
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Power International Development Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

CONTINUING CONNECTED TRANSACTIONS

A letter from the board of Directors of China Power International Development Limited is set out on pages 6 to 31 of this circular. A letter from the Independent Board Committee of the Company containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee is set out on pages 34 to 48 of this circular.

A notice dated 14 June 2007 convening an EGM to be held on 27 July 2007 at 11:00 a.m. at 5/F, Island Ballroom C, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong is set out on pages 55 to 56 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and in, in such event, the relevant form of proxy shall be deemed to be revoked.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
1. Introduction	6
2. Background : Restructuring	8
3. Disposal of Non-core Business Assets	11
4. Reasons for and Benefits of the Disposals	14
5. Relationship with CPI Group	15
6. Continuing Connected Transactions and Land Lease Amendment Agreements	15
7. Compliance with the Listing Rules	25
8. Disposal of Non-core Business Assets and Continuing Connected Transactions	29
9. Recommendation	30
10. Additional Information	31
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	32
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	34
APPENDIX — GENERAL INFORMATION	49
NOTICE OF THE EXTRAORDINARY GENERAL MEETING	55

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the Company’s announcement dated 23 May 2007 in relation to among others, the Continuing Connected Transactions
“Associate”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“Changshu Power Plant”	the power plant wholly-owned by 江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited*), a company in which the Company has a 50% equity interest
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“Company Law”	Company Law of the PRC, amended from time to time
“Continuing Connected Transactions”	the transactions in relation to the composite repair and maintenance services agreements, fuel related services agreements, cleaning, repair and maintenance agreements in relation to power plants and composite services agreement entered into between Pingwei Power Plant and Pingwei Maintenance Company and Pingwei Industry Company (as the case may be) on 23 May 2007 and between Yaomeng Power Plant and Yaomeng Engineering Company and Yaomeng Industrial Company (as the case may be) on 23 May 2007 which will constitute continuing connected transactions for the Company upon completion of the Disposals, the details of which are set out in section 6(b) of the Letter from the Board of this circular
“CPDL”	China Power Development Limited, a company incorporated in the BVI and a wholly-owned subsidiary of CPI Holding
“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-owned Assets Supervision and Administration Commission of 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 and a wholly-owned subsidiary of CPI Group

DEFINITIONS

“Director(s)”	director(s) of the Company
“Disposal Agreement”	the conditional sale and purchase agreement dated 23 May 2007 entered into by the Company and CPI Holding relating to the 100% equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company
“Disposals”	the disposals of the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company by the Company to CPI Holding pursuant to the terms and conditions of the Disposal Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, amongst other things, the agreements for the Continuing Connected Transactions and the transaction contemplated thereunder
“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
“Huanggang Dabieshan Power Plant”	the power plant under construction to be wholly-owned by 黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*)
“Independent Board Committee”	the committee of Directors, consisting of Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec, formed to advise the Independent Shareholders in respect of the terms of the Continuing Connected Transactions
“Independent Financial Adviser” or “CLSA”	CLSA Equity Capital Markets Limited, an independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	shareholders of the Company other than CPI Group and its Associates
“Land Lease Amendment Agreements”	the two land lease amendment agreements entered into between CPI Group and each of Pingwei Power Plant and Yaomeng Power Plant as described in section 6(c) of the Letter from the Board of this circular and individually known as the “Pingwei Land Lease Amendment Agreement” and the “Yaomeng Land Lease Agreement” respectively

