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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

Environmental Protection Retrofit Contracting Agreements

On 27 July 2021, Pu'an Power Plant (a subsidiary of the Company) entered into two EPC contracting agreements with Yuanda EP Engineering, pursuant to which Yuanda EP Engineering will provide engineering, procurement and construction services for retrofit of (i) ultra-low emission desulfurization device; and (ii) SNCR denitration device for Pu'an Power Plant for a consideration of RMB61,000,000 (equivalent to approximately HK\$73,494,000) and RMB23,400,000 (equivalent to approximately HK\$28,192,800) respectively.

On the same day, Pu'an Power Plant entered into an EP contracting agreement with Yuanda EP Catalyst, pursuant to which Yuanda EP Catalyst will provide engineering and procurement services for retrofit of ultra-low emission new layer catalyst for denitrification for Pu'an Power Plant for a consideration of RMB10,711,600 (equivalent to approximately HK\$12,905,500).

LISTING RULES IMPLICATIONS

As at the date of this announcement, SPIC owns approximately 60.04% of the issued share capital of the Company and 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, they 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 consideration payable for the Contracting Agreements is RMB95,111,600 (equivalent to approximately HK\$114,592,300), certain applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) 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.

BACKGROUND

Under the National goal of “Carbon Peak” and “Carbon Neutrality”, the Guizhou Provincial Government of the PRC issued “The Action Plan for the Transformation, Upgrading and Development of Coal-fired Power Generating Units in Guizhou Province” (貴州省煤電機組改造升級高品質發展行動方案) to implement stricter energy efficiency and environmental protection standards for coal-fired power generating units in the province. As such, Pu’an Power Plant conducted an upgrading of the desulfurization and denitrification systems of its two 660MW supercritical power generating units in pursuit of clean and efficient power generation.

In order to select the service contractors for the ultra-low emission retrofitting works that meet the qualification requirements, the Company launched an open tender through the procurement and bidding platform and networks in the PRC. Three out of five items of the said retrofit works were won by the Contractors.

THE CONTRACTING AGREEMENTS

1. Retrofit of Ultra-Low Emission Desulfurization Device EPC Contracting Agreement

Date

27 July 2021

Parties

- (i) Pu’an Power Plant (as the Employer); and
- (ii) Yuanda EP Engineering (as the Contractor).

Services to be provided by the Contractor

The Contractor has agreed to act as the main contractor and will provide engineering, procurement, construction and installation and commissioning and training services for retrofit of ultra-low emission desulfurization device for Pu’an Power Plant. Such services include detailed foundation survey, foundation treatment, and foundation pit treatment (including precipitation), designing (including preliminary design, construction drawing design, completion drawing production), procurement of system equipment and parts, construction, installation and supervision, transportation and custody, 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 Retrofit of Ultra-Low Emission Desulfurization Device EPC Contracting Agreement payable by the Employer is RMB61,000,000 (inclusive of all taxes), which consists of the following components.

Fees	Amount (RMB)
Design fee	1,300,000
Equipment fee	23,294,306
Construction and installation engineering fee	36,355,694
Other fees*	50,000
Total	61,000,000

* Other fees include but are not limited to technical service fees, training fees, and testing fees.

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.

Design fee: 60% is payable within 1 month after the design drawing is verified and confirmed; 20% is payable within 1 month after the completion drawing and design are verified and confirmed; the remaining 10% is retained as guarantee for quality assurance and payable within 30 days after the issuance of the final acceptance certificate.

Equipment fee: 60% is payable within 30 days after the verification of the delivered equipment (including main materials) of each power generating unit; 20% is payable within 1 month after each power generating unit completed the installation and commissioning and passed the environmental protection acceptance; the remaining 10% is retained as guarantee for quality assurance and payable within 30 days after the issuance of the final acceptance certificate.

