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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)

CONNECTED TRANSACTIONS

Environmental Improvement Contracting Framework Agreement

The Board announces that on 20 October 2016, the Company entered into the Environmental Improvement Contracting Framework Agreement with SPIC pursuant to which the parties agreed that the Employers, subsidiaries of the Company, engaged the Contractors to provide the ultra-low-emission technical upgrade services for their coal-fired power generating units in the PRC in order to comply with the PRC government policy on further enhancing the development of efficient and clean coal-fired power.

SPIC is the ultimate controlling shareholder of the Company which is interested in approximately 55.61% of the issued share capital of the Company. As such, SPIC is a connected person of the Company as defined in the Listing Rules. Accordingly, the transactions contemplated under the Environmental Improvement Contracting Framework Agreement constitute connected transactions of the Company under the Listing Rules.

The total contracting fee payable by the Employers to the Contractors pursuant to the Environmental Improvement Contracting Framework Agreement amounted to RMB314,000,000 (equivalent to approximately HK\$361,000,000). As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Framework Agreement exceed 0.1% but fall below 5%, therefore the transactions are subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 20 October 2016, the Company entered into the Environmental Improvement Contracting Framework Agreement with SPIC pursuant to which the parties agreed that the Employers, subsidiaries of the Company, engaged the Contractors to provide the ultra-low-emission technical upgrade services for their coal-fired power generating units in the PRC in order to comply with the PRC government policy of "Action Plan of the Upgrade and Renovation for Coal-fired Units to Achieve Energy Saving and Emission Reduction 2014-2020 (煤電節能減排升級與改造行動計劃(2014-2020年))" on further enhancing the development of efficient and clean coal-fired power.

ENVIRONMENTAL IMPROVEMENT CONTRACTING FRAMEWORK AGREEMENT

Principal Terms

Date

20 October 2016

Parties

- (i) the Company (representing its subsidiaries, individually the “Employer” or collectively the “Employers”); and
- (ii) SPIC (representing its subsidiaries, individually the “Contractor” or collectively the “Contractors”).

Total contracting fee

RMB314,000,000 (equivalent to approximately HK\$361,000,000)

Any changes in labour costs, material costs or any costs incidental to the performance of ultra-low-emission technical upgrade services during the contracting period, the contracting fees shall maintain the same during the effective period of the Framework Agreement. All taxes incurred in relation to the environmental improvement projects under the Framework Agreement shall be borne and paid by the Contractors according to the relevant tax laws, rules and regulations in the PRC.

Services to be provided by the Contractors

The Contractors have undertaken to provide the works and services including the full range of design, purchase and supply of equipment, materials, parts and tools, construction and installation, transportation, custody and insurance; guidance and supervision, technical advisory and personnel training, system’s performance commissioning, testing and guarantee, and after-sales support in relation to the ultra-low-emission technical upgrade for the Employers’ coal-fired power generating units, and to assume full responsibility for the project quality and maintenance during the warranty period.

Subject to the terms and conditions of the Framework Agreement, each of the Employers has entered or will enter into individual contracting agreement(s) with the Contractor(s) to determine the details of the works and services for the relevant environmental improvement projects to be provided by the Contractor(s).

Warranty and completion

The Contractors have to provide a warranty period for the environmental improvement contracting services. Warranty period refers to either one year after the date of issuing of the preliminary certificate of acceptance for the ultra-low-emission technical upgrade services by the Employers, or twenty-four months after the completion of all the works required under the relevant environmental improvement contracting agreements, whichever the earlier. Upon the expiry of the warranty period, the Employers have to issue a final certificate of acceptance for the relevant environmental improvement contracting services to the relevant 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 Employers during the warranty period upon its expiry.

Payment terms

The Employers shall pay the Contractors the contracting fees by installments in accordance with the specific progresses made by the Contractors through electronic transfer or bank draft.

A 5% remaining balance of the contracting or consulting service 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 environmental improvement contracting services. Any cost of defects will be deducted from the remaining balance.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

The Environmental Improvement Contracting Framework Agreement is necessary for clean energy generation and for compliance with the PRC government policy of ultra-low-emission technical upgrade requirements for coal-fired power plants. Coal-fired power generation enterprises which met the ultra-low-emission requirement standards will be granted appropriate on-grid tariff supported by the PRC government.

The consideration of the Environmental Improvement Contracting Framework Agreement was determined either (i) based on the project companies' specialized technological know-how, equipment, facilities, personnel, practical experience with similar environmental protection construction system and after sales services as the selection criteria through competitive tendering processes; or (ii) with reference to the costs involved, the contracting fees charged by the Contractors in other similar projects, and the prevailing market rates charged by other contracting companies in comparable projects and with not less than three comparable transactions in the same period from independent third parties. The Directors are of the view that such fees and the other terms of the Framework Agreement are no less favourable to the Group than the terms available from independent third parties.

