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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 AND DISCLOSEABLE TRANSACTION

Renewal of Financial Services Framework Agreement

Reference is made to the announcement of the Company dated 28 April 2016 in relation to the Previous Framework Agreement signed with SPIC Financial which will expire on 6 June 2019.

On 30 April 2019, the Company and SPIC Financial entered into the Framework Agreement for another term of three years, pursuant to which SPIC Financial has agreed to continue to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBIRC on a non-exclusive basis upon expiry of the Previous Framework Agreement.

SPIC Financial is a wholly-owned subsidiary of SPIC which is the ultimate controlling shareholder of the Company interested in approximately 56.04% of the issued share capital of the Company as at the date of this announcement. SPIC Financial is therefore a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The proposed maximum daily balance (including accrued interests) for the Deposit Services for the three years from 7 June 2019 to 6 June 2022 is RMB4.2 billion (equivalent to approximately HK\$4.9 billion). As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Annual Cap exceeds 5% but is less than 25%, the Deposit Services constitute (i) a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and (ii) continuing connected transactions of the Company subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to advise and provide recommendation to the Independent Shareholders on the Framework Agreement in relation to the Deposit Services and the Annual Cap. Gram Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Framework Agreement, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser, and a notice of the GM are expected to be despatched to the shareholders of the Company on or around 17 May 2019.

RENEWAL OF FINANCIAL SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 28 April 2016 in relation to the Previous Framework Agreement signed with SPIC Financial (formerly known as CPI Financial Company Limited* (中電投財務有限公司)) which will expire on 6 June 2019.

On 30 April 2019, the Company entered into the Framework Agreement with SPIC Financial to continue with the transactions under the Framework Agreement.

THE FRAMEWORK AGREEMENT

Date

30 April 2019

Parties

- (i) the Company; and
- (ii) SPIC Financial.

Condition Precedent

The Framework Agreement is conditional upon the Company having obtained the approval of the Independent Shareholders at the GM approving, among other things, the continuing connected transactions under the Framework Agreement in relation to the Deposit Services and the Annual Cap.

Effective period

For a term of three years from 7 June 2019 and ending 6 June 2022 (both days inclusive).

Principal terms

(1) Services to be provided

SPIC Financial has agreed to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBIRC on a non-exclusive basis.

(2) Pricing principles

When determining the price for any financial services to be provided pursuant to the Framework Agreement, each of the Group and SPIC Financial shall refer to at least two comparable transactions or two quotes obtained from independent third parties during the same period.

Subject to compliance with relevant laws, regulations and regulatory requirements, SPIC Financial has agreed to adhere to the following principles in providing the above financial services to the Group:

- (a) **Deposit services:** The interest rate applicable to the Group for its deposits with SPIC Financial during the same period shall not be lower than (i) the benchmark interest rate specified by the PBOC of the same type of deposits; (ii) the interest rate of the same type of deposits obtained from other major commercial banks in the PRC to the Group; and (iii) the interest rate of same type of deposits placed by other members of SPIC Group with SPIC Financial.

In addition, subject to the above, the applicable interest rate for the amount of the Group's deposit in current account(s) that exceeds RMB100,000, the applicable interest rate to the Group will be 20% higher than, and adjusted according to, the benchmark interest rate for agreements deposits (協定存款基準利率) as published by the PBOC from time to time.

- (b) **Loan services:** The interest rate for loans to the Group granted by SPIC Financial during the same period shall not be higher than: (i) the benchmark interest rate specified by the PBOC for the same type of loans; (ii) the interest rate obtained from other major commercial banks in the PRC to the Group; and (iii) the interest rate of the same type of loans offered by SPIC Financial to other members of the SPIC Group.

In addition, subject to the above, the interest rate for loans granted to the Group shall be 10% lower than the benchmark interest rate of the same type of loan as specified by the PBOC during the same period and to be governed by individual loan agreement(s).

