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China Cinda Asset Management Co., Ltd.

中國信達資產管理股份有限公司

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

(Stock Code: 01359 and 04621 (Preference Shares))

CONNECTED TRANSACTION ABSORPTION AND MERGER OF HUAINAN MINING GROUP

THE ABSORPTION AND MERGER

The Board hereby announced that the Company, as one of the Existing Shareholders of Huainan Mining Group, together with other Existing Shareholders of Huainan Mining Group as a party to the agreement, entered into the Absorption and Merger Agreement with Huainan Mining Group and Huaihe Energy on February 21, 2022, pursuant to which, the Parties including the Company agreed that Huaihe Energy would absorb and merge Huainan Mining Group by issuing shares and/or convertible corporate bonds (if any) and paying cash to Existing Shareholders. Upon completion of the Absorption and Merger, the Company will become a shareholder of Huaihe Energy.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company and its subsidiaries jointly hold 55.45% of equity interests in Cinda Real Estate. Cinda Real Estate is a subsidiary of the Company. Huainan Mining Group currently holds more than 10% of equity interests in Cinda Real Estate and therefore constitutes a connected person of the Company at the subsidiary level. At the same time, Huainan Mining Group currently holds 56.61% of equity interests in Huaihe Energy, and therefore Huaihe Energy is an associate of such connected person. Accordingly, the Absorption and Merger Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under the Chapter 14A of the Listing Rules.

One or more applicable percentage ratio(s) with respect to the transaction of the Company contemplated under the Absorption and Merger Agreement is/are higher than 5%, but Huainan Mining Group is only a connected person of the Company at the subsidiary level and the Directors of the Company (including the independent non-executive Directors) have approved the Absorption and Merger Agreement and considered that the terms are normal commercial terms, which are fair and reasonable to the Company and in the interest of the Company and its shareholders as a whole. Therefore, pursuant to rule 14A.101 of the Listing Rules, the Absorption and Merger Agreement and the connected transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from circular, advice from independent financial advisor and shareholders' approval requirements.

The Absorption and Merger involves debt-to-equity swap business, which is the principal business of the Company.

INTRODUCTION

The Board hereby announced that the Company, as one of the Existing Shareholders of Huainan Mining Group, together with other Existing Shareholders of Huainan Mining Group as a party to the agreement, entered into the Absorption and Merger Agreement with Huainan Mining Group and Huaihe Energy on February 21, 2022, pursuant to which, the Parties including the Company agreed that Huaihe Energy would absorb and merge Huainan Mining Group by issuing shares and/or convertible corporate bonds (if any) and paying cash to Existing Shareholders. Upon completion of the Absorption and Merger, the Company will become a shareholder of Huaihe Energy.

ABSORPTION AND MERGER AGREEMENT

Date

February 21, 2022

Parties

- 1) Huaihe Energy
- 2) Huainan Mining Group
- 3) Existing Shareholders

Huainan Mining Group is a connected person of the Company at the subsidiary level. Huainan Mining Group holds 56.61% of equity interests in Huaihe Energy prior to the completion of the Absorption and Merger Agreement. Therefore, Huaihe Energy is an associate of Huainan Mining Group, the Company's connected person.

Absorption and Merger Proposal

Overview of the Absorption and Merger Proposal

The Parties agreed that Huaihe Energy could absorb and merge Huainan Mining Group by issuing shares and/or convertible corporate bonds (if any) and paying cash to Existing Shareholders, among which, Huaihe Energy is the merging party and the surviving party after the Absorption and Merger, and Huainan Mining Group is the merged party.

As of the date of this announcement, the shareholding structure of Huainan Mining Group is as follows:

Existing shareholders	Contribution Amount (RMB'0000)	Shareholding Percentage (%)
Huaihe Holding	1,500,666.04	82.90
China Cinda	150,602.41	8.32
CCB Investment	51,546.39	2.85
GuoHua Investment	30,120.48	1.66
BOC Asset	25,773.20	1.42
JiKai Group	20,618.56	1.14
Shanghai Power	10,309.28	0.57
CP Guorui	10,309.28	0.57
Huaibei Mining Industry	10,309.28	0.57
Total	1,810,254.91	100.00

Pursuant to the Absorption and Merger Agreement, the Existing Shareholders agreed to sell all their respective shares in Huainan Mining Group to Huaihe Energy.

After the completion of the Absorption and Merger, Huaihe Energy will be the surviving company to undertake and inherit all the assets, liabilities, businesses, personnel and all other rights and obligations of Huainan Mining Group. The legal person status of Huainan Mining Group will be cancelled, and the shares of Huaihe Energy held by Huainan Mining Group will be cancelled at the same time.

