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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

Renewal of Material Purchase Framework Agreement

Reference is made to the announcement of the Company dated 7 August 2018 in relation to a material purchase framework agreement which is due to expire on 31 December 2020.

On 24 December 2020, the Company has renewed the Material Purchase Framework Agreement with CPI Holding for a term of two years, pursuant to which the parties agreed that the Purchasers (subsidiaries of the Company) will continue to purchase the Materials from the Suppliers upon expiry of the existing framework agreement.

As at the date of this announcement, the Suppliers are indirect subsidiaries of CPI Holding. CPI Holding is the controlling shareholder of the Company and 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 Material Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The proposed annual caps of the Material Purchase Framework Agreement for the two financial years ended 31 December 2021 and 2022 are RMB51,900,000 and RMB90,300,000 (equivalent to approximately HK\$61,800,000 and HK\$107,500,000) 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 Material Purchase Framework Agreement exceed 0.1% but fall below 5%, the transactions contemplated under the 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.

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MATERIAL PURCHASE FRAMEWORK AGREEMENT

Date

24 December 2020

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 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 commencing from 1 January 2021 and ending 31 December 2022.

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.

Historical Amounts

The historical amounts and the annual caps (inclusive of all taxes) of the past transactions with the Suppliers for the six months and the two financial years ended 31 December 2018, 2019 and 2020 are set out below:

For the financial year ended 31 December	Historical amount (RMB'000)	Annual caps (RMB'000)
2018 (six months)	19,634 (Actual)	24,550
2019 (full year)	26,899 (Actual)	49,100
2020 (full year)	18,622 (Expected)	49,100

Proposed Annual Caps

The proposed annual caps (inclusive of all taxes) of the transactions with the Suppliers for the two financial years ended 31 December 2021 and 2022 are set out below:

Year	Annual caps (RMB'000)
2021	51,900
2022	90,300

The aforesaid proposed annual caps were determined by both parties after arm's length negotiations with reference to the following factors:

- (a) the number of new Purchasers (the two generating units of Shentou II Power are expected to commence commercial operations in June and September 2021 respectively);
- (b) the expected purchase prices of the Materials (inclusive of tax and transportation charges);
- (c) 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
- (d) the expected total number of hours of operation of the current generating units and the new generating units of the Purchasers.

The Group will follow the terms set out in the Material Purchase Framework Agreement, the factors upon which the proposed annual caps are 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 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 Material Purchase Framework Agreement has been renewed in the ordinary course of the Company's business, on normal commercial terms or better, 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 Material Purchase Framework Agreement and therefore no Director has abstained from voting on the related Board resolution.

INFORMATION ON THE GROUP AND THE SUPPLIERS

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

CPI Holding is the immediate holding company of the Company and a wholly-owned subsidiary of SPIC. It is principally an investment holding company.

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.

IMPLICATIONS UNDER 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.

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

The proposed annual caps of the Material Purchase Framework Agreement for the two financial years ended 31 December 2021 and 2022 are RMB51,900,000 and RMB90,300,000 (equivalent to approximately HK\$61,800,000 and HK\$107,500,000) 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 Material Purchase Framework Agreement exceed 0.1% but fall below 5%, the transactions contemplated under the 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.

DEFINITIONS

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

“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

“Material Purchase Framework Agreement”	the framework agreement for the purchase of the Materials entered into between the Company and CPI Holding dated 24 December 2020
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchasers”	Including but not limited to Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司), China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司) and Shentou II Power, subsidiaries of the Company, individually “Purchaser” or collectively “Purchasers”
“RMB”	Renminbi, the lawful currency of the PRC
“Shentou II Power”	Shanxi China Power Shentou No. 2 Power Generating Company Limited* (山西中電神頭第二發電有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), the ultimate controlling shareholder 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 RMB0.84 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
Chairman

Hong Kong, 24 December 2020

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