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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Power International Development Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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  
AND DISCLOSEABLE TRANSACTION IN RELATION TO  
THE RENEWAL OF FINANCIAL SERVICES  
FRAMEWORK AGREEMENT**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Gram Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 29 of this circular.

A notice dated 17 May 2019 convening the GM to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 6 June 2019 at 11:00 a.m. is set out on pages 34 to 35 of this circular. Whether or not you are able to attend the GM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or at any adjournment thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

17 May 2019

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## DEFINITIONS

*In this circular (other than the Notice of General Meeting), the following expressions have the following meanings unless the context requires otherwise:*

“Annual Cap”	the proposed maximum daily balance of deposits (including accrued interest) placed by the Group with SPIC Financial during the term of the Framework Agreement
“associates”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會)
“CNAFC”	China National Association of Finance Companies* (中國財務公司協會)
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
“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
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial shareholder of the Company and a subsidiary of CPI Holding, thus an associate of SPIC
“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, thus an associate of SPIC
“Deposit Services”	the deposit services transactions contemplated under the Framework Agreement
“Director(s)”	director(s) of the Company
“Framework Agreement” or “Financial Services Framework Agreement”	the framework agreement dated 30 April 2019 entered into between the Company and SPIC Financial for provision of financial services by SPIC Financial to the Group
“GM”	the general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Framework Agreement and the transactions contemplated therein

## DEFINITIONS

“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
“Independent Board Committee”	the committee of all the independent non-executive Directors, consisting of Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Yau Ka Chi, which has been formed to advise the Independent Shareholders in respect of the Deposit Services and the Annual Cap
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Annual Cap
“Independent Shareholders”	the shareholders of the Company other than SPIC and its associates
“Latest Practicable Date”	14 May 2019, being the latest practicable date prior to publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	The People’s Bank of China* (中國人民銀行)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Previous Framework Agreement”	the financial services framework agreement dated 27 April 2016 entered into between the Company and SPIC Financial (formerly known as CPI Financial Company Limited* (中電投財務有限公司)) in relation to the provision of financial services by SPIC Financial to the Group
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company

## DEFINITIONS

“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 Financial”	SPIC Financial Company Limited* (國家電投集團財務有限公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of SPIC and a non-bank financial institution approved by the CBIRC
“SPIC Group”	SPIC and its subsidiaries from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it by the Listing Rules

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

*This circular 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.*



**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)**

*Executive Director and President:*

Tian Jun

*Non-executive Directors:*

Guan Qihong

Wang Xianchun

*Independent Non-executive Directors:*

Kwong Che Keung, Gordon

Li Fang

Yau Ka Chi

*Registered Office:*

Suite 6301, 63/F., Central Plaza

18 Harbour Road

Wanchai, Hong Kong

17 May 2019

*To the shareholders of the Company*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
AND DISCLOSEABLE TRANSACTION IN RELATION TO  
THE RENEWAL OF FINANCIAL SERVICES  
FRAMEWORK AGREEMENT**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 30 April 2019 in relation to the renewal of the Framework Agreement and the transactions contemplated thereunder. Reference is also made to the announcement of the Company dated 28 April 2016 in relation to the Previous Framework Agreement signed with SPIC Financial (formerly known as CPI Financial Company Limited\* (中電投財務有限公司)) on 27 April 2016 (which became effective on 7 June 2016), which will expire on 6 June 2019. On 30 April 2019, the Company entered into the Framework Agreement with SPIC Financial for another term of three years, pursuant to which SPIC Financial has agreed to continue to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBIRC on a non-exclusive basis upon expiry of the Previous Framework Agreement.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (a) details of the Framework Agreement and the Deposit Services, (b) a letter from the Independent Board Committee and a letter from the Gram Capital, both advising on the terms of the Framework Agreement in relation to the Deposit Services and the Annual Cap, and (c) a notice convening the GM to consider and, if thought fit, approve, among other things, the Framework Agreement (including the Annual Cap) and the Deposit Services.

### 2. THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

#### THE FRAMEWORK AGREEMENT

##### **Date**

30 April 2019

##### **Parties**

- (i) the Company; and
- (ii) SPIC Financial.

##### **Condition Precedent**

The Framework Agreement is conditional upon the Company having obtained the approval of the Independent Shareholders at the GM approving, among other things, the continuing connected transactions under the Framework Agreement in relation to the Deposit Services and the Annual Cap.

##### **Effective period**

For a term of three years from 7 June 2019 and ending 6 June 2022 (both days inclusive).

##### **Principal terms**

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

SPIC Financial has agreed to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBIRC on a non-exclusive basis.

###### ***(2) Pricing principles***

When determining the price for any financial services to be provided pursuant to the Framework Agreement, each of the Group and SPIC Financial shall refer to at least two comparable transactions with independent third parties or two quotes obtained from independent third parties during the same period.

## LETTER FROM THE BOARD

Subject to compliance with relevant laws, regulations and regulatory requirements, SPIC Financial has agreed to adhere to the following principles in providing the above financial services to the Group:

- (a) **Deposit services:** The interest rate applicable to the Group for its deposits with SPIC Financial during the same period shall not be lower than (i) the benchmark interest rate specified by the PBOC of the same type of deposits; (ii) the interest rate of the same type of deposits obtained from other major commercial banks in the PRC to the Group; and (iii) the interest rate of same type of deposits placed by other members of SPIC Group with SPIC Financial.

In addition, subject to the above, the applicable interest rate for the amount of the Group's deposit in current account(s) that exceeds RMB100,000, will be 20% higher than, and adjusted according to, the benchmark interest rate for agreements deposits (協定存款基準利率) as published by the PBOC from time to time.

- (b) **Loan services:** The interest rate for loans to the Group granted by SPIC Financial during the same period shall not be higher than: (i) the benchmark interest rate specified by the PBOC for the same type of loans; (ii) the interest rate obtained from other major commercial banks in the PRC to the Group; and (iii) the interest rate of the same type of loans offered by SPIC Financial to other members of the SPIC Group.

