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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)

(1) Completion of Capital Injections into Subsidiaries
(2) Continuing Connected Transactions
and
(3) Waiver in relation to Non-exempt Continuing Connected Transactions

Reference is made to the Company's announcement regarding the proposed capital injections into the Company's subsidiaries, namely SPIC Changzhou and Yuanjiang Company dated 24 October 2018.

COMPLETION

On 26 April 2019, the Changzhou Capital Injection was completed. Upon completion of the Changzhou Capital Injection, SPIC Changzhou is held as to 23.38% equity interest by ICBC Financial and 11.69% equity interest by ABC Financial.

As ICBC Financial and ABC Financial each hold 10% or more of the equity interests in the Company's subsidiary, each of them and their respective associates has become a connected person at the subsidiary level of the Company upon completion of the Changzhou Capital Injection.

EXISTING CCT PURSUANT TO RULE 14A.60 OF THE LISTING RULES

Prior to completion of the Changzhou Capital Injection, the Group had entered into transactions with members of each of ICBC Group and ABC Group relating to the provision of deposit services, loan services, finance lease services, settlement and other services by each of ICBC Group and ABC Group to the Group. Such transactions became continuing connected transactions of the Company following the completion of the Changzhou Capital Injections pursuant to Rule 14A.60 of the Listing Rules.

WAIVER IN RELATION TO NON-EXEMPT CCT

As ICBC Group and ABC Group are the Group's principal banking partners, the Group is going to engage the above financial services with members of each of ICBC Group and ABC Group on a continuing and recurring basis after the completion of the Capital Injections. Those transactions will constitute continuing connected transactions for the Group under Rule 14A.31 of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the written agreement requirement under Rules 14A.34 and 14A.51 of the Listing Rules, which would apply to each non-exempt continuing connected transaction with ICBC Group and ABC Group, on the basis that the Company will set annual caps for the CCT in accordance with Rule 14A.53 of the Listing Rules.

PROPOSED ANNUAL CAPS FOR THE CCT

The proposed aggregated annual caps for the CCT with ICBC Group and ABC Group in respect of the maximum daily balance of deposit services (including accrued interests) for the three financial years ending 31 December 2019, 2020 and 2021 are RMB6.8 billion, RMB7.5 billion and RMB8.2 billion (equivalent to approximately HK\$7.9 billion, HK\$8.7 billion and HK\$9.5 billion) respectively.

The proposed aggregated annual caps for the CCT with ICBC Group and ABC Group in respect of the maximum new contract amount of loan services (including loans, finance leases, factoring and any other forms of borrowing, and accrued interests) involving the provision of security by the Group for the three financial years ending 31 December 2019, 2020 and 2021 are RMB13.8 billion, RMB14.3 billion and RMB14.6 billion (equivalent to approximately HK\$16 billion, HK\$16.6 billion and HK\$17 billion) respectively.

LISTING RULES IMPLICATIONS FOR THE CCT

For the CCT in respect of each of the deposit services and the loan services involving the provision of security by the Group, since such CCT 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.

For the CCT in respect of loan services which do not involve the provision of security over the assets of the Group, these will be fully exempted under Rule 14A.90 of the Listing Rules. For the CCT in respect of each of the settlement and other services, will be entered into on normal commercial terms or better, the Company expects that each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules of the total fees payable by the Group to each of ICBC Group and ABC Group will fall within the *de minimis* threshold with reference to the relevant historical transactions and will be exempted from all reporting, announcement and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Reference is made to the Company's announcement regarding the proposed capital injections into the Company's subsidiaries, namely SPIC Changzhou and Yuanjiang Company dated 24 October 2018. Capitalized terms used herein should have the same meanings as those defined in the Capital Injection announcement unless the context requires otherwise.

COMPLETION

On 26 April 2019, the Changzhou Capital Injection was completed. Upon completion of the Changzhou Capital Injection, SPIC Changzhou is held as to 23.38% equity interest by ICBC Financial and 11.69% equity interest by ABC Financial.