The Directors are of the view that the Contractors possess the relevant experience and expertise in the provision of environmental improvement contracting services for large scale power plants. The Contractors are among the leading companies in environmental protection systems contracting and engineering companies in the PRC. The Company believes the Contractors are well positioned to ensure the environmental improvement contracting services meet the international standards and ensure its reliable operation.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Environmental Improvement Contracting Framework Agreement is entered into in the ordinary course of the business of the Company, on normal commercial terms, 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 Environmental Improvement Contracting Framework Agreement or is required to abstain from voting on the Board resolution.

PRINCIPAL BUSINESS OF THE GROUP AND SPIC

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.

The Company is a core subsidiary of SPIC for conventional energy business. SPIC is the only one integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC. As at the date of this announcement, SPIC owns approximately 55.61% of the issued share capital of the Company through CPI Holding.

INFORMATION ABOUT THE CONTRACTORS

CPI Yuanda Environmental-Protection Engineering Co., Ltd.* is a subsidiary of SPIC established in 1999 which is principally engaged in coal-fired power plant flue gas desulphurization and denitration franchises and environmental pollution control facilities operation and other environmental related project contracting, engineering and technical development businesses. It possesses qualification certificates in engineering design, engineering consulting, commissioning and testing of coal-fired power generating units and environmental engineering contractor in China. Its market share is among the top for the environmental protection system construction projects in China. It previously 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 relevant Chinese authorities.

SPIC Yuanda Environmental-Protection Catalyst Co., Ltd.* is a subsidiary of SPIC established in 2008 which is principally engaged in design, production, sales, research and development of flue gas denitration catalyst, flue gas denitration technical upgrade, denitration system's performance testing, and production and sales of special titanium dioxide for denitration catalyst businesses. It is currently an all-rounded professional manufacturer in the denitration catalyst industry in China. It is an authorized institution for issuing all denitration catalyst performance test reports in China. In 2013, it was recognized as a high-tech enterprise in developing denitration catalyst which was listed as one of the national key new products.

Shanghai Power Equipment Research Institute* is a subsidiary of SPIC established in 1996 which is principally engaged in technological researches of coal-fired power, clean energy and new energy. It possesses qualification certificates in engineering design, equipment and facilities project contracting, supervision and inspection, special equipment design (pressure vessels, pressure piping) and technical consulting for coal-fired power generating and cogenerating units in China. It previously undertook more than five hundred major national and Shanghai municipal scientific and technological research projects, and had won more than a hundred national, ministries and Shanghai municipal key scientific and technological achievements and new product awards.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, SPIC owns approximately 55.61% of the issued share capital of the Company. As SPIC is the ultimate controlling shareholder of the Company, SPIC is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the Environmental Improvement Contracting Framework Agreement constitute connected transactions of the Company under the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Environmental Improvement Contracting Framework Agreement exceed 0.1% but fall below 5%, therefore the transactions are subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“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
“Contractors”	CPI Yuanda Environmental-Protection Engineering Co., Ltd.* (中電投遠達環保工程有限公司), SPIC Yuanda Environmental-Protection Catalyst Co., Ltd.* (國家電投集團遠達環保催化劑有限公司) and Shanghai Power Equipment Research Institute* (上海發電設備成套設計研究院), indirect subsidiaries of SPIC, collectively “Contractors” or individually “Contractor”

“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the controlling company of the Company and a wholly-owned subsidiary of SPIC
“Director(s)”	director(s) of the Company
“Employers”	including but not limited to China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司), Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司), Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司), Huanggang Dabieshan Power Company Limited* (黃岡大別山發電有限責任公司), Wuhu Electric Power Generating Company Limited* (蕪湖發電有限責任公司), Anhui Huaninan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司), Huainan Pingwei No. 2 Electric Power Co., Ltd. (淮南平圩第二發電有限責任公司), Huainan Pingwei No. 3 Electric Power Co., Ltd.* (淮南平圩第三發電有限責任公司) and China Power (Pu'an) Power Generating Company Limited* (中電(普安)發電有限責任公司), subsidiaries of the Company, collectively “Employers” or individually “Employer”
“environmental improvement contracting services”	the environmental improvement projects of ultra-low-emission technical upgrade for coal-fired power generating units in relation to desulfurization, denitration, dedusting and related technical consulting services
“Environmental Improvement Contracting Framework Agreement” or “Framework Agreement”	the framework agreement for engaging the Contractors to provide the environmental improvement contracting services for the coal-fired power generating units of the Employers located in the PRC entered into between the Company and SPIC dated 20 October 2016
“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

“PRC”	the People’s Republic of China. Geographical references in this announcement to the PRC excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SPIC”	State Power Investment Corporation* (國家電力投資集團公司), the ultimate controlling company of the Company, a wholly State-owned enterprise formerly known as China Power Investment Corporation* (中國電力投資集團公司), was approved by the State Council of the PRC* (中華人民共和國國務院) for the consolidation and reorganization with the State Nuclear Power Technology Corporation* (國家核電技術公司) in 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.87 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
Yu Bing
Executive Director

Hong Kong, 20 October 2016

As at the date of this announcement, the directors of the Company are: executive directors Yu Bing and Wang Zichao, non-executive directors Wang Binghua and Guan Qihong, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.