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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 16 August 2021, Yaomeng Power Plant (a wholly-owned subsidiary of the Company) entered into an EPC Contracting Agreement with SPER Institute, pursuant to which SPER Institute will provide engineering, procurement, construction and installation, and commissioning and training services for the Yaomeng Upgrade Project.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SPIC owns approximately 60.04% of the issued share capital of the Company and 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 Contractor is an indirect subsidiary of SPIC, the Contractor 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 consideration payable for the EPC Contracting Agreement is RMB30,484,000 (equivalent to approximately HK\$36,727,800), certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 0.1% but fall below 5%, the EPC Contracting Agreement 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.

BACKGROUND

Pursuant to the "Notice in relation to Further Deepening the Construction of Henan Electric Auxiliary Service Market" (《關於進一步深化河南電力輔助服務市場建設工作的通知》) issued by Henan Regulatory Office of National Energy Administration in March 2021, stricter

requirements have been posed to the operation flexibility and power peak shaving capability of the coal-fired power generating units, and an adjusted and refined “tiered” compensation mechanism have been further introduced for the in-depth power peak shaving transactions. The greater the participation of coal-fired generating units in the power peak shaving, the more on-grid tariff subsidies they will be entitled to receive. Those power plants which fail to participate in the in-depth power peak shaving will be required to share the service costs instead.

With an aim to improve the adaptability of existing power generating units and maintain market competitiveness, Yaomeng Power Plant which located in Henan Province, would carry out the flexibility retrofitting works to its two 630MW coal-fired power generating units. The Company thus launched an open tender through the procurement and bidding platform and networks in the PRC to select the appropriate service contractor for the Yaomeng Upgrade Project that meets the qualification requirements.

THE EPC CONTRACTING AGREEMENT

Date

16 August 2021

Parties

- (i) Yaomeng Power Plant (as the Employer); and
- (ii) SPER Institute (as the Contractor).

Subject work

The Yaomeng Upgrade Project involves the flexibility retrofit of boilers, their ancillary equipment, and the control and protection system in order to realize a continuous and stable operation of the power generating units with the load adjusting capability for in-depth power peak shaving.

Services to be provided by the Contractor

The Contractor has agreed to act as the main contractor for the Yaomeng Upgrade Project and will provide engineering, designing (including preliminary design, construction drawing design, completion drawing production), manufacturing, procurement of equipment and parts, construction, installation and supervision, transportation and custody, commissioning, completion certification (including conducting trial runs, error elimination, assurance acceptance assessment of the whole system’s performance), training, technology and follow-up services covering the warranty period of the entire project.

Consideration

The total contracting fee under the EPC Contracting Agreement payable by the Employer is RMB30,484,000 (inclusive of all taxes), which consists of the following components.

Fees	Amount (RMB)
Equipment fee	20,840,000
Installation fee	7,206,000
Design fee	848,000
Commissioning and other services fees [^]	1,590,000
Total	30,484,000

[^] Other services fees include various fees for the Contractor's technical staff and the training fees provided to the Employer's technical staff by the Contractor.

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 and verifying the irrevocable surety bond submitted by the Contractor for its due performance of the works under the EPC Contracting Agreement. Upon the completion of 90% of the Yaomeng Upgrade Project, the Employer can offset the prepayment from the installation fee.

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

Equipment fee: 70% is payable within 30 working days after the verification of each batch of equipment (including components and materials) that have been delivered as scheduled; 10% is payable within 30 working days after the completion of the delivery of all equipment, engineering installation, and the issuance of the preliminary acceptance certificate; the remaining 10%[#] is retained as guarantee for quality assurance and payable within 45 working days after the issuance of the final acceptance certificate.

Installation fee: Up to 90% is payable within 30 working days after the verification of the monthly construction progress; the remaining 10%[#] is retained as guarantee for quality assurance and payable within 45 working days after the issuance of the final acceptance certificate.

Design fee: 30% is payable within 30 working days after the preliminary design drawing is verified and confirmed; 30% is payable within 30 working days after the construction drawing is verified and confirmed; 30% is payable after the completion drawing is verified and confirmed.

Commissioning and other services fees: 80% is payable within 30 working days after all equipment has passed the acceptance inspection and the issuance of the preliminary acceptance certificate; the remaining 10%[#] is retained as guarantee for quality assurance and payable within 45 working days after the issuance of the final acceptance 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 TRANSACTION

Pursuant to the “Notice in relation to Further Deepening the Construction of Henan Electric Auxiliary Service Market” (《關於進一步深化河南電力輔助服務市場建設工作的通知》) issued by Henan Regulatory Office of National Energy Administration in March 2021, the power peak shaving capability of the coal-fired power generating units of Yaomeng Power Plant will be enhanced upon the completion of the Yaomeng Upgrade Project, and will therefore allow its entitlement to the favourable on-grid tariff subsidies by participating in the in-depth power peak shaving mechanism.

The Group awarded the EPC Contracting Agreement to SPER Institute following a stringent competitive open market tendering process, through the procurement and bidding platform and networks in the PRC, including China Public Service Platform for Tendering and Bidding* (中國招標投標公共服務平台), China Procurement and Bidding Network* (中國採購與招標網) and China Electric Power Equipment Information Network* (中國電力設備信息網). The consideration payable for 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 recognize that SPER Institute is among the leading electric power engineering companies in the PRC, it 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. More importantly, the EPC Contracting Agreement is essential to ensure the successful completion of the Yaomeng Upgrade 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 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 EPC Contracting Agreement or is required to abstain from voting on the related Board resolution.

INFORMATION OF THE GROUP AND THE EMPLOYER

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) is one of the five major electricity generation groups and 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 was established in 2003 and is a wholly-owned subsidiary of the Company. It is principally engaged in generation and sales of coal-fired power.

INFORMATION OF THE CONTRACTOR

SPER Institute was established in 1996 and is an indirect subsidiary of and ultimately controlled by SPIC. It is mainly engaged in research on commonality and key application technologies in three major areas of coal-fired power, clean energy (nuclear power, gas turbine power generation) and new energy. SPER Institute holds the Grade B qualifications for Coal-fired Power Generation Specialty, Environmental Engineering Design (Air Pollution Prevention and Control Projects) and a Grade 3 qualification for Construction Mechanical and Electrical Installation Engineering Professional Contracting. In addition, it was also awarded as Shanghai Innovative Enterprise and Shanghai Intellectual Property Model Enterprise.

SPIC is principally engaged in investment holding, electricity generation and sales, and provision of various energy related services, including but not limited to EPC contracting, project planning, survey, design and consulting, trading and manufacturing of materials and equipment required by power plants, and their related operational management, research and development in the PRC and overseas countries.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, SPIC owns approximately 60.04% of the issued share capital of the Company and 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.

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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”	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 dated 16 August 2021 entered into between Yaomeng Power Plant and SPER Institute in relation to the Yaomeng Upgrade Project

“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
“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
“SPER Institute” or “Contractor”	Shanghai Power Equipment Research Institute Co., Ltd* (上海發電設備成套設計研究院有限責任公司), a company incorporated in PRC with limited liability and an indirect subsidiary of SPIC
“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), 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)
“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 the PRC with limited liability and a wholly-owned subsidiary of the Company
“Yaomeng Upgrade Project”	the flexibility retrofit of boilers, their ancillary equipment, and the control and protection system of the two 630MW power generating units of Yaomeng Power Plant

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.83 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
HE Xi
Chairman

Hong Kong, 16 August 2021

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