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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 Agreements

Reference is made to the announcement of the Company dated 30 December 2016 in relation to the two coal supply framework agreements that the Company signed with Huainan Mining and Pingmei Shenma respectively which will expire on 31 December 2019.

On 31 December 2019, the Company renewed two separate coal supply framework agreements with Huainan Mining and Pingmei Shenma for a term of three years, pursuant to which the two companies have agreed to continue to supply coal to the Purchasers (subsidiaries of the Company) upon expiry of the previous framework agreements.

Huainan Mining Coal Supply Framework Agreement

As at the date of this announcement, Huainan Mining holds 40% equity interest in each of Pingwei I, Pingwei II and Pingwei III, and 42% equity interest in Dabieshan Power Plant (non-wholly owned subsidiaries of the Company). As such, Huainan Mining is a substantial shareholder of the 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 Huainan Mining Coal Supply Framework Agreement constitute continuing connected transactions of the Company according to Chapter 14A of the Listing Rules.

The proposed annual caps for the three financial years ended 31 December 2020, 2021 and 2022 will not exceed RMB5,743,000,000, RMB5,849,000,000 and RMB6,055,000,000 (equivalent to approximately HK\$6,381,111,000, HK\$6,498,889,000 and HK\$6,727,778,000) respectively.

Given the continuing connected transactions contemplated under the Huainan Mining Coal Supply Framework Agreement are at the subsidiary level of the Company, will be entered into on normal commercial terms or better, approved by the Board and confirmed by the independent non-executive Directors that the terms of such transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole, they will be exempted from the circular (including independent financial advice) and shareholders' approval requirements, pursuant to Rules 14A.101(1) and (2) of the Listing Rules, but are subject to annual review and relevant disclosure requirements.

Pingmei Shenma Coal Supply Framework Agreement

Pingmei Shenma is a substantial shareholder of Henan CP Ping'an, a subsidiary of the Company. Based on the financial statements for the latest financial year ended 31 December 2018, Henan CP Ping'an has become an "insignificant subsidiary" of the Company pursuant to Rule 14A.09 of the Listing Rules. As such, Pingmei Shenma will no longer be a connected person of the Group and the transactions contemplated under the renewed Pingmei Shenma Coal Supply Framework Agreement will be exempted from reporting and annual review requirements under Chapter 14A of the Listing Rules.

RENEWAL OF COAL SUPPLY FRAMEWORK AGREEMENTS

Reference is made to the announcement of the Company dated 30 December 2016 in relation to the two coal supply framework agreements that the Company signed with Huainan Mining and Pingmei Shenma respectively which will expire on 31 December 2019.

On 31 December 2019, the Company renewed two separate coal supply framework agreements with Huainan Mining and Pingmei Shenma for a term of three years, pursuant to which the two companies have agreed to continue to supply coal to the Purchasers (subsidiaries of the Company) upon expiry of the previous framework agreements.

Huainan Mining Coal Supply Framework Agreement

Date

31 December 2019

Parties

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

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 2020 and ending 31 December 2022.

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; (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.

Historical Amounts

The historical amounts and the annual caps (inclusive of all taxes) of the past transactions with Huainan Mining for the years ended 31 December 2017, 2018 and 2019 are set out below:

Year	Historical amount (RMB'000)	Annual caps (RMB'000)
2017	5,315,150 (Actual)	7,596,000
2018	5,730,000 (Actual)	8,238,000
2019	5,327,810 (Expected)	8,616,000

Proposed Annual Caps

The proposed annual caps (inclusive of all taxes) of the transactions with Huainan Mining for the years ended 31 December 2020, 2021 and 2022 are set out below:

Year	Annual caps (RMB'000)
2020	5,743,000
2021	5,849,000
2022	6,055,000

The aforesaid proposed annual caps were determined by both parties after arm's length negotiations with reference to the following factors:

- (a) The average growth rate of electricity consumption in Anhui and Hubei Provinces, the PRC (where the coal-fired power generating units of the Purchasers are located) in the past three years according to the China Electricity Council.
- (b) The National Development and Reform Commission of the PRC issued the "Notice on Promoting the Signing and Implementation of Medium and Long Term Contracts for Coals in 2020 (《關於推進 2020 年煤炭中長期合同簽訂履行有關工作的通知》)" in November 2019 which regulates the various aspects of coal pricing mechanism, price range, quantity and execution of the medium and long term contracts. The price range will be operated in accordance with the "Notice on Printing and Distributing the Memorandum of Abnormal Fluctuations in the Coal Market Price (《關於印發平抑煤炭市場價格異常波動的備忘錄的通知》)" issued by The National Development and Reform Commission of the PRC.

