

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **Coal Supply Framework Agreement signed with China Coal Energy**

Reference is made to the announcement of the Company dated 2 November 2011 in relation to the formation of a joint venture company, CP Shentou, between the Company and China Coal Energy.

Pursuant to the JV Agreement, it was agreed between the parties that upon the establishment of the CP Shentou, China Coal Energy will ensure the supply of coal required by CP Shentou by way of long-term agreement. As the first two 600MW super-critical coal-fired power generating units of CP Shentou are expected to commence commercial operation in May and July this year, the Company has entered into the Coal Supply Framework Agreement with China Coal Energy on 16 May 2013.

The Company and China Coal Energy own 80% and 20% equity interests in CP Shentou respectively which was established in January 2012. As China Coal Energy is a substantial shareholder of CP Shentou, it therefore has become a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Coal Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Directors estimate that the Proposed Annual Caps of the Coal Supply Framework Agreement for the three financial years ending 31 December 2013, 2014 and 2015 will not exceed RMB700,000,000, RMB1,080,000,000 and RMB1,116,000,000 (equivalent to approximately HK\$875,000,000, HK\$1,350,000,000 and HK\$1,395,000,000) respectively. As the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in respect of the Proposed Annual Caps of the Continuing Connected Transactions are more than 5%, they constitute non-exempt continuing connected transactions which are subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has obtained a joint written shareholders' approval in accordance with Rule 14A.43 of the Listing Rules from CPI Holding and CPDL, which held 1,532,827,927 and

1,996,500,000 shares of the Company respectively (together representing approximately 62.80% of the total issued share capital of the Company as at the date of this announcement), approving the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. Accordingly, the Company has made an application to the Stock Exchange for accepting the joint written shareholders' approval from CPI Holding and CPDL in lieu of holding a physical shareholders' meeting for the approval of the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

An Independent Board Committee comprising all the independent non-executive Directors will be established to advise the Shareholders and an independent financial advisor will be appointed to advise the Independent Board Committee and the Shareholders in relation to the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

A circular containing, among other things, (i) further details of the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps; (ii) a letter from the independent financial advisor containing its advice to the Independent Board Committee and the Shareholders; and (iii) the recommendation of the Independent Board Committee to the Shareholders is expected to be dispatched by the Company to the Shareholders on or before 7 June 2013.

## **INTRODUCTION**

It is the Company's strategy to partner with large scale State-owned coal production enterprises in order to promote coal and electricity joint operation mode. CP Shentou was formed in January 2012 under the JV Agreement dated 2 November 2011 which is 80% and 20% owned by the Company and China Coal Energy respectively. Pursuant to the JV Agreement, it was agreed between the parties that upon the establishment of the CP Shentou, China Coal Energy will ensure the supply of coal required by CP Shentou by way of long-term agreement, at a favourable price as compared to the prevailing coal prices supplied to the power plants of the five large national power generation groups in the same region.

As the first two 600MW super-critical coal-fired power generating units of CP Shentou are expected to commence commercial operation in May and July this year, the Company has entered into the Coal Supply Framework Agreement with China Coal Energy on 16 May 2013.

## **COAL SUPPLY FRAMEWORK AGREEMENT**

### **Date**

16 May 2013

### **Parties**

- (i) China Coal Energy (as the supplier); and
- (ii) the Company (as the purchaser).

## **Principal terms**

Pursuant to the Coal Supply Framework Agreement, China Coal Energy will supply coal to CP Shentou. The term of the Coal Supply Framework Agreement will commence on the date when the Coal Supply Framework Agreement is signed and sealed and all the approvals and waivers required under the Listing Rules are obtained (if necessary) and expire on 31 December 2015 (both dates inclusive).

The parties agreed that the purchase price of coal shall be determined with reference to national industrial policy as well as industry and market conditions. It has also been agreed that the parties thereto will from time to time determine the price, quality, quantity and the transportation method of the coal to be supplied by China Coal Energy, and subject to the parties' discussion and negotiation.

## **Proposed Annual Caps**

The aggregate annual amount of coal to be supplied by China Coal Energy is estimated to be up to (1) 2,500,000 tonnes for the financial year ending 31 December 2013, (2) 3,600,000 tonnes for the financial year ending 31 December 2014 and (3) 3,600,000 tonnes for the financial year ending 31 December 2015.