Subject to compliance with relevant laws, regulations and regulatory requirements, SPIC Financial will provide the loan services on normal commercial terms or better and such loans will not be secured by the assets of the Group.

- (c) **Settlement services:** The settlement services to the Group to facilitate clearing among members of the Group shall be free of charge.
- (d) **Other financial services:** The services fees for other financial services during the same period shall be in accordance with the standard of fees for the same type of services set by the PBOC or the CBIRC (if applicable), and shall not be higher than: (i) the fees charged by other major commercial banks in the PRC for the same type of services/business activities; and (ii) the fees charged to other members of the SPIC Group for providing the same type of services/business activities by SPIC Financial.

(3) Capital Risk Control Measures

- (a) SPIC Financial, as a non-bank financial institution approved by the CBIRC, complies strictly with the regulatory requirements of the CBIRC to conduct its operation and business, establish effective and complete internal control and risk management systems in order to effectively manage risks and ensure the safety of all capital.
- (b) When providing financial services to the Group on a non-exclusive basis, SPIC Financial will ensure the Group's rights to own, use and benefit derived from its funds will not be affected. SPIC Financial is obliged to ensure the safety of the Group's funds deposited with it and the Group's independent use of such funds.
- (c) If any member of the Group cannot recover the deposits placed with SPIC Financial as a result of SPIC Financial misappropriated the deposits of the Group or used such deposits in breach of the Framework Agreement, the Group has the right to set off the deposit amounts due to the Group from SPIC Financial against any amounts of loan outstanding owing by the Group to SPIC Financial. SPIC Financial does not have such set-off right.
- (d) SPIC has given an undertaking to the Company that: (i) if SPIC Financial encounters emergency financial difficulties in making payments to the Group, SPIC will increase the capital of SPIC Financial accordingly to meet its actual needs to overcome such financial difficulties; and (ii) SPIC will provide financial support to SPIC Financial in accordance with its needs to ensure that the Group will be able to withdraw all the deposits placed with SPIC Financial at any time.
- (e) The monthly financial statements of SPIC Financial will be provided to the senior management of the Group on the fifth working day following month to enable the Group to have timely information on the financial conditions of SPIC Financial.
- (f) The Group, based on its own business needs, has the right to choose to hold no less than 10% of the equity interest in SPIC Financial, hold the relevant voting rights and appoint director(s) of SPIC Financial, and such right is being granted at no premium or additional cost. If the Group chooses to exercise such right, the terms of acquisition (including determination of the price for

such equity interest in SPIC Financial) will be subject to negotiations with relevant parties on an arm's length basis and approvals required under relevant laws and regulations (including the Listing Rules).

- (g) The Group has the unilateral right to terminate any services provided by SPIC Financial under the Framework Agreement if the fees charged by any other commercial banks in the PRC for such services are more favourable to the Group.
- (h) The Group is entitled to appoint any other financial institutions for the provision of the financial services in accordance with its own business needs and requirements. SPIC Financial will be given preferential consideration under same terms and conditions compared with other financial institutions.

(4) Payment

The consideration for the transactions contemplated under the Framework Agreement will be paid in accordance with the specific terms as agreed under separate agreements from time to time.

PROPOSED ANNUAL CAP AND BASIS OF DETERMINATION

The table below sets out the historical highest daily deposit balance (including accrued interests) of the Group placed with SPIC Financial under the Previous Framework Agreement in respect of the Deposit Services.

| Actual highest daily deposit balance (including accrued interests) RMB (billion) | | | |
|---|------------------------|------|---|
| The period | Year ended 31 December | | The period |
| from 7 June 2016 to 31 December 2016 | 2017 | 2018 | from 1 January 2019 to 31 March 2019 |
| 1.34 | 1.99 | 2.98 | 2.93 |

In determining the proposed maximum daily deposit balance (including accrued interests) in the Group's settlement account with SPIC Financial during the term of the Framework Agreement, the Board has considered the following factors:

- (1) The aforementioned highest daily balances of deposits of the Group.
- (2) The completion of the Group's acquisition of the entire equity interests of the target companies last year (as per the Company's announcements dated 31 May 2018 and 21 December 2018), the scale of the Group's assets and the amount of deposits have substantially increased.
- (3) The operating cash flow and financial needs of the Group in respect of its future business expansion and the expected growth of the Group in the coming three years.
- (4) The amount of funds deposited with SPIC Financial which can be utilized to supplement the financial requirements of the subsidiaries of the Company and thus increase the efficiency of fund utilization.

