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## **China Power International Development Limited**

**中國電力國際發展有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock Code: 2380)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **New Material Purchase Framework Agreement**

On 7 August 2018, the Company has entered into the New Material Purchase Framework Agreement with CPI Holding pursuant to which the parties agreed that the Purchasers, subsidiaries of the Company, will purchase from the Suppliers the Materials. The Previous Material Purchase Framework Agreement entered into on 29 December 2015 has been simultaneously terminated after the signing of the New Material Purchase Framework Agreement.

The Suppliers are indirect subsidiaries of CPI Holding. CPI Holding is the controlling shareholder of the Company, which is interested in approximately 56.04% of the issued share capital of the Company. As such, the Suppliers are connected persons of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the New Material Purchase Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The proposed annual cap of the New Material Purchase Framework Agreement for each of the six months and the two financial years ending 31 December 2018, 2019 and 2020, is RMB24,550,000, RMB49,100,000 and RMB49,100,000 (equivalent to approximately HK\$28,218,400, HK\$56,436,800 and HK\$56,436,800) respectively. As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the maximum annual cap for the New Material Purchase Framework Agreement exceed 0.1% but fall below 5%, the transactions contemplated under the New Material Purchase Framework Agreement are therefore subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 29 December 2015 in relation to the Previous Material Purchase Framework Agreement which is due to expire on 31 December 2018.

Since 2017, CPI Holding has been undergoing an internal reorganization for reducing the number of its subsidiaries. Beijing CP Environmental and its subsidiaries, being the suppliers of the Materials under the Previous Material Purchase Framework Agreement and indirect subsidiaries of CPI Holding, would be either acquired by or merged with the other subsidiaries of CPI Holding. After obtaining the approval from the relevant government authorities for the reorganization of CPI Holding's subsidiaries in July 2018, CPI Holding and the Company agreed to sign a new framework agreement to replace the Previous Material Purchase Framework Agreement.

On 7 August 2018, the Company has entered into the New Material Purchase Framework Agreement with CPI Holding pursuant to which the parties agreed that the Purchasers, subsidiaries of the Company, will purchase from the Suppliers the Materials. The Previous Material Purchase Framework Agreement has been simultaneously terminated after the signing of the New Material Purchase Framework Agreement.

## **NEW MATERIAL PURCHASE FRAMEWORK AGREEMENT**

### **Date**

7 August 2018

### **Parties**

- (i) the Company (representing its subsidiaries, individually the "Purchaser" or collectively the "Purchasers"); and
- (ii) CPI Holding (representing its subsidiaries, individually the "Supplier" or collectively the "Suppliers").

### **Principal Terms and Pricing Principles**

Under the New Material Purchase Framework Agreement, the Suppliers will provide the Purchasers with the Materials for use in the operation of purifying system for flue gas desulphurization removing the environmental polluting elements in the process of coal-fired power generation. The term of the agreement is two years and six months commencing from 1 July 2018\* and ending 31 December 2020.

The estimated purchase prices of the Materials shall be agreed by mutual agreement between the relevant Purchaser and the relevant Supplier on normal commercial terms with reference to:

- (i) the prevailing local market transactions of similar Materials from the other independent suppliers in the nearby locations where our power plants are located (not less than three latest comparable transactions); or

- (ii) the quotations or tenders from the other independent suppliers selling the similar Materials (not less than three quotations for comparison), and
- (iii) the favourable bargaining prices by bulk purchases.

The Purchasers shall settle the purchased Materials by cash on a monthly basis.

*\* Owing of the internal reorganization of CPI Holding, the period from 1 July 2018 to the date of this announcement is a transitional period for those continuing connected transactions of Materials purchases, with the suppliers of the Previous Material Purchase Framework Agreement and the Suppliers all being subsidiaries of CPI Holding. It is a commercial decision agreed between the contracting parties of the New Material Purchase Framework Agreement to set the effective date commencing retrospectively from 1 July 2018 for the sake of internal control and reporting on semi-annual basis.*

### **Proposed Annual Cap**

The proposed annual cap of the New Material Purchase Framework Agreement for each of the six months and the two financial years ending 31 December 2018, 2019 and 2020, is RMB24,550,000, RMB49,100,000 and RMB49,100,000 (equivalent to approximately HK\$28,218,400, HK\$56,436,800 and HK\$56,436,800) respectively, based on the following factors:

- (a) the historical record:

<b>Actual Consumption in 2016 (RMB'000)</b>	<b>Actual Consumption in 2017 (RMB'000)</b>	<b>Actual Consumption for the six months ended 30 June 2018 (RMB'000)</b>
85,473	62,675	30,299

- (b) the already reduced number of Suppliers for the Materials;
- (c) the expected purchase prices of the Materials (inclusive of tax and transportation charges);
- (d) the composition of the coal used for power generation for each of the Purchasers (the higher level of sulfur contained in coal, the higher consumption of Materials for desulphurization); and
- (e) the expected total number of hours of operation of the current generating units of the Purchasers.

