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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 Framework Agreement

On 1 April 2023, the Company entered into the Entrusted Management Framework Agreement with CPI Holding, SPICOI and SPIC Green Energy, pursuant to which the Company agreed to provide planning, operating and management services to the Entrusted Companies under CPI Holding, SPICOI and SPIC Green Energy for a term of two years and nine months from 1 April 2023 to 31 December 2025.

Pursuant to the Entrusted Management Framework Agreement, the proposed annual caps of management fees payable by CPI Holding, SPICOI and SPIC Green Energy to the Company, in aggregate, for the financial years ending 31 December 2023, 2024 and 2025 shall be RMB110,430,000, RMB125,220,000 and RMB148,030,000, respectively.

CPI Holding, SPICOI and SPIC Green Energy are subsidiaries of SPIC, and SPIC owns approximately 61.06% of the issued share capital of the Company as at the date of this announcement. As SPIC is the ultimate controlling shareholder of the Company, SPIC, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the Entrusted Management Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio in relation to the highest annual cap of the Entrusted Management Framework Agreement exceeds 0.1% but is less than 5%, it is therefore subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 31 March 2020 in relation to the entrusted management agreement entered into between the Company, CPI Holding and SPICOI, which expired on 31 March 2023.

On 1 April 2023, the Company entered into the Entrusted Management Framework Agreement with CPI Holding, SPICOI and SPIC Green Energy, pursuant to which the Company agreed to provide certain management services to the Entrusted Companies under CPI Holding, SPICOI and SPIC Green Energy for a term of two years and nine months with details as set out below.

ENTRUSTED MANAGEMENT FRAMEWORK AGREEMENT

Date

1 April 2023

Parties

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

Effective period

From 1 April 2023 to 31 December 2025

Principal Terms

(1) Services to be provided

Under the Entrusted Management Framework 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:

- (a) corporate planning and development, investment management and annual operating and budget planning;
- (b) electricity sales management, production safety management, fuel procurement management, engineering management, financial management, human resources management, and information technology management; and

- (c) 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 Framework 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:

- (a) management costs that is based on the Installed Capacity of the Entrusted Companies (the “**Management Costs**”);
- (b) a fixed premium set at 10% and 15% of the Management Costs to cover estimated onshore risk and offshore risk, respectively, depending on the location of the Entrusted Companies; and
- (c) 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 term of the Entrusted Management Framework Agreement, the management fees shall be re-determined by the parties after completing each management year with reference to the following factors:

- (a) the inflation rate of the previous year as published by the National Bureau of Statistics of China (中國國家統計局);

- (b) the average percentage increase in salaries of the Company's employees as approved by the Board; and
- (c) 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 immediately following management year (i.e. 1st April each year).

The management fees above were negotiated on arm's length basis between the parties taking into account (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; and (iv) the expected potential benefits of the transaction contemplated under the Entrusted Management Framework Agreement to the Group.

Historical Amounts

The historical amounts and the annual caps of the past transactions with the Entrusting Parties for the years ended 31 December 2020, 2021, 2022 and the three months ending 31 March 2023 are set out below:

Year	Historical amount (RMB '000)	Annual caps⁽¹⁾ (RMB '000)
2020 (nine months)	62,983 (Actual)	89,320
2021 (full year)	91,383 (Actual)	142,580
2022 (full year)	100,810 (Actual)	150,220
2023 (three months)	25,694 (Estimated)	37,550

Note:

1. The annual caps are exclusive of taxes.

Proposed Annual Caps

The proposed annual caps of the transactions with the Entrusting Parties contemplated under the Entrusted Management Framework Agreement for the years ending 31 December 2023, 2024 and 2025 are set out below:

Year	Annual Caps⁽¹⁾ (RMB '000)
2023	110,430 ⁽²⁾
2024	125,220
2025	148,030

Notes:

1. The annual caps are exclusive of taxes.
2. Inclusive of the amount incurred from 1 January 2023 to 31 March 2023.

The aforementioned proposed annual caps were determined by the parties to the Entrusted Management Framework Agreement after discussion and negotiations on an arm's length basis taking into account the following factors:

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

(3) *Undertaking*

The Managing Party has the right of first refusal to acquire the Entrusted Companies under the Entrusted Management Framework 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.

