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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 under the Companies Ordinance)

(Stock Code: 2380)

DISCLOSEABLE TRANSACTION

Formation of a Joint Venture Company

On 2 November 2011, the Company and China Coal Energy entered into the JV Agreement, pursuant to which the parties agreed to form a JV Company, which will be principally engaged in investment, construction and operation of coal-fired power units, generation and sale of electricity, provision of heat, and production and sale of power generating by-products.

Pursuant to the JV Agreement, the registered capital of the JV Company is RMB1,000,000,000 which shall be contributed as to 80% by the Company and as to 20% by China Coal Energy according to their respective equity interests in the JV Company. Upon the establishment of the JV Company, the JV Company will acquire from Shentou I Power Plant (a wholly-owned subsidiary of the Company) its two 600MW super-critical coal-fired power generation units (including its related shutting-down capacity indices for the existing small-capacity units and sulfur dioxide emission targets) in the Shanxi Province of the PRC.

As the applicable percentage ratios for the Transaction exceed 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules which requires the publication of an announcement.

INTRODUCTION

In line with the policies of “Energy Saving Generation” and “Big Replaces Small” (i.e. developing large-capacity, low energy consumption and less emission power generating units in replacement of small-capacity power generating units) implemented by the PRC government, Shentou I Power Plant (a wholly-owned subsidiary of the Company) has been engaging in the construction of high efficiency and environmental-friendly two 600MW new super-critical coal-fired power generating units (the “Project”) since 2010, in order to replace a number of its existing small-capacity power generating units in the Shanxi Province of the PRC. The Project was approved by the National Development and Reform Commission in December 2010.

It is the intention of the Company to partner with large scale state-owned coal production enterprises, after the successful partnership with Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司) in July 2011, in order to promote coal and electricity joint operation mode. To this end, the Company has entered into the JV Agreement with the following principal terms.

THE JV AGREEMENT

Date: 2 November 2011

Parties: (1) The Company; and
(2) China Coal Energy.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, China Coal Energy and its ultimate beneficial owner are a third parties independent of the Company and the connected persons of the Company.

JV Company: China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司)

Business scope of the JV Company: Investment, construction and operation of coal-fired power units, generation and sale of electricity, provision of heat, production and sale of power generating by-products, and other investment projects as allowed by the State Administration for Industry and Commerce of the PRC.

Term of the JV Company: 30 years from the date of issuance of its business license

Total investment: RMB4,980,000,000
(equivalent to approximately HK\$6,110,429,000)

Registered capital: RMB1,000,000,000
(equivalent to approximately HK\$1,226,994,000)

Capital contribution: (1) 80% of the registered capital amounting to RMB800,000,000 (equivalent to approximately HK\$981,595,000) shall be contributed by the Company in cash in USD or equivalent amount of after-tax profits in RMB available for investment within the PRC; and
(2) 20% of the registered capital amounting to RMB200,000,000 (equivalent to approximately HK\$245,399,000) shall be contributed by China Coal Energy in cash in RMB.

Timing of the capital contribution: The first tranche of the capital contribution, being RMB150,000,000 (equivalent to approximately HK\$184,049,000) shall be made within one month after the establishment of the JV

Company in cash. The Company shall contribute RMB120,000,000 (equivalent to approximately HK\$147,239,000) and China Coal Energy shall contribute RMB30,000,000 (equivalent to approximately HK\$36,810,000).

The timing and amount of the remaining tranches of capital contribution shall be made as determined by the board of the JV Company in accordance with the progress of the Project.

The remaining capital contribution, being RMB850,000,000 (equivalent to approximately HK\$1,042,945,000) shall be made by both parties within two years of the establishment of the JV Company in proportion to their respective equity interests.

Transfer of equity interest: Transfer of equity interest of the JV Company will be subject to customary first right of refusal by the other shareholders.

Board composition: The board of the JV Company will comprise seven directors, of which four shall be appointed by the Company, two shall be appointed by China Coal Energy and the remaining one shall be nominated by the labour union of the JV Company.

The chairman and vice-chairman of the board will be appointed by the Company and China Coal Energy respectively.

Supervisor committee: The JV Company shall form a supervisor committee which shall comprise three members, one appointed by each of the Company, China Coal Energy and the labour union of the JV Company. None of the three committee members should hold any position in the JV Company concurrently.

Profits sharing: Any profits distribution shall be approved by the board of the JV Company and distributed to the parties in proportion to their actual contribution made to the JV Company.

It was also agreed that upon the establishment of the JV Company: -

- The JV Company will acquire from Shentou I Power Plant the shutting-down capacity indices for the existing small-capacity units in a total of 793MW and 4,138 tons per annum of sulfur dioxide emission targets required for the Project under the “Big Replaces Small” policy at the consideration (based on the valuation report prepared by an independent professional valuer in the PRC) of an assessed aggregate market value of RMB842,740,400.
- All the work-in-progress expenses accrued for the Project and all the existing contracts and borrowings in relation to the construction and development of the Project will be transferred to the accounts of the JV Company and will continue to be fulfilled and borne by the JV Company. The final amounts to be transferred will be based on their book values at the completion date on transferring the Project which are to be audited by an external independent audit firm appointed by both parties.