DEFINITIONS

“Latest Practicable Date”	11 June 2007, being the latest practicable date prior to publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Non-core Business Assets”	the assets liabilities and undertakings in relation to the supporting services operations in Pingwei Power Plant and Yaomeng Power Plant allocated to Pingwei Industry Company and Yaomeng Industrial Company pursuant to the Restructuring, as further described in section 2 of the Letter from the Board of this circular
“Parent Group”	CPI Group and its subsidiaries from time to time. Unless otherwise expressly stated or the context otherwise requires, references to “Parent Group” exclude the Group
“Pingwei Industry Company”	淮南平圩電力實業有限責任公司 (Huainan Pingwei Electric Power Industry Company Limited*), a limited liability company established by the Company in the PRC on 18 December 2006 for the purpose of holding the supporting services operations and related assets in Pingwei Power Plant pursuant to the Restructuring, the equity interest in which will be transferred to CPI Holding upon completion of Disposals
“Pingwei Land Lease Agreement”	the land lease agreement dated 27 August 2004 entered into between Pingwei Power Plant and CPI Group relating to the lease of the land on which Pingwei Power Plant is situated
“Pingwei Maintenance Company”	安徽淮南平圩電力檢修工程有限責任公司 (Anhui Huainan Pingwei Power Engineering Maintenance Company Limited*), a limited liability company established by the Company in the PRC on 18 December 2006 for the purpose of holding the repair and maintenance operations and related assets in Pingwei Power Plant pursuant to the Restructuring, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals
“Pingwei Power Plant”	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC on 17 September 1999 which hold the power generation operations and related assets and all the liabilities pursuant to the Restructuring

DEFINITIONS

“Pingwei Power Plant II”	the power plant under construction wholly-owned by 淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electric Power Generating Company Limited*)
“PRC” or “China”	the People’s Republic of China. Geographical references in this circular to the PRC excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 4 October 2004
“Repair and Maintenance Assets”	the assets, liabilities and undertakings in relation to the repair and maintenance operations in Pingwei Power Plant and Yaomeng Power Plant allocated to Pingwei Maintenance Company and Yaomeng Engineering Company, respectively pursuant to the Restructuring, as further described in section 2 of the Letter from the Board of this circular
“Restructuring”	has the meaning given to it under the section headed “Background : Restructuring” in the Letter from the Board of this circular
“RMB”	Renminbi, the lawful currency of China
“SFO”	Securities and Future Ordinance (Cap.571, Laws of Hong Kong)
“Shentou Connected Transactions”	the connected transactions in relation to the technical repair and maintenance framework agreement, fuel and chemical processing services framework agreement, non-power facilities maintenance framework agreement and composite ancillary services framework agreement entered into between the Group and the Parent Group, the details of which are set out in the announcement of the Company dated 9 June 2005 and the circular of the Company dated 30 June 2005
“Shentou Land Lease Agreement”	the land lease agreement dated 9 June 2005 entered into between Tianze Company and CPI Group relating to the lease of the land on which Shentou 1 Power Plant is situated
Shentou 1 Power Plant”	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*), a wholly-owned subsidiary of Tianze Company which is in turn a wholly-owned subsidiary of the Company
“State Council”	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

DEFINITIONS

“Tianze Company”	Tianze Development Limited (天澤發展有限公司)*, a company incorporated in the BVI on 31 March 2005
“Yaomeng Engineering Company”	平頂山姚孟電力工程有限責任公司 (Pingdingshan Yaomeng Power Engineering Co., Ltd.*), a limited liability company established by the Company in the PRC on 19 December 2006 for the purpose of holding the repair and maintenance operations and related assets in Yaomeng Power Plant pursuant to the Restructuring, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals
“Yaomeng Industrial Company”	平頂山姚孟電力實業有限責任公司 (Pingdingshan Yaomeng Power Industrial Co., Ltd.*), a limited liability company established by the Company in the PRC on 19 December 2006 for the purpose of holding the supporting services operations and related assets in Yaomeng Power Plant pursuant to the Restructuring, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals
“Yaomeng Land Lease Agreement”	the land lease agreement dated 27 August 2004 entered into between Yaomeng Power Plant and CPI Group, as amended on 24 September 2004 relating to the lease of the land on which Yaomeng Power Plant is situated
“Yaomeng Power Plant”	平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Electric Power Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC on 27 August 1999 which hold the power generation operations and related assets and all the liabilities pursuant to the Restructuring
“Yaomeng Power Plant II”	the planned power plant wholly-owned by 平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No.2 Power Generating Company Limited*)

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

This circular contains translation of RMB into HK\$ at the rate of RMB1.00 to HK\$1.00. The translation shall not be taken as representation that any amounts in RMB or HK\$ could be converted at such rate or at any other rate.



