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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
PROVISIONS FOR IMPAIRMENT – REPLY TO THE ENQUIRY LETTER

This announcement is made by Datang International Power Generation Co., Ltd. (the “**Company**” or “**Datang International**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the two announcements (the “**Announcements**”) of the Company both dated 20 December 2019, in relation to (i) the provisions for impairment of the long-term equity investment and the fixed assets of the Company (as the parent company) and Renewable Resource Company (as the subsidiary); and (ii) the Enquiry Letter from the Shanghai Stock Exchange in relation to such provisions for impairment. Unless otherwise indicated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, the Company received the Enquiry Letter from the Shanghai Stock Exchange. After carefully considering the questions as set out in the Enquiry Letter and analysing the matters related to the provisions for impairment, the Company has submitted a reply to the questions raised in the Enquiry Letter, the material contents of which are set out as follows:

Question 1:

The Company is requested to disclose supplemental information on the impairment of assets: (1) particulars on the assets of the alumina production workshop for which the provision for impairment is made, including the type and name of the assets, time of transfer or purchase, the original book value, accumulative depreciation and carrying value of assets, the amount of the impairment, reasons for the impairment and subsequent disposal arrangement, etc.; (2) in light of the actual utilization of the fixed assets, supplemental information on the point of time at which the signs for impairment of fixed assets arose, the reasons for and reasonableness of the provisions for asset impairment to be made for the current period, and whether there was any under-provision for impairment during the prior periods; (3) supplemental information on the method and process of impairment tests for the aforesaid fixed assets, including identification of

the assets or asset groups, selection of key parameters, basis of determination and other information, as well as explanation of whether the amount of provisions to be made is accurate and appropriate and whether the provisions for impairment are compliant with the relevant requirements of the accounting standards. The auditor and valuer are requested to issue their opinions on these matters.

Response:

(1) Reasons for the impairment: Given the shortage in bauxite resources in China which led to a strong demand for imported resources and constraints on the development of the aluminium industry, Renewable Resource Company commenced to build its alumina production line in July 2007. Meanwhile, as the Inner Mongolia region is rich in high-aluminium coal and high-aluminium pulverised fuel ash resources, the implementation of the “coal – electricity – ash – aluminium” industry network will not only create synergetic effects with the development strategy of the aluminium products, but also achieve the goals of environmental protection and promote the development of recycling economy.

The alumina production line of Renewable Resource Company pioneered in producing alumina from high-aluminium pulverised fuel ash. After repeated experiments and trial production over the past years, Renewable Resource Company succeeded technically on the “Pre-desiliconization – soda lime sintering process”, which was granted a number of major awards including the “First Prize of Scientific and Technological Progress of the Inner Mongolia Autonomous Region 2013 (2013年度內蒙古自治區科技進步一等獎)” and the “Second Prize of National Scientific and Technological Progress 2018 (2018年國家科技進步二等獎)”. Since the production line utilized a number of new processing techniques and new equipment and a considerable amount of efforts had been made on equipment and technology improvement during the construction and commissioning period, the investment amount for the project was increased, resulting in production costs for alumina that were far higher than the market prices. Coupled with the persistently low market prices of electrolytic aluminium, the alumina project has continued to sustain losses since its commencement of production.

In December 2018, in response to the requirement by the government to resolve the problem of “zombie enterprises and enterprises with difficulties”, Renewable Resource Company came up with the comprehensive governance proposals mainly consisting of capital replenishment, debt restructuring and securing policy support, which were announced on 6 December 2018 after being approved by the board of directors of Datang International. In 2019, following completion of capital replenishment and debt restructuring, Renewable Resource Company made proactive efforts to obtain policy support from the relevant government authorities in relation to the accounting treatment by way of writing off equity interest for the loss of assets arising from the disposal of assets of the alumina production line in accordance with the requirement under the “Notice on the Accounting Treatment with Respect to the Losses Arising from Disposal of State-owned Assets in Reducing Over-capacity in the Steel and Coal Industries Issued by the Ministry of Finance and the State-owned Assets Supervision and Administration Commission of the State Council (Cai Zi [2018] No. 1)” (《財政部、國務院國有資產監督管理委員會關於鋼鐵煤炭行業化解過剩產能國有資產處置損失有關財

務處理問題的通知》(財資[2018]1號)). After confirming that this document did not apply to the alumina production line, and in order to implement governance of the “zombie enterprises and enterprises with difficulties”, Renewable Resource Company formulated the disposal proposal by way of public bidding in respect of the relevant assets of the alumina production line in November 2019. Based on the asset valuation report and upon determination by the management of Datang International, the current impairment proposal was formulated.

