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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**

##### **EPC CONTRACTING AGREEMENT**

On 22 December 2021, Haiyang Power Storage (an indirect wholly-owned subsidiary of the Company) entered into an EPC Contracting Agreement with Shandong Institute, pursuant to which Shandong Institute has agreed to provide engineering, procurement and construction services to Haiyang Power Storage for the Energy Storage Demonstration Project. The maximum consideration payable under the EPC Contracting Agreement is RMB83,290,400 (equivalent to approximately HK\$101,574,000).

##### **COMPLIANCE WITH LISTING RULES**

SPIC is the ultimate controlling shareholder of the Company which is interested in approximately 54.35% of the issued share capital of the Company. Accordingly, SPIC, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

As Shandong Institute is an indirect subsidiary ultimately owned and controlled by SPIC, it is therefore a connected person of the Company, and the EPC Contracting Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the maximum consideration payable of the EPC Contracting Agreement exceed 0.1% but all fall below 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.

## **BACKGROUND**

Shandong Development and Reform Commission, Energy Administration of Shandong Province and Shandong Energy Regulatory Office of National Energy Administration of the PRC jointly issued the “Implementation Opinions on the Development of Energy Storage Demonstration Applications” (《關於開展儲能示範應用的實施意見》) in June 2021 for directing the market resources toward the development of energy storage systems with a series of favourable policies in order to promote new energy consumption and optimize the energy structure in Shandong Province.

Haiyang Power Storage, a subsidiary of the Company located in Shandong Province, seized the opportunity to develop an energy storage project which is among the first batch of energy storage power station demonstration projects in the region. In order to select the qualified contractor for the Energy Storage Demonstration Project, Haiyang Power Storage entered into the EPC Contracting Agreement after an open market tendering process.

## **EPC CONTRACTING AGREEMENT**

### **Date**

22 December 2021

### **Parties**

- (i) Haiyang Power Storage (as the Employer); and
- (ii) Shandong Institute (as the Contractor).

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

The Contractor has agreed to act as the main contractor and provide designing, procurement, construction and installation of, and technical support services for the Energy Storage Demonstration Project. Such services include surveying, designing (including preliminary design, construction drawing design, production of completion drawing), equipment (energy storage system not included) and material procurement, construction installation and engineering implementation, project management, handling of various permits, supervision of facilities production, commissioning, completion certification (including conducting trial runs, flaws elimination, assurance acceptance assessment of the whole system’s performance), training, performance quality assurance and follow-up services covering the quality warranty period of the Energy Storage Demonstration Project.

### **Consideration**

The total maximum contracting fee under the EPC Contracting Agreement payable by the Employer is RMB83,290,400 (inclusive of all taxes), comprising (i) the fixed fees of RMB81,290,400 (the “**Fixed Fees**”), and (ii) the provisional estimated fees of RMB2,000,000 (the “**Provisional Estimated Fees**”).

The Fixed Fees involve the construction of a lithium iron phosphate system with an energy storage capacity of 100MW/200MWh and its auxiliary systems, including the following components:

The Fixed Fees	Amount (RMB) (Inclusive of all taxes)
Equipment procurement fee	30,251,700
Construction fee	20,362,800
Installation engineering fee	15,030,800
Survey and design fee	3,850,000
Other fees <sup>#</sup>	11,795,100
<b>Total</b>	<b>81,290,400</b>

<sup>#</sup> Other fees include: all kinds of engineering certification processing, construction management and supervision, trial runs of the whole system, quality control and inspection and various miscellaneous costs.

The Provisional Estimated Fees involve the design, construction and contracting management of a 1MW/2MWh-iron-chromium flow battery system.

### Payment terms

For the Fixed Fees, the Employer shall make an interest-free prepayment to the Contractor equivalent to 10% of the total Fixed Fees within 10 working days after receiving and verifying the irrevocable surety bond submitted by the Contractor for its due performance of the works under the EPC Contracting Agreement.

The remaining 90% of the total Fixed Fees is payable by instalments according to their respective payment terms as specified below.

- **Equipment procurement fee:** 70% is payable within 30 days after the delivery of the equipment, receipt and verification of the supervisor's acceptance opinions and relevant invoices; 10% is payable within 30 days after the equipment has passed the trial operation; the remaining 10% will be a warranty for quality assurance, and is payable (subject to any applicable deductions) within 30 days of one year after the acceptance of construction completion and the delivery of the Project.
- **Construction and installation engineering fees:** up to 50% is payable within 10 working days after the completion of the foundation construction of the main energy storage equipment and the installation of the energy storage equipment, and the receipt of the approved project progress report and supervisory approval opinions; 20% is payable within 10 working days after the completion of the main primary equipment (that is the high-voltage electrical equipment used in the production process of producing, transmitting and distributing electric energy) installation and receipt of the approved project progress report and supervisory approval opinions; up to 17% is payable within 10 working days after the completion of the electrical test, commissioning, grid-connected operation, handover to production, and completion acceptance certificate is obtained; the remaining 3% will be used as a warranty for quality assurance which is payable (subject to any applicable deductions) within 30 days after the expiry of the defects liability period in accordance with the terms of the Agreement.

