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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 Framework Agreement

On 28 February 2018, the Company entered into the Composite Services Framework Agreement with CPI Holding pursuant to which the parties agreed that the Service Providers will provide the Employers, subsidiaries of the Company, with the Composite Services.

As the Service Providers are subsidiaries of CPI Holding, the Service Providers are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Composite Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The proposed annual cap of the Composite Services Framework Agreement for each of the three financial years ending 31 December 2018, 2019 and 2020 is RMB186,750,000 (equivalent to approximately HK\$230,556,000). As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the maximum annual cap of the Framework Agreement exceed 0.1% but fall below 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 1 April 2015 in relation to the previous two framework agreements on technical repair and maintenance and composite support services which were expired on 31 December 2017.

With the view to combine the previous two framework agreements, the Company entered into the Composite Services Framework Agreement with CPI Holding on 28 February 2018, pursuant to which the parties agreed that the Service Providers will provide the Employers, subsidiaries of the Company, with the Composite Services.

COMPOSITE SERVICES FRAMEWORK AGREEMENT

Date

28 February 2018

Parties

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

Principal Terms and Pricing Principles

The term of the Composite Services Framework Agreement is three years commencing from 1 January 2018 and ending 31 December 2020.

Under the Composite Services Framework Agreement, the Composite Services include:

- daily routine repair and maintenance, including protection against frost, heat and other seasonal conditions;
- ongoing technical testing and regular technical improvements to ensure compliance with the requirements and specifications for power generation governed by the relevant PRC authorities;
- planning periodic comprehensive inspection, maintenance, parts replacement, and calibration of measuring apparatus;
- 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;
- fuel related services, including transportation, loading and unloading of coal, chemical treatment and handling chemical containers, treatment of ash, coal residue and waste produced from power generation;

- daily cleaning, repair and maintenance services at production site and for production facilities, including boiler rooms, steam rooms, hot and cold air-conditioning systems, internal transport railway, fire safety systems, etc.;
- composite supporting services, including provision of special vehicles and cargo transport, workers commuting shuttle buses, office area property management, security and fire safety management, etc.; and
- other ancillary services in relation to the operation of the respective power plants.

The service fee payable shall be agreed by mutual agreement between the relevant Service Provider and the relevant Employer on normal commercial terms (i) based on the labour costs (including wages, social security and welfare benefits and other expenses) and the price level of supplies needed to provide the required services, and (ii) by reference to the latest market price for provision of similar services chargeable by independent third parties in the ordinary course of business in the same region. The relevant Employer must obtain not less than two quotations or tenders from independent third parties with similar experience and quality of services comparable to that of the Service Provider, in order to ensure the price and terms offered by the relevant Service Provider are no less favourable than those offered by unrelated third parties in the prevailing market.

The Employers shall settle the service fees by cash on a monthly basis or payable within 3 months after completion of the required services.

Proposed Annual Cap

The proposed annual cap of the Composite Services Framework Agreement for each of the three financial years ending 31 December 2018, 2019 and 2020, is set at RMB186,750,000 (equivalent to approximately HK\$230,556,000) after taking into consideration of the following factors:

- (a) the historical record:

Actual Usage in 2015 (RMB'000)	Actual Usage in 2016 (RMB'000)	Actual Usage in 2017 (RMB'000)
194,590	182,730	169,280

- (b) the age, condition and repair and maintenance needs of each power generation unit and facility;
- (c) the supporting services demanded by each power plant to meet the escalating local environmental and safety regulations;

- (d) the complexity of the repair and maintenance works involved;
- (e) the expected time cost of technicians and labour required; and
- (f) a moderate inflation expectation.

The Group will follow the terms set out in the Composite Services Framework Agreement, the factors upon which the proposed annual cap was based and all the internal control procedures (including quotations or tenders from independent third parties) in order to maintain the fairness of the prices and terms of all the relevant services provided by CPI Holding to ensure they are no less favourable than those available from independent third parties.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Composite Services under the Composite Services Framework Agreement are necessary for the normal day to day operations of the respective power plants of the Company and they help ensuring compliance with the relevant PRC environmental and safety regulations. The repair and maintenance services 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 relevant power plants of the Company's power generating units and related power generation facilities. In addition, the specialized experience of the Service Providers in handling fuel, chemicals and waste will ensure that the various processes as well as the subsequent disposal of waste are undertaken in compliance with the relevant PRC regulations. Since the Service Providers are all conveniently located in close proximity to the relevant power plants of the Company, the entering into the Composite Services Framework Agreement will ensure the Employers to receive continual reliable services, and facilitate their safe, effective and efficient operations.

The Company and the Directors (including the independent non-executive Directors) are of the view that the procedures for obtaining quotations or tenders from independent third parties for providing services of a similar nature serve as an effective control mechanism against the services provided by the Service Providers. They help to ensure the prices and terms offered by the connected persons are fair and reasonable and comparable to those offered by unrelated third parties in the prevailing market.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Composite Services Framework Agreement is entered into in the ordinary course of the business of the Company, 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 THE SERVICE PROVIDERS

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.

The Service Providers are subsidiaries of CPI Holding and are principally engaged in the provision of technical repair and maintenance services for power generating units and related power generation facilities, as well as providing various supporting services to daily power plant operations.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, CPI Holding owns approximately 55.61% of the issued share capital of the Company. As CPI Holding is the controlling shareholder of the Company, CPI Holding, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

As the Service Providers are subsidiaries of CPI Holding, the Service Providers are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Composite Services Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The proposed annual cap of the Composite Services Framework Agreement for each of the three financial years ending 31 December 2018, 2019 and 2020 is RMB186,750,000 (equivalent to approximately HK\$230,556,000). As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the maximum annual cap of the Framework Agreement exceed 0.1% but fall below 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.

None of the Directors has material interest in the transactions contemplated under the Composite Services Framework Agreement or is required to abstain from voting on the Board resolution.

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
“Composite Services”	the services in relation to the provision of the technical repair and maintenance for the power generating units and related power generation facilities, as well as the various supporting services to the daily 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
“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. Geographical references in this announcement to the PRC excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Service Providers”	the direct or indirect subsidiaries of CPI Holding, 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 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 RMB0.81 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, 28 February 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.