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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

On 21 October 2019, CP Chaoyang (a wholly-owned subsidiary of the Company) entered into three separate EPC Contracting Agreements with the Contractors pursuant to which the parties agreed that the Contractors will provide engineering, procurement, construction and installation, and technical support services for the relevant tender lots of the Chaoyang Project.

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 Transactions constitute connected transactions of the Company under the Listing Rules.

The aggregate total consideration payable for the EPC Contracting Agreements amounted to RMB433,922,206 (equivalent to approximately HK\$482,136,000). As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transactions (as aggregated) exceed 0.1% but fall below 5%, the Transactions 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.

The Board announces that CP Chaoyang (a wholly-owned subsidiary of the Company) entered into three separate EPC Contracting Agreements with the Contractors on 21 October 2019 in relation to the provision of engineering, procurement, construction and installation, and technical support services for the relevant tender lots of the Chaoyang Project.

EPC CONTRACTING AGREEMENTS

The three EPC Contracting Agreements involve the construction for three tender lots of a photovoltaic power station for the Group in Liaoning Province of the PRC, the details are as follows.

Principal terms of the three EPC Contracting Agreements

Date

21 October 2019

Subject project

Chaoyang Project, as one of the approved first batch of photovoltaic power grid parity demonstration projects without government subsidies in China, involves the construction of a photovoltaic power station with planned installed capacity of 500MW in Chaoyang City, Liaoning Province, the PRC. It is the first single largest scale of photovoltaic power grid parity project, covering a vast area of twelve townships in Chaoyang City, and is divided into several lots for tender.

Parties and tender lots

(1) Third tender lot

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

(2) Fifth tender lot

- (i) CP Chaoyang (as the Employer); and
- (ii) CPI Engineering (as the Contractor).

(3) Sixth tender lot

- (i) CP Chaoyang (as the Employer); and
- (ii) CPI Engineering (as the Contractor).

Services to be provided by the Contractors

The Contractors have agreed to act as the main contractor and provide engineering, procurement and construction services for the development and construction for the relevant tender lots of the Chaoyang Project. Such services include surveying, designing (including preliminary design, construction drawing design, completion drawing production), 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, technical services and follow-up services covering the quality warranty period of the entire project.

Considerations

(1) Third tender lot

Contracting fee: RMB140,249,200 (equivalent to approximately HK\$155,832,000) (inclusive of all taxes)

(2) Fifth tender lot

Contracting fee: RMB136,012,208 (equivalent to approximately HK\$151,125,000) (inclusive of all taxes)

(3) Sixth tender lot

Contracting fee: RMB157,660,798 (equivalent to approximately HK\$175,179,000) (inclusive of all taxes)

Payment Terms

The contracting fee of each of the EPC Contracting Agreements is payable by instalments, of which: (i) 10% as prepayment will be payable within 1 month after receiving the irrevocable surety bond submitted by the Contractor for its due performance of the works under the EPC Contracting Agreement; (ii) 85% will be payable at the various stages of the construction works; and (iii) the remaining 5% will be retained as guarantee for quality assurance which is subject to the Employer's assessment appraisal and is payable within 30 days after the expiration of the defects liability period (i.e. 24 months from the issuance of the construction completion acceptance testing certificate after the completion of the works). Any cost of defects will be deducted from the said payments as penalty.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

Chaoyang Project is of strategic significance to the Company as it is one of the approved first batch of "Grid Parity" photovoltaic power demonstration projects without subsidies promulgated by the National Energy Administration in China. In alignment with this national power industry policy, the relevant local governments will provide preferential land lease incentives, reduce project site-related costs, and coordinate project construction and power consumption for these projects. In addition, pursuant to the "Notice on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》)", the power grid companies will prioritize the power generation, ensure protective buyouts of all the power generated, and guarantee a fixed tariff for the grid parity projects for at least 20 years. It is expected that the Chaoyang Project will bring stable income and sound economic benefits to the Company, and will play an exemplary and leading role in the market.

The Group awarded the three EPC Contracting Agreements to State Nuclear Institute and CPI Engineering respectively following a stringent and competitive tendering process. The consideration payable for each of the three EPC Contracting Agreements is compatible to the prevailing rates or at better terms than those charged by other project companies for comparable works in the market. The Directors are of the view that the consideration and the terms of the three EPC Contracting Agreements are no less favourable to the Group than those available from independent third parties.

The Directors recognize that State Nuclear Institute and CPI Engineering possess the relevant experience and expertise in the provision of relevant main contractor services for large scale power plants and ancillary facilities construction projects. The Contractors are both among the leading electric power engineering companies in the PRC. The three EPC Contracting Agreements are essential to ensure the successful completion of the Chaoyang 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 three EPC Contracting Agreements are 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 or is required to abstain from voting on the related Board resolution.

INFORMATION ON THE GROUP AND EMPLOYER

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 Chaoyang is a wholly-owned subsidiary of the Company established in 2018 which is principally engaged in generation of photovoltaic power, wind power, biomass power, power supply and investment in new energy power projects.

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 consultancy, 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 consultancy. 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.

CPI Engineering is an indirect subsidiary of SPIC established in 2006 which is principally engaged in electric power engineering and construction project management, surveying, project supervision and consultation and international projects contracting. It is qualified as the First Class power engineering contractor in China. It has previously won the China Construction Engineering Luban Prize (中國建設工程魯班獎) and the National Quality Golden Engineering Award (國家優質工程金質獎) 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 Transactions constitute connected transactions of the Company under the Listing Rules.

The aggregate total consideration payable for the EPC Contracting Agreements amounted to RMB433,922,206 (equivalent to approximately HK\$482,136,000). As certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transactions (as aggregated) exceed 0.1% but fall below 5%, the Transactions 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
“Chaoyang Project”	the grid parity project being carried out by CP Chaoyang which involves the construction of a photovoltaic power station in Chaoyang City, Liaoning Province of the PRC, with planned installed capacity of 500MW
“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 EPC Agreement for the third tender lot and CPI Engineering when referring to the EPC Agreements for the fifth and the sixth tender lots in relation to the construction of the Chaoyang Project, collectively the “Contractors” and individually the “Contractor”
“CP Chaoyang” or “Employer”	China Power Chaoyang New Energy Company Limited (中電(朝陽)新能源有限公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company

“CPI Engineering”	CPI Power Engineering Co., Ltd.* (中電投電力工程有限公司), a company incorporated in PRC with limited liability and an indirect subsidiary of SPIC
“Director(s)”	director(s) of the Company
“EPC Contracting Agreement(s)”	the three EPC contracting agreements in relation to provision of engineering, procurement, construction and installation, and technical support services for the third, fifth and sixth tender lots of the Chaoyang Project dated 21 October 2019 entered into between the Employer and the relevant Contractors respectively, collectively the “EPC Contracting Agreements” and individually the “EPC Contracting 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, 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
“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
“Transactions”	the transactions contemplated under the EPC Contracting Agreements

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.90 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, 21 October 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.