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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**

#### **Coal Supply Framework Agreements**

The Board announces that on 30 December 2016, the Company has entered into two Coal Supply Framework Agreements with Huainan Mining and Pingmei Shenma respectively in relation to the supply of coal to the Purchasers, subsidiaries of the Company.

Since Huainan Mining and Pingmei Shenma are both substantial shareholders of certain subsidiaries of the Company, they both are therefore connected persons of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the two Coal Supply Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

For Huainan Mining Coal Supply Framework Agreement, the Proposed Annual Caps for the three financial years ending 31 December 2017, 2018 and 2019 will not exceed RMB7,596,000,000, RMB8,238,000,000 and RMB8,616,000,000 (equivalent to approximately HK\$8,440,000,000, HK\$9,153,000,000 and HK\$9,573,000,000) respectively.

For Pingmei Shenma Coal Supply Framework Agreement, the Proposed Annual Caps for the three financial years ending 31 December 2017, 2018 and 2019 will not exceed RMB2,798,000,000, RMB3,288,000,000 and RMB3,288,000,000 (equivalent to approximately HK\$3,109,000,000, HK\$3,653,000,000 and HK\$3,653,000,000) respectively.

As the Board has approved the transactions contemplated under both the Huainan Mining Coal Supply Framework Agreement and the Pingmei Shenma Coal Supply Framework Agreement, and the independent non-executive Directors have confirmed that the terms of the Framework Agreements are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole, given that Huainan Mining and Pingmei Shenma are connected persons at the subsidiary level only, the transactions contemplated under the Framework Agreements are subject to the announcement, reporting and annual review requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Reference is made to the announcement of the Company dated 6 December 2013 in relation to the coal supply framework agreement signed with Huainan Mining which will expire on 31 December 2016. On 30 December 2016, the Company has entered into the Huainan Mining Coal Supply Framework Agreement with Huainan Mining, pursuant to which it was agreed to continue the purchase and supply of coal between the parties for another term of three years upon the expiry of the original coal supply framework agreement.

On 30 December 2016, the Company has also entered into the Pingmei Shenma Coal Supply Framework Agreement with Pingmei Shenma, pursuant to which the parties agreed that Pingmei Shenma will supply coal to the Purchasers, subsidiaries of the Company for a term of three years.

## **HUAINAN MINING COAL SUPPLY FRAMEWORK AGREEMENT**

### **Date**

30 December 2016

### **Parties**

- (i) The Company (as the purchaser, representing its subsidiaries, collectively the “Purchasers”); and
- (ii) Huainan Mining (as the supplier).

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

Pursuant to the Huainan Mining Coal Supply Framework Agreement, Huainan Mining will supply coal to the Purchasers. The term of the agreement is three years commencing from 1 January 2017 and ending 31 December 2019.

The parties agreed that the purchase price of coal shall be determined by both parties after arm’s length negotiations with reference to (i) the current transacted coal prices of the local coal exchange or market in the PRC (two or more latest comparable transactions of independent third parties); (ii) the available data published at the website of 中國煤炭市場網 (China Coal Market\*) at [www.cctd.com.cn](http://www.cctd.com.cn); (iii) the quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units); and (iv) the quantity of coal.

The Purchasers will settle the purchase of coal from Huainan Mining on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

It has also been agreed that the parties thereto will from time to time determine the price, quality, quantity, delivery and transportation methods of the coal to be supplied by Huainan Mining to the Purchasers, and subject to the parties’ discussion and negotiation at arm’s length basis.

## Historial Amounts

The historial amounts and the annual caps of the past transactions with Huainan Mining for the years ended 31 December 2014, 2015 and 2016 are set out below:

	Historial amount (RMB)	Annual caps (RMB)
Year 2014	3,239,000,000 (actual)	5,694,000,000
Year 2015	2,983,000,000 (actual)	7,388,000,000
Year 2016	3,570,000,000 (expected)	9,082,000,000

## Proposed Annual Caps

The Proposed Annual Caps were determined by both parties after arm's length negotiations with reference to the following factors:

- (a) the estimated amount of coal to be purchased from Huainan Mining based on the estimated amount of electricity to be generated by the current generating units and the expected generating units of the Purchasers that will commence commercial operation for each of the three financial years of 2017, 2018 and 2019;
- (b) the estimated increase in the demand for electricity based on the historical average growth rate in the past few years in China and the forecasts made by China Electricity Council; and
- (c) the status of excess supply over demand in the PRC coal market that led to a decline in market price of coal in the past few years has been reversing lately, the supply of coal in certain locations are becoming tight and thus the possible fluctuation in coal price should there be a substantial change in the coal market.