- **Survey and design fee:** 60% is payable within 30 days after the construction drawing design is completed, all design documents and drawings are delivered and verified; 25% is payable within 30 days after completion of the audit for project completion settlement; the remaining 5% will be a warranty for quality assurance, and is payable (subject to any applicable deductions) within 30 days of one year after the delivery of the Project.
- **Other fees:** In general, 20% is payable within 30 days according to the contracting progress and after receipt of the relevant fee invoices; 65% is payable within 30 days after the overall completion and acceptance of the Project and the completion report is provided; the remaining 5% will be a warranty for quality assurance, and is payable (subject to any applicable deductions) within 30 days of one year after the delivery of the Project.

The Provisional Estimated Fees will be settled according to the actual amount incurred.

## **REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Energy Storage Demonstration Project is one of the pioneer engineering projects for the development of energy storage with the provincial government support of Shandong Province. Its storage capacity can be leased to the companies engaging in renewable energy power generation in Shandong Province. The Group captured the opportunity arising from the State's support in the development of energy storage. The Group will be benefitted from the potential additional income from the stored power by participating in the electricity supply peak shaving ancillary services in Shandong Province.

The Group awarded the EPC Contracting Agreement to Shandong Institute 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 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 of the Agreement and its respective terms are no less favourable to the Group than those available from independent third parties.

The Directors recognize that Shandong Institute is among the leading electric power engineering companies in the PRC which 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.

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

## **INFORMATION OF THE GROUP**

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

The Group is principally engaged in generation and sale of electricity in Mainland China, including investment, development, operation and management of hydropower, wind power, photovoltaic and coal-fired power plants. Its businesses are located in the major power grid regions of China.

## **INFORMATION OF THE EMPLOYER**

Haiyang Power Storage is an indirect wholly-owned subsidiary of the Company. It was established in August 2021 and is principally engaged in engineering and technical research and experimental development, power generation, power transmission and power supply, and any other energy related business projects and activities with approved license or permits.

## **INFORMATION OF THE CONTRACTOR**

Shandong Institute was established in 1958 which is principally engaged in providing electric power planning, engineering survey, design and consulting, and project construction services. It possesses comprehensive Grade A qualification certificates in engineering design, engineering survey and engineering consulting. It is a national high-tech enterprise and the chair unit of Shandong Electric Power Survey and Design Association and 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. It has been among the top 60 American ENR•China engineering design companies for four consecutive years, and has been among the top 80 Chinese contractors for three consecutive years. Shandong Institute is an indirect subsidiary ultimately held and controlled by SPIC.

SPIC is principally engaged in investment holding, electricity generation and sales, and provision of various energy related services, including but not limited to EPC contracting, project planning, survey, design and consulting, trading and manufacturing of materials and equipment required by power plants, and their related operational management, research and development in the PRC and overseas countries.

## **COMPLIANCE WITH LISTING RULES**

As at the date of this announcement, SPIC owns approximately 54.35% of the issued share capital of the Company and is the ultimate controlling shareholder of the Company. Accordingly, SPIC, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

As Shandong Institute is an indirect subsidiary ultimately owned and controlled by SPIC, it is therefore connected person of the Company, and the EPC Contracting Agreement constitutes a connected transaction of the Company under the Chapter 14A of the Listing Rules.

As certain applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the maximum consideration payable of the EPC Contracting Agreement exceed 0.1% but all fall below 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, 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
“Energy Storage Demonstration Project” or “Project”	an energy storage power station of energy storage capacity of 100MW/200MWh that was awarded by Shandong Development and Reform Commission and Energy Administration of Shandong Province as one of the Shandong Province Energy Storage Demonstration Projects in 2021
“EPC Contracting Agreement” or “Agreement”	the agreement in relation to the designing, procurement, construction and installation of, and commissioning and training services for the Energy Storage Demonstration Project entered into between Haiyang Power Storage and Shandong Institute dated 22 December 2021
“Group”	the Company and its subsidiaries from time to time
“Haiyang Power Storage” or “Employer”	Haiyang SPIC Power Storage Technology Co., Ltd.* (海陽國電投儲能科技有限責任公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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
“MWh”	a thousand of kilowatt-hour which is a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour

“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Institute” or “Contractor”	Shandong Electric Power Engineering Consulting Institute Corp., Ltd.* (山東電力工程諮詢院有限公司), a company incorporated in the PRC with limited liability and an indirect subsidiary of SPIC
“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

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB 0.82 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, 23 December 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.*