Construction and installation engineering fee: 25% is payable within 30 days after verification of the completion of the foundation construction of the external slurry pool of the tower and the power distribution room; 35% is payable within 30 days after the verification of the completion of the construction of the external slurry pool of each tower; 27% is payable within 30 days after each power generating unit completed the installation and commissioning and passed the environmental protection acceptance; the remaining 3% is retained as guarantee for quality assurance and payable within 30 days after the issuance of the final acceptance certificate.

Other fees: 80% is payable within 30 days after the completion of all installation and construction, commissioning, passed the environmental protection acceptance, and completion of the transfer of technical data; the remaining 10% is retained as guarantee for quality assurance and payable within 30 days after the issuance of the final acceptance certificate.

2. Retrofit of SNCR Denitration Device EPC Contracting Agreement

Date

27 July 2021

Parties

- (i) Pu'an Power Plant (as the Employer); and
- (ii) Yuanda EP Engineering (as the Contractor).

Services to be provided by the Contractor

The Contractor has agreed to act as the main contractor and will provide engineering, construction, equipment and material procurement, transportation, storage, commissioning, technical services and guidance and technical data for retrofit of SNCR[#] denitration device for Pu'an Power Plant.

SNCR (Selective non-catalytic reduction) is a process of removing nitrogen oxide from flue gas.

Consideration

The total contracting fee under the Retrofit of SNCR Denitration Device EPC Contracting Agreement payable by the Employer is RMB23,400,000 (inclusive of all taxes), which consists of the following components.

Fees	Amount (RMB)
Design fee	1,560,000
Equipment and material fee	17,876,370
Installation and construction fee	3,883,630
Technical services fee	80,000
Total	23,400,000

Payment Terms

Each type of fees is payable by installments according to their respective payment terms as specified below.

Design fee and technical services fee: 60% is payable within 1 month after the design drawing is verified and confirmed; 30% is payable within 1 month after the completion drawing and design are verified and confirmed; the remaining 10% is retained as guarantee for quality assurance and payable within 30 days after the issuance of the final acceptance certificate.

Equipment and material fee: 60% is payable within 30 days after the verification of the delivered equipment (including main materials) of each power generating unit; 30% is payable within 1 month after each power generating unit completed the installation and commissioning and passed the environmental protection acceptance; the remaining 10% is retained as guarantee for quality assurance and payable within 30 days after the issuance of the final acceptance certificate.

Installation and construction fee: 97% is payable within 30 days after the completion of the installation, commissioning, performance test and acceptance of each power generating unit and various constructions; the remaining 3% is retained as guarantee for quality assurance and payable within 30 days after the issuance of the final acceptance certificate.

3. Retrofit of Ultra-Low Emission New Layer Catalyst for Denitrification EP Contracting Agreement

Date

27 July 2021

Parties

- (i) Pu'an Power Plant (as the Employer); and
- (ii) Yuanda EP Catalyst (as the Contractor).

Services provided by the Contractor

The Contractor has agreed to provide engineering design, equipment and material procurement, transportation, storage, commissioning, technical services and guidance and technical data for retrofit of ultra-low emission new layer catalyst for denitrification for Pu'an Power Plant.

Consideration

The contracting fee under the Retrofit of Ultra-Low Emission New Layer Catalyst for Denitrification EP Contracting Agreement payable by the Employer is approximately RMB 10,711,600 (including all taxes).

Payment Terms

The Employer shall make an interest-free prepayment to the Contractor equivalent to 10% of the 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 EP contracting agreement.

The remaining 90% of the contracting fee is payable by installments, of which 70% is payable within 1 month after the verification of the delivered equipment (including main materials) of each power generating unit; 10% is payable within 1 month after each power generating unit completed the installation and commissioning and passed the performance test; the remaining 10% is retained as guarantee for quality assurance and payable within 1 month after the issuance of the final acceptance certificate.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTIONS

“The Action Plan for the Transformation, Upgrading and Development of Coal-fired Power Generating Units in Guizhou Province” (貴州省煤電機組改造升級高品質發展行動方案) requires all coal-fired power plants in Guizhou Province of the PRC to achieve ultra-low emissions by 2025. It is necessary for Pu’an Power Plant to keep up with the prevailing environmental protection regulations as soon as practicable, and it is in line with the Group’s strategic goal for clean and green power generation.

