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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 Purchase and Sale Cooperation Framework Agreements

On 6 July 2018, CP Guorui (a wholly-owned subsidiary of the Company) entered into two Coal Purchase and Sale Cooperation Framework Agreements with SPIC Aluminum and CPI Xianrong respectively in relation to the provision of coal through long-term contracts and/or futures contracts.

As SPIC Aluminum and CPI Xianrong are subsidiaries of SPIC, they are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Coal Purchase and Sale Cooperation Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

The Proposed Annual Cap (SPIC Aluminum) is RMB600,000,000 (equivalent to approximately HK\$705,882,000).

The Proposed Annual Cap (CPI Xianrong) is RMB120,000,000 (equivalent to approximately HK\$141,176,000).

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the maximum annual cap for each of two Framework Agreements (individually and after aggregation) exceed 0.1% but fall below 5%, the two Framework Agreements 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.

SPIC ALUMINUM FRAMEWORK AGREEMENT

Date

6 July 2018

Parties

- (i) CP Guorui (as the purchaser/customer); and
- (ii) SPIC Aluminum (as the supplier/dealer).

Principal Terms and Pricing Principles

The term of the SPIC Aluminum Framework Agreement is for two calendar years commencing from 1 January 2018 and ending 31 December 2019. Prior to 2018, the Company did not enter into any coal transaction with SPIC Aluminum.

(i) Coal Long-term Contracts

The parties agreed that the purchase price of coal shall be determined with reference to (i) the available data published at the websites of 中國煤炭市場網 (China Coal Market*) at www.cctd.com.cn or 中國煤炭資源網 at www.sxcoal.com or any public websites for the coal industry; and (ii) the CCI5500 Index which reflects the current transacted price of 5500 kcal/kg NAR coal at the Qinhuangdao Port and Bohai Rim Port areas (by referring to not less than two latest comparable transactions of independent third parties for provision of similar type of coal in the same region).

CP Guorui will settle the purchase price of coal by telegraphic transfer within 30 days after the coal is delivered by SPIC Aluminum and accepted by CP Guorui, or such other payment terms as both parties will agree from time to time in contracts.

(ii) Coal Futures Contracts

CP Guorui will purchase coal by way of ordering the coal futures contracts openly listed on the Zhengzhou Commodity Exchange (鄭州商品交易所) in the PRC through SPIC Aluminum. The price of the coal futures contracts is the purchase price of the coal. SPIC Aluminum will not charge CP Guorui any handling fee, transaction fee or other fees for dealing in the coal futures contracts.

A 70% of the coal purchase price is payable by CP Guorui before the fifth business day of the month upon physical delivery of coal; the remaining 30% is payable within 30 days after the coal is delivered by SPIC Aluminum and accepted by CP Guorui. CP Guorui will settle the purchase price of coal by telegraphic transfer or such other payment 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, transportation and acceptance methods of the coal to be procured by SPIC Aluminum to CP Guorui by individual contracts, and subject to the parties' discussion and negotiation at arm's length basis.

Proposed Annual Cap (SPIC Aluminum)

The Proposed Annual Cap (SPIC Aluminum) for each of the two years ending 31 December 2018 and 2019, is set at RMB600,000,000 (equivalent to approximately HK\$705,882,000) after taking into consideration of the following factors:

- (i) the abovementioned coal pricing principles;
- (ii) the estimated quality of the coal (including the estimated calorific value and sulphur contents of coal) as required by different coal-fired power generating units of the Group; and
- (iii) the estimated amount of coal required by the coal-fired power generating units of the Group.

CPI XIANRONG FRAMEWORK AGREEMENT

Date

6 July 2018

Parties

- (i) CP Guorui (as the customer); and
- (ii) CPI Xianrong (as the dealer).

Principal Terms and Pricing Principles

The term of the CPI Xianrong Framework Agreement is for two calendar years commencing from 1 January 2018 and ending 31 December 2019. Prior to 2018, the Company did not enter into any coal transaction with CPI Xianrong.

CP Guorui will purchase coal by way of ordering the coal futures contracts openly listed on the Zhengzhou Commodity Exchange (鄭州商品交易所) in the PRC through CPI Xianrong. The price of the coal futures contracts is the purchase price of the coal.

On settlement day of the futures contracts, CPI Xianrong will not charge CP Guorui any handling fee, transaction fee or other fees for dealing in the coal futures contracts if the coal futures contract price is higher than the then coal spot price. On the contrary, if the coal futures contract price is lower than the then coal spot price, CPI Xianrong will charge CP Guorui the following fees and costs for dealing in the coal futures contracts:

- (i) RMB1.4 per tonnes for physical delivery of the coal;
- (ii) handling fees for trading of coal futures contracts as announced and amended from time to time by the Zhengzhou Commodity Exchange (鄭州商品交易所);
- (iii) capital cost of security deposit (subject to the financing method, if any); and
- (iv) a 50% of the net difference between the coal futures contract price and the then coal spot price after deducting all the above fees and costs.

A 70% of the coal purchase price is payable by CP Guorui before the fifth business day of the month upon physical delivery of coal; the remaining 30% is payable within 30 days after the coal is delivered by CPI Xianrong and accepted by CP Guorui. CP Guorui will settle the purchase price of coal by telegraphic transfer or such other payment 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, transportation and acceptance methods of the coal to be procured by CPI Xianrong to CP Guorui by individual contracts, and subject to the parties' discussion and negotiation at arm's length basis.