In addition, subject to the above, the interest rate for loans granted to the Group shall be 10% lower than the benchmark interest rate of the same type of loan as specified by the PBOC during the same period and to be governed by individual loan agreement(s).

Subject to compliance with relevant laws, regulations and regulatory requirements, SPIC Financial will provide the loan services on normal commercial terms or better and such loans will not be secured by the assets of the Group.

- (c) **Settlement services:** The settlement services to the Group to facilitate clearing among members of the Group shall be free of charge.
- (d) **Other financial services:** The services fees for other financial services during the same period shall be in accordance with the standard of fees for the same type of services set by the PBOC or the CBIRC (if applicable), and shall not be higher than: (i) the fees charged by other major commercial banks in the PRC for the same type of services/business activities; and (ii) the fees charged to other members of the SPIC Group for providing the same type of services/business activities by SPIC Financial.



## LETTER FROM THE BOARD

### (3) *Capital Risk Control Measures*

- (a) SPIC Financial, as a non-bank financial institution approved by the CBIRC, complies strictly with the regulatory requirements of the CBIRC to conduct its operation and business, establish effective and complete internal control and risk management systems in order to effectively manage risks and ensure the safety of all capital.
- (b) When providing financial services to the Group on a non-exclusive basis, SPIC Financial will ensure the Group's rights to own, use and benefit derived from its funds will not be affected. SPIC Financial is obliged to ensure the safety of the Group's funds deposited with it and the Group's independent use of such funds.
- (c) If any member of the Group cannot recover the deposits placed with SPIC Financial as a result of SPIC Financial misappropriated the deposits of the Group or used such deposits in breach of the Framework Agreement, the Group has the right to set off the deposit amounts due to the Group from SPIC Financial against any amounts of loan outstanding owing by the Group to SPIC Financial. SPIC Financial does not have such set-off right.
- (d) SPIC has given an undertaking to the Company that: (i) if SPIC Financial encounters emergency financial difficulties in making payments to the Group, SPIC will increase the capital of SPIC Financial accordingly to meet its actual needs to overcome such financial difficulties; and (ii) SPIC will provide financial support to SPIC Financial in accordance with its needs to ensure that the Group will be able to withdraw all the deposits placed with SPIC Financial at any time.
- (e) The monthly financial statements of SPIC Financial will be provided to the senior management of the Group on the fifth working day of the following month to enable the Group to have timely information on the financial conditions of SPIC Financial.
- (f) The Group, based on its own business needs, has the right to choose to hold no less than 10% of the equity interest in SPIC Financial, hold the relevant voting rights and appoint director(s) of SPIC Financial, and such right is being granted at no premium or additional cost. If the Group chooses to exercise such right, the terms of acquisition (including determination of the price for such equity interest in SPIC Financial) will be subject to negotiations with relevant parties on an arm's length basis and approvals required under relevant laws and regulations (including the Listing Rules).
- (g) The Group has the unilateral right to terminate any services provided by SPIC Financial under the Framework Agreement if the fees charged by any other commercial banks in the PRC for such services are more favourable to the Group.

## LETTER FROM THE BOARD

- (h) The Group is entitled to appoint any other financial institutions for the provision of the financial services in accordance with its own business needs and requirements. SPIC Financial will be given preferential consideration under same terms and conditions compared with other financial institutions.

### (4) *Payment*

The consideration for the transactions contemplated under the Framework Agreement will be paid in accordance with the specific terms as agreed under separate agreements from time to time.

### 3. PROPOSED ANNUAL CAP AND BASIS OF DETERMINATION

The table below sets out the historical highest daily deposit balance (including accrued interests) of the Group placed with SPIC Financial under the Previous Framework Agreement in respect of the Deposit Services.

<b>Actual highest daily deposit balance (including accrued interests)</b> <i>(RMB billion)</i>			
<b>The period from 7 June 2016 to 31 December 2016</b>	<b>Year ended 31 December</b>		<b>The period from 1 January 2019 to 31 March 2019</b>
	<b>2017</b>	<b>2018</b>	
1.34	1.99	2.98	2.93

In determining the proposed maximum daily deposit balance (including accrued interests) in the Group's settlement account with SPIC Financial during the term of the Framework Agreement, the Board has considered the following factors:

- (1) The aforementioned highest daily balances of deposits of the Group.
- (2) The completion of the Group's acquisition of the entire equity interests of certain target companies (the "**Target Companies**") last year (as per the Company's announcements dated 31 May 2018 and 21 December 2018), the scale of the Group's assets and the highest daily deposit balance within the PRC have increased. The total assets of the Group as at 31 December 2017 and 2018 were RMB98.027 billion and RMB124.959 billion, respectively; the scale of assets at the end of year 2018 represents an increase of approximately 27% as compared with that of year 2017, amongst which the assets of the Target Companies acquired in 2018 was RMB20.816 billion, representing approximately 17% of the scale of the Group's total assets at the end of year 2018. The highest daily deposit balance of the Group placed with all financial institutions (including SPIC Financial) within the PRC in 2018 was RMB4.518 billion (excluding brief increase in deposits as a result of the capital injections as mentioned in the Company's announcements dated 24 October 2018 and 22 November 2018), representing an increase of approximately 57% as compared with that of RMB2.88 billion for 2017.

