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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 15 December 2022, Lingyun Energy, a non wholly-owned indirect subsidiary of the Company, entered into an EPC Contracting Agreement with Shanghai Heyun, pursuant to which Shanghai Heyun will provide (i) survey and design, procurement, construction and installation services, and (ii) technical support services in relation to the Wudalianchi Project at a consideration of RMB261,829,800 (equivalent to approximately HK\$294,191,000).

As at the date of this announcement, SPIC owns approximately 60.80% 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.

Shanghai Heyun is an indirect subsidiary of SPIC and is ultimately controlled by SPIC. Accordingly, Shanghai Heyun is a connected person of the Company and the entering into the EPC Contracting Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the EPC Contracting Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under 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.

INTRODUCTION

The Board announces that Lingyun Energy, a non wholly-owned indirect subsidiary of the Company, entered into an EPC Contracting Agreement with Shanghai Heyun on 15 December 2022 in relation to the development of the Wudalianchi Project, a distributed photovoltaic power generation project with a planned installed capacity of 69.5MW in Wudalianchi City, Heilongjiang Province, the PRC.

EPC CONTRACTING AGREEMENT

Date

15 December 2022

Parties

- (i) Lingyun Energy, as the Employer; and
- (ii) Shanghai Heyun, as the Contractor.

Services to be provided by the Contractor

The Contractor has agreed to act as the main contractor to provide survey and design, procurement, construction and installation services, and other technical services for the Wudalianchi Project. Such services include but are not limited to (i) mapping of the construction site and completion of construction drawing design; (ii) land levelling, constructions of temporary buildings, installation of solar brackets and components, handling of various inspections, tests, and permits; (iii) the supply of equipment and materials, supervision, transportation, acceptance, functional testing and storage as required for engineering construction; (iv) supervision of facilities production, commissioning, completion certification (including conducting trial runs, error elimination, performance assurance acceptance assessment), training, performance quality assurance and follow-up services covering the entire quality warranty period of the Project.

Consideration

The total consideration under the EPC Contracting Agreement payable by the Employer is RMB261,829,800 (inclusive of all taxes) and is categorized as follows:

Fees	Amount (RMB) (Inclusive of all taxes)
Equipment procurement fees	168,961,300
Construction and installation fees	81,332,500
Other fees [#]	11,536,000
Total	261,829,800

[#] Other fees include land use fees, management fees, survey and design fees and risk management fees. Such fees include but are not limited to software programming, training, technical services, patent and know-how licensing fees, insurance fees, and various taxes and fees.

Payment terms

The Employer shall make an interest-free prepayment to the Contractor equivalent to 10% of the total consideration, which equates to 10% of each fee category, within 14 days after the Contractor has fulfilled certain conditions as stipulated under the EPC Contracting Agreement, including but not limited to, receiving and verifying the irrevocable surety bond provided by the Contractor to secure its due performance of the works contemplated under the EPC Contracting Agreement.

Save for the aforementioned prepayment, the total consideration shall be payable by instalments in accordance with their respective payment terms for each category as stipulated in the EPC Contracting Agreement, as follows:

- **Equipment procurement fees:** (i) an amount equivalent to 35% of the total amount for equipment procurement fees, which may be offset by the aforementioned prepayment, shall be payable within 10 days after the entering into of each batch of procurement contract and the verification of supporting documents submitted by the Contractor; (ii) 50% shall be payable within 10 days after completing inspection of each batch of delivered equipment and verification of the supporting documents submitted by the Contractor; (iii) 5% shall be payable within 10 days after the completion of equipment installation and acceptance; (iv) 5% shall be payable within 10 days after the grid connection and acceptance; and (v) the remaining 5% will serve as a warranty for quality assurance and shall be payable within 28 days after the defect liability period, subject to any applicable deductions.
- **Construction and installation fees:** (i) an amount equivalent to 90% of the total amount for construction and installation fees, which may be offset by the aforementioned prepayment, shall be payable monthly within 14 days after verification of the progress payment application form together with the supporting documents submitted by the Contractor; (ii) 5% shall be payable according to the grid-connected capacity; (iii) 2% shall be payable within 30 days after the issuance of handover certificates of the construction works; and (iv) the remaining 3% will serve as a warranty for quality assurance and shall be payable within 30 days after the defect liability period, subject to any applicable deductions.
- **Other fees:** (i) an amount equivalent to 97% of the land use fees, which may be offset by the aforementioned prepayment, shall be payable monthly within 14 days after verification of the progress payment application form together with the supporting documents submitted by the Contractor; and (ii) the remaining 3% will serve as a warranty for quality assurance. For fees other than land use fee, (a) 90% shall be payable according to the verified amount; (b) 7% shall be payable within 30 days according to the grid-connected capacity together with the issuance of handover certificates of the construction works; and (c) the remaining 3% will serve as a warranty for quality assurance.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