As ICBC Financial and ABC Financial each hold 10% or more of the equity interests in the Company's subsidiary, each of them and their respective associates has become a connected person at the subsidiary level of the Company upon completion of the Changzhou Capital Injection.

On 16 April 2019, the Yuanjiang Capital Injection was completed. Upon completion of the Yuanjiang Capital Injection, Yuanjiang Company is held as to 34.32% equity interest by Huabao Trust. As Huabao Trust holds 10% or more of the equity interest in the Company's subsidiary, each of Huabao Trust and its associates has become a connected person at the subsidiary level of the Company upon completion of the Yuanjiang Capital Injection. However, the Group had not entered into any transaction with Huabao Trust or its associates prior to the completion of the Yuanjiang Capital Injection, or expects to enter into any transaction with them in the near future.

EXISTING CCT PURSUANT TO RULE 14A.60 OF THE LISTING RULES

Prior to completion of the Changzhou Capital Injection, the Group had entered into transactions with members of each of ICBC Group and ABC Group relating to the provision of deposit services, loan services, finance lease services, settlement and other services by each of ICBC Group and ABC Group to the Group. Such transactions became continuing connected transactions of the Company following the completion of the Changzhou Capital Injections pursuant to Rule 14A.60 of the Listing Rules, and are subject to the applicable reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules. Such transactions are classified into the following four categories based on their nature.

Parties

- (i) The Company and/or any member(s) of the Group; and
- (ii) Any member(s) of ICBC Group or ABC Group (as the case may be).

Effective period

The term of each of such CCT is with fixed period ranging from overnight to 25 years.

Services

- (i) **Deposit Services:** the bank accounts the Company and/or its subsidiaries maintained with ICBC Group or ABC Group and deposit funds into such accounts. Deposits can be in the form of overnight deposits and secured or non-secured time deposits, etc.
- (ii) **Loan Services:** the provision of loan services from ICBC Group or ABC Group to the Company and/or its subsidiaries with or without security over the assets of the Group in accordance with the terms and conditions of the relevant loan agreements.
- (iii) **Finance Lease Services:** the provision of finance lease services from ICBC Group or ABC Group (as lessor) to the Company and/or its subsidiaries (as lessee), whereby the lessor will purchase equipment and facilities from suppliers and then provide such equipment and facilities to the lessee by way of finance lease, who shall, in return make regular lease payments (principal and interest) to the lessor accordingly. Such equipment and facilities include but are not limited to power generating equipment, substations and ancillary facilities, fixtures and fittings, power cables and other equipment and facilities.

- (iv) **Settlement and Other Services:** the provision of settlement or other services from ICBC Group or ABC Group to the Company and/or its subsidiaries, including but not limited to settlement, acceptance of bills, letter of guarantee, entrusted loans, securities or bonds underwriting, financial advisory, insurance brokerage and sale and purchase of foreign exchange.

Pricing Principles

When determining the price for any financial services provided by ICBC Group or ABC Group (as the case may be) pursuant to the terms and conditions therein, the Group would refer to at least two comparable transactions of a same type with, or quotes obtained from at least two other commercial banks (which are independent third parties) during the same period.

Outstanding amounts

As of 31 December 2018, the Group's account balances with ICBC Group and ABC Group in relation to each category of the financial services is as follows:

Services	ICBC Group	ABC Group
	(RMB'000)	
Deposit balances	27,854	48,704
Outstanding loan and interest balances	10,721,996	8,485,713
Outstanding finance lease and interest balances	214,086	Nil
Settlement and other services fees charged	246	237

WAIVER IN RELATION TO NON-EXEMPT CCT

As ICBC Group and ABC Group are the Group's principal banking partners, the Group is going to engage the above financial services with members of each of ICBC Group and ABC Group on a continuing and recurring basis after the completion of the Capital Injections. Those transactions will constitute continuing connected transactions for the Group under Rule 14A.31 of the Listing Rules.

