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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 TRANSACTION

EPC Contracting Agreement

On 17 July 2018, Yaomeng Power Plant (a wholly-owned subsidiary of the Company) entered into an EPC Contracting Agreement with Yuanda Waterworks pursuant to which the parties agreed that the Contractor will provide engineering, procurement, construction and installation, and technical support services for the Yaomeng Project.

Yuanda Waterworks is an indirect subsidiary of SPIC. SPIC is the ultimate controlling shareholder of the Company, which is interested in approximately 56.04% of the issued share capital of the Company. As such, Yuanda Waterworks is a connected person of the Company as defined in the Listing Rules. Accordingly, the EPC Contracting Agreement constitutes a connected transaction of the Company under the Listing Rules.

The total consideration payable by Yaomeng Power Plant to Yuanda Waterworks pursuant to the EPC Contracting Agreement amounted to RMB32,112,725 (equivalent to approximately HK\$37,779,676). As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the EPC Contracting Agreement exceed 0.1% but fall below 5%, therefore it is subject to the announcement and reporting requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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EPC CONTRACTING AGREEMENT

Date

17 July 2018

Parties

- (i) Yaomeng Power Plant (as the Employer); and
- (ii) Yuanda Waterworks (as the Contractor).

Subject project

Yaomeng Project which involves the whole plant water desalination replenishment system upgrade for Yaomeng Power Plant to meet the development needs of the corporation and the national environmental requirements for water pollution so as to achieve efficient use of water resources and “zero-emission” of wastewater.

Services to be provided by the Contractor

The Contractor has agreed to provide engineering, procurement, construction and installation, and technical support services for the Yaomeng Project. Such services include surveying, designing (including preliminary design, construction drawing design, production of completion drawing), equipment and material procurement, transportation and custody, construction installation and engineering implementation, supervision of facilities production, commissioning, completion certification (including conducting trial runs, error elimination, assurance acceptance assessment of the whole system’s performance), maintenance of the corresponding technical guidance, technical cooperation, technical training and follow-up services covering the quality warranty period of the entire project.

Consideration

The total consideration under the EPC Contracting Agreement payable by the Employer is the contracting fee of RMB32,112,725 (inclusive of all taxes), which consists of the following components with reference to the various types of services to be provided by the Contractor in relation to the whole plant water desalination replenishment system upgrade:

Fees	Amount (RMB)
Equipment procurement fee	19,632,058
Construction and installation fee	10,783,567
Design fee	1,602,600
Testing fee	94,500
Total	32,112,725

Payment Terms

10% of the total consideration is payable by the Employer within 30 working days after the Contractor's irrevocable surety bond for its due performance of the works under the EPC Contracting Agreement is verified.

For 80% of the total consideration, each type of fees is payable by progress according to their respective payment terms as specified below.

Equipment procurement fee: 70% is payable within 30 working days after the invoice certificate is issued for each batch of equipment arrived; another 10% is within 30 working days after the issuance of the preliminary construction completion acceptance testing certificate.

Construction and installation fee: 80% is payable by month within 30 working days after the invoice certificate for each of the verified stage of construction progress is issued.

Design fee: 40% is payable within 30 working days after the design of the construction drawings and documents are confirmed and delivered; another 40% is payable within 30 working days after the completion drawing documents are confirmed and delivered.

Testing fee: 80% is payable within 30 working days after the issuance of the preliminary construction completion acceptance testing certificate.

The remaining 10% of the total consideration is retained as guarantee for quality insurance which is subject to the Employer's assessment appraisal and is payable within 30 working days after the issuance of the final construction completion acceptance testing certificate. Any cost of defects will be deducted from the said payments as penalty.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

According to the State's environmental protection "12th Five-Year" and "13th Five-Year" plans, enterprises are encouraged to implement water preservation and pollution prevention action plan for wastewater recycling and modification for "zero-emission" of chemical water. It is necessary for Yaomeng Power Plant to carry out the whole plant water desalination replenishment system upgrade to keep up with the environmental protection policy requirements and the corporation needs for development.

The Group awarded the EPC Contracting Agreement to Yuanda Waterworks following a competitive tendering process. The consideration payable under the EPC Contracting Agreement is compatible to the prevailing rates or is at better terms than those charged by other project companies for comparable jobs in the market. The Directors are of the view that the consideration and the terms of the EPC Contracting Agreement are no less favourable to the Group than those available from independent third parties.

The Directors are of the view that Yuanda Waterworks possesses the relevant experience and expertise in the provision of relevant engineering consulting and technical services for large-scale domestic and foreign power plants and ancillary facilities construction projects. The Contractor is among the leading electric power engineering companies in the PRC. Also, the EPC Contracting Agreement is essential to ensure the successful completion of the Yaomeng Project.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the EPC Contracting 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 of the EPC Contracting Agreement or is required to abstain from voting on the related Board resolution.

INFORMATION ON THE GROUP AND YAOMENG POWER PLANT

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.

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.

Yaomeng Power Plant is a wholly-owned subsidiary of the Company established in 2003 which is principally engaged in generation and sales of coal-fired power, production and sales of heat.

INFORMATION ON THE CONTRACTOR

Yuanda Waterworks is an indirect subsidiary of SPIC established in 2001 which is principally engaged in the technical development, design and waterworks related contracting services for municipal sewage, municipal tap water, industrial wastewater, seawater desalination, power industry water treatment and control systems. Yuanda Waterworks possesses the Third Class qualification certificates for construction engineering contractor, environmental engineering professional contractor and construction mechanical and electrical installation professional contractor, a Grade B certified environmental engineering (prevention and control of water pollution projects). It had previously won the National Quality Engineering Award and the China Power Quality Engineering Award awarded by the PRC government.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, SPIC owns approximately 56.04% of the issued share capital of the Company. 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.

As Yuanda Waterworks is an indirect subsidiary of SPIC, Yuanda Waterworks is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the EPC Contracting Agreement constitutes a connected transaction of the Company under the Listing Rules.

The total consideration payable by Yaomeng Power Plant to Yuanda Waterworks pursuant to the EPC Contracting Agreement amounted to RMB32,112,725 (equivalent to approximately HK\$37,779,676). As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the EPC Contracting Agreement exceed 0.1% but fall below 5%, it is therefore subject to the announcement and reporting requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“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
“Director(s)”	director(s) of the Company
“EPC Contracting Agreement”	the agreement in relation to the engineering, procurement, construction and installation, and technical support services for the Yaomeng Project entered into between Yaomeng Power Plant and Yuanda Waterworks dated 17 July 2018
“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” or “China” or “State”	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 Limited* (國家電力投資集團有限公司), the ultimate controlling company 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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yaomeng Power Plant” or “Employer”	Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company
“Yaomeng Project”	the project being carried out by Yaomeng Power Plant which involves the whole plant water desalination replenishment system upgrade
“Yuanda Waterworks” or “Contractor”	SPIC Yuanda Waterworks Company Limited* (國家電投集團遠達水務有限公司), a company incorporated in PRC with limited liability and an indirect subsidiary of SPIC

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.85 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
Chairman

Hong Kong, 17 July 2018

As at the date of this announcement, the directors of the Company are: executive directors Yu Bing and 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.