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大唐国际发电股份有限公司

DATANG INTERNATIONAL POWER GENERATION CO., LTD.

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00991)

ANNOUNCEMENT

ANNOUNCEMENT ON MATTERS RELATED TO THE DEBT-TO-EQUITY SWAP OF LIANCHENG POWER GENERATION COMPANY

Reference is made to the announcement of Datang International Power Generation Co., Ltd. (the “**Company**”) dated 28 December 2020 in relation to, amongst other things, the transfer of equity interests in Gansu Datang International Liancheng Power Generation Company Limited (“**Liancheng Power Generation Company**”) (the “**Announcement**”). Unless otherwise specified herein, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the Company made capital increase in Liancheng Power Generation Company by way of debt-to-equity swap, and transferred the 92.53% of equity interests in Liancheng Power Generation Company held by the Company to Datang Gansu at the price of RMB1. The Company hereby discloses the matters related to the capital increase in Liancheng Power Generation Company by way of debt-to-equity swap as follows.

After Liancheng Power Generation Company entered into the bankruptcy procedures in 2019, considering the changes in the market situation and external environment, if the bankruptcy and liquidation procedures continue, it would be difficult for Liancheng Power Generation Company to be transferred as assets with use value. Instead, Liancheng Power Generation Company could only be disposed of as waste materials and its asset value would decrease significantly, resulting in an estimated total loss of the Company's debts in Liancheng Power Generation Company. In order to protect the interests of the Company and shareholders to the greatest extent, the Company made capital increase in Liancheng Power Generation Company by way of debt-to-equity swap such that Liancheng Power Generation Company would withdraw from the bankruptcy procedures, and the Company transferred all the equity interests to Datang Gansu to resume normal operations so that the remaining debts and interest of the Company could be settled.

I. DEBTS OF LIANCHENG POWER GENERATION COMPANY

As of 31 December 2019, upon audit, the total assets of Liancheng Power Generation Company were approximately RMB528.6867 million, total liabilities were approximately RMB1,879.9785 million, and gearing ratio was 355.59%. The liabilities of Liancheng Power Generation Company were as follows:

1. The ordinary debts of the Company amounted to approximately RMB1,449.6645 million, of which the principal and interest of the guaranteed loan was approximately RMB891.7563 million, and the principal and interest of the entrusted loan was RMB557.9082 million.
2. The ordinary debts of CDC and its subsidiaries were approximately RMB80.3822 million.
3. The financing amount of finance lease by way of sale and leaseback conducted by finance lease companies under CDC was approximately RMB162.1829 million.
4. The debts of small and medium-sized creditors were approximately RMB150.4604 million.
5. Other debts such as employees' remuneration payable, taxes and deferred income were approximately RMB37.2884 million.

II. INFORMATION ON DEBT-TO-EQUITY SWAP

Due to changes in the market situation and external environment, Liancheng Power Generation Company will not have competitive advantages in Gansu. If the bankruptcy and liquidation procedures continue, it would be difficult for Liancheng Power Generation Company to be transferred as assets with use value. Instead, Liancheng Power Generation Company could only be disposed of as waste materials after retirement of assets. As of 31 December 2019, the audited book value of fixed assets of Liancheng Power Generation Company was approximately RMB474.7905 million, of which, the book value of machinery and equipment, buildings, structures and other ancillary equipment, motor vehicles, and electronic equipment amounting to approximately RMB357.8252 million, approximately RMB48.3407 million, approximately RMB65.4405 million, approximately RMB1.7303 million and approximately RMB1.4538 million, respectively. In accordance with relevant requirements of financial and accounting policies of the Company, the residual book value of the assets mentioned above after retirement was approximately RMB70.1831 million, and the book value of intangible assets such as land was approximately RMB12.0223 million. Considering the disposal of similar units in the market, the estimated recoverable funds was approximately RMB200 million. Its asset value would decrease significantly, which would not be enough to pay the fees for bankruptcy administrator, finance leasing debts as well as debts of small and medium-sized creditors, and it is expected that the Company would bear a total loss of its debts. In such event, the Company considered reducing the debt ratio of Liancheng Power Generation Company, optimizing its

asset-liability structure, so that it would withdraw from the bankruptcy and liquidation procedures. At the same time, the Company transferred the equity interests to CDC on basis of appraisal value, so that Liancheng Power Generation Company could resume normal operations.