The Wudalianchi Project involves the development of a distributed photovoltaic power generation project situated in the rural area, which is in line with national policies and the Group's strategic goal of green and sustainable development. Distributed photovoltaic power generation is an important form of new energy development, which is conducive to the promotion and realization of national environmental targets of "Dual Carbon Goals" (i.e. carbon emissions peak by 2030 and carbon neutrality by 2060) and rural revitalization. The Project lays the foundation for the Group's development of new energy in the northeastern provinces of China, which enables the Group to achieve economies of scale in the development of such projects.

The Group awarded the EPC Contracting Agreement to Shanghai Heyun by a mixed selection process which comprised a comparison between quotations obtained for similar projects in the market during a specific timeframe and with comparable geographical location, as well as adhering to internal procurement management policies to evaluate and choose the most suitable contractor. The consideration and the committed project completion timeframe under the EPC Contracting Agreement conform with prevailing terms or on better terms than those provided by other project companies for comparable projects in the market. The Directors are of the view that the consideration of the EPC Contracting Agreement and its respective terms are no less favourable to the Group than those available from independent third parties.

The Directors are of the view that Shanghai Heyun is among the leading electric power engineering companies in the PRC with relevant experience and expertise in new energy engineering and has been conferred with various national level awards. Shanghai Heyun has also obtained various accredited qualifications (including quality management, environmental management, occupational health and safety management), and possessess Grade A qualifications in housing construction engineering, electromechanical installation engineering, Class B qualifications in electric power engineering, municipal public works and contracting of electric power engineering construction.

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 and usual course of business of the Group, 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 relevant Board resolutions.

INFORMATION OF THE GROUP AND THE EMPLOYER

The Company is the core and flagship listed subsidiary of SPIC. The Group is principally engaged in generation and sales of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic power and coal-fired power plants; and provision of energy storage, green power transportation and integrated intelligent energy solution services. Its businesses are located in various major power grid regions of China.

Lingyun Energy is a non wholly-owned indirect subsidiary of the Company and was established in 2022. It is principally engaged in power generation, power transmission and power supply business, as well as the provision of research and development in relation to emerging energy technology and consulting services.

INFORMATION OF THE CONTRACTOR

Shanghai Heyun was established in 1996 and is an indirect subsidiary ultimately owned and controlled by SPIC. It is principally engaged in construction equipment supervision, construction, survey and investigation, as well as engineering technology and consulting services.

INFORMATION OF SPIC

SPIC is an investment holding principally engaged in businesses that cover various sectors, including power, coal, aluminum, logistics, finance, environmental protection and high-tech industries in the PRC and abroad. SPIC, together with its subsidiaries, is an integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SPIC owns approximately 60.80% 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.

Shanghai Heyun is an indirect subsidiary of SPIC and is ultimately controlled by SPIC. Accordingly, Shanghai Heyun is a connected person of the Company and the entering into the EPC Contracting Agreement constitutes a connected transaction of the Company under the Listing Rules.

As the highest applicable percentage ratio in respect of the EPC Contracting Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under 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.

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 (中國電力國際發展有限公司), 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 15 December 2022 entered into between Lingyun Energy and Shanghai Heyun in relation to the provision of survey and design, procurement, construction and installation services, and other technical services for the Wudalianchi 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

“Lingyun Energy” or “Employer”	五大連池市凌運能源有限公司 (Wudalianchi City Lingyun Energy Co., Ltd.*), a company incorporated in the PRC with limited liability and a non wholly-owned indirect subsidiary of the Company
“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
“Shanghai Heyun” or “Contractor”	上海和運工程諮詢有限公司 (Shanghai Heyun Engineering Consulting Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect subsidiary of SPIC
“SPIC”	國家電力投資集團有限公司 (State Power Investment Corporation Limited*), 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
“Wudalianchi Project” or “Project”	a project undertaken by Lingyun Energy involving the development and construction of a distributed photovoltaic power generating project covering nine townships in Wudalianchi City with a planned installed capacity of 69.5MW located in Wudalianchi City, Heilongjiang Province, the PRC

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.89 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, 15 December 2022

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