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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 Turnkey Service Framework Agreement**

Reference is made to the announcement of the Company dated 29 August 2018 in relation to a turnkey service framework agreement which is due to expire on 31 December 2020.

On 31 December 2020, the Company has renewed the Turnkey Service Framework Agreement with SPIC (Materials) for a term of three years, pursuant to which the parties agreed that SPIC (Materials) will continue to provide the Purchasers, subsidiaries of the Company, with the materials and supporting services of the Products for the development, construction and continuing operation of the Projects upon expiry of the existing framework agreement.

As at the date of this announcement, SPIC (Materials) is a branch company of SPIC. SPIC is the ultimate controlling shareholder of the Company, which is interested in approximately 60.04% of the issued share capital of the Company. As such, SPIC (Materials) is a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Turnkey Service Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The proposed annual caps of the Turnkey Service Framework Agreement for the three financial years ended 31 December 2021, 2022 and 2023, are RMB600,000,000, RMB550,000,000 and RMB600,000,000 (equivalent to approximately HK\$714,000,000, HK\$655,000,000 and HK\$714,000,000) respectively. As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the maximum annual cap of the Turnkey Service Framework Agreement exceed 0.1% but fall below 5%, the transactions contemplated under the Framework Agreement 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.

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## **TURNKEY SERVICE FRAMEWORK AGREEMENT**

### ***Date***

31 December 2020

### ***Parties***

- (i) the Company (representing its subsidiaries, individually the “Purchaser” or collectively the “Purchasers”); and
- (ii) SPIC (Materials) (as the service provider).

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

Under the Turnkey Service Framework Agreement, SPIC (Materials) will provide the Purchasers with the materials and supporting services of the Products for the development, construction and continuing operation of the Projects. The term of the agreement is three years commencing from 1 January 2021 and ending 31 December 2023.

The total consideration payable shall be agreed by mutual agreement between the relevant Purchasers and SPIC (Materials) (i) on normal commercial terms, based on the costs (including wages, social security, welfare benefits, costs of product inspection outsourcing and other expenses) of the services provided and the price level of the materials required; (ii) by reference to the relevant tendering and bidding laws and regulations of the PRC (中華人民共和國招標投標法實施條例) and internal tendering policies of the Purchasers (not less than two quotations from independent third parties); or (iii) by other means of comparing to the market transacted prices or quotations for provision of the same services chargeable by not less than two independent service providers.

The Purchasers will settle the consideration for the services provided by SPIC (Materials) by cash or such other payments terms and timelines as both parties will negotiate and agree from time to time in contracts.

### ***Historical Amounts***

The historical amounts and annual caps (inclusive of all taxes) of the past transactions with SPIC (Materials) for the period ended 31 December 2018 and the two financial years ended 31 December 2019 and 2020 are set out below:

For the financial year ended 31 December	Historical amount (RMB'000)	Annual caps (RMB'000)
2018 (starting from 29 August)	86,972 (Actual)	450,000
2019 (full year)	257,740 (Actual)	650,000
2020 (full year)	551,383 (Estimated)	650,000

### ***Proposed Annual Caps***

The proposed annual caps (inclusive of all taxes) of the transactions with SPIC (Materials) for the three financial years ended 31 December 2021, 2022 and 2023 are set out below:

Year	Annual caps (RMB'000)
2021	600,000
2022	550,000
2023	600,000

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

- (i) the historical amounts of the past transactions;
- (ii) the estimated demand of each of the Purchasers for the Products under the Turnkey Service Framework Agreement;
- (iii) the expected labor costs, costs of services outsourcing and transportation costs of SPIC (Materials); and
- (iv) a moderate inflation expectation.

The Group will follow the terms set out in the Framework Agreement, the factors upon which the proposed annual caps are based and all the internal tendering policies (including quotations or tenders from independent third parties) in order to maintain the fairness of the prices and terms of all the relevant materials and supporting services provided by SPIC (Materials).

If the Purchasers become aware that the service fees charged by SPIC (Materials) are less favourable to the Company than those charged by any other independent third party on similar terms and conditions, the Purchasers shall have the right to negotiate with SPIC (Materials) on an arm's length basis and SPIC (Materials) shall agree to adjust the service fees such that the prices and terms under the Turnkey Service Framework Agreement are not less favourable to the Purchasers than those charged by any other independent third party for the Products in the market.

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

The Company is promoting its clean and renewable energy asset portfolio through development, construction and continuing operation of new energy power plants and power stations. SPIC (Materials) is able to provide a fast, efficient, cost effective turnkey service which includes sourcing of the materials and equipment with an aggregated demand base and therefore have stronger bargaining power over external suppliers in terms of pricing, tailor-made design, manufacturing, installation and testing of the Products as well as the after-sales services and the very important quality assurance for the Products. The Directors are of the view that, the terms of entering into the Turnkey Service Framework Agreement are no less favourable than those available from independent third parties, and will save administrative work and ensure stable, efficient and timely delivery of the Products required by the Projects, which is beneficial to 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 Turnkey Service Framework Agreement has been renewed in the ordinary course of the Company's business, on normal commercial terms or better, 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 contemplated under the Framework Agreement and therefore no Director has abstained from voting on the related Board resolution.

## **INFORMATION ON THE GROUP AND SPIC (MATERIALS)**

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.

SPIC (Materials) is a branch company of SPIC established in 2010 which is principally engaged in the sale of electrical equipment, development and technical consultation of electricity and related technologies, bidding and tendering agency, property management, import and export of technologies and goods.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, SPIC owns approximately 60.04% 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 (Materials) is a branch company of SPIC, SPIC (Materials) is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Turnkey Service Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The proposed annual caps of the Turnkey Service Framework Agreement for the three financial years ended 31 December 2021, 2022 and 2023, are RMB600,000,000, RMB550,000,000 and RMB600,000,000 (equivalent to approximately HK\$714,000,000, HK\$655,000,000 and HK\$714,000,000) respectively. As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the maximum annual cap of the Turnkey Service Framework Agreement exceed 0.1% but fall below 5%, the transactions contemplated under the Framework Agreement 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.

## **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
“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, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Products”	including but not limited to the facilities and equipment, materials, power cables, spare parts and components, and the related supporting services required for power plants or stations and heat supply system
“Projects”	the Group’s existing and new renewable energy power plants or stations including but not limited to the projects involve the construction of wind power stations in Guangxi Zhuang Autonomous Region, Shandong Province and Hubei Province of the PRC
“Purchasers”	subsidiaries of the Company, individually the “Purchaser” or 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 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)
“SPIC Materials”	State Power Investment Corporation Limited Materials and Equipment Branch* (國家電力投資集團有限公司物資裝備分公司), a branch company of SPIC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Turnkey Service Framework Agreement” or “Framework Agreement”	the framework agreement for provision of turnkey service of the Products entered into between the Company and SPIC (Materials) dated 31 December 2020

\* *English or Chinese translation, as the case may be, is for identification only*

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.84 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 2020

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