The proposed Annual Cap will not exceed RMB4.2 billion (equivalent to approximately HK\$4.9 billion) during the three-year term of the Framework Agreement.

INTERNAL CONTROL POLICIES AND PROCEDURES

Notwithstanding that the Company considers that the above capital risk control measures under the Framework Agreement are adequate to manage any risks involved in depositing funds with SPIC Financial, the Group will review contracts and monitor the amount and interest rate of the deposits to ensure the fairness of the terms of the relevant transactions as compared to placing the relevant deposits with independent third parties other than SPIC Financial.

In practice, the Group shall undertake to adhere to the following internal control measures in dealing with the financial services provided by SPIC Financial to the Group:

- (i) The Company assigns designated persons to monitor interest rates for deposits and loans and service fees for other financial services published on the official websites of PBOC and other major commercial banks in the PRC (including but not limited to China Construction Bank Corporation, Bank of China Limited, Bank of Communications Co., Ltd. or China Merchants Bank Co., Ltd.) from time to time.
- (ii) The Company liaises with the major commercial banks in the PRC. The customer managers of such banks will provide written quotes for deposits, loans and other financial services regularly as needed to the finance department of the Company through email.

If the terms obtained through the two methods above are more favourable to the Group than those provided by SPIC Financial, the Company's finance department will report this fact to the financial controller of the Company. Such information will be used by the Group for re-negotiating price with SPIC Financial. The Group also has the unilateral right to terminate any services to be provided by SPIC Financial under the Framework Agreement if the fees charged by any other commercial banks in the PRC for such services are more favourable to the Group.

On SPIC Financial side, the Company understands that the general manager's office in SPIC Financial will be in charge of its pricing policy. SPIC Financial's finance settlement department and its credit department will be in charge of proposals for pricing of the deposit services and the loan services, respectively. The specific price of deposit services will be approved by the general manager(s) of SPIC Financial's funding department, while the specific price of loan services will be approved by the credit review committee of SPIC Financial. The credit review committee of SPIC Financial is independent of its credit department and is in charge of reviewing the terms for loans including but not limited to interest rates.

The Company understands that SPIC Financial adopts a similar information system to those of commercial banks in the PRC. SPIC Financial will provide banking security devices to the Group for log-in and identification purposes on the internet. The Group must deploy such security devices to make account enquiries or carry out payment and settlement activities. The Company believes that it will have the same level of security when depositing funds with other commercial banks.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

(1) Increase interest income and save finance cost

The interest rate applicable to the Group for its deposits with SPIC Financial during the same period shall be no less favourable than the benchmark interest rate specified by the PBOC for the same type of deposits during the same period, and no less than the interest rate of the same type of deposits offered by other major commercial banks in the PRC to the Group during the same period, which is beneficial in improving the Group's interest income.

The interest rate of loans set by SPIC Financial for loans granted to the Group will be no less favourable than the interest rate provided by other major commercial banks in the PRC for same type of loans during the same period, and no security is to be granted by the Group over its assets in respect of such loans, enabling the lending procedure to be easier and more efficient than that provided by other major commercial banks in the PRC.

The Company may take full advantage of the favourable policy of free settlement services provided by SPIC Financial and reduce the banking commission charges payable by the Group. The fees to be charged by SPIC Financial for other financial services will be equal to or more favourable to the Group than those charged by other major commercial banks in the PRC.

