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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 Coal Supply Framework Agreement with Huainan Mining**

Reference is made to the announcements of the Company dated 31 December 2019 and 26 November 2021 in relation to the coal supply framework agreement and the coal supply supplemental agreement entered into between the Company and Huainan Mining (the “**Previous Framework Agreements**”), respectively, which expired on 31 December 2022.

On 4 January 2023, the Company renewed the coal supply framework agreement with Huainan Mining for a term of three years, pursuant to which, Huainan Mining agreed to continue to supply coal to the Purchasers (the “**New Coal Supply Framework Agreement**”) upon expiry of the Previous Framework Agreements.

The proposed annual caps pursuant to the New Coal Supply Framework Agreement for each of the three financial years ending 31 December 2023, 2024 and 2025 shall not exceed RMB10,025,000,000 (equivalent to approximately HK\$11,392,000,000), respectively.

As at the date of this announcement, Huainan Mining holds 40% equity interest in each of Pingwei I, Pingwei II and Pingwei III, all of which are non wholly-owned subsidiaries of the Company. As such, Huainan Mining is a substantial shareholder of the aforementioned non wholly-owned subsidiaries of the Company, and thus a connected person at the subsidiary level of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the New Coal Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Huainan Mining is a connected person at the subsidiary level, and the transactions contemplated under the New Coal Supply Framework Agreement are (i) entered into on normal commercial terms or better; (ii) approved by the Board; and (iii) confirmed by the independent non-executive Directors that the terms of the transactions are fair and reasonable, on normal commercial terms and are in the interests of the Company and its shareholders as a whole, the entering into the New Coal Supply Framework Agreement and the transactions contemplated thereunder are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules, but are subject to the reporting and announcement requirements.

## **RENEWAL OF COAL SUPPLY FRAMEWORK AGREEMENT**

Reference is made to the announcements of the Company dated 31 December 2019 and 26 November 2021 in relation to the coal supply framework agreement and the coal supply supplemental agreement entered into between the Company and Huainan Mining, respectively. The Previous Framework Agreements expired on 31 December 2022.

On 4 January 2023, the Company renewed the coal supply framework agreement with Huainan Mining for a term of three years, pursuant to which, Huainan Mining agreed to continue to supply coal to the Purchasers upon expiry of the Previous Framework Agreements.

### **The New Coal Supply Framework Agreement**

#### ***Date***

4 January 2023

#### ***Parties***

- (i) the Company; and
- (ii) Huainan Mining.

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

Pursuant to the New Coal Supply Framework Agreement, Huainan Mining agreed to continue to supply coal to the Purchasers. The term of the agreement is three years commencing from 1 January 2023 and ending 31 December 2025. The Company confirms that there have been no transactions done under the New Coal Supply Framework Agreement from 1 January 2023 to 4 January 2023 (i.e. the date of this announcement).

The parties agreed that the purchase price of coal shall be determined by both parties after arm’s length negotiations with reference to (i) national industrial policies, and industry and market conditions; (ii) guidance promulgated by the National Development and Reform Commission of the PRC (“**NDRC**”) in relation to coal procurement prices; (iii) available data published on the website of 中國煤炭市場網 (China Coal Market\*) at www.cctd.com.cn; (iv) the quality of the coal supplied (including the estimated calorific value of coal as required by different coal-fired power generating units); and (v) the quantity of coal supplied.

Pursuant to the New Coal Supply Framework Agreement, payment for coal purchased by the Purchasers from Huainan Mining shall be settled in cash on a monthly basis or such other payment terms as agreed between the Company and Huainan Mining from time to time.

Furthermore, the Company and Huainan Mining have agreed that the specific price, quality, quantity, delivery and transportation methods of coal to be supplied by Huainan Mining to the Purchasers pursuant to the New Coal Supply Framework Agreement shall be determined from time to time through discussions and negotiations on an arm’s length basis between the Company and Huainan Mining.