It was estimated that the Proposed Annual Caps for the three financial years ending 31 December 2017, 2018 and 2019 will not exceed RMB7,596,000,000, RMB8,238,000,000 and RMB8,616,000,000 (equivalent to approximately HK\$8,440,000,000, HK\$9,153,000,000 and HK\$9,573,000,000) respectively.

## PINGMEI SHENMA COAL SUPPLY FRAMEWORK AGREEMENT

### Date

30 December 2016

## **Parties**

- (i) The Company (as the purchaser, representing its subsidiaries, collectively the “Purchasers”); and
- (ii) Pingmei Shenma (as the supplier).

## **Principal Terms and Pricing Principles**

Pursuant to the Pingmei Shenma Coal Supply Framework Agreement, Pingmei Shenma will supply coal to the Purchasers. The term of the agreement is three years commencing from 1 January 2017 and ending 31 December 2019. Prior to the Pingmei Shenma Coal Supply Framework Agreement, the Company did not enter into any framework agreement with Pingmei Shenma before.

The parties agreed that the purchase price of coal shall be determined by both parties after arm’s length negotiations with reference to (i) the current transacted coal prices of the local coal exchange or market in the PRC (two or more latest comparable transactions of independent third parties); (ii) the available data published at the website of 中國煤炭市場網 (China Coal Market\*) at [www.cctd.com.cn](http://www.cctd.com.cn); (iii) the quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units); and (iv) the quantity of coal.

The Purchasers will settle the purchase of coal from Pingmei Shenma on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

It has also been agreed that the parties thereto will from time to time determine the price, quality, quantity, delivery and transportation methods of the coal to be supplied by Pingmei Shenma to the Purchasers, and subject to the parties’ discussion and negotiation at arm’s length basis.

## **Proposed Annual Caps**

The Proposed Annual Caps were determined by both parties after arm’s length negotiations with reference to the following factors:

- (a) the estimated amount of coal to be purchased from Pingmei Shenma based on the estimated amount of electricity to be generated by the current generating units and the expected generating units of the Purchasers that will commence commercial operation for each of the three financial years of 2017, 2018 and 2019;
- (b) the estimated increase in the demand for electricity based on the historical average growth rate in the past few years in China and the forecasts made by China Electricity Council; and

- (c) the status of excess supply over demand in the PRC coal market that led to a decline in market price of coal in the past few years has been reversing lately, the supply of coal in certain locations are becoming tight and thus the possible fluctuation in coal price should there be a substantial change in the coal market.

It was estimated that the Proposed Annual Caps for the three financial years ending 31 December 2017, 2018 and 2019 will not exceed RMB2,798,000,000, RMB3,288,000,000 and RMB3,288,000,000 (equivalent to approximately HK\$3,109,000,000, HK\$3,653,000,000 and HK\$3,653,000,000) respectively.

The Group will follow the terms set out in the two Coal Supply Framework Agreements, the rationale for the Proposed Annual Caps and all the internal control procedures (including quotations from independent third parties) in order to maintain the fairness of the prices and terms of all coal purchases from Huainan Mining and Pingmei Shenma are no less favourable than those available from independent third parties.

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

The entering into the two Coal Supply Framework Agreements will help (i) obtaining continuous and stable coal supply to the coal-fired power generating units of the Group, (ii) getting favourable prices by bulk purchases, and (iii) minimizing transportation costs as the relevant coal mines of Huainan Mining and Pingmei Shenma are mostly conveniently located in the closest proximity to the Purchasers. The Directors are of the view that, the terms of entering into the two Coal Supply Framework Agreements are no less favourable than the terms available from independent third parties, and will ensure stable supply, efficient and timely delivery of the coal, which is beneficial to the normal operation of 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 two Coal Supply Framework Agreements are 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 its shareholders as a whole.

## **INFORMATION ON THE COMPANY AND THE GROUP**

The Company is a core subsidiary of SPIC for conventional energy business. The SPIC 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.

## **INFORMATION ON HUAINAN MINING**

Huainan Mining was formed in 1998 upon restructure of Huainan Ministry of Mines\* (淮南礦務局). It is a State-owned enterprise held by the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province of China (中國安徽省人民政府國有資產監督管理委員會) with its headquarters situated at Huainan in Anhui Province, the PRC. Huainan Mining is principally engaged in various industries such as coal, electricity, real estate, logistics and finance. It is ranked one of the 14 coal bases of 100-million-ton level and one of the six large coal-electricity bases in the PRC. Huainan Mining is also among the first batch of pilot enterprises under circular economy in the PRC, an environmental friendly enterprise, and an innovative pilot enterprise at the State level.