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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

Executive Directors:

Li Xiaolin (*Vice-Chairman and Chief Executive Officer*)

Hu Jiandong (*Executive Vice-President*)

Registered Office:

Suite 6301, 63/F

Central Plaza

18 Harbour Road,

Wanchai

Hong Kong

Non-Executive Directors:

Wang Binghua (*Chairman*)

Gao Guangfu

Independent Non-Executive Directors:

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

14 June 2007

To the shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

The Board announces that on 23 May 2007, the Company entered into the Disposal Agreement with CPI Holding, pursuant to which the Company agreed to sell and CPI Holding agreed to purchase from the Company, the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company for a total consideration of RMB285,086,600 (equivalent to approximately HK\$285,086,600).

Upon completion of the Disposals, the Company will cease to own Pingwei Maintenance Company and Yaomeng Engineering Company which hold the Repair and Maintenance Assets, and Pingwei Industry Company and Yaomeng Industrial Company which hold the Other Non-core Business Assets and will thereafter focus its resources on the development of Pingwei Power Plant and Yaomeng Power Plant, both with the core business of power generation.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CPDL owned approximately 55.37% of the issued share capital of the Company. CPDL is a wholly-owned subsidiary of CPI Holding, which is in turn wholly-owned by CPI Group. As CPI Holding is a substantial shareholder of the Company, CPI Holding is a connected person of the Company within the meaning of the Listing Rules. Thus, the Disposals constitute connected transactions for the Company. As each of the applicable percentage ratios for the Disposals, when aggregated, falls below 2.5% as set out in Rule 14A.32 of the Listing Rules, the Disposals are subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval.

On 23 May 2007, Pingwei Power Plant entered into certain continuing connected transactions agreements with Pingwei Maintenance Company and Pingwei Industry Company in relation to the provision of various services by Pingwei Maintenance Company and Pingwei Industry Company to Pingwei Power Plant in connection with its day-to-day business and operations. On the same date, Yaomeng Power Plant entered into certain continuing connected transactions agreements with Yaomeng Engineering Company and Yaomeng Industrial Company in relation to the provision of various services by Yaomeng Engineering Company and Yaomeng Industrial Company to Yaomeng Power Plant in connection with its day-to-day business and operations. Upon completion of the Disposals, CPI Holding will own 100% equity interest in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company, and such transactions will then constitute continuing connected transactions of the Company under the Listing Rules upon completion of the Disposals. Details of these arrangements are set out in the section headed "Continuing Connected Transactions and Land Lease Amendment Agreements". As the aggregate annual value of these transactions, namely RMB250,169,000 (equivalent to approximately HK\$250,169,000), when aggregated together and with the Shentou Connected Transactions (the annual value under which is RMB150,000,000 in aggregate (equivalent to approximately HK\$150,000,000)) exceed 2.5% of the applicable ratio under Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions are subject to Independent Shareholders' approval.

On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant also entered into the Pingwei Land Lease Amendment Agreement and the Yaomeng Land Lease Amendment Agreement with CPI Group respectively to amend certain terms of the Pingwei Land Lease Agreement and the Yaomeng Land Lease Agreement, respectively, including inter alia, the area of leased land and corresponding adjustments to the annual rent. Details of the Land Lease Amendment Agreements are set out in the section headed "Continuing Connected Transactions and Land Lease Amendment Agreements". The maximum annual rent payable by Pingwei Power Plant and Yaomeng Power Plant to CPI Group in aggregate for each of the three years ending 31 December 2009 will be RMB12,121,204.02 (equivalent to approximately HK\$12,121,204.02). As each of the applicable percentage ratios for these transactions, when aggregated together with the Shentou Land Lease Agreement (the annual rental under which is RMB4,940,000 (equivalent to approximately HK\$4,940,000)) falls below 2.5% as set out in Rule 14A.34 of the Listing Rules, the Land Lease Amendment Agreements are subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval. Details of the Land Lease Amendment Agreements will be included in the next published annual report and accounts of the Company pursuant to Rules 14A.45 and Rule 14A.46 of the Listing Rules.

