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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**

#### **Composite Services Supplemental Agreement and Revision of Annual Caps**

On 28 June 2019, the Company entered into the Composite Services Supplemental Agreement with CPI Holding (a wholly-owned subsidiary of SPIC) and SPIC, pursuant to which the parties agreed to (i) replace CPI Holding with SPIC as the contracting party for the Composite Services Framework Agreement; (ii) extend the Composite Services to certain clean energy project companies of the Company; and (iii) revise the previous annual cap for the Composite Services as set under the Framework Agreement.

As the Service Providers are subsidiaries 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 and the Service Providers are therefore connected persons of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to the Supplemental Agreement, the maximum aggregated amounts of service fee payable by the Employers to the Service Providers for the two financial years ended 31 December 2019 and 2020 shall be increased to RMB221,000,000 and RMB258,000,000 (equivalent to approximately HK\$251,136,000 and HK\$293,182,000) respectively.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the maximum amount of the Revised Annual Caps of the Supplement Agreement exceed 0.1% but are less than 5%, it is therefore subject to the announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 28 February 2018 in relation to the Composite Services Framework Agreement signed with CPI Holding (a wholly-owned subsidiary of SPIC), pursuant to which the parties agreed that the Service Providers will provide the Employers (subsidiaries of the Company) with the Composite Services for the term of three years commencing from 1 January 2018 and ending on 31 December 2020.

On 28 June 2019, the Company entered into the Composite Services Supplemental Agreement with CPI Holding and SPIC, pursuant to which the parties agreed to (i) replace CPI Holding with SPIC as the contracting party for the Composite Services Framework Agreement; (ii) extend the Composite Services to certain clean energy project companies of the Company; and (iii) revise the previous annual cap (RMB186,750,000 for each of the three financial years ended 31 December 2018, 2019 and 2020) for the Composite Services as set under the Framework Agreement.

## **COMPOSITE SERVICES SUPPLEMENT AGREEMENT**

### **Date**

28 June 2019

### **Parties**

- (i) The Company (representing its subsidiaries, individually the “Employer” or collectively the “Employers”);
- (ii) CPI Holding (representing its subsidiaries as the previous service provider); and
- (iii) SPIC (representing its subsidiaries, individually the “Service Provider” or collectively the “Service Providers”).

It was agreed that SPIC will replace CPI Holding as the contracting party of the Composite Services Framework Agreement. The Service Providers will include CPI Holding and its subsidiaries.

### **Effective period**

From the date of signing the Supplemental Agreement to the end of the expiry date of the Composite Services Framework Agreement (i.e. 31 December 2020).

### **Principal Terms**

#### ***(1) Services to be provided***

Under the Supplemental Agreement, the scope of the Composite Services (originally cover only the traditional coal-fired power plants) will extend to include the clean energy power generating units of the Employers.

The Composite Services for the clean energy power plants include:

- pre-production preparation and planning;
- safety, health and environmental management;
- operational supervision management;
- maintenance and repair management (including ongoing technical testing and regular technical improvements to ensure compliance with the requirements and specifications for power generation governed by the relevant PRC regulatory authorities);
- marketing coordination for electricity sales;
- materials and procurement management; and
- such other services for the operation of the power generating units and related power generation facilities as agreed between the Employers and the Service Providers from time to time.

## **(2) *Pricing Principles and Control Mechanism***

The service fee payable shall be agreed by mutual agreement between the relevant Service Provider and Employer on normal commercial terms based on the following factors:

- not higher than the anticipated operating costs (including labor costs such as wages, social security and welfare) of the Employer's own running of the relevant clean energy power plants;
- the standard rates of the same kind of operational management services for the same type of clean energy power plants charged by SPIC to its member companies; and
- by reference to and compare the latest market quotations or tenders (at least two comparable transactions) for provision of the similar services from independent third parties with similar experience and service quality akin to that of the Service Providers in the same region, in order to ensure that the prices and terms provided by the relevant Service Providers are no less favourable than those offered by unrelated third parties in the prevailing market.

## **(3) *Consideration and Payment Terms***

The service fee payable by the Employers to the Service Providers consists of three components and payable in the following manner.

- (1) Basic management fee is a fixed cost, which is payable on a monthly basis.
- (2) Assessment deposit as a guarantee for quality assurance (subject to the Employer's annual assessment appraisal) is a variable cost, ranging from 0% to 10% of the basic management fee, which is payable annually or upon expiry of each management year.
- (3) Incentive reward (subject to the Employer's annual assessment appraisal) is a variable cost, ranging from 0% to 10% of the basic management fee, which is payable annually or upon expiry of each management year if the Service Provider has over-achieved certain key performance indicators as mutually agreed.

## Revised Annual Caps and basis of determination

<b>Revised Annual Caps (inclusive of all taxes) (RMB)</b>	
Year ended 31 December 2019	Year ended 31 December 2020
RMB221,000,000 (equivalent to approximately HK\$251,136,000)	RMB258,000,000 (equivalent to approximately HK\$293,182,000)

The above Revised Annual Caps were determined after taking into consideration of the following factors:

- (a) the aforesaid pricing principles of the Composite Services for the clean energy power plants;
- (b) the expansion in scope of the Composite Services provided by SPIC to the Group;
- (c) the supporting services demanded by each of the power plants to meet its specific needs;
- (d) the installed capacity, type of power generating unit, geological environment of where the power plant is located; and
- (e) the complexity of operations of the power plants and the facilities management involved.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT AND REVISION OF ANNUAL CAPS**

- (a) The production and operation services for the clean energy power generating units are necessary for the normal day to day operations of the respective power plants of the Company which are all located in the remote areas in Xinjiang Uygur Autonomous Region, Shandong Province and Henan Province, the PRC, or in the location the Company is anticipated that self-running will cause even higher operating costs.
- (b) The repair and maintenance services required for the power plants are highly-technical in nature and can only be carried out by engineers and technicians equipped with the relevant technical skills and specialized knowledge. The Service Providers not only have the relevant technical expertise but also specific in-depth knowledge of the Company's clean energy power generating units and related power generation facilities.
- (c) Since the Service Providers are all conveniently located in close proximity to the relevant power plants of the Company, entrusting them to provide the required services is relatively cheaper than our anticipated operating costs for self-running. As such, entering into the Supplemental Agreement can further save the Group's operating costs and will ensure the Employers to receive continual reliable services, and facilitate their safe, effective and efficient operations.



“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
“Composite Services”	the services in relation to the provision of management for power plants and related power generation facilities, as well as various daily supporting services to the operation of power plants
“Composite Services Framework Agreement” or “Framework Agreement”	the framework agreement for the provision of the Composite Services entered into between the Company and CPI Holding dated 28 February 2018
“Composite Services Supplemental Agreement” or “Supplemental Agreement”	a supplemental agreement to the Composite Services Framework Agreement entered into between the Company, CPI Holding and SPIC dated 28 June 2019
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the controlling company of the Company and a wholly-owned subsidiary of SPIC
“Director(s)”	director(s) of the Company
“Employers”	the subsidiaries of the Company, individually the “Employer” or collectively the “Employers”
“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, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Revised Annual Caps”	the revised aggregated amounts of service fees payable by the Employers to the Service Providers under the Composite Services Supplemental Agreement for the two financial years ended 31 December 2019 and 2020
“RMB”	Renminbi, the lawful currency of the PRC

“Service Providers”	the direct or indirect subsidiaries of SPIC, individually the “Service Provider” or collectively the “Service Providers”
“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)
“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 RMB0.88 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, 28 June 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.*