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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 under the Companies Ordinance)

(Stock Code: 2380)

CONNECTED TRANSACTION

Contract for Construction of Desulphurization System

The Board announces that Shentou I Power Plant (a subsidiary of the Company) and the Contractor entered into a Contract on 23 September 2011 whereby Shentou I Power Plant engaged the Contractor to construct the Desulphurization System for the Project which involves two new 600 MW super-critical coal-fired power generation units in the Shanxi Province of the PRC. The Contract includes the Desulphurization Master Contract and its three supplemental agreements, namely (1) the Equipment and Material Supply Agreement, (2) Construction and Installation Agreement and (3) Technical Services Agreement for purchase and supply of equipment, materials, parts and tools, construction and installation, and technical advisory and support in relation to the construction of the Desulphurization System for the Project.

The Contractor is a subsidiary of CPI Group. CPI Group is the ultimate controlling shareholder of the Company which is interested in approximately 69% of the issued share capital of the Company. As such, the Contractor is a connected person of the Company as defined in the Listing Rules. Accordingly, the Contract constitutes a connected transaction of the Company under the Listing Rules.

The total fees payable by Shentou I Power Plant to the Contractor for the Contract amount to RMB84,209,040 (equivalent to approximately HK\$102,694,000), when aggregated with the Previous Connected Transactions in relation to the Project (the value under which is RMB79,640,000 (equivalent to approximately HK\$97,122,000)), falls below 5% of the applicable percentage ratios under Rule 14.07 of the Listing Rules. Accordingly, they fall within Rule 14A.32 of the Listing Rules which are subject to announcement and reporting requirements but are exempted from the independent shareholders' approval requirement under the Listing Rules. Details of the above connected transaction will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Contract is entered into in the ordinary course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its shareholders as a whole.

THE DESULPHURIZATION MASTER CONTRACT

Shentou I Power Plant (a subsidiary of the Company) and the Contractor entered into the Desulphurization Master Contract on 23 September 2011 whereby Shentou I Power Plant engaged the Contractor to construct the Desulphurization System for the Project which involves two new 600 MW super-critical coal-fired power generation units in the Shanxi Province of the PRC.

Principal Terms of the Desulphurization Master Contract

Date: 23 September 2011

Parties: Employer: 山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*)
Contractor: CPI Yuanda Environmental-Protection Engineering Co., Ltd

Contracting fees: RMB84,209,040 (equivalent to approximately HK\$102,694,000)

The Desulphurization Master Contract comprised three supplemental agreements, namely (1) the Equipment and Material Supply Agreement, (2) Construction and Installation Agreement and (3) Technical Services Agreement for purchase and supply of equipment, materials, parts and tools, construction and installation, and technical advisory and support in relation to the construction of the Desulphurization System for the Project.

Any changes in labour costs, material costs or any other costs incidental to performance of the Contract during the contracting period, the contracting fees of the Contract shall not be adjusted in any event. All taxes incurred in relation to the Contract shall be borne solely by the Contractor.

The Contractor has to provide a warranty period for the Desulphurization System. Warranty period refers to either one year after the date of issuing of the preliminary certificate of acceptance for the Desulphurization System by the Employer, or twenty-four months after the completion of all the works required under the Contract, whichever the earlier. Upon the expiry of the warranty period, the Employer has to issue a final certificate of acceptance for the Desulphurization System to the Contractor within 15 days. The conditions for the issuance of the final certificate of acceptance are: the Contractor has completed all the replacement/repair or compensation claims (if any) made by the Employer during the warranty period upon its expiry.

If, for reasons caused by the Contractor, resulting in delays in the implementation of the Contract (failure to meet the agreed schedule and quality), the Contractor is required to pay the Employer liquidated damages, in a sum whether single or multiple cumulative total not exceeding 10% of the total contracting fees.

