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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 11 December 2018, CP Changshu (a wholly-owned subsidiary of the Company) entered into an EPC Contracting Agreement with Shandong Institute pursuant to which the parties agreed that the Contractor will provide engineering, procurement, construction and installation services for the Changshu Project.

Shandong Institute 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, Shandong Institute 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 maximum consideration payable by CP Changshu to Shandong Institute pursuant to the EPC Contracting Agreement amounted to RMB394,681,902 (equivalent to approximately HK\$448,502,000). 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

11 December 2018

Parties

- (i) CP Changshu (as the Employer); and
- (ii) Shandong Institute (as the Contractor).

Subject project

The Changshu Project involves the construction of two gas-fired power and heat co-generating units with installed capacity of 100MW each in Changshu City, Jiangsu Province of the PRC.

Services to be provided by the Contractor

The Contractor has agreed to act as the main contractor and provide engineering, procurement (excluding main generator component and ancillary apparatus), construction and installation services for the Changshu 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, error 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 EPC Contracting Agreement payable by the Employer is RMB358,801,729 (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 two gas-fired power and heat co-generating units:

Fees	Amount (RMB)
Construction and installation fee	201,110,241
Equipment procurement fee	129,272,488
Survey and design fee	5,000,000
Miscellaneous fee	23,419,000
Total	358,801,729

From the date of signing the EPC Contracting Agreement, as a result of any changes to the project design, procurement content, construction period, and the laws and regulations that have an impact on the contractual obligations of the Contractor in execution of its work under the 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 under the Agreement, i.e. RMB35,880,173 (equivalent to approximately HK\$40,773,000).

Payment Terms

The Employer shall make an interest-free prepayment to the Contractor equivalent to 10% of the total contracting fee within 42 days after receiving the irrevocable surety bond submitted by the Contractor for its due performance of the works under the EPC Contracting Agreement.

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

Construction and installation fee: is payable by month within 28 days after the invoice certificate for the verified stage of construction progress is issued; 3%* is payable with 28 days after one year of the handover of production for the second generating units.

Equipment procurement fee: is payable by month within 28 days after the invoice certificate is issued according to the proportion of the agreed total purchase order has been completed; 10%* is payable with 28 days after one year of the handover of production for the second generating units.

Survey and design fee: is payable by multiple installments within 30 days after the invoice certificate for each of the verified stage of design progress is issued.

Miscellaneous fee: is payable by multiple installments within 30 days after the invoice certificate for each of the verified stage of construction progress is issued.

** The Contractor's entitlement to the denoted payments is retained as guarantee for quality insurance 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

As the Company's first investment in natural gas power and heat co-generation project in the PRC, the Changshu Project is aligning with the national industrial policy guidance in respect of the power industry. It is of a strategic significance to the Company in response to the implementation of national "13th Five-year Plan for Natural Gas Development" and the development of clean energy in China. In addition, the Changshu Project is located in Changshu City, Jiangsu Province, being a national economic development zone and is designated by the local government to provide efficient and environmental-friendly centralized heating energy for different industries in the southeast region of Changshu City, which will assure the economic benefits of CP Changshu in the coming future.

The Group awarded the EPC Contracting Agreement to Shandong Institute 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 Shandong 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. 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 Changshu 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 CP CHANGSHU

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 Changshu is a wholly-owned subsidiary of the Company established in 2017 which is principally engaged in generation and sales of electricity, production and sales of heat.

INFORMATION ON THE CONTRACTOR

Shandong Institute is an indirect subsidiary of SPIC established in 1998 which is principally engaged in providing electric power engineering consulting and project construction services. Shandong 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.

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 Shandong Institute is an indirect subsidiary of SPIC, Shandong Institute 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 maximum consideration payable by CP Changshu to Shandong Institute pursuant to the EPC Contracting Agreement amounted to RMB394,681,902 (equivalent to approximately HK\$448,502,000). 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
“Changshu Project”	the project being carried out by CP Changshu which involves the construction of two gas-fired power and heat co-generating units with installed capacity of 100MW each in Changshu City, Jiangsu Province of the PRC
“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
“CP Changshu” or “Employer”	China Power Changshu Cogeneration Company Limited* (中電常熟熱電有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“EPC Contracting Agreement” or “Agreement”	the agreement in relation to the engineering, procurement, construction and installation services for the Changshu Project entered into between CP Changshu and Shandong Institute dated 11 December 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
“MW”	megawatt, that is, one million watts (the installed capacity of power plants are generally expressed in MW)
“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
“Shandong Institute” or “Contractor”	Shandong Power Engineering Consulting Institute Company Limited* (山東電力工程諮詢院有限公司), 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 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

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.88 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, 11 December 2018

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.