INTERNAL CONTROL MEASURES AND PROCEDURES

As a general principle, the price and terms of the Entrusted Management Framework Agreement was determined in the ordinary and usual course business of the Group, on normal commercial terms or better, negotiated on an arm's length basis, on similar basis as the Group transacts business with other Independent Third Parties.

The pricing policy for the continuing connected transactions of the Company under the Entrusted Management Framework Agreement will be supervised and monitored by relevant personnel and management of the Company to ensure that all continuing connected transactions are conducted on normal commercial terms and in accordance with the pricing policies of the Company and will not be prejudicial to the interests of the Company and its shareholders as a whole. The relevant personnel and management of the Company will conduct regular checks and assess whether the continuing connected transactions contemplated under the Entrusted Management Framework Agreement are conducted in accordance with the terms of the Entrusted Management Framework Agreement. The internal control department of the Company will also regularly review whether the payment received for specific transactions are fair and reasonable and in accordance with the applicable pricing policy. The Audit Committee of the Company will review the continuing connected transactions contemplated under the Entrusted Management Framework Agreement quarterly, and the auditors of the Company will also conduct an annual review on the pricing terms and the annual caps thereof.

REASONS FOR AND BENEFITS OF ENTERING INTO THE ENTRUSTED MANAGEMENT FRAMEWORK AGREEMENT

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

- 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 the power industry in overseas markets, and thereby exploring new development opportunities abroad.
- It will increase the income and profit of the Company and minimize competition with related parties.
- The Entrusted Management Framework 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.

The Board considered that, the terms of the Entrusted Management Framework Agreement and the implementation of the aforementioned internal control measures and procedures can ensure that the transactions contemplated under the Entrusted Management Framework Agreement are no less favourable to the Group than those to Independent Third Parties.

The Directors (including the independent non-executive Directors) are of the view that, as far as the shareholders of the Company are concerned, the Entrusted Management Framework Agreement has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

INFORMATION OF THE COMPANY AND THE GROUP

The Company is the core and flagship listed subsidiary of SPIC. The Group is principally engaged in generation and sales of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and thermal power plants, and provision of energy storage, green power transportation and integrated intelligent energy solution services. Its businesses are located in various major power grid regions of China.

INFORMATION OF THE ENTRUSTING PARTIES

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 and SPIC Green Energy are wholly-owned subsidiaries of SPIC and are principally engaged in development, investment, operation and consultation of overseas nuclear power projects and overseas integrated energy markets.

INFORMATION OF SPIC

SPIC is an investment holding company principally engaged in businesses that cover various sectors, including power, coal, aluminum, logistics, finance, environmental protection and high-tech industries in the PRC and abroad. SPIC, together with its subsidiaries, is an integrated energy group which simultaneously owns thermal power, hydropower, nuclear power and renewable energy resources in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, SPIC owns approximately 61.06% of the issued share capital of the Company. CPI Holding, SPICOI and SPIC Green Energy are subsidiaries of SPIC, and SPIC is the ultimate controlling shareholder of the Company, SPIC, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the Entrusted Management Framework Agreement constitute continuing connected transactions of the Company.

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DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company” or “Managing Party”	China Power International Development Limited (中國電力國際發展有限公司), 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 (中國電力國際有限公司), a company incorporated in Hong Kong with limited liability, the immediate holding 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 shall be entrusted to the Company in accordance with the Entrusted Management Framework Agreement
“Entrusted Management Framework Agreement”	the agreement dated 1 April 2023 entered into by the Company, CPI Holding, SPICOI and SPIC Green Energy, pursuant to which the Company will provide planning, operating and managing services for the power assets of the Entrusted Companies for a term of two years and nine months
“Entrusting Parties”	CPI Holding, SPICOI and SPIC Green Energy
“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 Third Parties”	third parties independent of the Group and its connected persons
“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 investments 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”	國家電力投資集團有限公司(State Power Investment Corporation Limited*), 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”	國家電力投資集團海外投資有限公司 (SPIC Overseas Investment Limited*), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of SPIC
“SPIC Green Energy”	SPIC Green Energy Limited, a company incorporated in Hong Kong with limited liability and a 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 purposes only*

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.88 to HK\$1.00. The translation shall not be taken as representation that 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
HE Xi
Chairman

Hong Kong, 3 April 2023

As at the date of this announcement, the directors of the Company are: executive directors HE Xi and GAO Ping, non-executive directors ZHOU Jie and XU Zuyong, and independent non-executive directors LI Fang, YAU Ka Chi and HUI Hon Chung, Stanley.