The contracting period commences from the date of signing the Contract and ends on the third day after the date of issuing the final certificate of acceptance for the Desulphurization System by the Employer and the Contractor has fully settled all compensation claims made by the Employer (if any) pursuant to the terms of the Contract.

THE SUPPLEMENTAL AGREEMENTS

1. Equipment and Material Supply Agreement

The contracting fee for the Equipment and Material Supply Agreement is RMB45,800,920 (equivalent to approximately HK\$55,855,000). The Contractor is responsible for the purchase and supply of equipment, materials, parts and tools inclusive of all the packing, loading, transport, on-site safe storage, insurances and taxes involved in the process that are required for the construction of the Desulphurization System of the Project .

2. Construction and Installation Agreement

The contracting fee for the Construction and Installation Agreement is RMB32,684,330 (equivalent to approximately HK\$39,859,000) which consisted of three parts, being RMB10,337,670, RMB13,680,390 and RMB8,666,270 for construction materials, construction work and installation of the Desulphurization System of the Project respectively.

3. Technical Services Agreement

The contracting fee for the Technical Services Agreement is RMB5,723,790 (equivalent to approximately HK\$6,980,000) which consisted of two parts. One part is for the engineering design, technical information, design contact, other costs and expenses which amount to RMB2,573,400. Another part is for testing and running of the Desulphurization System inclusive of the provision of technicians and technical training to the personnel of the Employer which amount to RMB3,150,390.

Principal Payment Terms

Within one month from the date of the Contract, the Employer is required to pay the Contractor 10% of the total contracting fees as an advance payment. The advance payment is an irrevocable performance pledge to carry out the Contract which can be set off against the contracting fees pursuant to terms of each of the Supplemental Agreements.

Apart from the 10% advance payment, the balance of the contracting fees will be payable by installments in accordance with the specific progresses made by the Contractor, verified and confirmed by the Employer pursuant to terms of each of the Supplemental Agreements.

The Contractor is required to provide the Employer a Monthly Project Progress Report (the "MPPR") to record the progress of works done on or before the 25th day of each month. The Contractor will issue a monthly statement and bill the Employer according to the final and mutually agreed MPPR, and payment shall be made by the Employer within 5 working days upon receipt of the monthly statement.

A 5% remaining balance of the contracting fees will be retained as guarantee for quality insurance until the expiry of the warranty period, and upon which this remaining balance will be settled within one month after the Employer has issued the final certificate of acceptance for the Desulphurization System. Any cost of defects will be deducted from the remaining balance.

REASONS AND BENEFITS FOR THE TRANSACTION

The Desulphurization System contract was tendered by invitation through an agent based on the project companies' specialized technological know-how, equipment, facilities, personnel, practical experience with similar construction system and after sales services as the selection criteria. The final contracting fees were determined after arm's length negotiations with reference to the costs involved, the contracting fees charged by the Contractor in other similar projects, and the prevailing rates charged by other contracting companies in comparable projects. The Directors are of the view that such fees and the other terms of the Contract are no less favourable to the Group than the terms available from independent third parties.

The Directors are of the view that the Contractor possesses the relevant experience and expertise in the construction of the desulphurization systems for large scale power generation plants. The Contractor is one of the leading companies in environmental protection systems contracting and engineering companies in the PRC. The Company believes the Contractor is well positioned to ensure the Desulphurization System meets the international standards and ensure its reliable operation. The Contract is necessary for generation of clean energy and this Desulphurization System forms part of the construction of the two new coal-fired power generation units of Shentou I Power Plant which will increase the Group's power generating capacity in the coming future.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Contract is entered into in the ordinary course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its shareholders as a whole.

PRINCIPAL BUSINESS OF THE GROUP AND THE CONTRACTOR

The Company is the listed flagship company outside the PRC of CPI Group. The CPI Group is one of the five national power generation groups in China, and operates power plants of CPI Group spread across 28 provinces, municipalities and autonomous regions in the PRC. CPI Holding is wholly-owned by CPI Group and owns and operates coal-fired and hydroelectric power plants in the PRC. As at the date of this announcement, CPI Group, through CPI Holding and CPDL, owns approximately 69% of the issued share capital of the Company.