As of the end of September 2019, the assets of the alumina production workshop for which the provision for impairment is to be made are set out as follows:

Unit: RMB0'000

Name	Original book value	Accumulative depreciation	Carrying value
System for the pre-desiliconization of pulverised fuel ash and the preparation of active calcium silicate	65,581.67	15,476.53	47,072.67
Supporting system	31,722.95	8,256.08	22,000.02
System for the extraction of sodium aluminate solution	53,786.99	14,432.21	36,867.70
System for the preparation of raw slurry and clinker	126,965.88	37,062.23	84,032.81
System for the extraction of alumina	43,477.34	11,395.03	30,071.94
Evaporation and pickling system	47,103.71	12,345.18	32,580.48
Consolidated system	<u>20,881.72</u>	<u>4,445.42</u>	<u>15,470.75</u>
Total	<u><u>389,520.26</u></u>	<u><u>103,412.68</u></u>	<u><u>268,096.37</u></u>

All of the aforesaid assets were transferred from construction work-in-progress to fixed assets on 1 January 2014, and the amount of the impairment was estimated to be approximately RMB1,258 million.

Subsequent disposal arrangement refers to the public bidding of the aforesaid assets to be conducted by Renewable Resource Company on the Shanghai United Assets and Equity Exchange.

(2) In light of the actual utilization of the fixed assets, supplemental information on the point of time at which the signs for impairment of fixed assets arose, the reasons for and reasonableness of the provisions of asset impairment to be made for the current period, and whether there was any under-provision for impairment during the prior periods;

As stated in the comprehensive governance proposals announced in December 2018, Renewable Resource Company proposed to write off the equity interest of Renewable Resource Company for its loss of assets and estimate the loss for assets after taking into account the current condition of Renewable Resource Company. The alumina production line, which was then suspended for maintenance, was in good condition for further use. Based on the actual utilization of the assets, ongoing operation, expectation on securing policy support and the anticipated market conditions of aluminium products, Renewable Resource Company decided to make provisions for impairment in the amount of RMB180.1121 million in 2018.

The point of time and the reasons for the provisions of asset impairment to be made for the current period were stated above. As it fell short of the expectations to obtain policy support, Renewable Resource Company formulated the disposal proposal by way of public bidding in respect of the relevant assets of the alumina system in November 2019. In order to fully reflect the actual financial position of Renewable Resource Company, the current impairment proposal was formulated based on the asset valuation report. Based on the actual utilization of the assets, the Company was of the view that the amount of the provisions for asset impairment was reasonable, and there was no under-provision for impairment during the prior periods.

(3) supplemental information on the method and process of impairment tests for the aforesaid fixed assets, including identification of the assets or asset groups, selection of key parameters, basis of determination and other information, as well as explanation of whether the amount of provisions to be made is accurate and appropriate and whether the provisions for impairment are compliant with the relevant requirements of the accounting standards. The auditor and valuer are requested to issue their opinions on these matters.

In November 2019, the Company finally confirmed that the accounting treatment under the “Notice on the Accounting Treatment with Respect to the Losses Arising from Disposal of State-owned Assets in Reducing Over-capacity in the Steel and Coal Industries Issued by the Ministry of Finance and the State-Owned Assets Supervision and Administration Commission of the State Council (Cai Zi [2018] No. 1)” (《財政部、國務院國有資產監督管理委員會關於鋼鐵煤炭行業化解過剩產能國有資產處置損失有關財務處理問題的通知》(財資[2018]1號)) as set out in the 2018 comprehensive governance proposals did not apply to the alumina production line. Based on this, Renewable Resource Company has formulated the disposal proposal in relation to the transfer of the relevant assets of the alumina system. In accordance with the identification criteria of asset groups under the relevant standards, the relevant assets of the alumina system were identified as an asset group, and the impairment test was conducted by adopting the net fair value of the assets after deducting the disposal expenses, resulting in an impairment amount of approximately RMB1,258 million.

Given that the Company intended to transfer the aforesaid assets, and the relevant disposal expenses shall be borne by the purchaser, the key parameters used in this impairment test were therefore determined primarily based on the valuation report of Guo Zhong Lian Ping Bao Zi (2019) No. 2-1190 (《國眾聯評報字(2019)第2-1190號》) issued by Guozhonglian Asset Valuation and Land and

Real Estate Appraisal Co., Ltd. (國眾聯資產評估土地房地產估價有限公司). The below table sets out the valuation results of the relevant assets as of the valuation benchmark date (i.e. 30 September 2019):

Items	Book value		Appraised value		Appreciation amount		Appreciation rate	
	(RMB0'000)		(RMB0'000)		(RMB0'000)		(%)	
	Original book value	Net book value	Original book value	Net book value	Original book value	Net book value	Original book value	Net book value
Buildings and structures, total	158,690.15	130,803.39	97,465.46	78,162.79	(61,224.69)	(52,640.60)	(38.58)	(40.24)
Fixed assets – buildings	122,310.52	100,617.69	73,821.95	59,774.65	(48,488.58)	(40,843.03)	(39.64)	(40.59)
Fixed assets – structures and other auxiliary facilities	36,379.63	30,185.70	23,643.52	18,388.13	(12,736.11)	(11,797.56)	(35.01)	(39.08)
Equipment, total	230,830.11	137,292.98	92,278.81	56,041.16	(138,551.30)	(81,251.82)	(60.02)	(59.18)
Fixed assets – machinery and equipment	<u>230,830.11</u>	<u>137,292.98</u>	<u>92,278.81</u>	<u>56,041.16</u>	<u>(138,551.30)</u>	<u>(81,251.82)</u>	<u>(60.02)</u>	<u>(59.18)</u>
Total fixed assets	<u>389,520.26</u>	<u>268,096.37</u>	<u>189,744.28</u>	<u>134,203.95</u>	<u>(199,775.98)</u>	<u>(133,892.42)</u>	<u>(51.29)</u>	<u>(49.94)</u>

ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所(特殊普通合夥)), the auditor for the financial report of the Company, was of the opinion that the provisions for asset impairment above were appropriate and compliant with the relevant requirements of the accounting standards.