After the completion of the Absorption and Merger, the Existing Shareholders will become the shareholders of Huaihe Energy.

The price of the Subject Assets

The Parties have agreed that the price of the Subject Assets shall be determined based on the appraised value of Huainan Mining Group's shareholders' total equity as at the Valuation Reference Date confirmed in the asset valuation report prepared by an appraisal agency in compliance with the Securities Law and approved by/filed with competent state-owned assets supervision and administration department..

As of the date of this announcement, the relevant audit and valuation work is in progress, and the appraised value and transaction price of the Subject Assets as at the Valuation Reference Date have not been determined. After the appraised value of the Subject Assets is determined, the Parties will separately enter into a supplementary agreement to determine the transaction price of the Subject Assets. But in any event, the consideration to be paid to the Company will be the shares and/or convertible corporate bonds (if any) of Huaihe Energy rather than cash. The Company will publish further announcement(s) in due course to inform the shareholders of the Company on the consideration paid by Huaihe Energy to the Company under the Absorption and Merger.

The main arrangement for the payment of transaction consideration

I. Issuing shares

Class and par value of shares:	The class of shares to be issued is RMB ordinary share (A share) with a par value of RMB1.00, and the shares will be listed on SSE.
Method of issuance and target subscribers:	The shares will be issued by way of non-public issuance. The target subscribers are Existing Shareholders.
Issue Price:	The Issue Price shall be determined at the higher of 90% of the average trading price of Huaihe Energy for the 20 trading days preceding the Price Determination Date and the audited net asset value per share attributable to ordinary shareholders of the parent company as of December 31, 2021. In the event of any ex-rights or ex-dividends events such as distribution of dividends, issuance of bonus shares, rights issue and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of issuance, Huaihe Energy will adjust the Issue Price accordingly in accordance with the relevant rules of the CSRC and the SSE.
Number of shares to be issued:	The number of shares to be issued = the consideration amount of the Subject Assets to be paid by way of issuance of shares as determined in the Absorption and Merger/Issue Price of the shares to be issued. The final number of shares to be issued shall be approved by Huaihe Energy's general meeting and approved by the CSRC. In the event of any ex-rights or ex-dividends events such as distribution of dividends, issuance of bonus shares, rights issue and conversion of capital reserve into share capital during the period from the Price Determination Date to the date of issuance, Huaihe Energy will adjust the number of shares to be issued accordingly.
Lock-up period:	The shares of Huaihe Energy acquired by the Company through the Absorption and Merger shall not be transferred within 12 months from the date of completion of the issuance of shares, unless otherwise permitted by applicable laws and regulations. During the aforesaid lock-up period, the corresponding increase in shares of Huaihe Energy due to reasons such as issuance of bonus shares and conversion of capital reserve into share capital shall also comply with the above arrangement. If the CSRC or the SSE requires otherwise, the above arrangements shall be implemented in accordance with the requirements of the CSRC or the SSE.

II. Issuing convertible corporate bonds

Class and par value of bonds:	The type of convertible corporate bonds to be issued is convertible corporate bond which can be converted into the A shares of Huaihe Energy. The A Shares to be converted from the convertible corporate bonds will be listed on the SSE with a par value of RMB100 each.
Method of issuance and target subscribers:	The convertible corporate bonds will be issued by way of non-public issuance. The target subscribers are Existing Shareholders other than Huaihe Holding. The parties will enter into a supplemental agreement to determine whether to subscribe for the convertible corporate bonds issued by Huaihe Energy.
Number of bonds to be issued:	Number of convertible corporate bonds to be issued (numbers)= the amount of consideration to be paid by way of issuance of convertible corporate bonds for the Absorption and Merger/100. The final number of convertible corporate bonds to be issued shall be the number of shares approved by the Huaihe Energy's general meeting and the CSRC.
Maturity and interest rate of the bonds:	The term of the convertible corporate bonds is 4 years from the date of completion of the issuance. The interest rate is 0.40% for the first year, 0.80% for the second year, 1.20% for the third year and 2.60% for the fourth year from the completion date of the issue of the convertible corporate bonds. Huaihe Energy shall pay the bond interest for the previous year on the first trading day after every 12 months from the date of issuance of the convertible corporate bonds.
Initial conversion price and adjustment:	The initial conversion price of the convertible corporate bonds is the Issue Price of the shares issued in the Absorption and Merger. During the period from the Price Determination Date to the existence of the convertible corporate bonds, the initial conversion price will be adjusted in accordance with the relevant regulations of the CSRC and the SSE in case of any ex-rights or ex-dividends events such as distribution of dividend, issuance of bonus shares, rights issue and conversion of capital reserve into share capital of Huaihe Energy.
Source and term of conversion shares:	The conversion shares are from the shares issued by Huaihe Energy or the treasury shares of Huaihe Energy arising from the repurchase of shares. The conversion period is from the first trading day after the expiry of 6 months from the date of completion of the issuance to the maturity date of the convertible corporate bonds. During this period, the holders of convertible corporate bonds may exercise the conversion rights according to the agreement.

