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**CGN Power Co., Ltd.\***

**中國廣核電力股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code : 1816)**

### **Connected Transaction**

#### **Disposal of 22.1% Equity Interests in Baoyin Company**

The Board announces that on August 19, 2015, the Board considered and approved the Equity Transfer Agreement entered into between CNPRI and CGN Capital Holdings. Pursuant to the Equity Transfer Agreement, CNPRI, a wholly-owned subsidiary of the Company, sold its 22.1% equity interests in Baoyin Company (representing all equity interests of Baoyin Company owned by the Group) to CGN Capital Holdings. The consideration for the proposed disposal of such equity interests was RMB358,207,527.00.

As at the date of this announcement, CGN is our controlling shareholder and is holding 64.20% of the total issued share capital of the Company, and CGN Capital Holdings is a wholly-owned subsidiary of CGN, thus they are connected persons of the Company under the Listing Rules. Accordingly, the Equity Transfer Agreement and the transactions contemplated thereunder constitute connected transaction of the Company according to Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the transactions contemplated under the Equity Transfer Agreement exceed 0.1%, but all of which are less than 5%, they are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **The Equity Transfer Agreement**

The key terms of the Equity Transfer Agreement are summarized as follows:

### **Date**

August 19, 2015

### **Parties**

Transferor: CNPRI, a wholly-owned subsidiary of the Company

Transferee: CGN Capital Holdings, a wholly-owned subsidiary of the Company's controlling shareholder and a connected person

### **Proposed Disposal of Equity Interests**

CNPRI's 22.1% equity interests in Baoyin Company (representing all equity interests of Baoyin Company owned by the Group).

### **Consideration**

With reference to various factors including the appraised value (as defined below) , the consideration was determined after arm's length negotiation by CNPRI and CGN Capital Holdings. The parties jointly commissioned Shenzhen Zhong Qi Hua Ping Appraisal Co., Ltd. (深圳市中企華評資產評估有限公司) to evaluate Baoyin Company's assets as at December 31, 2014 using the income-based approach, and the appraised value was RMB1,618,387,000.00 (the "**appraised value**"). The parties confirmed that CNPRI sold all of its 22.1% equity interests in Baoyin Company to CGN Capital Holdings at a consideration of RMB358,207,527.00, and CGN Capital Holdings agreed to purchase such equity interests at the same consideration.

### **Payment**

The transferee shall pay the consideration in a lump sum within two months upon the Equity Transfer Agreement becoming effective.

### **Conditions Precedent of the Equity Transfer Agreement**

The Equity Transfer Agreement shall become effective upon signing and sealing of CNPRI and CGN Capital Holdings.

## Information on Baoyin Company

Baoyin Company was established in June 2007, specializing in the research and development, production and sale of Inconel690 alloy U-shaped heat transmission tubes for Class I nuclear steam generator. CNPRI had owned 10% equity interests in Baoyin Company since January 12, 2010. On October 2014, Baoyin Company undertook an asset reorganization and each of its then shareholders has increased its capital as a result thereof. Pursuant to such reorganization arrangement, CNPRI increased its equity interests in Baoyin Company to 22.1% by capital contribution of RMB414 million, of which RMB207 million was settled by its 18% equity interests in Jiangsu Yinhuan Precision Steel Tube Co., Ltd (江蘇銀環精密鋼管股份有限公司) (“**Jiangsu Yinhuan**”), the value of which was determined by reference to the appraised value set out in the valuation report issued by Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) pursuant to the reorganization arrangement, and the remaining balance of RMB207 million was undertaken to be paid by installments in cash. As at the date of the Equity Transfer Agreement, CNPRI has actually paid RMB310.5 million for the capital increase (including 18% equity interests in Jiangsu Yinhuan valued at RMB207 million and a cash amount of RMB103.5 million). The remaining cash amount of RMB103.5 million which shall originally be payable by CNPRI within two years from the reorganization arrangement will be borne by CGN Capital Holdings.