LETTER FROM THE BOARD

The Disposal Agreement, the agreements for the Continuing Connected Transactions and the Land Lease Amendment Agreements were all entered into after trading hours of the Stock Exchange.

The Company has established an Independent Board Committee to advise the Independent Shareholders on the terms of the Continuing Connected Transactions. CLSA has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions.

The main purposes of this circular are to provide you with (i) details of the Continuing Connected Transactions, (ii) a letter from the Independent Board Committee and from the Independent Financial Adviser, and (iii) a notice to shareholders of the Company convening an EGM to approve the terms of the Continuing Connected Transactions all requiring Independent Shareholders' approval.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CPI Group and its Associates, no other shareholder of the Company will be required to abstain from voting on the ordinary resolution for approving the Continuing Connected Transactions at the EGM.

2. BACKGROUND : RESTRUCTURING

(a) Pingwei Power Plant, Pingwei Maintenance Company and Pingwei Industry Company

Pingwei Power Plant was incorporated on 17 September 1999 in the PRC as a wholly foreign owned enterprise and became a wholly-owned subsidiary of the Company in September, 2004. It is principally engaged in owning and operating power generation business. In December 2006, Pingwei Power Plant completed a restructuring in accordance with the provisions of the PRC applicable laws, including but not limited to the Company Law whereupon the assets, liabilities and undertakings of Pingwei Power Plant were divided into three divisions, namely: (i) power generation, (ii) repair and maintenance of power generation units and equipment and (iii) other supporting services and that the repair and maintenance operations together with related assets were allocated to Pingwei Maintenance Company, the other supporting services operations together with related assets were allotted to Pingwei Industry Company while the power generation operations together with related assets and all the liabilities remained in Pingwei Power Plant. The Company legally and beneficially owns 100% equity interest in Pingwei Power Plant, Pingwei Maintenance Company and Pingwei Industry Company.

LETTER FROM THE BOARD

(b) Yaomeng Power Plant, Yaomeng Engineering Company and Yaomeng Industrial Company