## LETTER FROM THE BOARD

- (3) The operating cash flow and financial needs of the Group in respect of its future business expansion and the expected growth of the Group in the coming three years. For each of the years ended 31 December 2016, 2017 and 2018, the Group's capital expenditure was RMB7.631 billion, RMB8.502 billion and RMB11.564 billion respectively, representing an increase of approximately 11% and approximately 36% respectively for year 2017 when compared with 2016 and for year 2018 when compared with 2017. Moreover, the Group's scale of total assets for year 2017 and year 2018, when compared with their respective preceding year, has increased by approximately 8% and approximately 27% respectively. Having disregarded the special reason for the sudden increase of the aforesaid two indicators for year 2018 as a result of the acquisition of the Target Companies, and considering the above historical data, the growth of the Group's scale of total assets is estimated to be 8 – 10% in the coming three years. As future expenditure will correspondingly increase the demand for funds, and the greater demand for funds will lead to an increase in deposit. The Group's highest daily deposit balance with SPIC Financial in 2018 was RMB2.98 billion, while on the same day the deposit placed with SPIC Financial by the Target Companies (yet to be acquired by the Group at that time) was approximately RMB0.521 billion. The sum of the two amounts is approximately RMB3.501 billion. Using RMB3.501 billion as a basis, the proposed Annual Cap is determined by considering the above historical data and estimating the continuous and steady growth of the Group's scale of assets and capital expenditure in the coming three years.
- (4) The amount of funds deposited with SPIC Financial which can be utilized to supplement the financial requirements of the subsidiaries of the Group and thus increase the efficiency of fund utilization.

The proposed Annual Cap will not exceed RMB4.2 billion (equivalent to approximately HK\$4.9 billion) for each of (i) the period from 7 June 2019 to 31 December 2019, (ii) the two years ending 31 December 2020 and 2021, and (iii) for the period from 1 January 2022 to 6 June 2022.

<b>Proposed Annual Cap</b> <i>(RMB' billion)</i>			
<b>The period from 7 June 2019 to 31 December 2019</b>	<b>Year ending 31 December</b>		<b>The period from 1 January 2022 to 6 June 2022</b>
	<b>2020</b>	<b>2021</b>	
4.2	4.2	4.2	4.2

## LETTER FROM THE BOARD

### 4. INTERNAL CONTROL POLICIES AND PROCEDURES

Notwithstanding that the Company considers that the above capital risk control measures under the Framework Agreement are adequate to manage any risks involved in depositing funds with SPIC Financial, the Group will review contracts and monitor the amount and interest rate of the deposits to ensure the fairness of the terms of the relevant transactions as compared to placing the relevant deposits with independent third parties other than SPIC Financial.

In practice, the Group shall undertake to adhere to the following internal control measures in dealing with the financial services provided by SPIC Financial to the Group:

- (i) The Company assigns designated persons to monitor interest rates for deposits and loans and service fees for other financial services published on the official websites of PBOC and other major commercial banks in the PRC (including but not limited to China Construction Bank Corporation, Bank of China Limited, Bank of Communications Co., Ltd. or China Merchants Bank Co., Ltd.) from time to time.
- (ii) The Company liaises with the major commercial banks in the PRC. The customer managers of such banks will provide written quotes for deposits, loans and other financial services regularly as needed to the finance department of the Company through email.

If the terms obtained through the two methods above are more favourable to the Group than those provided by SPIC Financial, the Company's finance department will report this fact to the financial controller of the Company. Such information will be used by the Group for re-negotiating the price with SPIC Financial. The Group also has the unilateral right to terminate any services to be provided by SPIC Financial under the Framework Agreement if the fees charged by any other commercial banks in the PRC for such services are more favourable to the Group.

On SPIC Financial side, the Company understands that the general manager's office in SPIC Financial will be in charge of its pricing policy. SPIC Financial's settlement department and its credit department will be in charge of proposals for pricing of the deposit services and the loan services, respectively. The specific price of deposit services will be approved by the general manager(s) of SPIC Financial's funding department, while the specific price of loan services will be approved by the credit review committee of SPIC Financial. The credit review committee of SPIC Financial is independent of its credit department and is in charge of reviewing the terms for loans including but not limited to interest rates.

The Company understands that SPIC Financial adopts a similar information system to those of commercial banks in the PRC. SPIC Financial will provide banking security devices to the Group for log-in and identification purposes on the internet. The Group must deploy such security devices to make account enquiries or carry out payment and settlement activities. The Company believes that it will have the same level of security when depositing funds with other commercial banks.

**5. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT**

**(1) Increase interest income and save finance cost**

The interest rate applicable to the Group for its deposits with SPIC Financial during the same period shall be no less favourable than the benchmark interest rate specified by the PBOC for the same type of deposits during the same period, and no less than the interest rate of the same type of deposits offered by other major commercial banks in the PRC to the Group during the same period, which is beneficial in improving the Group's interest income.

The interest rate of loans set by SPIC Financial for loans granted to the Group will be no less favourable than the interest rate provided by other major commercial banks in the PRC for the same type of loans during the same period, and no security is to be granted by the Group over its assets in respect of such loans, enabling the lending procedure to be easier and more efficient than that provided by other major commercial banks in the PRC.

The Group may take full advantage of the favourable policy of free settlement services provided by SPIC Financial and reduce the banking commission charges payable by the Group. The fees to be charged by SPIC Financial for other financial services will be equal to or more favourable to the Group than those charged by other major commercial banks in the PRC.

Since the signing of the Previous Framework Agreement, the Group has noticed an enhanced efficiency in utilization of funds and that the Group has, in connection therewith, saved a considerable amount of finance costs. With the expansion of the Group's business, SPIC Financial will continue to provide diversified, efficient, expedient and secure financial services to the Group under the Framework Agreement. It is expected that by conducting the transactions under the Framework Agreement, the Group will continue to further save a considerable amount of finance costs.

**(2) Facilitate fund management and control by the Group**

SPIC Financial has a sophisticated information system through which the Group can access the latest information concerning the collection and payment of funds of the Group as well as the status of fund balance at any time (in particular, to enable the Group to monitor the daily balance of deposits with SPIC Financial such that it does not exceed the Annual Cap), thus reducing and avoiding operational risks.

**(3) Enhance the efficiency of fund utilization**

The settlement services provided by SPIC Financial will continue to strengthen the Group's centralized fund management of its subsidiaries and reduce the time for capital transmission. The use of SPIC Financial as a clearing platform will facilitate the clearing amongst the members of the Group, reduce the time for transmitting the funds, and thereby expedite turnaround of funds.

