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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**

#### **Entrusted Management Agreement**

On 31 March 2020, the Company entered into the Entrusted Management Agreement with CPI Holding and SPICOI, pursuant to which the Company agreed to provide the planning, operating and management services to certain companies under CPI Holding and SPICOI for a term of three years from 1 April 2020 to 31 March 2023.

CPI Holding and SPICOI are subsidiaries of SPIC, and SPIC 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. CPI Holding and SPICOI are therefore connected persons of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Entrusted Management Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to the Entrusted Management Agreement, the maximum aggregated annual amounts of management fees payable by CPI Holding and SPICOI to the Company according to the financial year of the Company during the term of the Agreement shall not exceed RMB150,220,000 (equivalent to approximately HK\$165,077,000).

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest Annual Cap of the Entrusted Management 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.

## **BACKGROUND**

In recent years, the Chinese government has been promulgating various active policies to encourage Chinese enterprises to “go out” (走出去), providing a good policy environment for the global development of Chinese enterprises. At the same time, Chinese government has also proposed the “Belt and Road Initiative” (一帶一路倡議) for a greater connectivity with the neighboring countries that has provided a wider space for development for Chinese enterprises to go global.

At the company level, we are principally engaged in generation and sales of electricity in Mainland China with businesses located in the major power grid regions of the PRC. The Company is the core subsidiary of SPIC, one of the top-five largest power generation groups in the PRC. To strive for the long-term goal of becoming the world’s leading clean energy enterprise, the Company needs to strengthen its clean energy and international operation capabilities and exposures, enhance its brand value, and truly approach the overseas markets. In cooperation with SPIC, the Company takes the opportunity to manage its clean energy power plants in Mainland China and the power plants abroad. As negotiated, the Company also got the priority to acquire the Entrusted Companies. Through the entrusted management, the Company can better understand the asset quality, financial status and profitability of the Entrusted Companies, that the Company considers it will have an important strategic significance for its future business development.

On 31 March 2020, the Company entered into the Entrusted Management Agreement with CPI Holding and SPICOI, pursuant to which the Company agreed to provide certain management services to the Entrusted Companies under CPI Holding and SPICOI for a term of three years with details as set out below.

## **ENTRUSTED MANAGEMENT AGREEMENT**

### **Date**

31 March 2020

### **Parties**

- (i) CPI Holding and SPICOI (as the Entrusting Parties); and
- (ii) The Company (as the Managing Party).

### **Effective period**

From 1 April 2020 to 31 March 2023

## Principal Terms

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

Under the Entrusted Management Agreement, the Company is responsible for providing planning, operating and managing services according to the different circumstances of each Entrusted Company, the contents of the services shall include all or part of the following:

- corporate planning and development, annual operating and budget planning;
- electricity sales management, production safety management, fuel procurement management, engineering management, financial management, human resources management, and information technology management; and
- such other services for the operation and management of the Entrusted Companies as agreed between the Entrusting Parties and the Managing Party from time to time.

During the term of the Entrusted Management Agreement, the operational costs and expenses, funding needs, income and gains, profit or loss, business risks, debts and legal liabilities of the Entrusted Companies shall be solely enjoyed or borne by the Entrusting Parties and/or the Entrusted Companies.

### *(2) Pricing bases and payment terms*

The management fees payable by Entrusting Parties to the Managing Party consist of the following three components:

- (i) management costs that estimated to be in the sum of RMB67,340,000 (covering the maximum amount of staff and operational costs and other recurrent expenses to be incurred by the Company in managing the Entrusted Companies for the period commencing 1 April to 31 December 2020) (the “Management Costs”);
- (ii) a fixed premium to cover estimated risks set at 10% and 15% of the Management Costs for onshore and offshore of the PRC respectively, depending on the location of the Entrusted Companies; and
- (iii) an assessment bonus which is an incentive calculated by reference to the confirmed annual results of the Entrusted Companies under management but which shall not exceed 10% of the Management Costs.

If there is any change in the Installed Capacity of the power plants held under the Entrusted Companies, the new management fees (excluding the assessment bonus component) can be adjusted at the end of each quarter according to the formula below which will take effect from the first day of the following quarter:

$$\begin{array}{l} \text{The management fees} \\ \text{payable for the previous} \\ \text{quarter (excluding the} \\ \text{assessment bonus)} \end{array} \times \frac{\begin{array}{l} \text{The aggregate of the actual Installed Capacity for} \\ \text{that quarter} \end{array}}{\begin{array}{l} \text{The aggregate of the actual Installed Capacity for} \\ \text{the previous quarter} \end{array}}$$

The first two components of the management fees are payable quarterly within 10 working days after the end of each quarter. The assessment bonus component is payable based on the annual evaluation of performance of the Managing Party (which is done within the first quarter of each calendar year) but no later than 90 days after the end of each calendar year.

During the management term, the management fees shall be re-determined by the parties after completing each management year with reference to the following factors:

- the inflation rate of the previous year as published by the National Bureau of Statistics of China;
- the average percentage increase in salaries of the Company’s employees as approved by the Board; and
- any change in the scope or nature of the entrusted management services.

