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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 3 January 2018, Yaomeng Power Plant (a wholly-owned subsidiary of the Company) entered into an EPC Contracting Agreement with State Nuclear Institute pursuant to which the parties agreed that the Contractor will provide technical, procurement, engineering and installation services for the construction of the Yaomeng Project.

State Nuclear Institute is an indirect subsidiary of SPIC. SPIC is the ultimate controlling shareholder of the Company, which is interested in approximately 55.61% of the issued share capital of the Company. As such, State Nuclear 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 total consideration payable by Yaomeng Power Plant to State Nuclear Institute pursuant to the EPC Contracting Agreement amounted to RMB50,500,000 (equivalent to approximately HK\$60,843,000). 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

3 January 2018

Parties

- (i) Yaomeng Power Plant (as the Employer); and
- (ii) State Nuclear Institute (as the Contractor).

Subject project

Yaomeng Project which involves the heat supply renovation of two 630MW coal-fired power generating units of Yaomeng Power Plant and the construction of related heat transmission pipeline facilities to meet the needs of the development of a new industrial park in Pingdingshan City, Henan Province, China.

Services to be provided by the Contractor

The Contractor has agreed to provide technical, procurement, engineering and installation services for the construction of the Yaomeng Project. Such services include surveying, designing (including preliminary design, construction drawing design, completion drawing production), equipment and material procurement, transportation and custody, construction installation and engineering implementation, supervision of facilities production, commissioning, completion certification (including conducting trial runs, error elimination, assurance acceptance assessment of the whole system's performance), maintenance of the corresponding technical guidance, technical cooperation, technical training and follow-up services covering the quality warranty period of the entire project.

Consideration

The total consideration under the EPC Contracting Agreement payable by the Employer is the contracting fee of RMB50,500,000 (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 heat supply renovation of generating units and the construction of related pipeline facilities as follows:

Fees	Amount (RMB)
Equipment procurement fee	27,700,000
Construction and installation fee	18,650,000
Design fee	3,300,000
Testing fee	150,000
Miscellaneous service fee	700,000
Total	50,500,000

Payment Terms

10% of the total consideration is payable by the Employer within 1 month after the Contractor's irrevocable surety bond for its due performance of the works under the EPC Contracting Agreement is verified.

For 80% of the total consideration, each type of fees is payable by progress according to their respective payment terms as specified below.

Equipment procurement fee: 70% is payable within 28 days after the invoice certificate is issued for each batch of equipment has arrived; another 10% is within 28 days after the issuance of the preliminary construction completion acceptance testing certificate.

Construction and installation fee: 80% is payable by month within 28 days after the invoice certificate for each of the verified stage of construction progress is issued.

Design fee: 40% is payable within 28 days after the design of the construction drawings and documents are confirmed and delivered; another 40% is payable within 28 days after the complete construction design documents and drawings are confirmed and delivered.

Testing fee: 80% is payable within 28 days after the issuance of the preliminary construction completion acceptance testing certificate.

Miscellaneous service fee: 80% is payable within 28 days after the issuance of the preliminary construction completion acceptance testing certificate.

The remaining 10% of the total consideration is retained as guarantee for quality insurance which is subject to the Employer's assessment appraisal and is payable within 28 days after the issuance of the final construction completion acceptance testing certificate. Any cost of defects will be deducted from the said payments as penalty.

REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

According to the State's national "13th Five-Year" economic plan, the government of Pingdingshan City, Henan Province, has been undergoing the construction of industrial parks with industrial clusters, high-tech and specialized development. Yaomeng Project is designated by the local government to provide efficient and environmentally friendly centralized steam heating energy for each industry in the new industrial park through the operating mode of inter-connected conveying heat pipeline network to achieve maximum energy conservation and emission reduction. After connecting the pipelines, it not only meets the heating demand of the industrial and residential areas along the pipeline network, it also possesses the development opportunities for exploring potential heat users. This will enable a significant increase in the market competitiveness and economic benefits of Yaomeng Power Plant in the coming future.

The Group awarded the EPC Contracting Agreement to State Nuclear 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 State Nuclear Institute possesses the relevant experience and expertise in the provision of relevant engineering consulting and technical services for large-scale domestic and foreign 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 Yaomeng 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 Board resolution.

INFORMATION ON THE GROUP AND YAOMENG POWER PLANT

The Company is a core subsidiary of SPIC for conventional energy business. SPIC 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.

Yaomeng Power Plant is a wholly-owned subsidiary of the Company established in 2003 which is principally engaged in generation and sales of coal-fired power, production and sales of heat.

INFORMATION ON THE CONTRACTOR

State Nuclear Institute is an indirect subsidiary of SPIC established in 1994 which is principally engaged in providing electric power engineering consulting, 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 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 55.61% 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 State Nuclear Institute is an indirect subsidiary of SPIC, State Nuclear 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 total consideration payable by Yaomeng Power Plant to State Nuclear Institute pursuant to the EPC Contracting Agreement amounted to RMB50,500,000 (equivalent to approximately HK\$60,843,000). 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
“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 technical, procurement, engineering and installation services for construction of the Yaomeng Project entered into between Yaomeng Power Plant and State Nuclear Institute dated 3 January 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
“PRC” or “China” or “State”	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* (國家電力投資集團公司), the ultimate controlling company of the Company, a wholly State-owned enterprise, was approved by the State Council of the PRC* (中華人民共和國國務院) for the consolidation and reorganization with State Nuclear Power Technology Corporation* (國家核電技術公司)
“State Nuclear Institute” or “Contractor”	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
“Yaomeng Power Plant” or “Employer”	Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司), a company incorporated in PRC with limited liability and a wholly-owned subsidiary of the Company
“Yaomeng Project”	the project being carried out by Yaomeng Power Plant which involves the heat supply renovation of two 630MW coal-fired power generating units and the construction of related pipeline facilities

* *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
Yu Bing
Chairman

Hong Kong, 3 January 2018

As at the date of this announcement, the directors of the Company are: executive directors Yu Bing and 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.