## LETTER FROM THE BOARD

### **(4) Cross-border flexibility for utilization of the Group's funds**

SPIC Financial is qualified for centralized cross-border funds operation and cross-border bilateral RMB cash pooling, and therefore SPIC Financial will be able to provide the Group with a channel for cross-border transmission and utilization of funds, to achieve a flexible and highly efficient utilization and transmission of the Group's funds within and outside the PRC. This is among the other financial services to be provided by SPIC Financial, and this service does not involve deposit services and loan services.

### **(5) Improve competitiveness**

The arrangement of entrusted loans for the Group's subsidiaries provided by SPIC Financial represents a substitute for high-interest loans from the licensed banks or financial institutions; and will lessen the liquidity requirements of individual subsidiaries of the Group. The increase in the Group's entrusted loans will in turn help to improve the Group's bargaining power to commercial banks for getting more favourable financing terms.

### **(6) Strengthen the Group's source of funding**

In particular, during the hard time of market volatility and corporate borrowing, it is expected that SPIC Financial will play a vital role in providing the Group with expedient fund support, therefore securing the Group's funding chain.

### **(7) Risk Assurance**

SPIC, as the controlling shareholder of SPIC Financial, has undertaken to the Company that SPIC will provide financial assistance, such as injecting more capital, to SPIC Financial if SPIC Financial is in financial difficulties to ensure the safety and liquidity of the relevant deposits placed by the Group with SPIC Financial.

SPIC Financial is regulated by the CBIRC and provides its services in accordance with the rules and operational requirements of the CBIRC.

### **(8) Possible profit sharing of SPIC Financial**

Subject to approvals required by relevant laws and regulations applicable to both relevant parties, if the Group exercises the right to acquire no less than 10% equity interest in SPIC Financial together with the relevant voting rights, the Group is expected to enjoy the profit sharing of SPIC Financial.

The transactions contemplated under the Framework Agreement are expected to bring the above benefits to the Group without compromising its independence.

## LETTER FROM THE BOARD

The Directors (excluding independent non-executive Directors whose view will be given after taking into account the advice from the Independent Financial Adviser) consider that (i) the Framework 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 transactions contemplated under the Framework Agreement and the proposed Annual Cap 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 aforesaid transactions and therefore no Director has abstained from voting on the Board resolution approving the same.

### 6. IMPLICATIONS UNDER THE LISTING RULES

SPIC Financial is a wholly-owned subsidiary 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 Latest Practicable Date. SPIC Financial is therefore a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

#### **Deposit Services**

As one of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Annual Cap exceeds 5% but is less than 25%, the Deposit Services constitute (i) a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and (ii) continuing connected transactions of the Company subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

#### **Loan Services**

The loan services to be provided by SPIC Financial to the Group are on normal commercial terms or better (i.e. terms that are similar to or more favorable than those offered by other major commercial banks in the PRC for the provision of comparable services) and are in the interest of the Group. No security over the assets of the Group is granted to SPIC Financial in respect of the loan services. They will therefore be exempted from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

#### **Settlement Services and Other Financial Services**

The Company expects that each of the percentage ratios as defined in Rule 14.07 of the Listing Rules applicable to the total fees payable by the Group to SPIC Financial in respect of the provision of settlement services (which will be free of charge) by SPIC Financial and other financial services approved by the CBIRC under the Framework Agreement will fall within the *de minimis* threshold and will be exempted from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.



## LETTER FROM THE BOARD

### 7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with the Listing Rules, an Independent Board Committee has been formed to advise and provide recommendation to the Independent Shareholders on the terms of the Framework Agreement in relation to the Deposit Services and the Annual Cap and to advise the Independent Shareholders on how to vote.

Gram Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Framework Agreement in relation to the Deposit Services and the Annual Cap.

### 8. INFORMATION ON SPIC FINANCIAL

SPIC Financial was established in the PRC as a non-banking financial institution on 2 September 1992. It is licensed and regulated by the CBIRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, as well as other financial services such as finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to members of the SPIC Group. SPIC Financial only provides services to members of the SPIC Group under the Measures on Administration of the Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》) promulgated by the CBIRC. SPIC Financial has a registered capital of RMB6 billion and is owned as to 42.5% by SPIC and as to 57.5% by other wholly-owned and controlled members of the SPIC Group, respectively.

The table below compares various financial indicators of SPIC Financial as provided by itself against average levels in the finance company industry in the PRC and the relevant regulatory requirements (if any).

Financial indicators	SPIC Financial's data for the financial year ended 31 December 2018	Average levels in the finance company industry in the PRC (Note)	Regulatory requirements
Capital adequacy ratio	27.04%	20.48%	Not lower than 10%
Return on asset	2.18%	1.31%	No regulatory requirements
Return on net asset ratio	8.82%	9.31%	No regulatory requirements
Non-performing loan ratio	0%	0.96%	Not higher than 5%
Owner's equity	RMB10.178 billion	RMB3.605 billion	No regulatory requirements

*Note:* Based on CNAFC's statistics for the year ended 31 December 2018.



## LETTER FROM THE BOARD

### 9. PRINCIPAL BUSINESS OF THE GROUP

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.

### 10. GM AND PROXY ARRANGEMENT

A GM will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 6 June 2019 at 11:00 a.m. during which an ordinary resolution will be proposed to the Independent Shareholders to approve the Framework Agreement (including the Annual Cap) and the Deposit Services. CPDL and CPI Holding, being associates of SPIC holding Shares in the Company, will abstain from voting at the GM. Any vote of the Independent Shareholders at the GM will be taken by poll. As at the Latest Practicable Date, CPI Holding directly held 2,833,518,060 Shares, representing approximately 28.89% of the total issued share capital of the Company and indirectly through CPDL held 2,662,000,000 Shares, representing approximately 27.14% of the total issued share capital of the Company, together representing an aggregate of approximately 56.04% of the total issued share capital of the Company.

A form of proxy for use at the GM is enclosed with this circular. Whether or not you are able to attend the GM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the GM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjournment thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

### 11. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider the terms of the Framework Agreement, including in relation to the Deposit Services and the Annual Cap are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the GM to approve the Framework Agreement (including the Annual Cap) and the Deposit Services.

