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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 75% Equity Interest in CNPSTC

DISPOSAL

The Board announces that on March 17, 2022, the Board considered and approved the resolution on the Equity Transfer Agreement proposed to be entered into between CNPRI and Shanghai Company. Pursuant to the Equity Transfer Agreement, CNPRI shall sell and Shanghai Company shall acquire the Target Interest, namely 75% equity interest in CNPSTC. The Consideration for the Disposal was approximately RMB50.58 million. After arm's length negotiations between CNPRI and Shanghai Company, both parties agreed on the major arrangements regarding the equity transfer such as the payment, conditions precedent and the Transitional Period. Immediately after completion of the Disposal, the Group will no longer hold any interest in CNPSTC, and CNPSTC will cease to be a subsidiary of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGN is the Controlling Shareholder holding approximately 58.82% of the issued share capital of the Company, and is a connected person of the Company. Shanghai Company is a wholly-owned subsidiary of CGN. Accordingly, the transaction under the Equity Transfer Agreement constitute a connected transaction of the Company according to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 0.1%, but are all less than 5%, such transaction is therefore subject to the announcement and annual reporting requirements but exempt from Independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

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EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarized below:

1. Date

March 17, 2022

2. Parties

Transferor: CNPRI

Transferee: Shanghai Company

3. Target Interest

The Target Interest to be disposed of is the target interest in CNPSTC directly held by CNPRI, a wholly-owned subsidiary of the Company.

4. Consideration for the Disposal

The Consideration receivable by CNPRI from Shanghai Company in respect of the disposal of the Target Interest amounts to approximately RMB50.58 million. Such equity transfer price comprises: (1) the filed valuation as at the benchmark date, (2) the equity valuation as at the Appraisal Benchmark Date plus a premium agreed by the parties, and (3) the profit or loss in respect of the net assets for the Transitional Period as audited and assessed by a qualified accounting firm recognized by the parties, which will be settled in cash.

Upon further negotiation between the parties, during the Transitional Period, if the audited net asset value of CNPSTC as at the date of Completion of equity transfer is greater than its audited net asset value as at the Appraisal Benchmark Date, Shanghai Company shall compensate CNPRI for the difference on a pro-rata basis of 75%. If the audited net asset value of CNPSTC as at the date of Completion of equity transfer is less than or equal to its audited net asset value as at the Appraisal Benchmark Date, the parties to the transaction shall not be required to make any further settlement.

5. Payment

Shanghai Company will make full payment for the equity transfer to CNPRI in cash within six months from the effective date of the Equity Transfer Agreement, i.e. the Consideration of approximately RMB50.58 million and the amount of compensation for the Transitional Period, if any.

6. Conditions Precedent

The Equity Transfer Agreement shall be effective only if the following conditions are satisfied:

- (i) The Equity Transfer Agreement is signed by the legal representatives or authorized representatives of both parties and with the company seals affixed; and
- (ii) All necessary consents or approvals have been obtained for the Equity Transfer Agreement and the transfer of the Target Interest, including:
 - (a) Obtaining approval from CNPRI for the Equity Transfer Agreement;
 - (b) Filing of the asset appraisal result of the Target Interest;
 - (c) Obtaining approval from Shanghai Company for the Equity Transfer Agreement; and
 - (d) Compliance by the Company with the applicable laws of the PRC and Hong Kong, and the announcement and other applicable requirements of the China Securities Regulatory Commission, Shenzhen Stock Exchange and the Listing Rules for the transaction involved.

As at the date of this announcement, all the aforementioned conditions precedent have been fulfilled.

7. Major Arrangements during the Transitional Period

As agreed and confirmed by CNPRI and Shanghai Company, the vesting of changes in the net assets corresponding to the target equity interest between the Appraisal Benchmark Date and the Completion is determined according to the following criteria:

- (i) During the Transitional Period, CNPRI agrees not to make capital injection into CNPSTC, or arrange CNPSTC to distribute cash dividend; and
- (ii) CNPRI and Shanghai Company have agreed that during the Transitional Period, any change in net assets of CNPSTC shall be calculated according to the China Accounting Standards for Business Enterprises and the amount must be recognized by the qualified accounting firm appointed with consent from CNPRI and Shanghai Company. The parties have further agreed that during the Transitional Period, if the audited net asset value of CNPSTC as at the date of Completion of equity transfer is greater than its audited net asset value as at the Appraisal Benchmark Date, Shanghai Company shall compensate CNPRI for the difference on a pro-rata basis of 75%. If the audited net asset value of CNPSTC as at the date of Completion of equity transfer is less than or equal to its audited net asset value as at the Appraisal Benchmark Date, the parties to the transfer shall not be required to make any further settlement.

The final transfer price shall comply with the provisions as agreed in items (i) and (ii) above.

8. Completion

The date of Completion shall take place on the last date of the month when the Equity Transfer Agreement becomes effective. The date of Completion shall mean the date of completing the transfer of the rights and obligations of the Target Interest to Shanghai Company in accordance with the Equity Transfer Agreement and Shanghai Company becoming a shareholder of CNPSTC.