The Group will follow the terms set out in the New Material Purchase Framework Agreement, the factors upon which the proposed annual cap is based and all the internal control procedures (including quotations or tenders from independent third parties) in order to maintain the fairness of the prices and terms of all the relevant Materials supplied by CPI Holding to ensure they are no less favourable than those available from independent third parties.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

The Materials are required for the operation of the desulphurization systems of the Company's coal-fired power plants. The relevant Suppliers are all conveniently located in the closest proximity to the relevant power plants of the Group. The Directors are of the view that, the terms of entering into the New Material Purchase Framework Agreement are no less favourable than the terms available from independent third parties, and will save much transportation cost and ensure stable supply, efficient and timely delivery of the Materials, which is beneficial to the Group.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the New Material Purchase Framework Agreement is entered into in the ordinary course of the business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE GROUP AND THE SUPPLIERS**

The Company is a core subsidiary of SPIC for conventional energy business. SPIC is the only one integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC.

The Group is principally engaged in generation and sale of electricity in Mainland China, including investment, development, operation and management of coal-fired power, hydropower, wind power and photovoltaic power plants. Its businesses are located in the major power grid regions of China.

The Suppliers are indirect subsidiaries of CPI Holding, are principally engaged in the development, production and sale of environmentally-friendly materials used in power generation-related processes including desulphurization and the provision of technical consultancy services and technical training.

## **COMPLIANCE WITH THE LISTING RULES**

As at the date of this announcement, CPI Holding owns approximately 56.04% of the issued share capital of the Company. As CPI Holding is the controlling shareholder of the Company, CPI Holding, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

As the Suppliers are indirect subsidiaries of CPI Holding, the Suppliers are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Material Purchase Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The proposed annual cap of the New Material Purchase Framework Agreement for each of the six months and the two financial years ending 31 December 2018, 2019 and 2020, is RMB24,550,000, RMB49,100,000 and RMB49,100,000 (equivalent to approximately HK\$28,218,400, HK\$56,436,800 and HK\$56,436,800) respectively. As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the maximum annual cap for the New Material Purchase Framework Agreement exceed 0.1% but fall below 5%, the transactions contemplated under the New Material Purchase Framework Agreement are therefore subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has material interest in the transactions contemplated under the New Material Purchase Framework Agreement or is required to abstain from voting on the related Board resolution.

## **DEFINITIONS**

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

“Beijing CP Environmental”	Beijing China Power Environmental Engineering Company Limited* (北京中電環境工程有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CPI Holding
“Board”	the board of Directors of the Company
“Company”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the controlling company of the Company and a wholly-owned subsidiary of SPIC
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Materials”	limestone powder for desulphurization
“New Material Purchase Framework Agreement”	the framework agreement for the purchase of the Materials entered into between the Company and CPI Holding dated 7 August 2018
“PRC” or “China”	the People’s Republic of China. Geographical references in this announcement to the PRC excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Previous Material Purchase Framework Agreement”	the material purchase framework agreement entered into between the Company and Beijing CP Environmental on 29 December 2015, the details of which were set out in the announcement of the Company dated 29 December 2015
“Purchasers”	Including but not limited to Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司) and China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司), subsidiaries of the Company, individually “Purchaser” or collectively “Purchasers”
“RMB”	Renminbi, the lawful currency of the PRC
“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), the ultimate controlling company of the Company, a wholly State-owned enterprise established by the approval of the State Council of the PRC* (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suppliers”	Including but not limited to Pingdingshan Yaomeng Power Industrial Co., Ltd.* (平頂山姚孟電力實業有限責任公司) and Shanxi Shentou Electric Industry Company Limited (山西神頭電力實業有限責任公司), indirect subsidiaries of CPI Holding, individually “Supplier” or collectively “Suppliers”

\* English or Chinese translation, as the case may be, is for identification only

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.87 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.

By order of the Board  
**China Power International Development Limited**  
**Tian Jun**  
*Executive Director*

Hong Kong, 7 August 2018

*As at the date of this announcement, the directors of the Company are: executive director Tian Jun, non-executive directors Guan Qihong and Wang Xianchun, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Yau Ka Chi.*