**LETTER FROM THE BOARD**

**12. ADDITIONAL INFORMATION**

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 17 to 18 of this circular and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 29 of this circular, and the information set out in the appendix of this circular.

Yours faithfully,  
On behalf of the Board  
**China Power International Development Limited**  
**Tian Jun**  
*Executive Director*



**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)**

*To the Independent Shareholders*

17 May 2019

Dear Sir and Madam,

**CONTINUING CONNECTED TRANSACTIONS  
AND DISCLOSEABLE TRANSACTION IN RELATION TO  
THE RENEWAL OF FINANCIAL SERVICES  
FRAMEWORK AGREEMENT**

We refer to the circular dated 17 May 2019 (the “**Circular**”) issued by the Company to its shareholders of which this letter forms part. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the Deposit Services (including the Annual Cap) under the Financial Services Framework Agreement are conducted by the Company in its ordinary and usual course of business, on normal commercial terms or better, in the interests of the Company and its shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. For such purpose, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 16 of the Circular which contains, among others, information in connection with the terms and reasons for the Framework Agreement, as well as the letter from Gram Capital set out on pages 19 to 29 of the Circular which contains its advice and recommendation in the same respect.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Framework Agreement and the basis upon which its terms (including the Annual Cap) have been determined. We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the terms of the Framework Agreement in relation to the Deposit Services and the proposed Annual Cap.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account, among other things, the advice of the Independent Financial Adviser, we consider that the entering into of the Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group. The terms of the Framework Agreement in relation to the Deposit Services and the proposed Annual Cap are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the GM at the end of the Circular.

Yours faithfully,  
For and on behalf of the  
*Independent Board Committee*  
**China Power International Development Limited**

**Kwong Che Keung, Gordon**  
**Li Fang**  
**Yau Ka Chi**

## LETTER FROM GRAM CAPITAL

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

17 May 2019

*To: The independent board committee and the independent shareholders of  
China Power International Development Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 17 May 2019 issued by the Company to the Company’s shareholders (the “**Shareholders**”) (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 30 April 2019, the Company and SPIC Financial entered into the Financial Services Framework Agreement with a term of three years, pursuant to which SPIC Financial has agreed to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBIRC on a non-exclusive basis subject to the terms and conditions provided therein.

With reference to the Board Letter, the Deposit Services constitute continuing connected transactions and a discloseable transaction of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders’ approval requirements of Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Yau Ka Chi (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of Financial Services Framework Agreement relating to the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Deposit Services are in the interests of the Company and the Shareholders as a whole and are

## LETTER FROM GRAM CAPITAL

conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Deposit Services and transactions contemplated thereunder at the GM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Financial Services Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, SPIC Financial or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Deposit Services. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this

## LETTER FROM GRAM CAPITAL

opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Deposit Services, we have taken into consideration the following principal factors and reasons:

#### Business overview of the Group

As referred to in the Board Letter, 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.

Set out below is the audited consolidated financial information of the Group for the two years ended 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”):

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2017</b>	<b>Change from 2017 to 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Revenue	23,175,626	19,966,811	16.07
Profit attributable to owners of the Company	1,098,355	795,272	38.11
	<b>As at 31 December 2018</b>	<b>As at 31 December 2017</b>	<b>Change from 2017 to 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Cash and cash equivalents	1,853,044	4,577,786	(59.52)
Accounts receivable	2,784,743	2,642,383	5.39

## LETTER FROM GRAM CAPITAL

From the above table, we noted that the Group recorded an increase of approximately 16.07% in revenue for the year ended 31 December 2018 as compared to that for the year ended 31 December 2017. With reference to the 2018 Annual Report, the increase in revenue was mainly attributable to the year-on-year increase in revenue from coal-fired power as a result of the combined effect of the year-on-year increases of 11.96% and 3.65% in its sales and average on-grid tariff respectively. The revenue of wind power and photovoltaic power have also recorded significant increases due to the commencement of commercial operation of various new power generating units and the consolidation of newly acquired project companies. The Group also recorded a substantial increase of profit attributable to owners of the Company, which was mainly the impact of consolidating the results of the newly acquired clean energy project companies.

As at 31 December 2018, the Group recorded accounts receivable and cash and cash equivalents of approximately RMB2.78 billion and RMB1.85 billion respectively.

### Information on SPIC Financial

With reference to the Board Letter, SPIC Financial was established in the PRC as a non-banking financial institution on 2 September 1992. It is licensed and regulated by the CBIRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, as well as other financial services such as finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to members of the SPIC Group. SPIC Financial only provides services to members of the SPIC Group under the 《企業集團財務公司管理辦法》 (Measures on Administration of the Finance Companies of Enterprise Groups\*, the "Measures") promulgated by China Banking Regulatory Commission (now known as CBIRC). SPIC Financial has a registered capital of RMB6 billion and is owned as to 42.5% by SPIC and as to 57.5% by other wholly-owned and controlled members of the SPIC Group, respectively.

We noted that the Measures set out certain compliance and risk control requirements/ measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times.

As mentioned above, SPIC Financial is a non-banking financial institution regulated by the PBOC and CBIRC, and provides financial services in compliance with the rules and other operational requirements of these regulatory authorities. Pursuant to the Measures, in the event that a group finance company faces any difficulty in making payment, its controlling shareholder(s) will increase such group finance company's capital accordingly based on the actual need. We noted from SPIC Financial's articles of association that SPIC, being the controlling shareholder of the Company, undertook that SPIC will provide funding to SPIC Financial to satisfy its capital needs in the event that SPIC Financial experiences any urgent payment difficulties.



## LETTER FROM GRAM CAPITAL

Being a group finance company, SPIC Financial provides financial services as mentioned above to members of SPIC Group. As such, SPIC Financial may face a relatively higher customer concentrations risk than the PRC commercial banks (whose customers are the general public). However, as a subsidiary of SPIC, SPIC Financial is able to gain access to the details of financial positions of its customers, and can obtain sufficient information in advance to determine whether to grant the loan to the applicant. The situation is different for most of the PRC commercial banks as limited information is available to the commercial banks to evaluate their customers. As such, the high customer concentration risk may be mitigated with sufficient information available to SPIC Financial.

