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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

EPC Contracting Agreements

Zhihui EPC Agreement

On 15 April 2019, CP Zhihui (a wholly-owned subsidiary of the Company) entered into Zhihui EPC Agreement with State Nuclear Institute, pursuant to which the Contractor will provide engineering, procurement and construction services for Zhihui Project for a maximum consideration of RMB23,980,000 (equivalent to approximately HK\$27,884,000).

Shangqiu EPC Agreement

On 15 April 2019, Shangqiu Power Plant (a wholly-owned subsidiary of the Company) entered into Shangqiu EPC Agreement with Yuanda Waterworks, pursuant to which the Contractor will provide engineering, procurement, construction and installation, and technical support services for Shangqiu Project for a consideration of RMB34,500,000 (equivalent to approximately HK\$40,116,000).

The Contractors are indirect subsidiaries 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, the Contractors are connected persons of the Company as defined in the Listing Rules. Accordingly, the EPC Contracting Agreements 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 each of the EPC Contracting Agreements exceed 0.1% but all fall below 5%, they are therefore subject to the announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

ZHIHUI EPC AGREEMENT

Date

15 April 2019

Parties

- (i) CP Zhihui (as the Employer); and
- (ii) State Nuclear Institute (as the Contractor).

Subject project

Zhihui Project involves the construction of a natural gas power co-generating unit of cooling, heating and electricity supply in Beijing City, the PRC.

Services to be provided by the Contractor

The Contractor has agreed to act as the main contractor and provide engineering, procurement and construction services for Zhihui Project. Such services include surveying, designing (including preliminary design, construction drawing design, production of completion drawing), equipment and material procurement, construction installation and engineering implementation, project management, supervision of facilities production, commissioning, completion certification (including conducting trial runs, flaws elimination, assurance acceptance assessment of the whole system's performance), training, handover of production, performance quality assurance and follow-up services covering the quality warranty period of the entire project.

Consideration

The total contracting fee under the Zhihui EPC Agreement payable by the Employer is RMB21,800,000 (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 construction of the natural gas power generating unit:

Fees	Amount (RMB)
Construction and installation fee	7,410,000
Equipment procurement fee	12,360,000
Design and technical service fee	1,880,000
Testing fee	150,000
Total	21,800,000

From the date of signing the Zhihui EPC Agreement, any changes to the project design, procurement content and construction period that have an impact on the contractual obligations of the Contractor in execution of its work under the Zhihui EPC Agreement, the adjustment to the consideration (and subject to the written instruction or notification issued by the Employer) shall not exceed 10% of the total contracting fee, i.e. RMB2,180,000 (equivalent to approximately HK\$2,535,000).

Payment Terms

The Employer shall make an interest-free prepayment to the Contractor equivalent to 10% of the total contracting fee within 1 month after receiving the irrevocable surety bond submitted by the Contractor for its due performance of the works under the Zhihui EPC Agreement.

For the remaining 90% of the total contracting fee, each type of fees is payable by installments according to their respective payment terms as specified below.

Construction and installation fee: is payable by month within 20 days after the invoice is issued upon proof of the construction phase progress has been verified; 3%* is payable within 28 days after one year of the final construction completion date.

Equipment procurement fee: is payable by multiple installments within 30 days after the invoice is issued upon proof of each stage of procurement progress has been verified; 10%* is payable within 28 days after one year of the final construction completion date.

Design and technical service fee: is payable by multiple installments within 30 days after the invoice is issued upon proof of each stage of design progress has been verified; 10%* is payable within 28 days after one year of the final construction completion date.

Testing fee: is payable by multiple installments within 30 days after the invoice is issued upon proof of each stage of commission progress has been verified.

** The Contractor's entitlement to the denoted payments is retained as guarantee for quality assurance which is subject to the Employer's assessment appraisal. Any cost of defects will be deducted from the denoted payments as penalty.*

SHANGQIU EPC AGREEMENT

Date

15 April 2019

Parties

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

Subject project

Shangqiu Project involves the advanced system engineering for wastewater desulfurization treatment of Shangqiu Power Plant located in Henan Province, the PRC.

Services to be provided by the Contractor

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

Consideration

The total contracting fee under the Shangqiu EPC Agreement payable by the Employer is RMB34,500,000 (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 advanced system engineering for wastewater desulfurization treatment:

Fees	Amount (RMB)
Construction and installation fee	8,322,800
Equipment procurement fee	24,977,200
Design fee	700,000
Testing fee	500,000
Total	34,500,000

Payment Terms

The Employer shall make an interest-free prepayment to the Contractor equivalent to 10% of the total contracting fee within 30 working days after receiving the irrevocable surety bond submitted by the Contractor for its due performance of the works under the Shangqiu EPC Agreement.

For the remaining 90% of the total contracting fee, each type of fees is payable by installments according to their respective payment terms as specified below.

Construction and installation fee: is payable by month within 30 working days after the invoice is issued upon proof of the construction phase progress has been verified; 3%* is payable within 30 working days after the issuance of the final construction completion acceptance testing certificate.

Equipment procurement fee: 70% is payable within 30 working days after the invoice is issued upon proof of each batch of equipment has been delivered; 10% is payable within 30 working days after the issuance of the preliminary construction completion acceptance testing certificate; 10%* is payable within 30 working days after the issuance of the final construction completion acceptance testing certificate.

