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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 1 June 2020, Pingwei Power Plant (a subsidiary of the Company) entered into an EPC Contracting Agreement with Yuanda Waterworks, pursuant to which Yuanda Waterworks will provide designing, procurement, construction and installation, and commissioning and training services for the Pingwei Upgrade Project.

Yuanda Waterworks is an indirect subsidiary of SPIC. SPIC is the ultimate controlling shareholder of the Company, which is interested in approximately 59.73% of the issued share capital of the Company. As such, Yuanda Waterworks 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 total consideration payable by Pingwei Power Plant to Yuanda Waterworks pursuant to the EPC Contracting Agreement amounted to RMB41,500,000 (equivalent to approximately HK\$45,109,000). 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 all 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.

The Board announces that Pingwei Power Plant (a subsidiary of the Company) entered into an EPC Contracting Agreement with Yuanda Waterworks on 1 June 2020 in relation to the provision of design, procurement, construction and installation, and commissioning and training services for the Pingwei Upgrade Project.

## **EPC CONTRACTING AGREEMENT**

### **Date**

1 June 2020

### **Parties**

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

### **Subject project**

Pingwei Upgrade Project involves the expansion and renovation of the ancillary boiler system of Pingwei Power Plant for its treatment of chemical water capacity to meet the industrial-use heating needs of the coal chemical industrial park located in Huainan City, Anhui Province, China.

### **Services to be provided by the Contractor**

The Contractor has agreed to act as the main contractor and provide designing, procurement, construction and installation, and commissioning and training services for the Pingwei Upgrade Project. Such services include designing (including preliminary design, construction drawing design, completion drawing production), procurement of system equipment and parts, construction, installation and engineering implementation, transportation and custody, insurance, commissioning, completion certification (including conducting trial runs, error elimination, assurance acceptance assessment of the whole system's performance), training 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 RMB41,500,000 (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 Pingwei Upgrade Project.

<b>Fees</b>	<b>Amount (RMB)</b>
Procurement fee for system equipment and parts	31,100,400
Construction and installation fee	10,029,600
Design fee	200,000
Training, on-site services and testing fee	170,000
<b>Total</b>	<b>41,500,000</b>

## **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 and verifying 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 installments according to their respective payment terms as specified below.

**Equipment procurement fee:** up to 70% is payable within 1 month after the invoice is issued upon proof of each batch of equipment components has been delivered; 10% is payable within 1 month after the issuance of the construction completion acceptance testing certificate; remaining 10%\* is payable within 1 month after issuing the warranty acceptance testing certificate.

**Construction and installation fee:** up to 87% is payable within 1 month after the invoice is issued upon proof of the monthly construction phase progress has been verified; remaining 3%\* is payable within 1 month after issuing the warranty acceptance testing certificate.

**Design fee:** 30% is payable within 1 month after the design of the preliminary drawing documents have been confirmed; 30% is payable within 1 month after the construction drawing documents have been confirmed; remaining 30% is payable within 1 month after the completion drawing documents have been confirmed.

**Training, on-site services and testing fee:** 80% is payable within 1 month after the issuance of the construction completion acceptance testing certificate; remaining 10%\* is payable within 1 month after issuing the warranty 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 TRANSACTION**

According to the "Notice on Interim Measures for Alternative Management of Coal Consumption Reduction for Coal-related Investment Projects in Anhui Province" issued by Anhui Provincial Development and Reform Commission of the PRC, it advocates coal reduction alternatives which mainly include the implementation of centralized heating, energy-saving and technical upgrades on coal-consuming facilities. In order to implement the national environmental protection policy, it is necessary for Pingwei Power Plant to carry out the renovation works on its existing coal-fired power generating units for keeping up with the required standards of clean and efficient utilization of coal.

Upon the completion of the Pingwei Upgrade Project, it not only meets the industrial-use heat demand in the coal chemical industry park located in Huainan City, Anhui Province of China, it will also further reduce the coal consumption of Pingwei Power Plant's coal-fired power generating units, improve equipment efficiency, increase heat supply capacity and broaden its source of revenue. It will therefore increase market competitiveness of our power plant and bring economic benefits to the Group in the coming future.

The Group awarded the EPC Contracting Agreement to Yuanda Waterworks following a stringent competitive tendering process. 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 Yuanda Waterworks 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 Pingwei 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 transactions contemplated under the EPC Contracting Agreement or is required to abstain from voting on the related Board resolution.

## **INFORMATION ON THE GROUP AND THE 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.

Pingwei Power Plant is a 60%-owned subsidiary of the Company established in 1999 which is principally engaged in generation and sales of coal-fired power, and production and sales of heat.

## **INFORMATION ON THE CONTRACTOR**

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 59.73% 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 Yuanda Waterworks is an indirect subsidiary of SPIC, Yuanda Waterworks 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 total consideration payable by Pingwei Power Plant to Yuanda Waterworks pursuant to the EPC Contracting Agreement amounted to RMB41,500,000 (equivalent to approximately HK\$45,109,000). 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 all 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

“EPC Contracting Agreement”	the agreement in relation to the designing, procurement, construction and installation, and commissioning and training services for the Pingwei Upgrade Project entered into between Pingwei Power Plant and Yuanda Waterworks dated 1 June 2020
“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
“Pingwei Power Plant” or “Employer”	Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司), a company incorporated in the PRC with limited liability and a 60%-owned subsidiary of the Company
“Pingwei Upgrade Project”	the project being carried out by Pingwei Power Plant which involves the expansion and renovation of its ancillary boiler system for treatment of chemical water capacity
“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
“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
“Yuanda Waterworks” or “Contractor”	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

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.92 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**  
*Chairman*

Hong Kong, 1 June 2020

*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.*