In the event that the Group placed all deposits in SPIC Financial for a long period, the Group may face a higher concentration risk (the “**Concentration Risk**”) in relation to maintaining a high level of cash deposits with one single finance company/institution. However, having considered the factors including,

- (i) SPIC, being the controlling shareholder of the Company, undertook that SPIC will provide funding to SPIC Financial to satisfy its capital needs in the event that SPIC Financial experiences any urgent payment difficulties;
- (ii) as confirmed by the Directors,
  - the Company will not deposit all of its cash and cash equivalent to SPIC Financial;
  - the Company’s finance department will closely monitor the Deposit Services and the enforcement news published from time to time, and review regulatory report, monthly financial statement and monthly balance statement provided by SPIC Financial immediately after receiving the same;
  - the Group will withdraw all of its deposits placed to SPIC Financial if SPIC Financial fails to comply with any PRC regulatory requirement which may have material adverse impact on SPIC Financial’s financial and/or operational positions; and
  - the Annual Cap is a maximum daily balance, mainly taking into account a high cash inflow within a short period of time,

we consider that the Concentration Risk would be mitigated.

### **Reasons for and benefits of the Deposit Services**

With reference to the Board Letter, benefits of the entering into of the Financial Services Framework Agreement (including the Deposit Services) included, among other things, (i) to enhance the efficiency of fund utilisation; (ii) to increase interest income and save finance cost; (iii) to improve competitiveness; (iv) to facilitate fund management and control by the Group; and (v) risk assurance.

## LETTER FROM GRAM CAPITAL

Pursuant to the Previous Framework Agreement and the Financial Services Framework Agreement, the interest rate applicable to the Group for its deposits with SPIC Financial during the same period shall not be lower than (i) the benchmark interest rate specified by the PBOC of the same type of deposits; (ii) the interest rate of the same type of deposits obtained from other major commercial banks in the PRC to the Group; and (iii) the interest rate for same type of deposits placed by other members of the SPIC Group with SPIC Financial. In addition, subject to the above, the applicable interest rate for the amount of the Group's deposit in current account(s) that exceeds RMB100,000, will be 20% higher than, and adjusted according to, the benchmark interest rate for agreements deposits (協定存款基準利率) as published by the PBOC from time to time.

Upon our request, we obtained deposit records regarding (i) the Company placed deposits in independent commercial banks and SPIC Financial (the “**Group's Deposit Records**”); and (ii) members of SPIC placed deposits in SPIC Financial. We noted from the deposit records that the deposit rates as shown in the deposit records are in line with the above-said requirements under the Previous Framework Agreement (“**Our Findings on Deposit Rates**”).

We further noted from the Financial Services Framework Agreement that SPIC Financial has agreed to provide the Group with the Deposit Services, settlement services, loan services and other financial services approved by the CBIRC on a non-exclusive basis subject to the terms and conditions provided therein. As further confirmed by the Directors, the Group will utilize the financial services of SPIC Financial on a voluntary and non-compulsory basis and is not obliged to engage SPIC Financial for any particular service.

In light of the above reasons, in particular:

- (i) the pricing policy of the Deposit Services; and
- (ii) that the Group will utilize the financial services of SPIC Financial on a voluntary and non-compulsory basis and is not obliged to engage SPIC Financial for any particular service,

we consider the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

### **Principal terms of the Deposit Services**

The following table tabulates a summary of the major terms of the Deposit Services:

<b>Date</b>	30 April 2019
<b>Parties</b>	The Company and SPIC Financial
<b>Effective period</b>	For a term of three years from 7 June 2019 and ending 6 June 2022 (both days inclusive).

## LETTER FROM GRAM CAPITAL

### Pricing policy

The interest rate applicable to the Group for its deposits with SPIC Financial during the same period shall not be lower than (i) the benchmark interest rate specified by the PBOC of the same type of deposits; (ii) the interest rate of the same type of deposits obtained from other major commercial banks in the PRC to the Group; and (iii) the interest rate of same type of deposits placed by other members of the SPIC Group with SPIC Financial.

In addition, subject to the above, the applicable interest rate for the amount of the Group's deposit in current account(s) that exceeds RMB100,000, will be 20% higher than, and adjusted according to, the benchmark interest rate for agreements deposits (協定存款基準利率) as published by the PBOC from time to time.

We reviewed the Financial Services Framework Agreement and the Previous Framework Agreement. We note that save as the Annual Cap and effective period, other key terms for Deposit Services under the Financial Services Framework Agreement are similar to deposit services under the Previous Framework Agreement.

As also advised by the Directors, to secure the interests of Shareholders, the Company adopted certain internal control procedures and corporate governance measures (the “**IC Measures**”) for utilizing the financial services provided by SPIC Financial. Details of the IC Measures are set out under the section headed “INTERNAL CONTROL POLICIES AND PROCEDURES” of the Board Letter. Accordingly, we consider that the effective implementation of the IC Measures would help to ensure fair pricing of the Deposit Services according to the pricing policies.

We also discussed with staff of Company's finance department and understood that the finance department's staffs are aware of the IC Measures and will comply with IC Measures when conducting transactions contemplated under the Financial Services Framework Agreement. Having also considered Our Findings on Deposit Rates, we do not doubt the effectiveness of the implementation of the internal procedures for the Deposit Services.

In light of the above factors, we consider that the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

## LETTER FROM GRAM CAPITAL

### Basis of the proposed Annual Cap under the Deposit Services

Pursuant to the Financial Services Framework Agreement, the proposed Annual Cap will not exceed RMB4.2 billion during the three-year term of the Financial Services Framework Agreement.

We noted that the Annual Cap has been determined after taking into account of various factors, details of which are set out under the section headed “PROPOSED ANNUAL CAP AND BASIS OF DETERMINATION” of the Board Letter.