In any event, the annual increment rate of the Management Costs shall not exceed 10% and shall take effect from the commencement day of the immediate following management year (i.e. 1<sup>st</sup> April each year).

The management fees above were negotiated on arm’s length basis between the parties. The Company has taken into account of (i) the estimated additional personnel and resources required to be deployed and the costs to be incurred by the Company to provide the required services, (ii) the scale and quality of the Entrusted Companies, (iii) the overall management fees chargeable which is comprised of three components, and (iv) the potential benefits that are expected to bring to the Group (as set out in the following section headed “REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED MANAGEMENT AGREEMENT”).

### **(3) Undertaking**

The Managing Party has the right of first refusal to acquire the Entrusted Companies under Entrusted Management Agreement. The Entrusting Parties shall seek in advance the opinion of the Managing Party whether to exercise the right of first refusal in writing when transferring or selling the equity interest or assets of the Entrusted Companies.

### **ANNUAL CAPS**

For the financial year ended 31 December	Annual Caps (RMB’000) (excluding taxes)
2020 (nine months)	89,320
2021 (full year)	142,580
2022 (full year)	150,220
2023 (three months)	37,550

The Annual Caps were calculated after taking into account of the following factors:

- the estimated maximum amount of total Installed Capacity;
- the above-mentioned three components of management fees (with assumed maximum assessment bonus at 10%); and
- the maximum adjustment increment of 10% in Management Costs after the end of each management year.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED MANAGEMENT AGREEMENT**

The Company believes the Entrusted Management Agreement will be beneficial to the Company in various aspects including the following:

- The undertaking specified in the Agreement gives the Company the right of first refusal to acquire the Entrusted Companies. This will pave the way for the Company to further expand its clean energy business and to extend to overseas markets in the coming future, and will also serve as a main driving force of the Company's future development.
- It will increase the income and profit of the Company.
- It allows the Company to extend greater management capabilities and to achieve greater management synergy through the management of the Entrusted Companies.
- It allows the Company to gain overseas management experience, knowledge in the development status of power industry in overseas markets, and thereby exploring new development opportunities offshore of China.
- It helps streamline the management structure under the SPIC Group and to minimize competition with related parties.

The Company and the Directors (including the independent non-executive Directors) consider that (i) entering into the Entrusted Management 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 Agreement and the Annual Caps 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 transactions contemplated under the Entrusted Management Agreement and therefore no Director has abstained from voting on the related Board resolution.

## **INFORMATION ON THE GROUP AND THE ENTRUSTING PARTIES**

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.

CPI Holding is the immediate holding company of the Company and a wholly-owned subsidiary of SPIC. It is principally an investment holding company.

SPICOI is a wholly-owned subsidiary of SPIC and is principally engaged in development, investment, operation and consultation of overseas nuclear power projects and overseas integrated energy markets.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CPI Holding and SPICOI are subsidiaries of SPIC, and SPIC is the ultimate controlling shareholder of the Company interested in approximately 56.04% of the issued share capital of the Company. CPI Holding and SPICOI are therefore connected persons of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Entrusted Management Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to the Entrusted Management Agreement, the maximum aggregated annual amounts of management fees payable by CPI Holding and SPICOI to the Company according to the financial year of the Company during the term of the Agreement shall not exceed RMB150,220,000 (equivalent to approximately HK\$165,077,000).

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the highest Annual Cap of the Entrusted Management 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.

## **DEFINITIONS**

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

“Annual Caps”	the maximum aggregated annual amounts of management fees payable by CPI Holding and SPICOI to the Company according to the financial year of the Company during the term of the Entrusted Management Agreement
“Board”	the board of Directors of the Company
“Company” or “Managing Party”	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

“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
“Entrusted Companies”	the companies that are either wholly-owned and controlled by the Entrusting Parties or partly owned and uncontrolled by the Entrusting Parties, the management of which will be entrusted to the Company in accordance with the Entrusted Management Agreement
“Entrusted Management Agreement” or “Agreement”	the agreement entered into by the Company, CPI Holding and SPICOI on 31 March 2020 pursuant to which the Company will provide planning, operating and managing services to the Entrusted Companies for a term of three years
“Entrusting Parties”	CPI Holding and SPICOI
“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
“Installed Capacity”	the installed capacity of the power generating units under the Entrusted Companies (for the Entrusted Companies that are controlled by the Entrusting Parties, the installed capacity is calculated on the total installed capacity of the Entrusted Companies; while for the Entrusted Companies that are investment held by the Entrusting Parties, the installed capacity is calculated on the proportional equity interest of the Entrusting Parties in the Entrusted Companies)
“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
“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)
“SPICOI”	SPIC Overseas Investment Limited* (國家電力投資集團海外投資有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of SPIC
“SPIC Group”	SPIC, its subsidiaries and investment holding companies 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 RMB0.91 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 March 2020

*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.*