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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 under the Companies Ordinance)

(Stock Code: 2380)

CONTINUING CONNECTED TRANSACTION

The Board announces that the Company entered into the Supplemental Management Agreement II on 14 June 2007 with CPI Holding to:

- (1) amend certain terms in the Management Agreement, including, inter alia, making changes to the list of managed power plants and corresponding adjustments to the service fee; and
- (2) renew the Management Agreement for a term of three years after its expiry on 30 June 2007.

CPI Group is the ultimate controlling shareholder of the Company which is interested in approximately 55.37% of the issued share capital of the Company and CPI Holding is a wholly owned subsidiary of CPI Group. As such, CPI Holding is a connected person of the Company as defined in the Listing Rules. Accordingly, the Supplemental Management Agreement II constitutes a continuing connected transaction of the Company under the Listing Rules.

The maximum annual service fee (including any profit margin component) payable by CPI Holding to the Company as adjusted under the Supplemental Management Agreement II for the three years ending 31 December 2007, 2008 and 2009 is estimated to be RMB11,321,700 (equivalent to approximately HK\$11,552,755), RMB11,255,400 (equivalent to approximately HK\$11,485,102) and RMB11,255,400 (equivalent to approximately HK\$11,485,102) respectively and for the period from 1 January to 30 June 2010 is estimated to be RMB5,627,700 (equivalent to approximately HK\$5,742,551), all of which fall below 2.5% of the applicable percentage ratios (other than the profits ratio) as defined in Rule 14A.10 of the Listing Rules. Accordingly, the Supplemental Management Agreement II falls within Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rule 14A.45 but exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Supplemental Management Agreement II will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Supplemental Management Agreement II is entered into in the ordinary and usual course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its shareholders as a whole.

1. INTRODUCTION

References are made to the prospectus (the “Prospectus”) and the announcement of the Company dated 4 October 2004 and 1 September 2006, respectively (the “Announcements”).

As disclosed in the Prospectus and the Announcements, the Company entered into the Management Agreement with CPI Group and CPI Holding for a term of 3 years commencing from 1 July 2004 to 30 June 2007 pursuant to which the Company would manage six power plants, namely Qinghe Power Plant, Guixi Power Plant, Shaxikou Power Plant, Wuhu Shaoda Power Plant, CPI Wuhu Power Plant and Hongze Power Plant respectively in return for a service fee.

2. THE SUPPLEMENTAL MANAGEMENT AGREEMENT II

Date: 14 June 2007

Parties: the Company and CPI Holding

Term: Pursuant to the Supplemental Management Agreement II, the parties agreed to renew the Management Agreement for a term of three years after its expiry on 30 June 2007. The renewed term will commence from 1 July 2007 and end on 30 June 2010.

Scope of Services: Pursuant to the Supplemental Management Agreement II, the Company agreed

- (1) to manage Qinghe Company, Guixi Electricity Company, Fujian Electricity Company, Wuhu Shaoda Power Plant and CPI Wuhu Power Plant for CPI Holding; and
- (2) to remove Hongze Power Plant from the list of managed power plants; and
- (3) to adjust correspondingly the service fee payable to the Company in accordance with the formula provided in the Management Agreement.

All assets and businesses in relation to power generation of Guixi Power Plant were transferred to Guixi Electricity Company; and all assets and businesses in relation to power generation of Qinghe Power Plant were transferred to Qinghe Company; and all assets and businesses in relation to power generation of Shaxikou Power Plant were transferred to Fujian Electricity Company pursuant to the restructuring of Guixi Power Plant, Qinghe Power Plant and Shaxikou Power Plant, respectively.

Basis of and reason for the adjustment of service fee:

Under the Management Agreement, the service fee payable to the Company consists of the following three components:

1. management costs in the sum of RMB8,760,000 (covering the set-up, operational and other recurrent items to be incurred by the Company in managing the power plants) (the “Management Costs”);
2. a premium to cover estimated risks set at 15% of the Management Costs; and
3. a profit/loss margin which is an incentive/penalty calculated by reference to the confirmed results of the power plants under management but which shall not exceed 15% of the Management Costs.