After analyzing the debt structure of Liancheng Power Generation Company, considering the state's policy requirements for settlement of the debts owed by private enterprises, protection of the stability of society and employees and other factors, the Company excluded the debts of small and medium-sized creditors and salary debts from the scope of debt restructuring. Pursuant to relevant laws, finance leasing contracts and bankruptcy administrator's recognition of the ownership of the sale and leaseback assets, the gain from disposal of this partial of assets shall be attributable to the finance lease companies, and shall not be within the scope of ordinary debt settlement. This debt restructuring will not include the finance leasing debts. The ordinary debts of the Company and CDC with a total of approximately RMB1,530.0467 million participated in this debt restructuring.

It was considered and approved at the fifteenth meeting of the tenth session of the board of directors of the Company that the Company will convert its debts in Liancheng Power Generation Company of approximately RMB1,356.99 million into its capital, thereby its gearing ratio would reduce to 98.92%, and Liancheng Power Generation Company will meet the conditions for withdrawing from bankruptcy procedures. Then the Company will transfer all equity interests in Liancheng Power Generation Company held by the Company to Datang Gansu. Thereafter, Datang Gansu will continue to optimize the asset-liability structure of Liancheng Power Generation Company in accordance with the average gearing ratio in the industry (around 75%), and liaise with other stakeholders and relevant parties on increasing in the investment in Liancheng Power Generation Company, so that it could resume normal operation capability, and the remaining debts and interest of the Company could be settled.

Provided that the debt ratio of Liancheng Power Generation Company would be reduced to 75% on a one-off basis, the Company and CDC shall make debt-to-equity swap of approximately RMB1,405.5947 million and approximately RMB77.9386 million, respectively as calculated according to the debt-to-equity swap on the same proportion of ordinary debts.

At present, upon the debt-to-equity swap by the Company against Liancheng Power Generation Company, CDC will continue to optimise the asset-liability structure of Liancheng Power Generation Company, which will reduce the debts swap of the Company of approximately RMB48.6026 million and will be more beneficial to protecting the interests of the Company and the shareholders, comparing to reducing the gearing ratio of Liancheng Power Generation Company to 75% on a one-off basis.

III. INFORMATION ON EQUITY TRANSFER

The benchmark date for the Company to transfer the equity interests in Liancheng Power Generation Company to Datang Gansu is set on 31 December 2019. As at the benchmark date, the book value of net assets of Liancheng Power Generation Company was RMB5.7003 million, the appraisal value was RMB-11.8618 million. The valuation report was filed in December 2020, and both the signing date and delivery date of the agreement were in December 2020. According to the Equity Transfer Agreement, the profit and loss for the transition period will be borne by the transferee. Taking into account the negative appraised value and the transferee's assumption of the profit and loss for the transition period, the transfer price was determined to be RMB1.

The board of directors of the Company (including independent non-executive directors) are of the view that, compared to bankruptcy and liquidation, the capital increase in Liancheng Power Generation Company by way of debt-to-equity swap and transfer its equity interests allow the Company to implement the "six stabilities" and "six guarantees", overcome the adverse impact of COVID-19, guarantee the market entities and stabilising employment, as well as protect the interests of the Company and shareholders as a whole to the greatest extent. The entering into of relevant agreement is a transaction conducted on normal commercial terms, and relevant transaction is fair, just and reasonable.

In conclusion, the debt-to-equity swap of Liancheng Power Generation Company and the transfer of its equity interests to Datang Gansu is conducive to ensuring that the Company will maximize the recovery of debts and interest, and is more conducive to safeguarding the interests of the Company and shareholders than bankruptcy and liquidation.

By order of the Board
Jiang Jinming
Company Secretary

Beijing, the PRC, 31 December 2020

As at the date of this announcement, the Directors of the Company are:

Chen Feihu, Qu Bo, Liang Yongpan, Ying Xuejun, Zhu Shaowen, Cao Xin, Zhao Xianguo, Jin Shengxiang, Sun Yongxing, Liu Jizhen, Luo Zhongwei*, Liu Huangsong*, Jiang Fuxiu*, Niu Dongxiao**

* *Independent non-executive Directors*