The Directors estimate that the Proposed Annual Caps for the three financial years ending 31 December 2013, 2014 and 2015 will not exceed RMB700,000,000, RMB1,080,000,000 and RMB1,116,000,000 (equivalent to approximately HK\$875,000,000, HK\$1,350,000,000 and HK\$1,395,000,000) respectively.

The Proposed Annual Caps have been determined with reference to the following factors:

- (1) the estimated purchase of coal from China Coal Energy for each of the three financial years of 2013, 2014 and 2015;
- (2) the current market price of the local coal exchange or market;
- (3) the quality of the coal;
- (4) estimated increase in coal prices;
- (5) estimated increase in the demand for electricity;
- (6) estimated transportation fees; and
- (7) estimated changes in the calorific value of coal.

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

The promotion of coal and electricity joint operation is beneficial in respect of ensuring fuel supply and dilution of operational risks of the Company. The entering into the Coal Supply Framework Agreement will help (i) obtaining continuous and stable coal supply, (ii) getting favourable prices by bulk purchases, and (iii) minimizing transportation costs as the relevant coal mines of China Coal Energy are located in the closest proximity of CP Shentou and thus maintaining its competitive advantage in terms of operational efficiency.

The Directors (including the independent non-executive Directors) are of the view that as far as the Shareholders are concerned, the Coal Supply Framework Agreement is entered into in the ordinary course of the Company's business, on normal commercial terms, fair and reasonable and in the interests of the Company and 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 62.80% 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 shareholder 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**

The Company and China Coal Energy own 80% and 20% equity interests in CP Shentou respectively which was established in January 2012. As China Coal Energy is a substantial shareholder of CP Shentou, it therefore has become a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Coal Supply Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in respect of the Proposed Annual Caps of the Continuing Connected Transactions are more than 5%, they constitute non-exempt continuing connected transactions which are subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge, information and belief of the Directors, neither China Coal Energy nor any of its associates holds any shares of the Company as at the date of this announcement and no Shareholder and its associates (as defined under the Listing Rules) is required to abstain from voting if the Company were to convene a general meeting for the approval of the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

The Company has obtained a joint written shareholders' approval in accordance with Rule 14A.43 of the Listing Rules from CPI Holding and CPDL, which held 1,532,827,927 and 1,996,500,000 shares of the Company respectively (together representing approximately 62.80% of the total issued share capital of the Company as at the date of this announcement), approving the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. Accordingly, the Company has made an application to the Stock Exchange for accepting the joint written shareholders' approval from CPI Holding and CPDL in lieu of holding a physical shareholders' meeting for the approval of the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

An Independent Board Committee comprising all the independent non-executive Directors will be established to advise the Shareholders and an independent financial advisor will be appointed to advise the Independent Board Committee and the Shareholders in relation to the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

A circular containing, among other things, (i) further details of the Coal Supply Framework Agreement, the Continuing Connected Transactions and the Proposed Annual Caps; (ii) a letter from the independent financial advisor containing its advice to the Independent Board Committee and the Shareholders; and (iii) the recommendation of the Independent Board Committee to the Shareholders is expected to be dispatched by the Company to the Shareholders on or before 7 June 2013.

## **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”	China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange
“Coal Supply Framework Agreement”	the framework agreement for the supply of the coal between the Company and China Coal Energy dated 16 May 2013

“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“Continuing Connected Transactions”	the transactions contemplated under the Coal Supply Framework Agreement
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding
“CPI Group”	China Power Investment Corporation* (中國電力投資集團公司), 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
“CP Shentou”	China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司), a company incorporated in the PRC and a 80%-owned subsidiary of the Company
“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
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec
“JV Agreement”	the agreement in relation to the formation of CP Shentou dated 2 November 2011 between the Company and China Coal Energy
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China. Geographical references in this announcement to the PRC or China excludes Hong Kong, the Special Administrative Region of Macau and Taiwan

“Proposed Annual Caps”	the maximum amounts payable under the Coal Supply Framework Agreement for the three financial years ending 31 December 2013, 2014 and 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	persons whose names appear on the register of members as registered holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.80 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, 16 May 2013

*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 Wang Zichao, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.*