Pursuant to Rules 14A.34 and 14A.51 of the Listing Rules, the Company is required to enter into a written agreement for continuing connected transactions. However, despite the Company's efforts to reach a written framework agreement in respect of the CCT with each of ICBC Group and ABC Group, no such written agreement has been or is expected to be entered into for the difficulties and reasons below.

- (i) Both ICBC Group and ABC Group are amongst the four State-owned commercial banks (四大國有商業銀行) directly controlled by the State through Central Huijin Investment Limited* (中央匯金投資有限責任公司) and have branches covering all the provinces in the PRC. While any written agreement reached with one provincial branch may not apply to the other provincial branches, it is extremely difficult to conclude a single written framework agreement between the Company and each of ICBC Group and ABC Group applicable to its entire banking network with terms limiting to 3-year or less or setting an annual cap for its normal business, in particular the Group is not perceived as a connected person from the perspective of either ICBC Group or ABC Group.

- (ii) Both ICBC Group and ABC Group are licensed commercial banks operating under the rules and regulations of China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會), and any changes or updates to those rules and regulations from time to time are open and accessible to the public. They must operate under the external rules and regulations applicable to its own banking industry and to follow its own stringent internal policies, as such, it is unlikely for them to provide any kind of services to any single commercial client that deviate from their market practices.
- (iii) Given that there will be specific financial service agreements in place for different type of banking services, shall it be deposit, loan, finance lease or other types of services, and that the relevant interest rate and other terms of commercial services are wholly market driven, after tedious negotiations between the Company and each of ICBC Group and ABC Group, the parties have not been able to reach an agreement on the key terms for a written framework agreement.
- (iv) The financial services provided by ICBC Group and ABC Group satisfy the operating cash flow and necessary funding sources to the Group, and are especially crucial to the Group in respect of its business expansion in clean energy projects in the coming years. As the Company anticipates that the Group will enter into the CCT frequently in its usual and ordinary course of business, on a continuing and recurring basis and over a period of time, it will be unduly burdensome for the Company and impracticable to comply with the announcement requirement under Chapter 14A of the Listing Rules each and every time it enters into a CCT due to the inability to enter into a written framework agreement with each of ICBC Group and ABC Group.
- (v) Given that the material terms and the framework of the CCT have been disclosed in this announcement, the information in the required announcement for each such transaction as and when it is entered into is of minor importance only and will not influence the assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group and the impact of the subject transaction. The omission of the required announcement for each such transaction as and when it is entered into will not result in undue risks to shareholders and investors of the Company.
- (vi) Both ICBC Group and ABC Group are the Group's principal banking partners and have competitive advantages in terms of the amount of capital, number of service outlets and pricing of services. In practice, the Group cannot simply suspend its dealings with ICBC Group and ABC Group solely because of the fact that a written framework agreement could not be concluded, as the cessation of the CCT will cause insufferable inconvenience and certainly limit the financing flexibility of the Group, and will be detrimental to the interests of the Company and its shareholders as a whole.

The Company has limited or no bargaining power to force either ICBC Group or ABC Group to comply with the Listing Rules as the Group is only one of their countless customers. In face of the repeated rejections for entering into a written framework agreement from both ICBC Group and ABC Group, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the written agreement requirement under Rules 14A.34 and 14A.51 of the Listing Rules, which would apply to each non-exempt continuing connected transaction with ICBC Group and ABC Group, on the basis that the Company will set annual caps for the CCT in accordance with Rule 14A.53 of the Listing Rules.