Question 2:

As stated in the previous announcement of the Company dated 6 December 2018, the Company acquired the 49% equity interests of Renewable Resource Company held by Shanghai Duomai Environmental Protection Technology Center (LLP) (上海朵邁環保科技中心(有限合夥)) (“Shanghai Duomai”) for nil consideration. Upon completion of the acquisition, Renewable Resource Company became a wholly-owned subsidiary of the Company. In addition, the Company proposed to implement comprehensive governance proposals of debt restructuring and other arrangements for Renewable Resource Company, suspend the production in the alumina branch plant and replenish the capital of Renewable Resource Company with an amount of RMB2,737 million. (1) The Company is requested to disclose supplemental information on whether there is any connected relationship with the Company and its directors, supervisors and senior management and the counterparty Shanghai Duomai and its de facto controller; (2) based on the details of the comprehensive governance proposals as set out in the previous announcement of the Company and the appraisal result, the Company is requested to clarify if the asset impairment falls within the expected range of the previous proposals and the reasons thereof as well as if there is any inconsistency in the disclosure of information.

Response:

- (1) According to the information obtained by the Company from the National Enterprise Credit Information Publicity System, the basic information of Shanghai Duomai is set out as follows:

Unified social credit code:	91310118MA1JLE8N8Q
Type:	limited liability partnership
Establishment date:	27 July 2016
Executive partner:	Zhang Tianbing
Scope of business:	technical development, technical services, technical consultancy and technical transfer in the professional fields of environmental technology, business information consultancy, enterprise management consultancy, enterprise image planning, planning of cultural & art events (exclusive of performance brokerage).
Partners:	Zhang Tianbing, Yin Ying, Lin Rongqiang

Based on the above information, and after verification, the Company does not hold any equity interest in Shanghai Duomai, and Shanghai Duomai is not a shareholder of the Company holding more than 5% of its equity interests, nor is it an entity directly or indirectly controlled by any directors, supervisors or senior management of the Company, therefore the Company and its directors, supervisors and senior management are not connected with the counterparty Shanghai Duomai and its de facto controller(s).

- (2) The Company has published the “Announcement on the Comprehensive Governance Proposals for a Subsidiary of the Company” on the website of the Shanghai Stock Exchange on 6 December 2018. Pursuant to the comprehensive governance proposals, the Company intended to dispose the assets of the alumina branch plant in compliance with the de-capacity policy implemented by the government. The appraised assets of the alumina production workshop of Renewable Resource Company fall within the range of the assets intended to be disposed of in the comprehensive governance proposals, and there is no inconsistency in the disclosure of information on the assets.

Question 3:

As stated in the previous announcement of the Company dated 31 October 2019, the Company would acquire, by way of agreement, the minority interests in Hohhot Thermal Power Generation Company held by its controlling shareholder China Datang Corporation Ltd. at the consideration of RMB17,820,300, and meanwhile Renewable Resource Company would absorb

and merge with Hohhot Thermal Power Generation Company. The Company is requested to disclose supplemental information on: (1) the reasons for and reasonableness of the substantial provisions for impairment to be made by Renewable Resource Company within a short period of time after the completion of the above transactions; and (2) whether there were signs of impairment on the relevant assets of Hohhot Thermal Power Generation Company that were previously absorbed and merged, and if yes, please specify.

Response:

- (1) The reasons for and reasonableness of the impairment of Renewable Resource Company have been stated in the above, and the impaired assets are the assets of the alumina production line of Renewable Resource Company and do not involve the assets of Hohhot Thermal Power Generation Company. Therefore, the impaired assets do not relate to the transaction involving the absorption of and merger with Hohhot Thermal Power Generation Company by Renewable Resource Company.

According to the reply from the Economic and Information Technology Committee of the Inner Mongolia Autonomous Region, the two 300MW units of Hohhot Thermal Power Generation Company will be operated as the self-supply power plant of Renewable Resource Company. The absorption of and merger with Hohhot Thermal Power Generation Company by Renewable Resource Company will help to further rationalise the operation management as well as maximise management efficiency and economic efficiency.

- (2) After verification, there were no signs of impairment on the relevant assets of Hohhot Thermal Power Generation Company.

By order of the Board
Jiang Jinming
Company Secretary

Beijing, the PRC, 24 December 2019

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

Chen Feihu, Wang Sen, Wang Xin, Liang Yongpan, Ying Xuejun, Zhu Shaowen, Cao Xin, Zhao Xianguo, Zhang Ping, Jin Shengxiang, Liu Jizhen, Feng Genfu*, Luo Zhongwei*, Liu Huangsong*, Jiang Fuxiu**

** Independent non-executive directors*