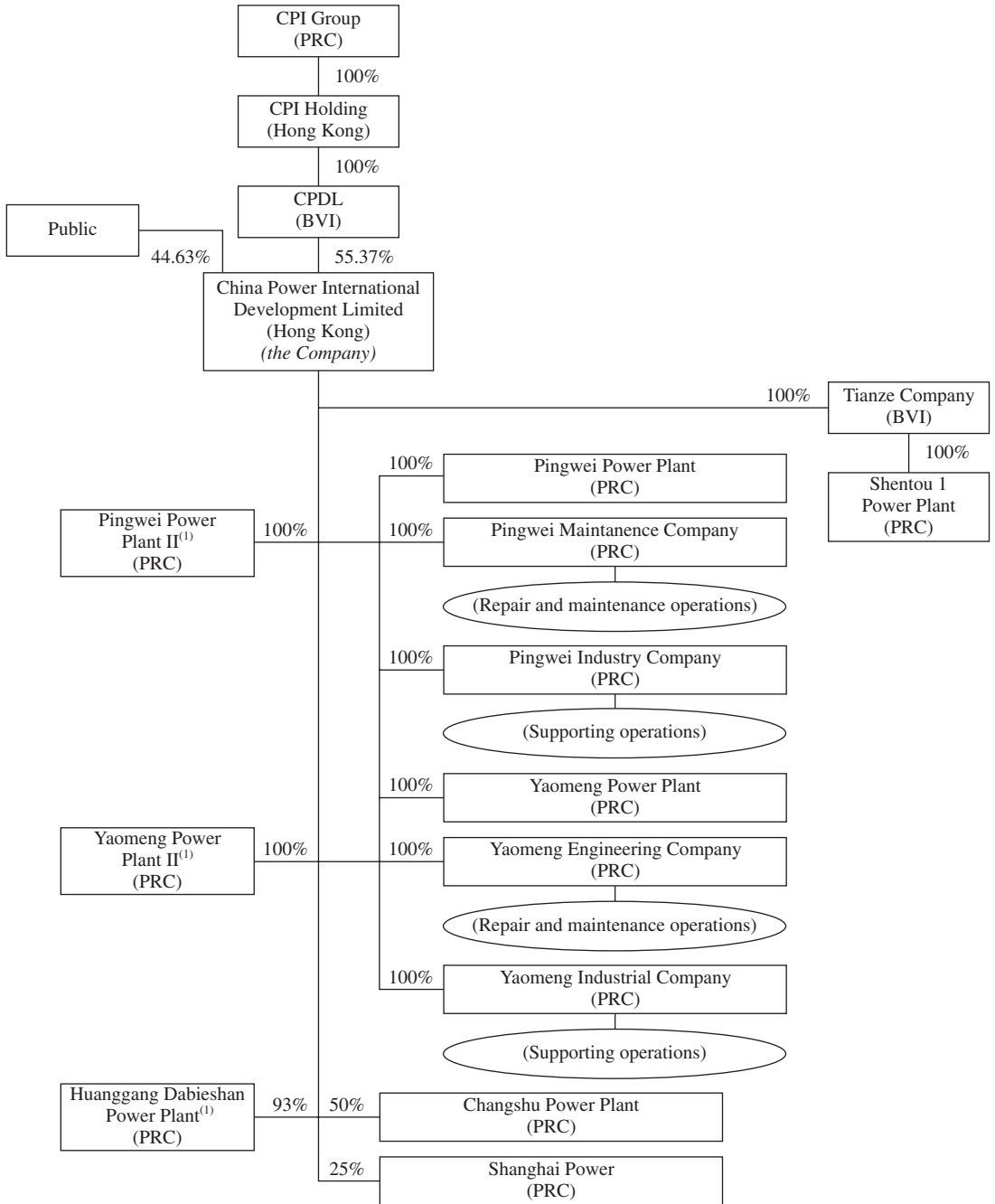
Yaomeng Power Plant was incorporated on 27 August 1999 in the PRC as a wholly foreign owned enterprise and became a wholly-owned subsidiary of the Company in September, 2004. It is principally engaged in owning and operating power generation business. In December 2006, Yaomeng Power Plant completed a restructuring in accordance with the provisions of the PRC applicable laws, including but not limited to the Company Law whereupon the assets, liabilities and undertakings of Yaomeng Power Plant were divided into three divisions, namely: (i) power generation, (ii) repair and maintenance of power generation units and equipment and (iii) other supporting services and that the repair and maintenance operations together with related assets were allocated to Yaomeng Engineering Company, the other supporting services operations together with related assets were allocated to Yaomeng Industrial Company while the power generation operations together with related assets and all the liabilities remained in Yaomeng Power Plant. The Company legally and beneficially owns 100% equity interest in Yaomeng Power Plant, Yaomeng Engineering Company and Yaomeng Industrial Company.

Upon completion of the Disposals, the Company will transfer 100% equity interest in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company (and thus the assets, liabilities and undertakings of these companies) to CPI Holding.

LETTER FROM THE BOARD

Set out below are the current corporate structures of the Company and the power plants owned by it and of the Parent Group in so far as is relevant to the Disposals.

Current corporate structure



Note:

(1) These are power plants under construction which are not yet in operation.

LETTER FROM THE BOARD

3. DISPOSAL OF NON-CORE BUSINESS ASSETS

Disposal Agreement

Date

23 May 2007

Parties

Vendor : the Company

Purchaser : CPI Holding, a substantial shareholder of the Company.

Assets to be disposed

100% equity interests in Pingwei Maintenance Company and Yaomeng Engineering Company which together hold the Repair and Maintenance Assets.

100% equity interests in Pingwei Industry Company and Yaomeng Industrial Company which together hold the Other Non-core Business Assets.