### ***Historical Amounts***

The historical amounts and the annual caps (inclusive of all taxes) of the past transactions with Huainan Mining contemplated under the Previous Framework Agreements for the years ended 31 December 2020, 2021 and 2022 are set out below:

<b>Year</b>	<b>Historical amount (RMB’000)</b>	<b>Annual caps (RMB’000)</b>
2020	4,090,057 (Actual)	5,743,000
2021	7,010,754 (Actual)	7,639,000 (Revised)
2022	7,901,442 (Expected)	8,171,000 (Revised)

### ***Proposed Annual Caps***

The proposed annual caps (inclusive of all taxes) of the transactions with Huainan Mining contemplated under the New Coal Supply Framework Agreement for the years ending 31 December 2023, 2024 and 2025 are set out below:

<b>Year</b>	<b>Annual caps (RMB’000)</b>
2023	10,025,000
2024	10,025,000
2025	10,025,000

The aforesaid proposed annual caps were determined by both parties after discussion and negotiations on an arm's length basis with reference to the following:

- (a) The “Notice on Promoting the Signing and Implementation of Medium and Long Term Contracts for Coals in 2023 (《2023 年電煤中長期合同簽訂履約工作方案的通知》)” issued by the NDRC in October 2022, which regulates the various aspects of coal pricing mechanism, price range, quantity and execution of the medium and long term contracts;
- (b) The price range will be determined in accordance with the “Notice on Further Improving the Coal Market Price Formation Mechanism (《關於進一步完善煤炭市場價格形成機制的通知》)” issued by the NDRC in February 2022; and
- (c) Available historical data published on the website of 中國煤炭市場網 (China Coal Market\*) at [www.cctd.com.cn](http://www.cctd.com.cn) in relation to coal prices in the Huainan region of Anhui Province.

Accordingly, the Company used (i) the average coal price in the Huainan region of Anhui Province in 2022 as the benchmark price; and (ii) the projected coal consumption of the Purchasers for the years ending 31 December 2023, 2024 and 2025, to estimate the annual caps for the years ending 31 December 2023, 2024 and 2025, which shall be subject to further adjustment based on the actual market supply and demand conditions at the time of entering into individual contracts for the supply of coal.

## **INTERNAL CONTROL MEASURES AND PROCEDURES**

The Group has adopted internal control measures and procedures relating to the transactions contemplated under the New Coal Supply Framework Agreement, including but not limited to, the following:

- (a) The Company has assigned designated personnel to monitor, collect and evaluate the coal market data, including relevant coal price index published on the website of 中國煤炭市場網 (China Coal Market\*) at [www.cctd.com.cn](http://www.cctd.com.cn), from time to time;
- (b) In the event of fluctuations in the relevant coal price index, the Purchasers will, in accordance with the latest market price, the category and quality of the coal under the relevant transaction, re-negotiate and adjust the contract price with Huainan Mining to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than the terms available from Independent Third Parties;

- (c) The materials procurement department of the Company shall be responsible for monitoring, collecting and evaluating the pricing terms, payment arrangements and actual transaction amounts under each of the individual contracts for the supply of coal, and the internal audit department will conduct independent audits on a quarterly basis to ensure that the proposed annual caps are not exceeded;
- (d) The fuel management department of each business unit shall collect and review coal supply transaction amounts with Huainan Mining during the previous month and report the same to the marketing and fuel management center of the Company on a monthly basis for central management; and
- (e) The internal control and audit department shall review transactions with Huainan Mining quarterly and annually to ensure that (i) such transactions comply with the Company's internal policies and relevant laws and regulations; (ii) all transactions have been properly reported and recorded; and (iii) transaction prices were reasonable and accurate.

#### **REASONS FOR AND BENEFITS OF THE NEW COAL SUPPLY FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER**

Huainan Mining has quality coal resources and has been a credible and reliable coal supplier to the Group. The quality of coal supplied by Huainan Mining is compatible with the quality requirements of the Purchasers. The New Coal Supply Framework Agreement and the transactions contemplated thereunder shall ensure that the Group (i) enjoys consistent and stable coal supply to its coal-fired power generating units; (ii) enjoys favourable prices by bulk purchases; and (iii) minimizes transportation costs as the relevant coal mines of Huainan Mining are mostly conveniently located in close proximity to the Purchasers.

