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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

Formation of a Joint Venture

On 1 June 2017, Yantai Energy Investment (a wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with Shandong Energy and Guorui New Energy, pursuant to which the parties agreed to form a Joint Venture in Shandong Province of the PRC.

Pursuant to the Joint Venture Agreement, the registered capital of the Joint Venture is RMB800,000,000 (equivalent to approximately HK\$919,500,000) which shall be contributed by Yantai Energy Investment, Shandong Energy and Guorui New Energy for the amounts of RMB336,000,000, RMB384,000,000 and RMB80,000,000 respectively, representing 42%, 48% and 10% of their respective equity interests in the Joint Venture.

Shandong Energy is a subsidiary of SPIC. 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, Shandong Energy is a connected person of the Company as defined in the Listing Rules. Accordingly, the formation of the Joint Venture constitutes a connected transaction 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 formation of the Joint Venture 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.

INTRODUCTION

On 1 June 2017, Yantai Energy Investment (a wholly-owned subsidiary of the Company) entered into the Joint Venture Agreement with Shandong Energy and Guorui New Energy, pursuant to which the parties agreed to form a Joint Venture in Shandong Province of the PRC.

PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT

Date

1 June 2017

Parties

- (i) Yantai Energy Investment;
- (ii) Shandong Energy; and
- (iii) Guorui New Energy.

The Joint Venture

SPIC Muping Energy Development Company Limited* (國家電投集團牟平能源發展有限公司)

Scope of Business

The Joint Venture's strategy plan is to develop, construct, invest and operate offshore wind power generation, onshore wind power generation, photovoltaic power generation, integrated intelligent energy and other energy projects in Shandong Province of the PRC. Subject to the final approval by the relevant governmental authorities of the PRC, the business scope of the Joint Venture includes (but not limited to):

- (a) investment, development, construction, operation, production and management of projects related to power, electricity and heat energy supply;
- (b) construction contracting and construction project management and supervision;
- (c) construction supervision, trial run and maintenance of power generation ancillary facilities, machinery and equipment;
- (d) project construction tender handling and agency services for purchasing machinery, equipment and materials (including import and export of related goods and technology);
- (e) technical development, technical consultation and technical services related to power, electricity and heat energy supply;
- (f) advisory services for electricity and related business; and
- (g) sales and distribution of electricity and heat supply.

The Joint Venture may revise its business scope by revising its articles of association and should apply for relevant governmental registration approval.

Registered Capital and Total Investment

The registered capital and the total investment of the Joint Venture are RMB800,000,000 (equivalent to approximately HK\$919,500,000) and RMB2,400,000,000 (equivalent to approximately HK\$2,758,600,000) respectively. According to the Joint Venture Agreement, none of the JV Partners has obligation to the total investment (other than the registered capital) and there is no specific date or any provision in the Joint Venture Agreement on how the balance of the investment amount shall be financed. In addition, the JV Partners have no other commitments for the Joint Venture other than the registered capital.

The JV Partners at present have planned to invest in an offshore wind power generation project with planned installed capacity of 252MW in Muping District, Yantai City of Shandong Province. The timing and method of financing such project shall be determined by the board of directors of the Joint Venture based on the then market conditions.

Capital Contribution

The JV Partners will pay up their respective contributions to the registered capital of the Joint Venture as follows:

JV Partner	Form of contribution	Amount of contribution (RMB)	Interest in the Joint Venture (%)
Yantai Energy Investment	Cash in US\$ or HK\$	336,000,000	42
Shandong Energy	Cash in RMB	384,000,000	48
Guorui New Energy	Cash in RMB	80,000,000	10
Total		800,000,000	100

The contribution of the JV Partners will be made in stages based on the actual construction progress of the projects to be handled by the Joint Venture. The timing and amount of the first instalment of the contribution will be determined by the board of directors of the Joint Venture.

The above capital needs of the Joint Venture were determined by the JV Partners after arm’s length negotiation and taking into account the development plan of the Joint Venture. The capital contribution by Yantai Energy Investment to the Joint Venture will be funded by the internal resources of the Group and external financing.

