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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)

CONNECTED TRANSACTIONS

Production Quota Sale and Purchase Agreements

On 30 July 2019, Yaomeng Power Plant (a wholly-owned subsidiary of the Company) entered into three Production Quota Sale and Purchase Agreements with Luyang Power Plant and Nanyang Power Plant respectively, pursuant to which the parties agreed that Yaomeng Power Plant will sell part of its Power Generation Quota to Luyang Power Plant and Nanyang Power Plant.

Luyang Power Plant and Nanyang Power Plant are a branch company and a subsidiary of SPIC Henan Power Company Limited (a wholly-owned subsidiary of SPIC) respectively. SPIC is the ultimate controlling shareholder of the Company, which is interested in approximately 56.04% of the issued share capital of the Company. As such, Luyang Power Plant and Nanyang Power Plant are connected persons of the Company as defined in the Listing Rules. Accordingly, the Production Quota Sale and Purchase Agreements constitute connected transactions of the Company under the Listing Rules.

The maximum consideration payable by the Purchasers to the Seller pursuant to the Production Quota Sale and Purchase Agreements amounted to RMB65,820,000 (equivalent to approximately HK\$74,795,000). This when aggregated with the Previous Transaction, the total maximum consideration would be amounted to RMB74,320,000 (equivalent to approximately HK\$84,455,000). As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Production Quota Sale and Purchase Agreements and the Previous Transaction exceed 0.1% but fall below 5%, they are therefore subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

PRODUCTION QUOTA SALE AND PURCHASE AGREEMENTS

Yaomeng Power Plant, a wholly-owned subsidiary of the Company, just entered into the Production Quota Sale and Purchase Agreements to sell part of its Power Generation Quota for the year 2019.

Principal terms of the three Production Quota Sale and Purchase Agreements

Date

30 July 2019

Parties, Power Generation Quota and Consideration

(1) Production Quota S&P Agreement I

- (i) Yaomeng Power Plant (as the Seller); and
- (ii) Luyang Power Plant (as the Purchaser).

The Seller will sell 440,000MWh of its Compensation Power Generation Quota for the year 2019 to the Purchaser for a maximum consideration of RMB27,720,000 (equivalent to approximately HK\$31,500,000) (inclusive of all applicable taxes).

(2) Production Quota S&P Agreement II

- (i) Yaomeng Power Plant (as the Seller); and
- (ii) Nanyang Power Plant (as the Purchaser).

The Seller will sell 200,000MWh of its Compensation Power Generation Quota for the year 2019 to the Purchaser for a maximum consideration of RMB12,600,000 (equivalent to approximately HK\$14,318,000) (inclusive of all applicable taxes).

(3) Production Quota S&P Agreement III

- (i) Yaomeng Power Plant (as the Seller); and
- (ii) Luyang Power Plant (as the Purchaser).

The Seller will sell 300,000MWh of its Basic Power Generation Quota for the year 2019 to the Purchaser for a maximum consideration of RMB25,500,000 (equivalent to approximately HK\$28,977,000) (inclusive of all applicable taxes).

Basis of Consideration

The consideration was determined by mutual agreement after commercial negotiations and by reference to the quotations from other independent purchasers for trading the Power Generation Quota (not less than two quotations obtained for comparison). The Purchasers offered the most competitive terms of trading the Power Generation Quota during the negotiations between the Seller and the potential purchasers (including the independent third parties).

The final Power Generation Quota to be transacted will be subject to the actual on-grid electricity to be generated by the respective Purchaser and as confirmed by State Grid Henan Electric Power Company (the provincial power grid company in Henan Province, the PRC).

Payment Terms

After the Purchasers have generated electricity using the Power Generation Quota as determined by the provincial power grid company on a monthly basis, the Purchasers will pay Yaomeng Power Plant a one-off monthly power production transfer fee (based on the actual on-grid electricity generated) within the following month via wire remittance. Failing which, the Purchasers will be subject to a late payment penalty calculated on a daily basis according to not lower than the interest rate for bank loans during the same period.

PREVIOUS TRANSACTION

Date

1 March 2019

Parties, Power Generation Quota and Consideration

- (i) Yaomeng Power Plant (as the Seller); and
- (ii) Luyang Power Plant (as the Purchaser).

The Seller will sell 100,000MWh of its Basic Power Generation Quota for the year 2019 to the Purchaser for a maximum consideration of RMB8,500,000 (equivalent to approximately HK\$9,659,000) (inclusive of all applicable taxes).

The basis of consideration and the payment terms of the Previous Transaction are the same as those of the three Production Quota Sale and Purchase Agreements.

As the Previous Transaction was conducted on normal commercial terms or better and the maximum amount of its consideration fell within the *de minimis* threshold at the time of transaction, it was exempted from all reporting, announcement and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

In order to reduce the heating drainage generated during power generation so as to meet the national environmental requirements for water pollution, Yaomeng Power Plant suspended the operation of some of its power generating units for carrying out the construction work of a circulating cooling water system, which is expected to be completed by the end of 2019.