PROPOSED ANNUAL CAPS FOR THE CCT

The historical transaction records of the financial services provided by ICBC Group and ABC Group in respect of (i) the maximum daily balance of deposit services (including accrued interests), and (ii) the maximum amount of loan services (including loans, finance leases, factoring and any other forms of borrowing, and accrued interests) involving the provision of security by the Group are set out as follows:

Services	Maximum balance with ICBC Group		Maximum balance with ABC Group	
	During the year 2017	During the year 2018	During the year 2017	During the year 2018
	(RMB billion)			
Deposit Services <i>(including accrued interests)</i>	0.60	4.41	0.76	4.94
Loan Services <i>(including loans, finance leases, factoring and any other forms of borrowing, and accrued interests)</i>	8.04	12.41	4.86	9.31

The above fluctuations in the balances of deposits and loans with ICBC Group and ABC Group over the past two years were mainly the results of consolidating the financials of the target companies after the completion of the acquisitions of their entire equity interests last year as per the Company's announcements dated 31 May 2018 and 21 December 2018. With the intention to reduce the gearing ratio of the Company, the historical transaction records would be disregarded.

In determining the proposed aggregated annual caps for the two key categories of financial services to be provided by members of each of ICBC Group and ABC Group to the Group during the three financial years ending 31 December 2019, 2020 and 2021, the Board considered the following factors:

- (a) **Deposit services:** (i) the maximum balance of funds to be deposited to the accounts with ICBC Group and ABC Group for investment purpose; (ii) the increase of the Group's total assets over the past three financial years; (iii) the working capital balances that are required for maintaining the daily operations of the subsidiaries that have operating accounts with ICBC Group and ABC Group for the next three financial years; and (iv) the expected growth of the Group.
- (b) **Loan services:** (i) the Group's investment and development plan in the next three financial years; (ii) the maximum amount of additional new loans, finance leases, factoring and any other forms of borrowing of the Group that may require collaterals in the next three financial years; (iii) the refinancing needs for existing loans with ICBC Group and ABC Group in the next three financial years; and (iv) the current ratio of loan balance of each of ICBC Group and ABC Group to the total interest bearing liabilities of the Group.

The proposed aggregated annual caps for the CCT with ICBC Group and ABC Group in respect of the maximum daily balance of deposit services (including accrued interests) for the three financial years ending 31 December 2019, 2020 and 2021 are RMB6.8 billion, RMB7.5 billion and RMB8.2 billion (equivalent to approximately HK\$7.9 billion, HK\$8.7 billion and HK\$9.5 billion) respectively.

The proposed aggregated annual caps for the CCT with ICBC Group and ABC Group in respect of the maximum new contract amount of loan services (including loans, finance leases, factoring and any other forms of borrowing, and accrued interests) involving the provision of security by the Group for the three financial years ending 31 December 2019, 2020 and 2021 are RMB13.8 billion, RMB14.3 billion and RMB14.6 billion (equivalent to approximately HK\$16 billion, HK\$16.6 billion and HK\$17 billion) respectively.

INTERNAL CONTROL POLICIES AND PROCEDURES

Subject to compliance with relevant laws, regulations and regulatory requirements, the Group shall undertake to adhere to the following principles in dealing with the financial services provided by ICBC Group or ABC Group (as the case may be) to the Group:

- (i) **Deposit Services:** The interest rate applicable to the Group for its deposits with ICBC Group or ABC Group (as the case may be) during the same period will not be lower than (a) the benchmark interest rate specified by the People's Bank of China* (中國人民銀行) for the same type of deposits in the PRC, or (b) the interest rate for the same type of deposits (at least two quotes) offered by other major commercial banks. A maximum daily deposit balance will be set for each of the subsidiaries that are having operating accounts with ICBC Group and ABC Group to ensure the Group will not exceed the annual cap for deposit services.
- (ii) **Loan Services:** The interest rate and related fees for loans (including loans, finance leases, factoring and any other forms of borrowing) granted to the Group by ICBC Group or ABC Group (as the case may be) that involving the provision of security by the Group will not be higher than the interest rate and related fees (at least two quotes) offered by other major commercial banks to the Group for the same type of borrowing during the same period. All new loan contracts with ICBC Group and ABC Group shall be subject to internal approval by our Beijing office to ensure the Group will not exceed the annual cap for loan services.
- (iii) **Settlement and Other Services:** The services fees for these financial services to be provided by ICBC Group or ABC Group (as the case may be) will not be higher than the fees charged by other major commercial banks for the same type of services during the same period.