The Group awarded the Contracting Agreements to Yuanda EP Engineering and Yuanda EP Catalyst following a stringent competitive open market tendering process, through the procurement and bidding platform and networks in the PRC, including China Public Service Platform for Tendering and Bidding* (中國招標投標公共服務平台), China Procurement and Bidding Network* (中國採購與招標網) and China Electric Power Equipment Information Network* (中國電力設備信息網). The consideration payable for each of the Contracting Agreements 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 Contracting Agreements are no less favourable to the Group than those available from independent third parties.

The Directors recognize that Yuanda EP Engineering and Yuanda EP Catalyst are among the leading electric power engineering companies in the PRC, they possess 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 Contracting Agreements are essential to ensure the successful completion of upgrading the desulfurization and denitrification systems of the existing power generating units of Pu’an Power Plant.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Contracting Agreements are 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 Contracting Agreements or is required to abstain from voting on the related Board resolution.

INFORMATION OF THE GROUP AND THE EMPLOYER

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) is one of the five major electricity generation groups and 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.

“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
“Contracting Agreement(s)”	(i) Retrofit of Ultra-Low Emission Desulfurization Device EPC Contracting Agreement (ii) Retrofit of SNCR Denitration Device EPC Contracting Agreement (iii) Retrofit of Ultra-Low Emission New Layer Catalyst for Denitrification EP Contracting Agreement
“Contractor(s)”	Yuanda EP Engineering under (i) the Retrofit of Ultra-Low Emission Desulfurization Device EPC Contracting Agreement and (ii) the Retrofit of SNCR Denitration Device EPC Contracting Agreement; and Yuanda EP Catalyst under (iii) the Retrofit of Ultra-Low Emission New Layer Catalyst for Denitrification EP Contracting Agreement; individually the “Contractor” and collectively the “Contractors”
“Director(s)”	director(s) of the Company
“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 a power plant is generally expressed in MW
“Pu’an Power Plant” or “Employer”	China Power (Pu’an) Power Generating Company Limited*(中電(普安)發電有限責任公司), a company incorporated in the PRC with limited liability and a 95%-owned subsidiary of the Company
“PRC” or “China” or “State”	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
“Retrofit of SNCR Denitration Device EPC Contracting Agreement”	the EPC agreement dated 27 July 2021 entered into between Pu’an Power Plant and Yuanda EP Engineering in relation to upgrading the denitrification system of Pu’an Power Plant

“Retrofit of Ultra-Low Emission Desulfurization Device EPC Contracting Agreement”	the EPC agreement dated 27 July 2021 entered into between Pu’an Power Plant and Yuanda EPC Engineering in relation to upgrading the desulfurization system of Pu’an Power Plant
“Retrofit of Ultra-Low Emission New Layer Catalyst for Denitrification EP Contracting Agreement”	the EP agreement dated 27 July 2021 entered into between Pu’an Power Plant and Yuanda EP Catalyst in relation to upgrading the denitrification system of Pu’an Power Plant
“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
“Transactions”	the transactions contemplated under the Contracting Agreements
“Yuanda EP Catalyst” or “Contractor”	SPIC Yuanda Environmental Protection Catalyst Co., Ltd.* (國家電投集團遠達環保催化劑有限公司), a company incorporated in PRC with limited liability and an indirect subsidiary of SPIC
“Yuanda EP Engineering” or “Contractor”	SPIC Yuanda Environmental Protection Engineering Co., Ltd.* (國家電投集團遠達環保工程有限公司), 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 RMB0.83 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, 27 July 2021

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