Lock-up period: The convertible corporate bonds obtained by the Company through the Absorption and Merger shall not be transferred within 12 months from the completion date of the issue of the bonds, except for the transfer permitted by applicable laws and regulations. If the Company converts the above convertible corporate bonds into Huaihe Energy's shares, the converted shares shall not be transferred within 18 months from the date of completion of the issuance of the convertible corporate bonds. During the aforesaid lock-up period, the corresponding increase in the converted shares due to reasons such as issuance of bonus shares and conversion of capital reserve into share capital of Huaihe Energy shall also comply with the above arrangement. If the CSRC or the SSE requires otherwise, the above arrangements shall be implemented in accordance with the requirements of the CSRC or the SSE.

Sale back: During the last two interest accrual years of the convertible corporate bonds, if the closing price of Huaihe Energy's shares for any 30 consecutive trading days is lower than 70% of the prevailing conversion price, the Company has the right to sell back all or part of the convertible corporate bonds held to Huaihe Energy at the par value of the bonds plus the then accrued interest.

Effective Conditions

The Absorption and Merger Agreement shall come into effect on the date of signing by the legal representatives or authorized representatives of the Parties with their respective official seals affixed, and shall be effective subject to the following conditions at the same time:

- 1) The Absorption and Merger are approved by the board of directors and the general meeting of shareholders of Huaihe Energy.
- 2) The Absorption and Merger are approved by the internal authorities, including the board of directors, shareholders' meeting or general meeting of shareholders of Huainan Mining Group and Existing Shareholders.
- 3) The Subject Assets under the Absorption and Merger are valued by an appraisal agency with securities practice qualifications and the valuation report is approved by/filled with competent state-owned assets supervision and administration department.
- 4) The Absorption and Merger are approved by Anhui SASAC.
- 5) The Absorption and Merger are approved from the CSRC.
- 6) The Absorption and Merger has obtained the necessary approvals from the antitrust authorities (if necessary).

Closing

Within 5 working days from the effective date of the Absorption and Merger Agreement, the parties shall jointly negotiate and determine the closing date of the Subject Assets, which shall be the last day of a month. The parties shall complete the delivery procedures of the relevant assets and sign the relevant delivery confirmation letter on the closing date.

REASONS FOR AND BENEFITS OF THE ABSORPTION AND MERGER AGREEMENT

The overall equity operation of Huainan Mining Group is a comprehensive pilot project of the Company to serve for the supply-side structural reform and support state-owned enterprises in strengthening and improving their competitiveness. The overall listing of Huainan Mining Group is also an important goal for the Company's operation of debt-to-equity swap projects. The equity interests of Huainan Mining Group currently held by the Company can be replaced by the new shares and/or convertible corporate bonds (if any) of Huaihe Energy through this transaction, which is conducive to realizing the liquidity and the value of the Company's equity interests. Upon completion of the Absorption and Merger, the quality and liquidity of the assets held by the Company will be further improved to achieve sustainable development of high-quality assets.

The Directors (including the independent non-executive Directors) consider that the terms of the Absorption and Merger Agreement are normal commercial terms, which are fair and reasonable and in the interest of the Company and its shareholders as a whole.

INFORMATION ABOUT HUAINAN MINING GROUP

Huainan Mining Group, which was established in the PRC on November 2, 1981, is principally engaged in coal, logistics trading and electricity. The audited key financial data of Huainan Mining Group for the two financial years ended December 31, 2019 and 2020 are set out below (on consolidated basis):

Unit: RMB'0,000

	As at December 31, 2019	As at December 31, 2020
Total assets	<u>12,326,800.30</u>	<u>12,348,408.53</u>
	For the year ended December 31, 2019	For the year ended December 31, 2020
Total profits	<u>434,472.87</u>	<u>431,451.06</u>
Net profits attributable to shareholders of the parent	<u>363,277.14</u>	<u>337,541.07</u>

As at December 31, 2020, the net assets value of Huainan Mining Group amounted to RMB33,729,174,000.