Board of Directors and the Supervisor

The board of directors of the Joint Venture will comprise five directors, among which two directors will be nominated by Yantai Energy Investment, two directors will be nominated by Shandong Energy and one director will be nominated by Guorui New Energy. The chairman of the board of directors of the Joint Venture will be nominated by Shandong Energy while the vice chairman of the board of directors of the Joint Venture will be nominated by Yantai Energy Investment.

There will be no supervisory committee of the Joint Venture. The Joint Venture will have one supervisor nominated by Shandong Energy.

Profit sharing

Upon approval by the board of directors of the Joint Venture, distributable profit of the Joint Venture may be distributed to the JV Partners in proportion to their actual capital contribution made to the Joint Venture.

Transfer of equity interests

If any JV Partner proposes to transfer any part or all of its equity interest in the Joint Venture to any person other than another JV Partner, the consent of the other JV Partners and the approval or filing with the relevant governmental authorities will be required. Any other JV Partners who do not consent to the transfer shall purchase the equity interest proposed to be transferred and those who do not so purchase are deemed to have consented to the proposed transfer.

Transfer of equity interest of the Joint Venture will be subject to the first right of refusal by the other JV Partners.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The investment in the Joint Venture allows the Group to develop its business into the area of offshore wind power, and can assist the Group to establish its market position in the Shandong Province of the PRC by expanding its scale of operations and the layout of its projects in that area. Shandong Energy has a solid foundation and prospect in the development of clean energy in the Shandong Province. The Group considers the opportunity to jointly invest with Shandong Energy will enable the Group to leverage on its advantage in that area and will accelerate the business progress of the Joint Venture.

The Directors (including the independent non-executive Directors) are of the view that, as far as the shareholders of the Company are concerned, the Joint Venture Agreement is entered into in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

None of the Directors has material interest in the Joint Venture Agreement or is required to abstain from voting on the relevant Board resolutions.

INFORMATION ON THE JV PARTNERS

Yantai Energy Investment is a wholly-owned subsidiary of the Company. The Company is a core subsidiary of SPIC for conventional energy business. The 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.

Shandong Energy is a wholly-owned subsidiary of SPIC and is principally engaged in the development and operations of green, low-carbon clean energy in the Shandong Province. Shandong Energy and its subsidiaries are engaged in investment and development of projects related to onshore and offshore wind power generation, photovoltaic power generation and comprehensive intelligent energy, etc.

Guorui New Energy is a wholly-owned subsidiary of Guorui Energy and is principally engaged in (i) building construction and operational management of wind, solar, waste and biological power generation projects; (ii) design, sale and technical services related to wind and solar power generation equipment; and (iii) advisory and quotation services for power-related construction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Guorui New Energy, Guorui Energy and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company (save for the fact that Guorui Energy and Guorui New Energy hold minority interests in certain subsidiaries of SPIC (other than the members of the Group) as at the date of this announcement).

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, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

As Shandong Energy is a subsidiary of SPIC, Shandong Energy is therefore a connected person of the Company as defined in the Listing Rules. Accordingly, the formation of the Joint Venture constitutes a connected transaction of the Company under of the Listing Rules.

As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the formation of the Joint Venture 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
“Group”	the Company and its subsidiaries from time to time
“Guorui Energy”	Shandong Guorui Energy Group Limited* (山東國瑞能源集團有限公司), a company incorporated in PRC with limited liability
“Guorui New Energy”	Shandong Guorui New Energy Company Limited* (山東國瑞新能源有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of Guorui Energy
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture”	SPIC Muping Energy Development Company Limited* (國家電投集團牟平能源發展有限公司), a company incorporated in PRC with limited liability pursuant to the Joint Venture Agreement, the name of which shall be subject to the approval of relevant PRC governmental authority
“Joint Venture Agreement”	the joint venture agreement dated 1 June 2017 entered into between Yantai Energy Investment, Shandong Energy and Guorui New Energy in relation to the establishment of the Joint Venture
“JV Partners”	the party(ies) to the Joint Venture Agreement, namely Yantai Energy Investment, Shandong Energy and/or Guorui New Energy
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MW”	megawatt, that is, one million watts
“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
“Shandong Energy”	SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of SPIC
“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
“Yantai Energy Investment”	China Power (Yantai) Energy Investment Limited* (中電(煙台)能源投資有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company

* *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, 1 June 2017

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 Yau Ka Chi.