As at the date of the Equity Transfer Agreement, the registered capital of Baoyin Company was RMB819.72 million, of which CNPRI held 22.1% equity interests, being the third largest shareholder. Other shareholders included Baosteel Special Steel Co., Ltd (寶鋼特鋼有限公司) (as to 29.3%), Yinhuan Holdings Group Limited (銀環控股集團有限公司) (as to 28.4%), Huaneng Nuclear Power Development Co., Ltd. (華能核電開發有限公司) (as to 9.4%), Yixing Zhuowei Investment Management Co., Ltd. (宜興卓維投資管理有限公司) (as to 5.4%) and Yixing Zhuojun Investment Management Co., Ltd. (宜興卓鈞投資管理有限公司) (as to 5.4%), all of which were independent third parties. Baoyin Company owned 75% equity interests in Jiangsu Yinhuan at the same time.

The audited net profits (before and after taxation and extraordinary items) of Baoyin Company for the two financial years ended December 31, 2014 and December 31, 2013 are set out as follows:

	<b>For the year ended December 31,</b>	
	<i>RMB'000</i>	
	<b>2013</b>	<b>2014</b>
	(Audited)	(Audited)
Net profit before taxation and extraordinary items	(32,778,863.67)	(6,505,771.64)
Net profit after taxation and extraordinary items	(32,778,863.67)	1,027,270.90

Based on the audited accounts prepared under the PRC accounting standards, as at December 31, 2014, the total assets, total liabilities and net assets of Baoyin Company were approximately RMB2,982,043,816.33, RMB1,625,221,361.76 and RMB1,356,822,454.57, respectively.

### **Financial Impact on the Group**

As at June 30, 2015, the unaudited book value of the 22.1% equity interests in Baoyin Company owned by the Group was approximately RMB343,589,304.2. It is estimated that the financial impact of the disposal of the 22.1% equity interests in Baoyin Company by the Group at RMB358,207,527.00 on the financial statements of the Group is that a gain (before tax) on disposal of approximately RMB14,618,222.8 will be recognized as at the date of completion of equity disposal. The estimated amount is calculated on the basis of the difference between the consideration receivable from the equity disposal and the book value of the 22.1% equity interests in Baoyin Company owned by the Group as at June 30, 2015 and subject to final audit.

After the completion of the equity disposal, CNPRI will cease holding any equity interests in Baoyin Company. CNPRI will receive disposal consideration of RMB358,207,527.00, which will be used as its working capital.

### **Reasons and Benefits for Disposal**

Baoyin Company's principal business is the research and development, production and sale of Inconel690 alloy U-shaped heat transmission tubes for Class I nuclear steam generator, which is inconsistent with the position and development strategies

of CNPRI as a technological innovation and R&D institution of the Group. The Directors (including the independent non-executive Directors) consider that disposal of the equity interests in Baoyin Company will help CNPRI recover its fund and concentrate on development of principal business of the Group.

The terms of the Equity Transfer Agreement are determined after arm's length negotiation between CNPRI and CGN Capital Holdings. The Directors (including the independent non-executive Directors) consider that the basis in determining the consideration of disposal of the equity interests in Baoyin Company is fair and reasonable, and the terms of the Equity Transfer Agreement are on normal commercial terms in the ordinary course of business of the Group, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **Information about the Relevant Parties**

The Company is a leading nuclear power enterprise in the PRC, and is engaged in the provision of power supply and services mainly from power generation by nuclear energy. Its major scope of business includes: production and supply of electricity and heat generated mainly from nuclear energy, and provision of related professional technical services; disposal of nuclear wastes; organization and implementation of the construction and management for nuclear power stations; organization of the operation, repair and related businesses for nuclear power stations; organization of the design development and scientific research for nuclear power stations; and engagement in related investment, import and export businesses.

CNPRI was established on November 8, 2006 and is a wholly-owned subsidiary of the Company. It is principally engaged in the research, development, application and project contracting and technical services of nuclear engineering technologies, thermal engineering technologies, environmental engineering technologies and new energy technologies; the research, development, application and technical services of diagnostic testing technology and information technology; software technology development and integration; sales of mechanical and electrical equipment and computer equipment; design, on-site installation and commissioning of mechanical and electrical equipment transformation; import and export business (not involving the projects banned by laws, administrative regulations and state council, approval should be obtained for projects with restriction); processing trade (certificates for the processing site are to be separately applied); design of intelligent building system, design of telecommunication projects, construction projects (subject to the qualifications certificate issued by competent authorities); investment holding (actual projects are to be separately submitted); and organization of conferences (not involving the projects banned or required to obtain approval prior to registration by laws, administrative regulations and state council).