To counteract the adverse impact on revenue during the period of such suspension, Yaomeng Power Plant determined to convert part of its Power Generation Quota (which will otherwise expire at the end of this year if not fully utilized) into economic benefits. The Company believes that it is in the best interest of Yaomeng Power Plant to enter into the Production Quota Sale and Purchase Agreements to realize its anticipated excess and unusable Power Generation Quota and therefore to increase the revenue of the Group.

The Directors (including the independent non-executive Directors) are of the view that entering into the Production Quota Sale and Purchase Agreements are in the ordinary course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has material interest in the transactions contemplated under the Production Quota Sale and Purchase Agreements or is required to abstain from voting on the related Board resolution.

INFORMATION ON THE GROUP AND THE SELLER

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) 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.

Yaomeng Power Plant is a wholly-owned subsidiary of the Company established in 2003 which is principally engaged in generation and sales of coal-fired power, production and sales of heat.

INFORMATION ON THE PURCHASERS

Luyang Power Plant is a branch company of SPIC Henan Power Company Limited (a wholly-owned subsidiary of SPIC) established in 2010 which is principally engaged in the operation and production of electric power and heat. It is a coal-fired power plant which is equipped with 2,060MW power generating units.

Nanyang Power Plant is an indirect subsidiary of SPIC established in 2005 which is principally engaged in production and sales of electric power, heat and waste coal ashes products, development of new energy and integrated energy projects. It is a coal-fired power plant which is equipped with 420MW cogeneration of electricity and heat power generating units.

IMPLICATIONS UNDER THE LISTING RULES

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

As the Purchasers are a branch company and a subsidiary of SPIC Henan Power Company Limited respectively, and SPIC Henan Power Company Limited is a wholly-owned subsidiary of SPIC, they are all associates of SPIC. The Purchasers are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Production Quota Sale and Purchase Agreements constitute connected transactions of the Company under the Listing Rules.

The maximum consideration payable by the Purchasers to the Seller pursuant to the Production Quota Sale and Purchase Agreements amounted to RMB65,820,000 (equivalent to approximately HK\$74,795,000). This when aggregated with the Previous Transaction which was entered into within the last 12 months preceding the date of the three Production Quota Sale and Purchase Agreements under Rule 14A.81 of the Listing Rules, the total maximum consideration would be amounted to RMB74,320,000 (equivalent to approximately HK\$84,455,000).

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Production Quota Sale and Purchase Agreements and the Previous Transaction exceed 0.1% but fall below 5%, the transactions therefore are subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Basic Power Generation Quota”	the basic power generation quota assigned to each power plant located in the Henan Province under the annual power production plan issued by Henan Province Development and Reform Commission for the year ended 31 December 2019
“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
“Compensation Power Generation Quota”	the compensation power generation quota for previous shutdown of small capacity coal-fired power generating units as incentives to designated power plants located in the Henan Province given by Henan Province Development and Reform Commission for the year ended 31 December 2019
“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
“Luyang Power Plant”	SPIC Henan Power Company Limited, Pingdingshan Power Branch* (國家電投集團河南電力有限公司平頂山發電分公司), a branch company incorporated in PRC with limited liability under SPIC Henan Power Company Limited, which is a wholly-owned subsidiary of SPIC
“Nanyang Power Plant”	SPIC Nanyang Cogeneration Company Limited* (國家電投集團南陽熱電有限公司), a company incorporated in PRC with limited liability and an indirect subsidiary of SPIC
“Power Generation Quota”	the Compensation Power Generation Quota and/or the Basic Power Generation Quota, as the case may be
“Previous Transaction”	the transaction contemplated under the agreement for sale and purchase of Basic Power Generation Quota of 100,000MWh entered into between Yaomeng Power Plant and Luyang Power Plant dated 1 March 2019
“PRC” or “China” or “State”	the People’s Republic of China, which for purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Production Quota Sale and Purchase Agreements”	Production Quota S&P Agreement I, Production Quota S&P Agreement II and Production Quota S&P Agreement III
“Production Quota S&P Agreement I”	the agreement for sale and purchase of Compensation Power Generation Quota of 440,000MWh entered into between Yaomeng Power Plant and Luyang Power Plant dated 30 July 2019
“Production Quota S&P Agreement II”	the agreement for sale and purchase of Compensation Power Generation Quota of 200,000MWh entered into between Yaomeng Power Plant and Nanyang Power Plant dated 30 July 2019
“Production Quota S&P Agreement III”	the agreement for sale and purchase of Basic Power Generation Quota of 300,000MWh entered into between Yaomeng Power Plant and Luyang Power Plant dated 30 July 2019
“Purchaser(s)”	Luyang Power Plant and/or Nanyang Power Plant, as the case may be, when referring to the Production Quota Sale and Purchase Agreements, collectively the “Purchasers” and individually the “Purchaser”
“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
“Yaomeng Power Plant” or “Seller”	Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.88 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, 30 July 2019

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.