- China Coal Energy will ensure the supply of coal required by the JV Company, by way of designated coal supply contract and long-term agreement, at a favourable price as compared to the prevailing coal price supplied to the power plants of the five large national power generating groups in the same region.
- The JV Company or both parties of the JV Company will further cooperate in other joint coal-electricity projects in the coming future.

The amount of registered capital of the JV Company was determined by the National Development and Reform Commission specified in the approval document for the Project which was benchmarked to similar projects at about 20% of the total investment as the general practice. The funds required for the development of the Project, other than the registered capital, will be financed by bank borrowing.

The JV Company will become a subsidiary of the Company and its financial results will be consolidated to the accounts of the Group. Since the Group will maintain control of the JV Company, the transfer of the Project (including the acquisition of its related shutting-down capacity indices for the existing small-capacity units and sulfur dioxide emission targets) from Shentou I Power Plant to the JV Company is an intra-group transaction which will be reflected directly in the consolidated statement of changes in equity of the Group, and no gain or loss will be recognised to the Group's consolidated income statement.

REASONS AND BENEFITS EXPECTED TO ACCRUE FROM FORMING THE JV COMPANY

The Company and China Coal Energy are respectively enterprises with a dominant presence in the industry of power generation and coal supply in the Shanxi Province of China. Cooperation with a coal supply enterprise is the current development strategy of the Company. This is in line with the State industrial policies which encourage collaboration among large coal and power enterprises.

Through the JV Agreement, the Company and China Coal Energy are able to establish a strategic alliance relationship where both can jointly develop new investment project and enjoy preferential cooperation rights. The JV Agreement will lay foundations for entering into long term coal supply agreements with China Coal Energy, allowing the Company to secure a stable and consistent supply of coal for its power plants in the Shanxi Province. The Directors consider that the strategic alliance relationship between the two listed companies will enhance the returns to the Shareholders.

The Directors (including the independent non-executive Directors) are of the view that as far as the Shareholders are concerned, the JV Agreement is entered into in the ordinary course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

PRINCIPAL BUSINESS OF THE GROUP AND CHINA COAL ENERGY

The Company is the listed flagship company outside the PRC of CPI Group. The CPI Group is one of the five national power generation groups in China, and operates power plants of CPI Group spread across 28 provinces, municipalities and autonomous regions in the PRC. CPI Holding is wholly-owned by CPI Group and owns and operates coal-fired and hydroelectric power plants in the PRC. As at the date of this announcement, CPI Group, through CPI Holding and CPDL, owns approximately 69% of the issued share capital of the Company.

The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates high-capacity coal-fired power plants and hydro-power plants. The Company also manages on behalf of its controlling shareholders two other power plants in the PRC.

China Coal Energy is a joint stock company incorporated in the PRC with limited liability. Its shares are listed on both the Stock Exchange and the Shanghai Stock Exchange. It is the second largest coal enterprise and the largest manufacturer of coal mining equipment in China and is mainly engaged in coal production and trade, coal chemical, power generation and coal mining equipment manufacturing. Its ultimate holding company is China National Coal Group Corporation* (中國中煤能源集團公司) which was established in July 1982, is one of the key State-owned enterprises under the State-owned Assets Supervision and Administration Commission of the State Council of the PRC* (中華人民共和國國務院).

COMPLIANCE WITH THE LISTING RULES

As the applicable percentage ratios for the Transaction exceed 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules which requires the publication of an announcement.

Subsequent to the establishment of the JV Company, an announcement in respect of the non-exempted continuing connected transaction (if any) between the Company and China Coal Energy will be published as required by 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
“China Coal Energy”	中國中煤能源股份有限公司 (China Coal Energy Company Limited*), a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange

“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding
“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by the State Council of the PRC* (中華人民共和國國務院)
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CPI Group
“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
“JV Agreement”	the agreement in relation to the formation of the JV Company dated 2 November 2011 between the Company and China Coal Energy
“JV Company”	中電神頭發電有限責任公司 (China Power Shentou Power Generating Company Limited*), a limited company to be established in the PRC under the JV Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	Megawatt, that is, one million watts. The installed capacity of a power plant is generally expressed in MW
“Project”	the project being carried out by Shentou I Power Plant presently which involves the construction of two 600 MW super-critical coal-fired power generation units in Ping Lu District, Shou Zhou City, Shanxi, the PRC
“PRC” or “China”	the People’s Republic of China. Geographical references in this announcement to the PRC or China excludes the Special Administrative Regions of Hong Kong and Macau and Taiwan

“RMB”	Renminbi, the lawful currency of China
“Shareholders”	Persons whose names appear on the register of members as registered holders of the shares of the Company
“Shentou I Power Plant”	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*), a wholly-owned subsidiary of the Company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	The formation of the JV Company under the JV Agreement
“USD”	United States dollars, the lawful currency of the United States of America

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.815 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
Li Xiaolin
Chairman

Hong Kong, 2 November 2011

As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Gu Dake, non-executive directors Guan Qihong and Gu Zhengxing, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.