CGN Capital Holdings was established on February 3, 2015, and is a wholly-owned subsidiary of CGN. It is principally engaged in the business of asset management, investment management, investment consultancy (excluding securities, insurance, funds, financial business and other restricted areas), investments in energy projects and investment holding (actual projects are to be separately submitted).

### **Listing Rules Implications**

As at the date of this announcement, CGN is our controlling shareholder and is holding 64.20% of the total issued share capital of the Company, and CGN Capital Holdings is a wholly-owned subsidiary of CGN, thus they are connected persons of the Company under the Listing Rules. Accordingly, the Equity Transfer Agreement and the transactions contemplated thereunder constitute connected transaction of the Company according to Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the transactions contemplated under the Equity Transfer Agreement exceed 0.1%, but all of which are less than 5%, they are subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board has considered and approved the Equity Transfer Agreement and the transactions contemplated thereunder. Among our Directors, Mr. Zhang Shanming, Mr. Zhang Weiqing, Mr. Shi Bing were directors and senior management members of CGN, and accordingly they were considered to have conflict of interest in the transactions contemplated under the Equity Transfer Agreement. They had abstained from voting on the resolution in respect of the signing of the Equity Transfer Agreement. Save the aforesaid persons, the other Directors had no conflict of interest in the transactions contemplated under the Equity Transfer Agreement.

### **Definitions**

In this announcement, unless the context otherwise requires, the following terms shall have the meaning below:

“Board”	Board of Directors of the Company
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Company”	CGN Power Co., Ltd.*, a joint stock company with limited liability incorporated under PRC law on March 25, 2014, the H shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock code: 1816.HK)
“Group”	The Company and its subsidiaries
“CNPRI”	China Nuclear Power Technology Research Institute* (中核華核電技術研究院有限公司), a limited liability company established in the PRC on November 8, 2006, and a wholly-owned subsidiary of our Company
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“CGN”	China General Nuclear Power Corporation* (中國廣核集團有限公司), a state-owned enterprise established in the PRC on September 29, 1994 and our controlling shareholder and promoter, and thus a connected person of our Company, with 90% of its equity interests held by State-owned Assets Supervision and Administration Commission of the State Council of the PRC and 10% by Guangdong Hengjian Investment Holdings Co., Ltd.
“CGN Capital Holdings”	CGN Capital Holdings Co., Ltd.* (中廣核資本控股有限公司), a limited liability company established in the PRC on February 3, 2015, and a wholly-owned subsidiary of CGN
“Baoyin Company”	Baoyin Special Steel Tube Co. Ltd. * (寶銀特種鋼管有限公司), a limited liability company established in the PRC in June 2007 with 22.1% of its equity interests being held by CNPRI
“Equity Transfer Agreement”	the equity transfer agreement for the equity interests of Baoyin Special Steel Tube Co. Ltd. * entered into by CNPRI and CGN Capital Holdings on August 19, 2015
“RMB”	Renminbi, the lawful currency of the PRC

“subsidiary”	has the meaning ascribed thereto under the Listing Rules
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Directors”	directors of the Company

By order of the Board  
**CGN Power Co., Ltd.\***  
**Zhang Shanming**  
*Chairman*

The PRC, August 19, 2015

*As at the date of this announcement, the Board of the Company comprises Mr. Gao Ligang as executive Director; Mr. Zhang Shanming, Mr. Zhang Weiqing, Mr. Shi Bing, Mr. Xiao Xue and Mr. Zhuo Yuyun, as non-executive Directors; Mr. Na Xizhi, Mr. Hu Yiguang and Mr. Francis Siu Wai Keung, as independent non-executive Directors.*

*\* For identification purpose only*