INFORMATION ABOUT HUAIHE ENERGY

Huaihe Energy (the shares of which are listed on the Main Board of the SSE (Stock Code: 600575)) was established in November 2000. It was initiated by the original Wuhu Port Administration and is now a state-owned listed company controlled by Huainan Mining Group. Its principal businesses include railway transportation business, coal trading business, thermal power generation business and electricity sales business, etc.

The audited key financial data of Huaihe Energy for the two financial years ended December 31, 2019 and 2020 and the unaudited key financial data as of June 30, 2021 and for the six months ended June 30, 2021 are set out below (on consolidated basis):

Unit: RMB'0,000

	As at December 31, 2019	As at December 31, 2020	As at June 30, 2021
Total assets	<u>1,709,777.13</u>	<u>1,762,259.10</u>	<u>1,876,322.19</u>
	For the year ended December 31, 2019	For the year ended December 31, 2020	For the six months ended June 30, 2021
Total profits	<u>97,143.04</u>	<u>54,611.53</u>	<u>32,601.81</u>
Net profits attributable to shareholders of the parent	<u>88,020.44</u>	<u>47,547.73</u>	<u>27,342.51</u>

As at June 30, 2021, the net assets value of Huaihe Energy amounted to RMB11,148,562,100.

INFORMATION ABOUT OTHER EXISTING SHAREHOLDERS

Huaihe Holding

Huaihe Holding is a company incorporated in the PRC with limited liability in 2018. It is principally engaged in production, sales, and technology research and services of coal, electricity and natural gas, logistics, investment and asset management. As at the date of this announcement, Huaihe Holding is the controlling shareholder of Huainan Mining Industry, and therefore constitutes a connected person of the Company at the subsidiary level. As at the date of this announcement, the ultimate beneficial owner of Huaihe Holding is Anhui SASAC.

CCB Investment

CCB Investment is a company incorporated in the PRC with limited liability in 2017. It is principally engaged in debt-to-equity swap and its supporting business, issuance of financial bonds, etc. As at the date of this announcement, the ultimate beneficial owner of CCB Investment is the State Council of the PRC.

GuoHua Investment

GuoHua Investment is a company incorporated in the PRC with limited liability in 1998. It is principally engaged in the management and operation of all assets formed from the fund of coal replacing oil and investment. As at the date of this announcement, the ultimate beneficial owner of GuoHua Investment is State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

BOC Asset

BOC Asset is a company incorporated in the PRC with limited liability in 2017. It is principally engaged in the acquisition of debt interests in enterprises from banks for the purpose of debt-to-equity swap, debt-to-equity swap and the management of the same, and the restructuring, transfer and disposal of debt interests that cannot be converted into equity. As at the date of this announcement, the ultimate beneficial owner of BOC Asset is the State Council of the PRC.

JiKai Group

JiKai Group is a company incorporated in the PRC with limited liability in 2017. It is principally engaged in enterprise management, technology promotion services, sales of machinery and equipment, software development and enterprise management consulting. As at the date of this announcement, the ultimate beneficial owner of JiKai Group is Feng Chunbao.

Shanghai Power

Shanghai Power is a joint stock limited company incorporated in the PRC in 1998, the shares of which are listed on the Main Board of the SSE (Stock Code: 600021). It is principally engaged in the development, construction, operation and management of electric power. As at the date of this announcement, the ultimate beneficial owner of Shanghai Power is the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

CP Guorui

CP Guorui is a company incorporated in the PRC with limited liability in 2012. It is principally engaged in supply chain management services, storage services, coal wholesale, etc. As at the date of this announcement, the ultimate beneficial owner of CP Guorui is State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

Huaibei Mining Industry

Huaibei Mining Industry is a joint stock limited company incorporated in the PRC in 2001. It is principally engaged in coal mining and excavating, coal washing and selection processing, coal sales and storage. As at the date of this announcement, the ultimate beneficial owner of Huaibei Mining Industry is Anhui SASAC.