Proposed Annual Cap (CPI Xianrong)

The Proposed Annual Cap (CPI Xianrong) for each of the two years ending 31 December 2018 and 2019, is set at RMB120,000,000 (equivalent to approximately HK\$141,176,000) after taking into consideration of the following factors:

- (i) the abovementioned coal futures pricing principles; and
- (ii) the estimated amount of coal required by the coal-fired power generating units of the Group.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

The Group will adopt internal control and monitoring procedures relating to the transactions under the Framework Agreements, including but not limited to the following:

- (i) the coal futures business is one of the procurement methods for acquiring coal, which is based on the genuine needs of the coal-fired power generating units of the Group for securing the supply and stabilizing the price of coal, not for speculative or profit-making purposes;

- (ii) all coal futures contracts transactions should be done strictly following the principles approved by the Board, namely: (i) the coal futures price is close to the coal prices under the annual coal long-term contracts of the Group; (ii) the coal futures price is the coal price at the breakeven point of the power plants or the annual budgeted coal price of the Group; and (iii) the coal futures price is lower than the projected coal spot price during the peak seasons of electricity consumption;
- (iii) the finance department of the Company must review and confirm the trading details of coal futures contracts and should also review the monthly summary and market price of the outstanding position of all coal futures contracts, so as to estimate the capital cost of security deposits (if any) and to monitor the effectiveness of the futures contracts to lock in the coal prices against its fluctuation and the potential impact on the fuel costs; and
- (iv) the internal audit and control department of the Company is responsible for establishing risk management procedures for the coal futures contracts and reviewing the continuing connected transactions contemplated under the Framework Agreements to ensure that the relevant agreements are entered into on normal commercial terms and are fair and reasonable and conducted in accordance with the terms set out therein.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The entering into the Coal Purchase and Sale Cooperation Framework Agreements will help (i) locking in the coal price against its expected fluctuation in the future so as to lower the average fuel costs; (ii) getting favourable prices by bulk purchases; and (iii) securing the continuous and stable coal supply to the coal-fired power generating units of the Group. The Directors are of the view that, the terms of entering into the Coal Purchase and Sale Cooperation 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 Coal Purchase and Sale Cooperation 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 GROUP AND CP GUORUI

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

CP Guorui is a wholly-owned subsidiary of the Company and is principally engaged in wholesale of coal, electromechanical equipment and metal materials; provision of warehousing services; provision of investment consultation for coal mines, ports, railways, shipping and reuse of power generation by-products.

INFORMATION ON SPIC ALUMINUM

SPIC Aluminum is an indirect subsidiary of SPIC established in 2010 which is principally engaged in sale of metal materials, electromechanical equipment and accessories as well as self-operating or acting agent for import and export business of goods and technologies.

INFORMATION ON CPI XIANRONG

CPI Xianrong is an indirect subsidiary of SPIC established in 2016 which is principally engaged in providing risk management services, corporate management consultation, financial advisory services, and self-operating or acting agent for import and export of goods and technologies.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, SPIC owns approximately 56.04% of the issued share capital of the Company. As SPIC is the ultimate controlling shareholder of the Company, SPIC, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

As SPIC Aluminum and CPI Xianrong are subsidiaries of SPIC, they are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Coal Purchase and Sale Cooperation Framework Agreements constitute continuing connected transactions of the Company under the Listing Rules.

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None of the Directors has material interest in the transactions contemplated under the Coal Purchase and Sale Cooperation Framework Agreements or is required to abstain from voting on the related 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 Purchase and Sale Cooperation Framework Agreements” or “Framework Agreements”	SPIC Aluminum Framework Agreement and CPI Xianrong 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
“CP Guorui”	China Power Guorui Logistics Company Limited* (中電國瑞物流有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company
“CPI Xianrong”	CPI Xianrong (Tianjin) Risk Management Co., Ltd* (中電投先融(天津)風險管理有限公司), a company incorporated in the PRC with limited liability, an indirect subsidiary of SPIC
“CPI Xianrong Framework Agreement”	the framework agreement for the provision of coal through futures contracts entered into between CP Guorui and CPI Xianrong dated 6 July 2018
“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
“PRC” or “China”	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”	Proposed Annual Cap (SPIC Aluminum) and Proposed Annual Cap (CPI Xianrong)
“Proposed Annual Cap (CPI Xianrong)”	the maximum amount payable under the CPI Xianrong Framework Agreement for each of the two years ending 31 December 2018 and 2019
“Proposed Annual Cap (SPIC Aluminum)”	the maximum amount payable under the SPIC Aluminum Framework Agreement for each of the two years ending 31 December 2018 and 2019
“RMB”	Renminbi, the lawful currency of the PRC
“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), the ultimate controlling company 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)
“SPIC Aluminum”	SPIC Aluminum International Trading Co., Ltd.*(國家電力投資集團鋁業國際貿易有限公司), a company incorporated in the PRC with limited liability, an indirect subsidiary of SPIC
“SPIC Aluminum Framework Agreement”	the framework agreement for the provision of coal through long-term contracts and/or futures contracts entered into between CP Guorui and SPIC Aluminum dated 6 July 2018

“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 RMB0.85 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
Chairman

Hong Kong, 6 July 2018

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