The Consideration

The consideration for the 100% equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company are RMB68,897,200 (equivalent to approximately HK\$68,897,200), RMB97,870,600 (equivalent to approximately HK\$97,870,600), RMB59,307,000 (equivalent to approximately HK\$59,307,000) and RMB59,011,800 (equivalent to approximately HK\$59,011,800), respectively. The consideration shall be payable in cash within 30 working days after satisfaction of all the conditions precedent set out below (or waiver by the Company or CPI Holding (as the case may be) in the case of condition (iii)):

- (i) the passing of an ordinary resolution by Independent Shareholders approving the terms of the Disposals and the Disposal Agreement, if required;
- (ii) the obtaining of all necessary internal approvals of the Company and CPI Holding for the Disposals and the Disposal Agreement; and
- (iii) the respective representations and warranties of the Company and CPI Holding remaining true, accurate and not misleading in any material respect as at the date of payment of the consideration.

The Disposal Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The consideration was determined by reference to the valuation report prepared by China Rightson Certified Public Accountants (中瑞華恒信會計師事務所), an asset appraiser independent from CPI Group and its Associates (using cost basis) which valued the net assets of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng

LETTER FROM THE BOARD

Industrial Company as at 31 December 2006 at RMB68,897,200 (equivalent to approximately HK\$68,897,200), RMB97,870,600 (equivalent to approximately HK\$97,870,600), RMB59,307,000 (equivalent to approximately HK\$59,307,000) and RMB59,011,800 (equivalent to approximately HK\$59,011,800), respectively.

The Board (including the independent non-executive Directors) is of the view that the consideration for the 100% equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company and the other terms of the Disposal Agreement are fair and reasonable, on normal commercial terms and that the Disposals are in the best interests of the Company and its shareholders as a whole.

Completion of the Disposals

Within 10 working days upon satisfaction of the following conditions, the Company shall procure the filing and registration with the Administration for Industry and Commerce of the PRC by Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company for the Disposals:

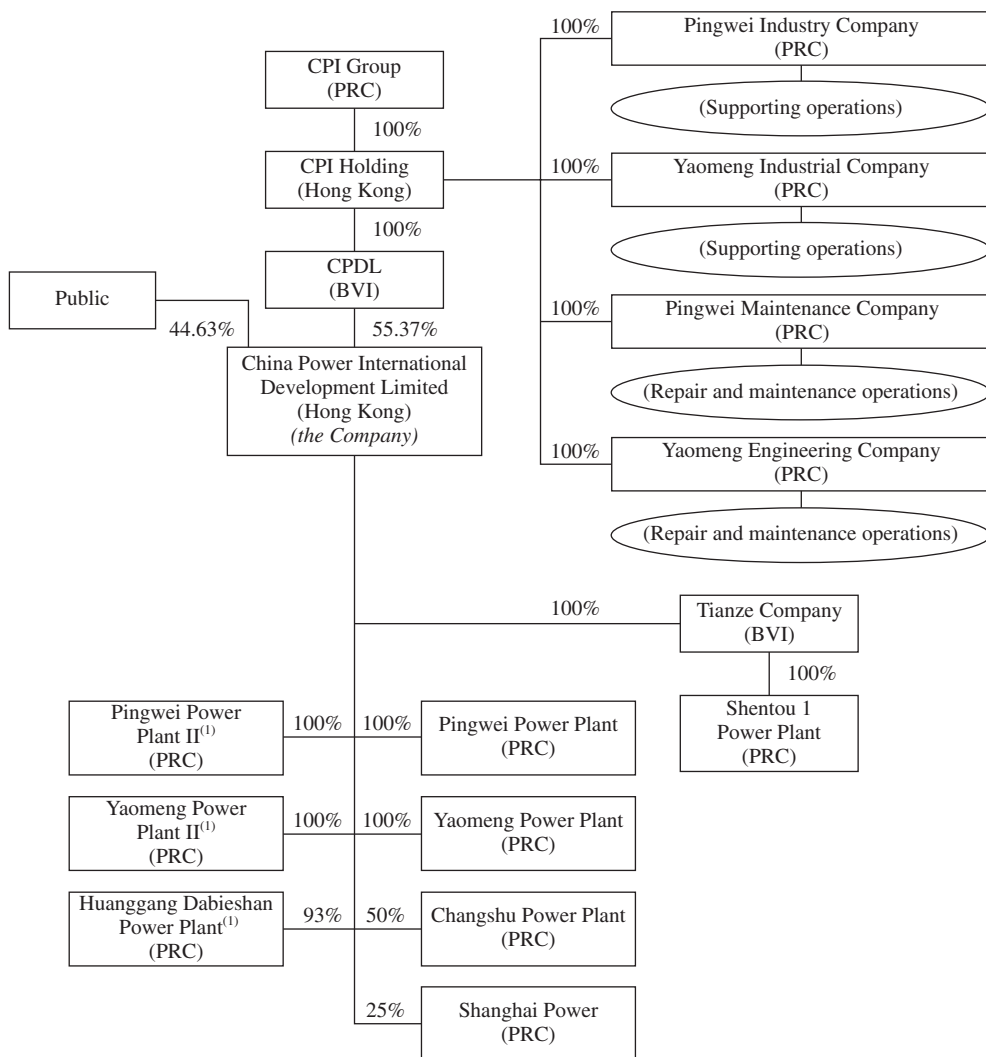
- (i) the obtaining of all necessary approvals from and registration and filing with the PRC relevant governmental authorities (or their authorized institutions) for the Disposals (save and except the registration with the Administration for Industry and Commerce of the PRC in connection with the Disposals); and
- (ii) the payment of the consideration for the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company pursuant to the Disposal Agreement.