The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates high-capacity coal-fired power plants and hydro-power plants. The Company also manages on behalf of its controlling shareholders two other power plants in the PRC.

The Contractor is a subsidiary of CPI Group established in 1999 who is principally engaged in coal-fired power plant flue gas desulphurization, franchise desulphurization and nuclear power environmental protection and other environmental related project contracting, engineering and technical development businesses. It has completed over 100 projects over 26 provinces in the PRC. Its market share is among the top for the desulphurization system construction projects in China. It has won the top ten influential brands of China's environmental protection in innovation technology and various other honours and titles. Its performance is well affirmed by the related Chinese national authorities.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, CPI Group owns approximately 69% of the issued share capital of the Company. As CPI Group is the ultimate controlling shareholder of the Company, CPI Group, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

Since the Contractor is a subsidiary of CPI Group, the Contractor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Contract constitutes a connected transaction of the Company.

The total fees payable by Shentou I Power Plant to the Contractor for the Contract amount to RMB84,209,040 (equivalent to approximately HK\$102,694,000), when aggregated with the Previous Connected Transactions in relation to the Project (the value under which is RMB79,640,000 (equivalent to approximately HK\$97,122,000)), falls below 5% of the applicable percentage ratios under Rule 14.07 of the Listing Rules. Accordingly, they fall within Rule 14A.32 of the Listing Rules which are subject to announcement and reporting requirements but are exempted from the independent shareholders' approval requirement under the Listing Rules. Details of the above connected transaction will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

Save as disclosed in this announcement, the Group does not have any prior transaction with CPI Group and its associates in relation to the Project which requires aggregation under Rule 14A.25 of the Listing Rules.

None of the Directors has material interest in the transaction or is required to abstain from voting on the board resolution.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“Contract”	collectively the Desulphurization Master Contract and the Supplemental Agreements
“Contractor”	CPI Yuanda Environmental-Protection Engineering Co., Ltd, a subsidiary of CPI Group
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding

“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by the State Council of the PRC* (中華人民共和國國務院)
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CPI Group
“Desulphurization Master Contract”	the master contract dated 23 September 2011 entered into between Shentou I Power Plant and the Contractor for purchase and supply of equipment, materials, parts and tools, construction and installation, and technical advisory and support in relation to the construction of the Desulphurization System for the Project
“Desulphurization System”	the purifying system for flue gas desulphurization removing the environmental polluting elements in the process of coal-fired power generation
“Director(s)”	director(s) of the Company
“Employer” or “Shentou I Power Plant”	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*), a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	Megawatt, that is, one million watts. The installed capacity of a power plant is generally expressed in MW
“Previous Connected Transactions”	the connected transactions in relation to the Project dated 29 April 2010 and 26 August 2010, the details of which were set out in the announcements of the Company dated 29 April 2010 and 26 August 2010 respectively
“Project”	the project being carried out by Shentou I Power Plant which involves the construction of two 600 MW super-critical coal-fired power generation units in Ping Lu District, Shou Zhou City, Shanxi, the PRC

“PRC” or “China”	the People’s Republic of China. Geographical references in this announcement to the PRC or China excludes the Special Administrative Regions of Hong Kong and Macau and Taiwan
“RMB”	Renminbi, the lawful currency of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	Three supplemental agreements, namely (1) the Equipment and Material Supply Agreement, (2) Construction and Installation Agreement and (3) Technical Services Agreement dated 23 September 2011 entered into between Shentou I Power Plant and the Contractor under the Desulphurization Master Contract

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.82 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.

By order of the Board
China Power International Development Limited
Li Xiaolin
Chairman

Hong Kong, 23 September 2011

As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Gu Dake, non-executive directors Guan Qihong and Gu Zhengxing, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.