The first two components of the service fee are payable monthly in arrears. The profit/loss margin component is payable based on the annual evaluation of performance of the management but no later than 90 days after the end of each year.

Under the Supplemental Management Agreement II, the calculation of the service fee will adopt the same formula in the Management Agreement (with the following adjustment).

The service fee (excluding the profit/loss margin component) payable by CPI Holding may be adjusted according to changes in the total installed capacity of the power plants under management. The formula for adjustment is as follows:

$$\text{New monthly service fee} = \text{Service fee for the previous month} \times \frac{\text{Total installed capacity of the managed power plants after adjustment}}{\text{Total installed capacity of the managed power plants before adjustment}}$$

The service fee (excluding the profit/loss margin component) before the adjustment was RMB10,074,000 per annum (equivalent to HK\$10,279,592 per annum) or on average RMB839,500 per month (equivalent to HK\$856,633 per month).

The total installed capacity of the managed power plants as at the date of the Supplemental Management Agreement I was 2,530MW. However, after the removal of Hongze Power Plant (with installed capacity of 30MW) from the list of managed power plants, the total installed capacity of the managed power plants under the Supplemental Management Agreement II would be 2,500MW (i.e. the total installed capacities of the five managed power plants: Qinghe Company (1,200MW), Guixi Electricity Company (500MW), Fujian Electricity Company (300MW), Wuhu Shaoda Power Plant (250MW) and CPI Wuhu Power Plant (250MW)).

Under the Supplemental Management Agreement II, the service fee (excluding the profit/loss margin component) is adjusted to RMB9,956,700 per annum (equivalent to HK\$10,159,898 per annum) or RMB829,725 per month (equivalent to HK\$846,658 per month) and the list of managed power plants as set out in the Management Agreement are amended in accordance with the changes set out above.

The service fee is adjusted in accordance with the formula contained in the Supplemental Management Agreement II and the Directors, including the independent non-executive Directors, are of the view that such fee and the other terms of the Supplemental Management Agreement II are no less favourable to the Group than the terms available from independent third parties.

Reasons for and benefits of entering into the Supplemental Management Agreement II

Following the restructuring of its businesses, CPI Group has transferred some of its power generation assets and businesses to CPI Holding. In order to reflect such changes and the removal of Hongze Power Plant from the list of managed plants, the Company entered into the Supplemental Management Agreement II in the ordinary course of its business. The Directors believe that the renewal of the Management Agreement will provide additional source of revenue to the Company which is beneficial to the Company and its shareholders.

3. ESTIMATED ANNUAL CAPS

The maximum annual caps for the services to be rendered under the Supplemental Management Agreement II for the financial years ending 31 December 2007, 2008 and 2009 are estimated to be RMB11,321,700 (equivalent to approximately HK\$11,552,755), RMB11,255,400 (equivalent to approximately HK\$11,485,102) and RMB11,255,400 (equivalent to approximately HK\$11,485,102) respectively. With respect to the period from 1 January to 30 June 2010, the estimated maximum amount is RMB5,627,700 (equivalent to approximately HK\$5,742,551).

For the purpose of Rule 14A.35(2) of the Listing Rule, the above maximum annual caps are determined with reference to historical amount of RMB14,196,000 (equivalent to approximately HK\$14,485,714) paid by CPI Group and CPI Holding pursuant to the Management Agreement for the financial year ended 31 December 2006 and the previous annual cap of RMB11,388,000 (equivalent to approximately HK\$11,620,408) for the financial year ending 31 December 2007 as disclosed in the Announcement. The service fee (excluding the profit/loss margin component) accrued to the Company under the Management Agreement for the five-month period ended 31 May 2007 (being the latest practical date) did not exceed the annual caps mentioned in the Announcement.

The Directors (including independent non-executive Directors) of the Company are of the view that such annual caps and the maximum value for the period from 1 January to 30 June 2010 are fair and reasonable.