Accordingly, the Company uses the average coal price in Huainan region of Anhui Province in 2019 as the benchmark price for estimating the annual caps for the coming three years which will be subject to further adjustment based on the market supply and demand conditions at the time of entering into individual contract.

INTERNAL CONTROL MEASURES AND PROCEDURES

The Group will adopt internal control measures and procedures relating to the transactions under the Huainan Mining Coal Supply Framework Agreement, including but not limited to the following:

- (a) The Company assigns designated persons to monitor, collect and evaluate the coal market data including relevant coal price index published at the website of 中國煤炭市場網 (China Coal Market*) at www.cctd.com.cn from time to time.
- (b) Under the circumstances such as the relevant coal price index changes, the Purchasers will, in accordance with the market prices, the category and quality of the coal under the transactions, 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; and
- (c) The materials procurement department of the Company is responsible for monitoring, collecting and evaluating the pricing terms, payment arrangements and actual transaction amount under each of the individual implementation agreements, and the internal audit department will conduct independent audits on a quarterly basis to ensure no annual caps are exceeded.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The renewal of the Huainan Mining Coal Supply Framework Agreement 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 are mostly conveniently located in the closest proximity to the Purchasers. The Board considered that, the terms contained therein and the governing internal control measures and procedures can ensure the transactions 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 are 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 Huainan Mining Coal Supply Framework Agreement has been renewed 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.

None of the Directors has material interest in the transactions of Huainan Mining Coal Supply Framework Agreement or is required to abstain from voting on the related Board resolution.

INFORMATION ON 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 various industries such as coal mining, electricity, 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.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) 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.

IMPLICATIONS UNDER THE LISTING RULES

Huainan Mining Coal Supply Framework Agreement

Huainan Mining holds 40% equity interest in each of Pingwei I, Pingwei II and Pingwei III, and 42% equity interest in Dabieshan Power Plant (non-wholly owned subsidiaries of the Company). As such, Huainan Mining is a substantial shareholder of the 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 Huainan Mining Coal Supply Framework Agreement constitute continuing connected transactions of the Company according to Chapter 14A of the Listing Rules.

Given the continuing connected transactions contemplated under the Huainan Mining Coal Supply Framework Agreement are at the subsidiary level of the Company, will be entered into on normal commercial terms or better, approved by the Board and confirmed by the independent non-executive Directors that the terms of such transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole, they will be exempted from the circular (including independent financial advice) and shareholders' approval requirements, pursuant to Rules 14A.101(1) and (2) of the Listing Rules, but are subject to annual review and relevant disclosure requirements.

Pingmei Shenma Coal Supply Framework Agreement

Pingmei Shenma is a substantial shareholder of Henan CP Ping'an, a subsidiary of the Company. Based on the financial statements of Henan CP Ping'an for the latest financial year ended 31 December 2018, its total assets, profits and revenue compared to that of the Group are less than 5% under the percentage ratio for the latest financial year, Henan CP Ping'an will therefore be regarded as an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules. As such, Pingmei Shenma will no longer be a connected person of the Group and the transactions contemplated under the renewed Pingmei Shenma Coal Supply Framework Agreement will be exempted from reporting and annual review requirements under Chapter 14A of the Listing Rules.

In the event that the continuing connected transactions or any coming transactions with Pingmei Shenma no longer meet the conditions for the exemption under Chapter 14A of the Listing Rules, the Company will re-comply with the reporting, annual review and announcement requirements under Chapter 14A of 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
“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

“Dabieshan Power Plant”	Huanggang Dabieshan Power Company Limited* (黃岡大別山發電有限責任公司), a company incorporated in the PRC with limited liability and a 51%-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Henan CP Ping’an”	Henan CP Ping’an Energy Services Company Limited* (河南中電平安能源服務有限公司), a company incorporated in the PRC with limited liability and a 60%-owned subsidiary of the Company
“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 company incorporated in the PRC with limited liability
“Huainan Mining Coal Supply Framework Agreement”	the framework agreement for the supply of the coal between the Company and Huainan Mining dated 31 December 2019
“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 31 December 2019
“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 60%-owned subsidiary of 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 60%-owned subsidiary of the Company

“Pingwei III”	Huainan Pingwei No. 3 Electric Power Co., Ltd.* (淮南平圩第三發電有限責任公司), a company incorporated in the PRC with limited liability and a 60%-owned subsidiary of 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 Dabieshan Power Plant, Pingwei I, Pingwei II, Pingwei III and 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 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)
“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
Tian Jun
Chairman

Hong Kong, 31 December 2019

As at the date of this announcement, the directors of the Company are: executive director 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.