Design fee: 40% is payable within 30 working days after the design of the construction drawings and documents have been confirmed and delivered; 40% is payable within 30 working days after the completion drawing documents have been confirmed and delivered; 10%* is payable within 30 working days after the issuance of the final construction completion acceptance testing certificate.

Testing fee: 80% is payable within 30 working days after the issuance of the preliminary construction completion acceptance testing certificate; 10%* is payable within 30 working days after the issuance of the final construction completion acceptance testing certificate.

** The Contractor's entitlement to the denoted payments is retained as guarantee for quality assurance which is subject to the Employer's assessment appraisal. Any cost of defects will be deducted from the denoted payments as penalty.*

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

Zhihui Project

As the Company's first investment in natural gas power project co-generating of cooling, heating and electricity supply in the PRC, Zhihui Project is aligning with the implementation of Beijing City's "13th Five-Year Plan for Energy Development" (北京市《「十三五」能源發展規劃》) and the national industrial policy guidance for development of comprehensive intelligent energy in China. Zhihui Project is significant to the Group in the development of efficient application of multiple energy intelligent systems and the integration development of renewable energy and conventional energy.

Shangqiu Project

According to the State's environmental protection "12th Five-Year" and "13th Five-Year" plans (國家環境保護「十二五」及「十三五」規劃), 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 Shangqiu Power Plant to carry out the advanced system engineering for wastewater desulfurization treatment in order to keep up with the national environmental protection policy requirements and the development needs of the corporation.

The Group awarded each of the relevant EPC Contracting Agreements to State Nuclear Institute and Yuanda Waterworks respectively following a stringent competitive tendering process. The consideration payable for each of the EPC Contracting Agreements 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 Agreements are no less favourable to the Group than those available from independent third parties.

The Directors recognize that State Nuclear Institute possesses the relevant experience and expertise in the provision of relevant main contractor services for large-scale power plants and ancillary facilities construction projects while Yuanda Waterworks possesses the relevant experience and expertise in the provision of relevant engineering consulting and technical services for large-scale power plants and ancillary facilities construction projects at home and abroad. State Nuclear Institute and Yuanda Waterworks are both among the leading electric power engineering companies in the PRC. More importantly, the EPC Contracting Agreements are essential to ensure the successful completion of Zhihui Project and Shangqiu 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 Agreements are entered into in the ordinary course of 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 EPC Contracting Agreements or is required to abstain from voting on the related Board resolution.

INFORMATION ON THE GROUP AND EMPLOYERS

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) 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.

CP Zhihui is a wholly-owned subsidiary of the Company established in 2017 which is principally engaged in power supply and operation of natural gas.

Shangqiu Power Plant is a wholly-owned subsidiary of the Company established in 2010 which is principally engaged in generation and sales of coal-fired power, production and sales of heat.

INFORMATION ON THE CONTRACTORS

State Nuclear Institute is an indirect subsidiary of SPIC established in 1994 which is principally engaged in providing electric power engineering consulting, services for project construction, electric power technology and engineering equipment import and export. State Nuclear Institute possesses comprehensive Grade A qualification certificates in engineering design, engineering survey, engineering consulting. It has been ranked as one of the forefront companies among the “National Survey and Design Comprehensive Strength 100 Institutes” of the Chinese power industry for the past many years.

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 its 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 and 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 the Contractors are indirect subsidiaries of SPIC, the Contractors are therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the EPC Contracting Agreements 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 each of the EPC Contracting Agreements exceed 0.1% but all fall below 5%, they are therefore 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
“Contractor(s)”	State Nuclear Institute when referring to the Zhihui EPC Agreement, and Yuanda Waterworks when referring to the Shangqiu EPC Agreement, collectively the “Contractors” and individually the “Contractor”

“CP Zhihui”	Zhongdian Zhihui Comprehensive Energy Limited* (中電智慧綜合能源有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Employer(s)”	CP Zhihui when referring to the Zhihui EPC Agreement, and Shangqiu Power Plant when referring to the Shangqiu EPC Agreement, collectively the “Employers” and individually the “Employer”
“EPC Contracting Agreements”	Zhihui EPC Agreement and Shangqiu EPC Agreement
“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”	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
“Shangqiu EPC Agreement”	the agreement in relation to the engineering, procurement, construction and installation, and technical support services for Shangqiu Project entered into between Shangqiu Power Plant and Yuanda Waterworks dated 15 April 2019
“Shangqiu Power Plant”	China Power (Shang Qiu) Cogeneration Company, Limited* (中電(商丘)熱電有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company
“Shangqiu Project”	the project being carried out by Shangqiu Power Plant which involves the advanced system engineering for wastewater desulfurization treatment

“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)
“State Nuclear Institute”	State Nuclear Electric Power Planning Design & Research Institute Company Limited* (國核電力規劃設計研究院有限公司), a company incorporated in PRC with limited liability and an indirect subsidiary of SPIC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuanda Waterworks”	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
“Zhihui EPC Agreement”	the agreement in relation to the engineering, procurement and construction services for Zhihui Project entered into between CP Zhihui and State Nuclear Institute dated 15 April 2019
“Zhihui Project”	the project being carried out by CP Zhihui which involves the construction of a natural gas power co-generating unit of cooling, heating and electricity supply in Beijing City, the PRC

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.86 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.

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

Hong Kong, 15 April 2019

As at the date of this announcement, 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.