The Company confirms that for the purposes of Rules 14A.55, 14A.56 and 14A.71(6) of the Listing Rules, the relevant contracts in respect of the CCT during the relevant years will be made available for independent non-executive Directors' and the Company's auditors' review to ensure the relevant CCT have been entered into in accordance with the terms, pricing policies and internal control procedures set out in this announcement. The details of the CCT will be disclosed in the Company's future annual reports accordingly.

The Company also confirms that it will comply with the connected transaction rules requirements under Chapter 14A of the Listing Rules for any transactions with ICBC Group or ABC Group outside the scope of the above financial services related transactions.

REASONS FOR AND BENEFITS OF THE CCT

The Board considers that the provision of deposit services, various loan services and other financial services by ICBC Group and ABC Group are essential to the Group in terms of facilitating the daily operating cash flows and securing stable and reliable financing support to the Group, and therefore maintaining the financial health and assisting the business expansion of the Group in the coming years.

The Directors (including the independent non-executive Directors) have approved the waiver granted by the Stock Exchange to the Company from strict compliance with the written agreement requirement under Rules 14A.34 and 14A.51 of the Listing Rules, and they are of the view that the CCT are conducted on normal commercial terms or better and in the ordinary course of business of the Group, and the proposed aggregated annual caps for the CCT for the three financial years ended 31 December 2019, 2020 and 2021 are 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 CCT set out above or is required to abstain from voting on the related Board resolutions.

LISTING RULES IMPLICATIONS FOR THE CCT

For the CCT in respect of each of the deposit services and the loan services involving the provision of security by the Group, since such CCT 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.

For the CCT in respect of loan services which do not involve the provision of security over the assets of the Group, these will be fully exempted under Rule 14A.90 of the Listing Rules. For the CCT in respect of each of the settlement and other services, will be entered into on normal commercial terms or better, the Company expects that each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules of the total fees payable by the Group to each of ICBC Group and ABC Group will fall within the *de minimis* threshold with reference to the relevant historical transactions and will be exempted from all reporting, announcement and shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

INFORMATION ON 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.

INFORMATION ON ICBC GROUP AND ABC GROUP

ICBC Group

Industrial and Commercial Bank of China Limited is the ultimate controlling shareholder of ICBC Financial. ICBC Group is principally engaged in the provision of a range of financial products and services to corporate banking customers and personal banking customers, including various types of deposits and loans, commercial and industrial finance, securities business as well as agency services.

ABC Group

Agricultural Bank of China Limited is the ultimate controlling shareholder of ABC Financial. ABC Group is principally engaged in the provision of a diverse portfolio of corporate and retail banking products and services for a broad range of customers, and conducts treasury operations and asset management.

DEFINITIONS

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

“ABC Financial”	ABC Financial Asset Investment Co., Ltd* (農銀金融資產投資有限公司), a company incorporated in the PRC with limited liability, whose ultimate controlling shareholder is Agricultural Bank of China Limited* (中國農業銀行股份有限公司)
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“ABC Group”	Agricultural Bank of China Limited* (中國農業銀行股份有限公司) and its subsidiaries from time to time
“Board”	the board of Directors of the Company
“CCT”	continuing connected transactions between members of the Group on one hand, and members of each of ICBC Group and ABC Group on the other hand
“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
“ICBC Financial”	ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司), a company incorporated in the PRC with limited liability, whose ultimate controlling shareholder is Industrial and Commercial Bank of China Limited* (中國工商銀行股份有限公司)
“ICBC Group”	Industrial and Commercial Bank of China Limited* (中國工商銀行股份有限公司) and its subsidiaries from time to time
“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 to the PRC excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“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 RMB0.86 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, 29 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.