The Board considered that, the terms of the New Coal Supply Framework Agreement and the implementation of the aforementioned internal control measures and procedures can ensure the transactions contemplated under the New Coal Supply Framework Agreement are no less favourable than the terms available from Independent Third Parties for the supply of coal, and will ensure consistent and stable supply, and efficient and timely delivery, of coal to the Purchasers, which are beneficial to the normal operations of the Purchasers.

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 Coal Supply Framework Agreement has been renewed in the ordinary and usual 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 New Coal Supply Framework Agreement or is required to abstain from voting on the related Board resolutions.

## **INFORMATION OF THE COMPANY AND THE GROUP**

The Company is the core and flagship listed subsidiary of SPIC. The Group is principally engaged in generation and sales of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and coal-fired power plants, and provision of energy storage, green power transportation and integrated intelligent energy solution services. Its businesses are located in various major power grid regions of China.

SPIC is an investment holding company principally engaged in businesses that cover various sectors, including power, coal, aluminum, logistics, finance, environmental protection and high-tech industries in the PRC and abroad. SPIC, together with its subsidiaries, is an integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC.

## **INFORMATION OF HUAINAN MINING**

Huainan Mining is a limited liability company incorporated under the laws of the PRC in November 1981 with its headquarter situated at Huainan City, Anhui Province, the PRC. Huainan Mining is principally engaged in coal mining, electricity, logistics and finance. It is ultimately controlled by 淮河能源控股集團有限責任公司 (Huaihe Energy Holding Group Co., Ltd.\*), a wholly State-owned enterprise established by the approval of the State Council of the PRC, which is principally engaged in production, sales and technological research and services regarding coal mining, electricity and natural gas, logistics, investment and asset management.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Huainan Mining holds 40% equity interest in each of Pingwei I, Pingwei II and Pingwei III, all of which are non wholly-owned subsidiaries of the Company. As such, Huainan Mining is a substantial shareholder of the aforementioned non wholly-owned subsidiaries of the Company, and thus a connected person at the subsidiary level of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the New Coal Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Huainan Mining is a connected person at the subsidiary level, and the transactions contemplated under the New Coal Supply Framework Agreement are (i) entered into on normal commercial terms or better; (ii) approved by the Board; and (iii) confirmed by the independent non-executive Directors that the terms of the transactions are fair and reasonable, on normal commercial terms and are in the interests of the Company and its shareholders as a whole, the entering into the New Coal Supply Framework Agreement and the transactions contemplated thereunder are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules, but are subject to the reporting and announcement requirements.

## 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 (中國電力國際發展有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“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
“Huainan Mining”	淮南礦業（集團）有限責任公司 (Huainan Mining Industry (Group) Company Limited*), a company incorporated in the PRC with limited liability
“Independent Third Parties”	third parties independent of the Group and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Coal Supply Framework Agreement”	the agreement dated 4 January 2023 entered into between the Company and Huainan Mining for a term of three years in relation to the supply of coal to the Purchasers
“Pingwei I”	Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary owned as to 60% by the Company
“Pingwei II”	Huainan Pingwei No. 2 Electric Power Co., Ltd. (淮南平圩第二發電有限責任公司), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary owned as to 60% by the Company

“Pingwei III”	淮南平圩第三發電有限責任公司 (Huainan Pingwei No. 3 Electric Power Co., Ltd.*), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary owned as to 60% by the Company
“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 Pingwei I, Pingwei II, Pingwei III and Wuhu Power, collectively the “Purchasers”
“RMB”	Renminbi, the lawful currency of the PRC
“SPIC”	國家電力投資集團有限公司 (State Power Investment Corporation Limited*), 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
“Wuhu Power”	蕪湖發電有限責任公司 (Wuhu Electric Power Generating Company Limited*), a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary of the Company

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

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By Order of the Board  
**China Power International Development Limited**  
**HE Xi**  
*Chairman*

Hong Kong, 4 January 2023

*As at the date of this announcement, the directors of the Company are: executive directors HE Xi and GAO Ping, non-executive directors ZHOU Jie and XU Zuyong, and independent non-executive directors LI Fang, YAU Ka Chi and HUI Hon Chung, Stanley.*