The historical maximum daily deposit balance and the previous annual caps under the Previous Framework Agreement are set out as follows:

Historical transaction amounts	For the period from 7 June 2016 to 31 December 2016 <i>(RMB' billion)</i>	For the year ended 31 December 2017 <i>(RMB' billion)</i>	For the year ended 31 December 2018 <i>(RMB' billion)</i>	For the period from 1 January 2019 to 31 March 2019 <i>(RMB' billion)</i>
	Maximum daily deposit balance (including accrued interests)	1.34	1.99	2.98
Existing annual caps	3.00	3.00	3.00	3.00
Utilisation rate	44.6%	66.3%	99.3%	97.7%

According to the above table, we noted that the existing annual caps were almost fully utilised for the year ended 31 December 2018.

We noted from the 2018 Annual Report that as at 31 December 2018, (i) total amount of Group’s cash and cash equivalents amounted to RMB1.85 billion; and (ii) accounts receivable amounted to RMB2.78 billion. In addition, upon our further enquiry, the Directors advised us that total amount of Group’s cash and cash equivalents and accounts receivable (which will convert into cash if such accounts receivable are settled) amounted to RMB4.03 billion and RMB4.48 billion as at 31 March 2019, being the latest available information immediately prior to the date of Financial Services Framework Agreement. The sum of the aforesaid two items (the “Sum”) amounted to RMB8.51 billion as at 31 March 2019. The Sum (which is larger than the Annual Cap) indicates the Group’s possible demand of deposit services to be provided by commercial banks and SPIC Financial.

Upon our further enquiry, we understood from the Directors that during the year ended 31 December 2018, the Group recorded maximum daily deposit balance (including SPIC Financial and banks) of approximately RMB4.518 billion in Mainland China (excluding brief increases in deposits as a result of the capital injections as mentioned in the Company’s announcements dated 24 October 2018 and 22 November 2018), which is higher than the Annual Cap.

## LETTER FROM GRAM CAPITAL

The Annual Cap of RMB4.2 billion represent an increase of 40% or RMB1.2 billion (the “Increase”) as compared to the existing annual caps of RMB3 billion. To further assess the fairness and reasonableness of the Increase, we summarised the relevant financial information (i) for the year ended 31 December 2018, being the latest available public full-year financial information immediately prior to the date of Financial Services Framework Agreement; (ii) for the year ended 31 December 2015, being the latest available public full-year financial information immediately prior to the date of Previous Framework Agreement. We also listed out the Group’s (a) cash and cash equivalents; and (b) accounts receivable as at 31 March 2019 and 31 March 2016 respectively, being the latest available financial information immediately prior to the date of Framework Agreement and the date of Previous Framework Agreement respectively, as follows:

	<b>For the year ended</b>	<b>For the year ended</b>	<b>Amount</b>	<b>Change</b>
	<b>31 December</b>	<b>31 December</b>	<b>Change</b>	
	<b>2018</b>	<b>2015</b>	<b>(RMB’billion)</b>	
	<i>(RMB’billion)</i>	<i>(RMB’billion)</i>	<i>(RMB’billion)</i>	
<b>Revenue</b>	23.18	20.20	2.98	14.75%
	<b>As at</b>	<b>As at</b>	<b>Amount</b>	<b>Change</b>
	<b>31 March 2019</b>	<b>31 March 2016</b>	<b>Change</b>	
	<i>(RMB’billion)</i>	<i>(RMB’billion)</i>	<i>(RMB’billion)</i>	
<b>Cash and cash equivalents</b>	4.03	2.98	1.05	35.23%
<b>Accounts receivable</b>	4.48	2.10	2.38	113.33%

Based on the above table, we noted that there was a substantial increase in revenue for 2018 (being the latest available public full-year financial information immediately prior to the date of Financial Services Framework Agreement) as compared to that for 2015 (being the latest available public full-year financial information immediately prior to the date of Previous Framework Agreement). There was also a substantial increase in cash and cash equivalents and significant increase in accounts receivable as at 31 March 2019 (being the latest available financial information immediately prior to the date of Framework Agreement) as compared to those as at 31 March 2016 (being the latest available financial information immediately prior to the date of Previous Framework Agreement). As such, we consider that the Increase to be acceptable.

As advised by the Directors, it is difficult to forecast the total cash level for whole period of three years commencing immediately after the effective date. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Annual Cap.

## LETTER FROM GRAM CAPITAL

Having also considered the following factors, including:

- (i) the Sum (which is larger than the Annual Cap) indicates the Group's possible demand of deposit services to be provided by commercial banks and SPIC Financial;
- (ii) during the year ended 31 December 2018, the Group recorded maximum daily deposit balance (including SPIC Financial and banks) of approximately RMB4.518 billion in mainland China (excluding brief increases in deposits as a result of the capital injections as mentioned in the Company's announcements dated 24 October 2018 and 22 November 2018), which is higher than the Annual Cap;
- (iii) the utilisation rates of the annual caps for the year ended 31 December 2018 and for the three months ended 31 March 2019 were 99.3% and 97.7% respectively; and
- (iv) as analysed above, the Increase to be acceptable,

we consider that the Annual Cap, which is the same during the three-year term of the Financial Services Framework Agreement, are fair and reasonable.

### **Listing Rules implication**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Deposit Services must be restricted by the Annual Cap for the period concerned under the Financial Services Framework Agreement; (ii) the terms of the Deposit Services under the Financial Services Framework Agreement must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Financial Services Framework Agreement must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit Services (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps. In the event that the maximum amounts of the Deposit Services are anticipated to exceed the Annual Cap, or that there is any proposed material amendment to the terms of the Financial Services Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the stipulation of the above requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the transactions contemplated under the Financial Services Framework Agreement and hence the interest of the Independent Shareholders would be safeguarded.

## LETTER FROM GRAM CAPITAL

### **Recommendation on the Deposit Services**

Having taken into account that above factors and reasons, we are of the opinion that (i) the Deposit Services are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of Financial Services Framework Agreement relating to the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the GM to approve the Deposit Services and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as disclosed below, no person, not being a Director nor chief executive of the Company, had an interest or short position in the Shares or underlying Shares which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests kept under Section 336 of the SFO.

