hong Kong Company Limited, its wholly-owned subsidiary, which holds 85,862,000 issued H Shares of the Company, representing approximately 0.87% of the total issued share capital of the Company, will abstain from voting for approving the Transfer Agreements and the Transfers contemplated thereunder.

Pursuant to the Hong Kong Listing Rules, a circular containing, among others: (i) details of the Transfer Agreements and the Transfers contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder; and (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder will be dispatched on or before 19 March 2021 in accordance with the relevant laws and rules that apply to the Company, as additional time is required for the Company to prepare the circular.

## DEFINITIONS

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

“Board”	the board of directors of the Company;
“China Huadian”	China Huadian Corporation Limited* (中國華電集團有限公司), a wholly PRC state-owned enterprise and the Controlling Shareholder of the Company, and where the context requires, means China Huadian and its subsidiaries as well as the companies whose 30% or more equity interests are directly or indirectly held by China Huadian;
“Company”	Huadian Power International Corporation Limited* (華電國際電力股份有限公司), a Sino-foreign investment joint stock company limited by shares incorporated in the PRC, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively;
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Controlling Shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve the Transfer Agreements and the Transfers contemplated thereunder;
“Group”	the Company and its subsidiaries as of the date of this announcement;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	the independent committee of the Board appointed to advise the independent Shareholders on the Transfer Agreements and the Transfers contemplated thereunder pursuant to the Hong Kong Listing Rules;

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and has been appointed as the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Transfer Agreements and the Transfers contemplated thereunder;
“Lingwu Dividend Receivable”	the dividend receivable arising from the 65% equity interests in Ningxia Lingwu held by the Company as at the date of the Ningxia Lingwu Agreement
“Ningxia Lingwu” or “Huadian Lingwu Power Plant”	Huadian Ningxia Lingwu Power Generation Company Limited* (華電寧夏靈武發電有限公司), a limited liability company incorporated in the PRC;
“Ningxia Lingwu Agreement”	the equity and debt transfer agreement entered into between the Company and China Huadian on 26 February 2021, pursuant to which, the Company has agreed to sell and China Huadian has agreed to purchase 65% equity interests in Ningxia Lingwu held by the Company and the Lingwu Dividend Receivable;
“Ningxia Heating”	Ningxia Huadian Heating Corporation Limited* (寧夏華電供熱有限公司), a limited liability company incorporated in the PRC;
“Ningxia Heating Agreement”	the equity transfer agreement entered into between the Company and China Huadian on 26 February 2021, pursuant to which, the Company has agreed to sell and China Huadian has agreed to purchase 53% equity interests in Ningxia Heating held by the Company;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	the share(s) with a par value of RMB1.00 each in the share capital of the Company;
“Shareholder(s)”	the shareholder(s) of the Company;
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules that apply to the Company;
“transition period”	the period from the valuation reference date (exclusive of such date) to the date of completion (inclusive of such date);
“Transfer Agreements”	including Ningxia Lingwu Agreement and Ningxia Heating Agreement;

“Transfers”	transactions contemplated under the Transfer Agreements;
“valuation reference date”	30 June 2020, being the valuation reference date stated in the valuation reports of Ningxia Heating prepared by the Valuer;
“Valuer”	Beijing China Enterprise Appraisal Co., Ltd.* (北京中企華資產評估有限責任公司); and
“%”	per cent.

By order of the Board  
**Huadian Power International Corporation Limited\***  
**Zhang Gelin**  
*Secretary to the Board*

As at the date of this announcement, the board of Directors comprises:

*Ding Huande (Chairman, Executive Director), Ni Shoumin (Vice Chairman, Non-executive Director), Peng Xingyu (Non-executive Director), Luo Xiaoqian (Executive Director), Zhang Zhiqiang (Non-executive Director), Li Pengyun (Non-executive Director), Wang Xiaobo (Non-executive Director), Feng Rong (Executive Director), Wang Dashu (Independent Non-executive Director), Zong Wenlong (Independent Non-executive Director), Feng Zhenping (Independent Non-executive Director) and Li Xingchun (Independent Non-executive Director).*

Beijing, the PRC  
26 February 2021

\* *For identification purpose only*

## **APPENDIX I LETTER FROM REPORTING ACCOUNTANT IN RELATION TO THE PROFIT FORECAST OF NINGXIA HEATING**

### **INDEPENDENT ASSURANCE REPORT ON THE ARITHMETICAL ACCURACY OF THE CALCULATIONS OF THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF NINGXIA HUADIAN HEATING CORPORATION LIMITED**

**To the Board of Directors of Huadian Power International Corporation Limited (the “Company”)**

We refer to the discounted future cash flows on which the valuation (“**Valuation**”) dated 10 November 2020 prepared by Beijing China Enterprise Appraisal Co., Ltd. with respect to the valuation of 100% equity interest in Ningxia Huadian Heating Corporation Limited (“**Ningxia Heating**”) as at 30 June 2020 is based. The Valuation is prepared based in part on discounted future cash flows and is regarded 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’ Responsibility for the Discounted Future Cash Flows**

The directors of the Company (the “**Directors**”) are solely responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors and set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

#### **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, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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' Responsibility**

It is our responsibility to form a conclusion, based on our work on the arithmetical accuracy of the calculations of the discounted future cash flows on which the Valuation is based, and to report, as required by paragraph 14.62(2) of the Listing Rules, on the arithmetical accuracy of the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

We conducted our work in accordance with the terms of our engagement and 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 discounted future cash flows in accordance with the bases and assumptions as set out in the Valuation. We performed procedures on the arithmetical accuracy and compilation of the discounted future cash flows in accordance with the bases and assumptions. 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.

## **Conclusion**

In our opinion, so far as the arithmetical accuracy of the calculations is concerned, the discounted future cash flows have been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

## **Other Matters**

Without modifying our opinion, we draw your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of Ningxia Heating or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. 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, arising out of or in connection with our work.

## **BDO Limited**

*Certified Public Accountants*

Hong Kong, 26 February 2021

**APPENDIX II LETTER FROM THE BOARD IN RELATION TO THE PROFIT FORECAST OF NINGXIA HEATING**



**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 People's Republic of China (the "PRC"))*  
**(Stock code: 1071)**

The Stock Exchange of Hong Kong Limited  
12/F, Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

26 February, 2021

Dear Sirs,

**Transaction contemplated under Ningxia Heating Agreement**

We refer to the valuation report ("**Valuation Report**") dated 10 November 2020 prepared by Beijing China Enterprise Appraisal Co., Ltd. ("**Valuer**") in relation to the valuation (the "**Valuation**") of Ningxia Heating with the valuation reference date of 30 June 2020. The Valuation, which is prepared based on income approach, includes the discounted future estimated cash flows of Ningxia Heating, thus regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have considered every aspect regarding the Valuation, including the bases and assumptions upon which the Valuation has been prepared, and have reviewed the Valuation for which the Valuer is responsible. We have also considered the letter dated 26 February 2021 from our reporting accountant, BDO Limited, regarding the arithmetical accuracy of the calculations and whether the forecast was compiled properly according to the assumptions set out in the Valuation Report. We have noticed that the calculations of forecast in the Valuation were accurate, and fulfilled the bases and assumptions set out in the Valuation Report.

On the basis of the foregoing, we are of the opinion that the forecast has been made after due and careful enquiry.

By Order of the Board  
**Huadian Power International Corporation Limited\***  
**Zhang Gelin**  
*Secretary to the Board*

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