Since the signing of the Previous Framework Agreement, the Company has noticed an enhanced efficiency in utilization of funds and that the Company has, in connection therewith, saved a considerable amount of finance costs. With the expansion of the Group's business, SPIC Financial will continue to provide diversified, efficient, expedient and secure financial services to the Group under the Framework Agreement. It is expected that by conducting the transactions under the Framework Agreement, the Group will continue to further save a considerable amount of finance costs.

(2) Facilitate fund management and control by the Group

SPIC Financial has a sophisticated information system through which the Group can access the latest information concerning the collection and payment of funds of the Group as well as the status of fund balance at any time (in particular, to enable the Group to monitor the daily balance of deposits with SPIC Financial such that it does not exceed the Annual Cap), thus reducing and avoiding operational risks.

(3) Enhance the efficiency of fund utilization

The settlement services provided by SPIC Financial will continue to strengthen the Company's centralized fund management of its subsidiaries and reduce the time for capital transmission. The use of SPIC Financial as a clearing platform will facilitate the clearing amongst the members of the Group, reduce the time for transmitting the funds, and thereby expedite turnaround of funds.

(4) Cross-border flexibility for utilization of the Group's funds

SPIC Financial is qualified for centralized cross-border funds operation and cross-border bilateral RMB cash pooling, and therefore SPIC Financial will be able to provide the Group with a channel for cross-border transmission and utilization of funds, to achieve a flexible and highly efficient utilization and transmission of the Group's funds within and outside the PRC. This is among the other financial services to be provided by SPIC Financial, and this service does not involve deposit services and loan services.

(5) Improve competitiveness

The arrangement of entrusted loans for the Company's subsidiaries provided by SPIC Financial represents a substitute for high-interest loans from the licensed banks or financial institutions; and will lessen the liquidity requirements of individual subsidiaries of the Group. The increase in the Company's entrusted loans will in turn help to improve the Company's bargaining power to commercial banks for getting more favourable financing terms.

(6) Strengthen the Group's source of funding

In particular, during the hard time of market volatility and corporate borrowing, it is expected that SPIC Financial will play a vital role in providing the Group with expedient fund support, therefore securing the Group's funding chain.

(7) Risk Assurance

SPIC, as the controlling shareholder of SPIC Financial, has undertaken to the Company that SPIC will provide financial assistance to SPIC Financial if SPIC Financial is in financial difficulties, such as injecting more capital, to ensure the safety and liquidity of the relevant deposits placed by the Group with SPIC Financial.

SPIC Financial is regulated by the CBIRC and provides its services in accordance with the rules and operational requirements of the CBIRC.

(8) Possible profit sharing of SPIC Financial

Subject to approvals required by relevant laws and regulations applicable to both relevant parties, if the Group exercises the right to acquire no less than 10% equity interest in SPIC Financial together with the relevant voting rights, the Group is expected to enjoy the profit sharing of SPIC Financial.

The transactions contemplated under the Framework Agreement are expected to bring the above benefits to the Group without compromising its independence.

The Directors (excluding independent non-executive Directors whose view will be given after taking into account the advice from the Independent Financial Adviser) consider that (i) the Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms or better, and (ii) the terms of the transactions contemplated under the Framework Agreement and the proposed Annual Cap are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

None of the Directors has material interest in the aforesaid transactions and therefore no Director has abstained from voting on the Board resolution approving the same.