4. LISTING RULES REQUIREMENTS

CPI Group is the ultimate controlling shareholder of the Company which is interested in approximately 55.37% of the issued share capital of the Company and CPI Holding is a wholly owned subsidiary of CPI Group. As such, CPI Holding is a connected person of the Company as defined in the Listing Rules. Accordingly, the Supplemental Management Agreement II constitutes a continuing connected transaction of the Company under the Listing Rules.

The maximum annual service fee (including any profit margin component) payable by CPI Holding to the Company as adjusted under the Supplemental Management Agreement II for the three years ending 31 December 2007, 2008 and 2009 is estimated to be RMB11,321,700 (equivalent to approximately HK\$11,552,755), RMB11,255,400 (equivalent to approximately HK\$11,485,102) and RMB11,255,400 (equivalent to approximately HK\$11,485,102) respectively and for the period from 1 January to 30 June 2010 is estimated to be RMB5,627,700 (equivalent to approximately HK\$5,742,551), all of which fall below 2.5% of the applicable percentage ratios (other than the profits ratio) as defined in Rule 14A.10 of the Listing Rules. Accordingly, the entering into the Supplemental Management Agreement II falls within Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rule 14A.45 but exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Supplemental Management Agreement II will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Supplemental Management Agreement II is entered into in the ordinary and usual course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its shareholders as a whole.

5. PRINCIPAL BUSINESS OF THE GROUP, CPI GROUP AND CPI HOLDING

The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates three high-capacity coal-fired power plants with an installed capacity attributable to the Company of 5,348 MW. Pursuant to the Management Agreement, the Company also manages six other power plants on behalf of CPI Group and CPI Holding, both being its controlling shareholders.

CPI Group is one of the leading independent power generating groups in the PRC. CPI Group has power plants with a total installed capacity of approximately 35 GW spanning 24 provinces, municipalities and autonomous regions in the PRC. CPI Holding is a wholly-owned subsidiary of CPI Group.

DEFINITIONS

Unless otherwise stated, the following words and phrases have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability
“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by the State Council of the PRC

“CPI Holding”	中國電力國際有限公司 (China Power International Holding Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CPI Group
“CPI Wuhu Power Plant”	中電國際(蕪湖)發電有限責任公司 (CPI (Wuhu) Power Generating Company Limited*)
“Director(s)”	the director(s) of the Company
“Fujian Electricity Company”	中電(福建)電力開發有限公司 (China Power (Fujian) Electricity Development Company Limited*)
“Guixi Electricity Company”	中電(江西貴溪)發電有限公司 (China Power (Jiangxi Guixi) Electricity Generation Company Limited*)
“Guixi Power Plant”	江西貴溪火力發電廠 (Jiangxi Guixi Coal-Fired Power Plant*)
“GW”	gigawatt, one million kilowatts
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongze Power Plant”	中電洪澤熱電有限公司 (Zhongdian Hongze Thermal Company Limited*)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt, that is, one million watts
“Management Agreement”	an agreement entered into by the Company, CPI Group and CPI Holding on 27 August 2004 pursuant to which the Company manages various power plants for CPI Group and CPI Holding as amended by the Supplemental Management Agreement I
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC and for the purpose of this announcement, Renminbi is translated into Hong Kong dollars at a fixed rate of HK\$1 = RMB0.98
“Qinghe Company”	遼寧清河發電有限責任公司 (Liaoning Qinghe Electric Power Generating Company Limited*)
“Shaxikou Power Plant”	福建沙溪口火力發電廠 (Fujian Shaxikou Hydro-Power Plant*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Management Agreement I”	a supplemental agreement to the Management Agreement entered into between the Company, CPI Group and CPI Holding on 1 September 2006
“Supplemental Management Agreement II”	a supplemental agreement to the Management Agreement entered into between the Company and CPI Holding on 12 June 2007
“Wuhu Shaoda Power Plant”	蕪湖兆達電力開發有限公司 (Wuhu Shaoda Power Development Company Limited*)

By Order of the Board

Li Xiaolin

Vice-Chairman and Chief Executive Officer

Hong Kong, 14 June 2007

As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Hu Jiandong, non-executive directors Wang Binghua and Gao Guangfu, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.

** for identification purposes only*