9. Indemnity

CNPRI has agreed to fully indemnify Shanghai Company for any losses incurred by Shanghai Company as a result of any potential material litigation, arbitration, administrative penalties, violations of laws and/or regulations arising from any conduct on the part of CNPSTC occurred prior to Completion within 30 days after the amount of actual losses caused by such matters have been legally determined, provided that such losses have not been deducted from or reflected in the Consideration.

BASIS OF THE CONSIDERATION

The Consideration was determined after arm's length negotiations between the parties with reference to the valuation of the equity interest in CNPSTC attributable to the Target Interest by CEA, a qualified independent valuer, as at the Appraisal Benchmark Date.

According to the asset valuation report of CEA, the aggregated valuation of the Target Interest was approximately RMB40.23 million as at the Appraisal Benchmark Date. The valuation of CNPSTC was arrived at in accordance with the PRC legal requirements applicable to the valuation of state-owned assets. Filing with the relevant authority has been completed for the above appraisal result.

CEA considered adopting the income approach or the asset-based approach when preparing the valuation of CNPSTC, and considered the asset-based approach as the appropriate approach for the valuation of CNPSTC after taking into account the relevant factors.

According to the appraisal opinions of CEA, with respect of the valuation of CNPSTC, as CNPSTC currently is principally engaged in providing nuclear power simulators and full life cycle solutions to nuclear power companies, it is subject to the uncertainties such as progress of national approval for nuclear power projects to a greater extent, and its realization of future earnings forecast is subject to high uncertainties amid continuous competition and barriers in CGN Group's pursuit of further expansion into external markets. Therefore, the appraisal result of the asset-based approach was adopted. In view of the above reasons, the Directors consider that the above appraisal method adopted for CNPSTC is fair and reasonable.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in constructing, operating and managing nuclear power stations, selling electricity generated by these stations, and organizing and developing the design and research & development of nuclear power stations.

CNPRI

CNPRI is a wholly-owned subsidiary of the Company and serves as a professional platform for the Group's core technology research and development. The principal businesses of CNPRI include model research and development, technology and equipment research and development, results transformation, and the construction of demonstration projects of the first set of major technological achievements.

CGN

Established on September 29, 1994, CGN is a large clean energy enterprise under supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CGN Group is principally engaged in the generation and sale of power, and the construction, operation and management of nuclear and non-nuclear clean projects. As at the date of this announcement, CGN held approximately 58.82% of the issued share capital of the Company and is the Controlling Shareholder of the Company.

Shanghai Company

Shanghai Company is a wholly-owned subsidiary of CGN and is a platform for the extension of CGN's DCS technology and the expansion of its industrial automation and control business. Shanghai Company is principally engaged in industrial automation and control system, digital instrumentation and control system for nuclear power station special equipment, new energy control system, advanced nuclear power equipment, information security system equipment, communication system equipment technical development, technical transfer, technical consultation, technical services, research and development, design, integration, manufacturing, operation and maintenance, engineering technical consultation, engineering management services, engineering survey and design; software technology; integrated circuit design and development; import and export of goods and technology; sales, installation and maintenance of machinery equipment, electrical and mechanical equipment, instruments and meters, electronic products, and communication equipment; electrical installation; conference services, and lease of self-owned factories.

Information on CNPSTC

CNPSTC, a company established in the PRC with limited liability (sino-foreign joint venture) and a subsidiary owned as to 75% by CNPRI, a wholly-owned subsidiary of the Company, is principally engaged in research, development, application and engineering contracting of simulation technology and control and information technology; software technology development, technical services; import and export of goods; import and export of technology; and import and export agency.

The profit for the year (before and after taxation) of CNPSTC for the years ended December 31, 2020 and December 31, 2021 based on the China Accounting Standards for Business Enterprises are set out as follows:

	For the year ended	
	December 31,	
	<i>RMB'000</i>	
	2020	2021
	(Audited)	(Audited)
Profit before taxation for the year	1,381.19	3,551.38
Profit after taxation for the year	1,370.80	2,764.62

According to the China Accounting Standards for Business Enterprises, the total assets, total liabilities and net assets of CNPSTC as at December 31, 2021 amounted to approximately RMB148.50 million, RMB85.06 million and RMB63.44 million, respectively.

FINANCIAL IMPACT ON THE GROUP

Immediately after the completion of the Disposal, the Group will no longer hold any interest in CNPSTC, and CNPSTC will no longer be a subsidiary of the Group. The financial results of CNPSTC will no longer be included in the Group's consolidated statement of profit or loss and other comprehensive income, which will affect the Group's profit for the year and total annual comprehensive income for the year.

The Group currently expects to record a profit of approximately RMB22.71 million after completion of the Disposal, which is mainly derived from the difference between the Consideration and the net asset value of CNPSTC.