Save as disclosed in this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the above parties and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ABOUT THE GROUP

The Group is principally engaged in distressed asset management, and provides customized financial solutions and differentiated asset management services to its clients through its diversified business platforms.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company and its subsidiaries jointly hold 55.45% of equity interests in Cinda Real Estate. Cinda Real Estate is a subsidiary of the Company. Huainan Mining Group currently holds more than 10% of equity interests in Cinda Real Estate and therefore constitutes a connected person of the Company at the subsidiary level. At the same time, Huainan Mining Group currently holds 56.61% of equity interests in Huaihe Energy, and therefore Huaihe Energy is an associate of such connected person. Accordingly, the Absorption and Merger Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

One or more applicable percentage ratio(s) with respect to the transaction of the Company contemplated under the Absorption and Merger Agreement is/are higher than 5%, but Huainan Mining Group is only a connected person of the Company at the subsidiary level and the Directors of the Company (including the independent non-executive Directors) have approved the Absorption and Merger Agreement and considered that the terms are normal commercial terms, which are fair and reasonable to the Company and in the interest of the Company and its shareholders as a whole. Therefore, pursuant to rule 14A.101 of the Listing Rules, the Absorption and Merger Agreement and the connected transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from circular, advice from independent financial advisor and shareholders' approval requirements.

The Absorption and Merger involves debt-to-equity swap business, which is the principal business of the Company.

As no Directors have a material interest in the Absorption and Merger Agreement and the connected transaction contemplated thereunder, no Directors were required to abstain from voting at the Board meeting to approve relevant resolutions.

DEFINITIONS

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

“Absorption and Merger Agreement”	Absorption and Merger Agreement between Huaihe Energy (Group) Co., Ltd. and Huainan Mining Industry (Group) Co., Ltd. entered into among the Existing Shareholders, Huainan Mining Group and Huaihe Energy on February 21, 2022
“Absorption and Merger”	In accordance with the Absorption and Merger Agreement, Huaihe Energy would absorb and merge Huainan Mining Group by issuing shares, convertible corporate bonds (if any) and paying cash to the Existing Shareholders, in which Huaihe Energy is the absorbing and merging party and the surviving party after the Absorption and Merger, and Huainan Mining Group is the absorbed and merged party. Upon completion of the Absorption and Merger, the entire assets, liabilities, businesses, personnel and all other rights and obligations of Huainan Mining Group shall be undertaken and inherited by Huaihe Energy. The legal person status of Huainan Mining Group shall be cancelled, and all the shares of Huaihe Energy held by Huainan Mining Group shall be cancelled.
“Anhui SASAC”	State-owned Assets Supervision and Administration Commission of the People’s Government of Anhui Province
“BOC Asset”	Bank of China Financial Asset Investment Co., Ltd.
“CCB Investment”	CCB Financial Asset Investment Co., Ltd.
“Cinda Real Estate”	Cinda Real Estate Co., Ltd., a subsidiary of the Company
“Company”	China Cinda Asset Management Co., Ltd.
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“CP Guorui”	China Power Guorui Supply Chain Management Co., Ltd.
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Existing Shareholders”	all shareholders of Huainan Mining Group (including Huaihe Holding, the Company, CCB Investment, Guohua Investment, BOC Asset, JiKai Group, Shanghai Power, CP Guorui and Huaibei Mining Industry)
“Group”	the Company and its subsidiaries
“Guohua Investment”	Guohua Energy Investment Co., Ltd.

“Huaibei Mining Industry”	Huaibei Mining Industry Co., Ltd.
“Huaihe Energy”	Huaihe Energy (Group) Co., Ltd.
“Huaihe Holding”	Huaihe Energy Holding Group Co., Ltd.
“Huainan Mining Group”	Huainan Mining Industry (Group) Co., Ltd.
“JiKai Group”	JiKai Enterprise Management Group Co., Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parties”	collectively, Huaihe Energy, Huainan Mining Group and Existing Shareholders
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region and Taiwan
“Price Determination Date”	the date of announcement of the resolutions of the 6th meeting of the seventh session of the board of directors of Huaihe Energy on considering the Absorption and Merger
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Power”	Shanghai Electric Power Co., Ltd.
“SSE”	Shanghai Stock Exchange
“Subject Assets”	the 100% equity interests of Huainan Mining Group held by the Existing Shareholders in the Absorption and Merger Agreement
“Valuation Reference Date”	January 31, 2022
“%”	per cent

By order of the Board
China Cinda Asset Management Co., Ltd.
ZHANG Zi'ai
Chairman

Beijing, the PRC
February 22, 2022

As at the date of this announcement, the Board of the Company consists of Mr. ZHANG Zi'ai and Mr. ZHANG Weidong as executive directors, Mr. HE Jieping, Mr. WANG Shaoshuang, Mr. CHEN Xiaowu, Ms. ZHANG Yuxiang, Mr. ZHANG Guoqing and Mr. LIU Chong as non-executive directors, and Mr. ZHU Wuxiang, Mr. SUN Baowen, Mr. LU Zhengfei and Mr. LAM Chi Kuen as independent non-executive directors.