Name	Capacity	Number of Shares in which interested other than under equity derivatives <sup>(4)</sup>	Percentage of issued share capital of the Company (%)	Long/short position
CPDL	Beneficial owner	2,662,000,000	27.14	Long
Seth Holdings Corporation Limited ("Seth Holdings") <sup>(1)</sup>	Interest of a controlled corporation	2,662,000,000	27.14	Long
CPI Holding <sup>(2)</sup>	Interest of a controlled corporation	2,662,000,000	27.14	Long
SPIC <sup>(3)</sup>	Beneficial owner	2,833,518,060	28.89	Long
	Interest of a controlled corporation	5,495,518,060	56.04	Long

Notes:

- (1) On 28 December 2017, CPDL had made an issue of non-voting convertible preferred shares to Seth Holdings pursuant to an agreement entered into between Seth Holdings, CPI Holding and CPDL. If those non-voting convertible preferred shares were fully converted into ordinary Shares, Seth Holdings would hold approximately 33.48% of the voting rights in CPDL. As a result of the agreement, Seth Holdings became a beneficial owner of CPDL and therefore Seth Holdings is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.
- (2) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.
- (3) SPIC is the beneficial owner of CPI Holding and therefore SPIC is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.
- (4) Save as disclosed above, SPIC, CPI Holding, Seth Holdings and CPDL do not have any interest in the equity derivatives of the Company.



### 3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### 4. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any members of the Group which is subsisting at the date of this circular and which was significant in relation to the business of the Group.

### 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not determinable by the employing company within one year without payment of any compensation other than statutory compensation.

### 6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their close associates had any competing interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of the Director	Position(s) within the Company	Other Interests
Tian Jun	Executive Director and President	Director and general manager of CPI Holding
Guan Qihong	Non-executive Director	Chief capital market officer of SPIC and director of CPI Holding
Wang Xianchun	Non-executive Director	Special duty director and supervisor of SPIC, director of CPI Holding, director of Shanghai Electric Power Co., Ltd. and supervisor of Jilin Electric Power Co., Ltd.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or proposed Directors holding any position as a director or employee of CPDL, CPI Holding or SPIC.

## 7. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion, letter or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Gram Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Gram Capital did not have any shareholding in any members of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

## 8. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or the expert named in paragraph 7 of this appendix had any direct or indirect interest in any assets which have been or were proposed to be, acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

## 9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

## 10. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Cheung Siu Lan, who is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators in the United Kingdom, Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (b) The registered office of the Company is situated at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) Computershare Hong Kong Investor Services Limited, the share registrar of the Company, is located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (d) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 6 June 2019 (both dates inclusive):

- (a) the Financial Services Framework Agreement;
- (b) the Previous Framework Agreement;
- (c) the letter dated 17 May 2019 from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (d) the letter dated 17 May 2019 from Gram Capital, the text of which is set out on pages 19 to 29 of this circular; and
- (e) the written consent given by the Independent Financial Adviser as referred to in the paragraph headed “Expert and Consent” of this appendix.

## NOTICE OF THE GENERAL MEETING



### 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)

**NOTICE IS HEREBY GIVEN** that a general meeting of China Power International Development Limited (the “Company”) will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 6 June 2019 at 11:00 a.m. (the “General Meeting”), for the purposes of considering and, if thought fit, passing with or without modifications the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT**

- (a) the financial services framework agreement dated 30 April 2019 (the “Framework Agreement”) entered into between the Company and SPIC Financial Company Limited\* (國家電投集團財務有限公司) (“SPIC Financial”) (a copy of the Framework Agreement has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification) and the provision of deposit services contemplated under the Framework Agreement and all other matters of and incidental thereto or in connection therewith be and are hereby approved and confirmed;
- (b) the annual cap of the deposit services contemplated under the Framework Agreement, being the maximum daily balance of deposits placed by the Company and its subsidiaries from time to time with SPIC Financial during the term of the Framework Agreement as more particularly set out in the circular of the Company dated 17 May 2019 (a copy of which has been produced to the meeting marked “B” and has been initialled by the chairman of the meeting for the purpose of identification), be and are hereby approved and confirmed; and
- (c) any director(s) of the Company be and is/are hereby authorized for and on behalf of the Company, amongst other matters, to sign, seal, execute, perfect, deliver, do or to authorize signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the Framework Agreement as he/she may in his discretion consider to be desirable and in the interests of the Company.”

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

## NOTICE OF THE GENERAL MEETING

By Order of the Board  
**China Power International Development Limited**  
**Tian Jun**  
*Executive Director*

Hong Kong, 17 May 2019

*Registered Office:*

Suite 6301, 63/F., Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the General Meeting or any adjournment thereof (as the case may be).
3. In the event that a gale warning (tropical cyclone no. 8 or above) or black rainstorm warning is in effect at any time between 9:00 a.m. and 11:00 a.m. on the day of the above meeting, the above meeting will be automatically postponed to a later date. In this event, the Company will, as soon as practicable, post an announcement on its website and on the website of the Stock Exchange to notify the shareholders of the Company that the above meeting has been postponed (however, a failure to post such an announcement shall not affect the automatic postponement of such meeting). The shareholders of the Company may also telephone the Company's hotline on (852) 2862 8688 to enquire whether the meeting has been cancelled. When the date, time and location of the rescheduled meeting has been fixed, the Company will post a further announcement on its website and on the website of the Stock Exchange to notify the shareholders of the Company of the date, time and location of the rescheduled meeting. At least seven clear days' notice shall be given of the rescheduled meeting. The shareholders of the Company should in any event exercise due care and caution when deciding to attend the above meeting in adverse weather conditions.
4. As required by the Listing Rules, the vote will be taken by poll. The chairman of the above meeting will demand a poll on the resolution set out in the notice of the above meeting in accordance with the articles of association of the Company.
5. As at the date of this notice, 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.

***Please note that only light beverages will be served at the General Meeting.***