Huainan Mining is a substantial shareholder of Huanggang Dabieshan Power Company Limited\*, Huainan Pingwei No. 2 Electric Power Co., Ltd. and Huainan Pingwei No. 3 Electric Power Co., Ltd.\*, subsidiaries of the Company.

## **INFORMATION ON PINGMEI SHENMA**

Pingmei Shenma was formed in 2008 and is a State-owned energy and chemical group held by the State-owned Assets Supervision and Administration Commission of the People's Government of Henan Province of China (中國河南省人民政府國有資產監督管理委員會) with its headquarters situated at Pingdingshan in Henan Province, the PRC. Pingmei Shenma's products are exported to more than 30 countries and regions. It is the most complete variety of coking coal and steam coal production base in China and is the largest nylon chemical products production base in Asia.

Pingmei Shenma is a substantial shareholder of Henan CP Ping'an Energy Services Company Limited\* (河南中電平安能源服務有限公司), a subsidiary of the Company which was established in July 2016.

## **COMPLIANCE WITH THE LISTING RULES**

Huainan Mining and Pingmei Shenma are both substantial shareholders of certain subsidiaries of the Company, and both are therefore connected persons of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the two Coal Supply Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the Board has approved the transactions contemplated under both the Huainan Mining Coal Supply Framework Agreement and the Pingmei Shenma Coal Supply Framework Agreement, and the independent non-executive Directors have confirmed that the terms of the Framework Agreements are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole, given that Huainan Mining and Pingmei Shenma are connected persons at the subsidiary level only, the transactions contemplated under the Framework Agreements are subject to the announcement, reporting and annual review requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

None of the Directors has material interest in the transactions of the two Coal Supply Framework Agreements or is required to abstain from voting on the Board resolutions.

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“Coal Supply Framework Agreements” or “Framework Agreements”	Huainan Mining Coal Supply Framework Agreement and Pingmei Shenma Coal Supply Framework Agreement
“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
“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”	Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司), a State-owned enterprise held by the State-owned Assets Supervision and Administration Commission of the People’s Government of Anhui Province of China (中國安徽省人民政府國有資產監督管理委員會)
“Huainan Mining Coal Supply Framework Agreement”	the framework agreement for the supply of the coal between the Company and Huainan Mining dated 30 December 2016
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pingmei Shenma”	China Pingmei Shenma Energy & Chemical Group Co., Ltd.* (中國平煤神馬能源化工集團有限責任公司), a State-owned energy and chemical group held by the State-owned Assets Supervision and Administration Commission of the People’s Government of Henan Province of China (中國河南省人民政府國有資產監督管理委員會)
“Pingmei Shenma Coal Supply Framework Agreement”	the framework agreement for the supply of the coal between the Company and Pingmei Shenma dated 30 December 2016
“PRC”	the People’s Republic of China. Geographical references in this announcement to the PRC excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Proposed Annual Caps”	the respective maximum amounts payable under the Huainan Mining Coal Supply Framework Agreement and Pingmei Shenma Coal Supply Framework Agreement for the three financial years ending 31 December 2017, 2018 and 2019
“Purchasers”	including but not limited to Pingdingshan Yaomeng Power Company Limited* (平頂山姚孟發電有限責任公司), Huanggang Dabieshan Power Company Limited* (黃岡大別山發電有限責任公司), Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司), Huainan Pingwei No. 2 Electric Power Co., Ltd. (淮南平圩第二發電有限責任公司), Huainan Pingwei No. 3 Electric Power Co., Ltd.* (淮南平圩第三發電有限責任公司), Wuhu Electric Power Generating Company Limited* (蕪湖發電有限責任公司), China Power Guorui Logistics Company Limited* (中電國瑞物流有限公司), subsidiaries of the Company, collectively the “Purchasers”
“RMB”	Renminbi, the lawful currency of the PRC
“SPIC”	State Power Investment Corporation* (國家電力投資集團公司), the ultimate controlling company of the Company, a wholly State-owned enterprise formerly known as China Power Investment Corporation* (中國電力投資集團公司), was approved by the State Council of the PRC* (中華人民共和國國務院) for the consolidation and reorganization with the State Nuclear Power Technology Corporation* (國家核電技術公司) in 2015
“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 RMB0.90 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**  
**Yu Bing**  
*Executive Director*

Hong Kong, 30 December 2016

*As at the date of this announcement, the directors of the Company are: executive directors Yu Bing and Wang Zichao, non-executive directors Wang Binghua and Guan Qihong, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Yau Ka Chi.*