The net transfer amount to be received from the disposal of the Target Interest (after deducting the fees and expenses in relation to the Disposal) will be used for the technology research and development activities of the Group.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group believes that as CNPSTC mainly provides nuclear power simulators and full life cycle solutions for nuclear power companies, it is greatly affected by the uncertainties in the state's approval progress of nuclear power projects and has limited room for business development. Therefore, adjustment is made to its business, which will not affect the professional development of the Company. CNPRI is a specialized platform for the Company's core technology research and development. The Disposal is favorable for CNPRI's optimization of its business structure, further focusing on its key responsibilities and business of the research and development of nuclear reactors, which is in line with the Company's medium and long term goals and "14th Five-Year Plan" goals focusing on "first-class safety and quality, first-class engineering construction, first-class technological innovation, first-class operation efficiency and first-class enterprise management", and can enhance the Company's operational efficiency. The Disposal also provides certain funds for the business development of CNPRI at the same time.

Shanghai Company is a wholly-owned subsidiary of CGN, the Controlling Shareholder of the Company, and has good practical experience with regard to digitalised research and development and industrial application. Following the transaction, CNPSTC can utilise the digitalized industrial resources of Shanghai Company conveniently and fully synerise with the instrumentation and control system reconstruction business of Shanghai Company, which has potential to resolve the sustainable development issue faced by CNPSTC and enhance operational effectiveness.

The Board has considered and approved the Equity Transfer Agreement and the transaction contemplated thereunder. Mr. Yang Changli, Mr. Gao Ligang and Mr. Shi Bing, being Directors of the Company, and also directors and/or senior management officers of CGN, are considered to be interested in the transaction under the Equity Transfer Agreement. They had abstained from voting on the resolution of the Board regarding the approval of the Equity Transfer Agreement and the transaction contemplated thereunder. Except for the aforesaid persons, none of the Directors has any interest in the transaction contemplated under the Equity Transfer Agreement.

The Board (including the independent non-executive Directors) considers that the terms of the Equity Transfer Agreement and the transaction thereunder are fair and reasonable and on normal commercial terms. Therefore, the Disposal is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CGN is the Controlling Shareholder holding approximately 58.82% of the issued share capital of the Company, and is a connected person of the Company. Shanghai Company is a wholly-owned subsidiary of CGN. Accordingly, the transaction under the Equity Transfer Agreement constitute a connected transaction of the Company according to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal exceed 0.1%, but are all less than 5%, such transaction is therefore subject to the announcement and annual reporting requirements but exempt from Independent Shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

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

“Appraisal Benchmark Date”	September 30, 2021
“Board”	the board of Directors of the Company
“CEA”	Beijing China Enterprise Appraisals Co., Ltd.
“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 a Controlling Shareholder, and thus a connected person of the Company
“CNPRI”	China Nuclear Power Technology Research Institute Co., Ltd.* (中廣核研究院有限公司), a limited liability company established in the PRC on November 8, 2006, and a wholly-owned subsidiary of the Company

“CNPSTC”	China Nuclear Power (Beijing) Simulation Technology Corporation Ltd.* (中廣核(北京)仿真技術有限公司), a limited liability company established in the PRC (sino-foreign joint venture) on May 9, 2008, and a non-wholly owned subsidiary of the Company held as to 75% by CNPRI and as to 25% by WSC-CHINA, LLC (an Independent Third Party), respectively
“Company”	CGN Power Co., Ltd.* (中國廣核電力股份有限公司), 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) and the A shares of which are listed on the Shenzhen Stock Exchange (Stock code: 003816.SZ)
“Completion”	completion of the Disposal under the Equity Transfer Agreement as referred to in the paragraph headed “Equity Transfer Agreement – 8. Completion” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the initial total consideration for the sale and purchase of the Target Interest under the Equity Transfer Agreement, subject to adjustment as described in the paragraph headed “Equity Transfer Agreement – 7. Major Arrangements during the Transitional Period” in this announcement
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules, and as at the date of this announcement, it refers to CGN
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Target Interest by CNPRI to Shanghai Company pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement relating to the Disposal entered into by CNPRI and Shanghai Company on March 17, 2022
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Shareholders”	Shareholders who have no material interest in the Disposal
“Independent Third Party(ies)”	person(s) which is/are not connected with any Directors, supervisors, the chief executive or the substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Company”	Shanghai Engineering Science & Technology Co., Ltd.* (上海中廣核工程科技有限公司), a limited liability company established in the PRC on August 29, 2007, and a wholly-owned subsidiary of CGN and a connected person of the Company
“Shareholder(s)”	holders of the shares of the Company
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Interest”	the 75% equity interest in CNPSTC
“Transitional Period”	the period from the Appraisal Benchmark Date (exclusive of such Appraisal Benchmark Date) to the date of Completion (inclusive of date of Completion)
“%”	per cent

By order of the Board
CGN Power Co., Ltd.*
Yin Engang
Chief Financial Officer, Joint Company Secretary and Board Secretary

The PRC, March 17, 2022

As at the date of this announcement, the Board of the Company comprises Mr. Gao Ligang and Mr. Jiang Dajin as executive Directors; Mr. Yang Changli, Mr. Shi Bing, Mr. Wang Hongjun and Mr. Gu Jian as non-executive Directors; Mr. Li Fuyou, Mr. Yang Jiayi, Mr. Xia Ceming and Mr. Tang Chi Cheung as independent non-executive Directors.

* For identification purpose only