IMPLICATIONS UNDER THE LISTING RULES

SPIC Financial is a wholly-owned subsidiary of SPIC which is the ultimate controlling shareholder of the Company interested in approximately 56.04% of the issued share capital of the Company as at the date of this announcement. SPIC Financial is therefore a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Deposit Services

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Annual Cap exceeds 5% but is less than 25%, the Deposit Services constitute (i) a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and (ii) continuing connected transactions of the Company subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Loan Services

The loan services to be provided by SPIC Financial to the Group are on normal commercial terms or better (i.e. terms that are similar or more favorable than those offered by other major commercial banks in the PRC for the provision of comparable services) and are in the interest of the Group. No security over the assets of the Group is granted to SPIC Financial in respect of the loan services. They will therefore be exempted from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Settlement Services and Other Financial Services

The Company expects that each of the percentage ratios as defined in Rule 14.07 of the Listing Rules applicable to the total fees payable by the Group to SPIC Financial in respect of the provision by SPIC Financial of settlement services (which will be free of charge) and other financial services approved by the CBIRC under the Framework Agreement will fall within the *de minimis* threshold and will be exempted from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

GENERAL

A GM will be convened to seek the Independent Shareholders' approval regarding the Deposit Services. China Power Development Limited and China Power International Holding Limited, being shareholders of the Company and associates of SPIC, will abstain from voting at the GM.

In accordance with the Listing Rules, an Independent Board Committee has been formed to advise and provide recommendation to the Independent Shareholders on the terms of the Framework Agreement in relation to the Deposit Services and the Annual Cap and to advise the Independent Shareholders on how to vote.

Gram Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Framework Agreement in relation to the Deposit Services and the Annual Cap.

A circular containing, among other things, details of the Framework Agreement, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser, and a notice of the GM are expected to be despatched to the shareholders of the Company on or around 17 May 2019.

INFORMATION ABOUT SPIC FINANCIAL

SPIC Financial was established in the PRC as a non-banking financial institution on 2 September 1992. It is licensed and regulated by the CBIRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, as well as other financial services such as finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to members of the SPIC Group. SPIC Financial only provides services to members of the SPIC Group under the *Measures on Administration of the Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》) promulgated by the CBIRC. SPIC Financial has a registered capital of RMB6 billion and is owned as to 42.5% by SPIC and as to 57.5% by other wholly-owned and controlled members of the SPIC Group, respectively.

PRINCIPAL BUSINESS OF THE GROUP

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

DEFINITIONS

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

| | |
|---|---|
| “Annual Cap” | the proposed maximum daily balance of deposits (including accrued interest) placed by the Group with SPIC Financial during the term of the Framework Agreement |
| “associates” | has the meaning given to it by the Listing Rules |
| “Board” | the board of Directors of the Company |
| “CBIRC” | China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會) |
| “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 |
| “Deposit Services” | the deposit services transactions contemplated under the Framework Agreement |
| “Director(s)” | director(s) of the Company |
| “Framework Agreement” or “Financial Services Framework Agreement” | the framework agreement dated 30 April 2019 entered into between the Company and SPIC Financial for provision of financial services by SPIC Financial to the Group |
| “GM” | the general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Framework Agreement and the transactions contemplated therein |
| “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 |

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|---------------------------------|---|
| “Independent Board Committee” | the committee of all the independent non-executive Directors, consisting of Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Yau Ka Chi, which has been formed to advise the Independent Shareholders in respect of the Deposit Services and the Annual Cap |
| “Independent Financial Adviser” | Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Annual Cap |
| “Independent Shareholders” | the shareholders of the Company other than SPIC and its associates |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PBOC” | The People’s Bank of China* (中國人民銀行) |
| “PRC” or “China” | the People’s Republic of China, which for the purpose of this announcement to the PRC excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Previous Framework Agreement” | the financial services framework agreement dated 27 April 2016 entered into between the Company and SPIC Financial (formerly known as CPI Financial Company Limited* (中電投財務有限公司)) in relation to the provision of financial services by SPIC Financial to the Group |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SPIC” | State Power Investment Corporation Limited* (國家電力投資集團有限公司), the ultimate controlling shareholder 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) |

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| “SPIC Financial” | SPIC Financial Company Limited* (國家電投集團財務有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of SPIC and a non-bank financial institution approved by the CBIRC |
| “SPIC Group” | SPIC and its subsidiaries from time to time |
| “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 RMB0.86 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
Executive Director

Hong Kong, 30 April 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.