If the completion shall not take place on 31 December 2007 or such later date as the Company and CPI Holding agree in writing, the Disposal Agreement will cease to have effect, save and except liabilities in respect of antecedent breaches. Within 10 working days of the termination of the Disposal Agreement, any consideration paid to the Company shall be returned to CPI Holding. The expected date of completion of the Disposals is on or before 31 December 2007. The Directors do not anticipate any material obstacles in obtaining the approvals from the PRC relevant governmental authorities.

LETTER FROM THE BOARD

Set out below is the corporate structure of the Company and the power plants owned by it and of the Parent Group so far as is relevant to the Disposals immediately following completion of the Disposals:

Corporate structure immediately following completion of the Disposals



Note:

(1) These are power plants under construction which are not yet in operation.

4. REASONS FOR AND BENEFITS OF THE DISPOSALS

The Group is principally engaged in the development, construction, operations and managements of power plants in the PRC.

Pingwei Maintenance Company was established in the PRC on 18 December 2006. As per its business licence issued on 18 December 2006, it is principally engaged in among others, repair, maintenance, testing, installation, provision of technical services and modification of power equipments, provision of power-related technical advisory, training and services. Pingwei Industry Company was established in the PRC on 18 December 2006. As per its business licence issued on 18 December 2006, it is principally engaged in among others, operation, inspection and maintenance of ancillary equipments in relation to power generation, management of ashes, wastes, pipes and wires, management and maintenance of waste-yard. Yaomeng Engineering Company was established in the PRC on 19 December 2006. As per its business licence issued on 19 December 2006, it is principally engaged in among others, installation, testing, operation, repair and maintenance, anti-erosion, technical modification of power equipments, provision of power-related technical advisory, technical services and training, repair and manufacture of power machineries and equipments and the processing, repair, sale and purchase of their parts. Yaomeng Industrial Company was incorporated in the PRC on 19 December 2006. As per its business licence issued on 19 December 2006, it is principally engaged in among others, operation, repair and maintenance of the ancillary machineries in power plant, process of waste resources and water, collection and use of recycled resources, cleaning of ashes and pipes and ashyard, management and maintenance of coal storage area.

Prior to the completion of the Disposals, the assets and liabilities of these non-core businesses are included in the consolidated balance sheet of the Group. After the completion of the Disposals, the assets and liabilities of these non-core businesses will be disposed of and separated from the balance sheet of the power plants.

As Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company were established in December 2006 pursuant to the Restructuring, no profits were attributable to each of the above companies for the two years ended 31 December 2005 and 31 December 2006.

As the consideration was determined by reference to the valuation report prepared by China Rightson Certified Public Accountants (中瑞華恒信會計師事務所) (using cost basis) which valued the net assets of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company as at 31 December 2006 at RMB68,897,200 (equivalent to approximately HK\$68,897,200), RMB97,870,600 (equivalent to approximately HK\$97,870,600), RMB59,307,000 (equivalent to approximately HK\$59,307,000) and RMB59,011,800 (equivalent to approximately HK\$59,011,800), respectively, the Directors expect a gain of approximately RMB602,084 (equivalent to approximately HK\$602,084) on the Disposals. The gain on the Disposals is the difference between the consideration for Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company (i.e. Other Non-core Business Assets and Repair and Maintenance Assets) and the carrying value of the Other Non-core Business Assets and Repair and Maintenance Assets in the Company's audited accounts for the financial year ended 31 December 2006.

LETTER FROM THE BOARD

After the Disposals, the management of the Company will be relieved from responsibilities for non-core operations and can better focus on improving the operating efficiency of the power generation business. The workforce would also be substantially reduced. The Disposals would also allow the management to consider other service providers in future to achieve cost savings and increase the funds available for general working capital.

The Disposals are also encouraged by the PRC government market economy directives to enable greater efficiency in the repair and maintenance and other supporting operations.

5. RELATIONSHIP WITH CPI GROUP

The Company is the flagship company and only listed entity outside the PRC of CPI Group. CPI Group is one of the five national power generation groups in China, and operates coal-fired, hydroelectric and nuclear power plants in various locations in the PRC. CPI Holding is wholly-owned by CPI Group and owns and operates coal-fired and hydroelectric power plants in the PRC. As at the Latest Practicable Date, CPI Group, through intermediate holding companies, CPI Holding and CPDL, owned and was entitled to control approximately 55.37% of the issued share capital of the Company.

6. CONTINUING CONNECTED TRANSACTIONS AND LAND LEASE AMENDMENT AGREEMENTS

(a) Introduction

On 23 May 2007, Pingwei Power Plant entered into certain continuing connected transactions agreements with Pingwei Maintenance Company and Pingwei Industry Company in relation to the provision of various services by Pingwei Maintenance Company and Pingwei Industry Company to Pingwei Power Plant in connection with its day-to-day business and operations. On the same date, Yaomeng Power Plant entered into certain continuing connected transactions agreements with Yaomeng Engineering Company and Yaomeng Industrial Company in relation to the provision of various services by Yaomeng Engineering Company and Yaomeng Industrial Company to Yaomeng Power Plant in connection with its day-to-day business and operations. Upon completion of the Disposals, CPI Holding will own 100% equity interest in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company, and such transactions will then constitute connected transactions between the Parent Group and the Group. These transactions are necessary for the continual operations of Pingwei Power Plant and Yaomeng Power Plant following the completion of the Disposals.

LETTER FROM THE BOARD

A summary of the Continuing Connected Transactions and the Land Lease Amendment Agreements is as follows:

Continuing Connected Transaction and the Land Lease Amendment Agreements

Term	Parties	
Provision of composite repair and maintenance services	Date of completion of the disposal of Pingwei Maintenance Company to CPI Holding until 31 December 2009	Pingwei Power Plant Pingwei Maintenance Company
Provision of composite repair and maintenance services	Date of completion of the disposal of Yaomeng Engineering Company to CPI Holding until 31 December 2009	Yaomeng Power Plant Yaomeng Engineering Company
Provision of fuel related services	Date of completion of the disposal of Pingwei Industry Company to CPI Holding until 31 December 2009	Pingwei Power Plant Pingwei Industry Company
Provision of fuel related services	Date of completion of the disposal of Yaomeng Industrial Company to CPI Holding until 31 December 2009	Yaomeng Power Plant Yaomeng Industrial Company
Provision of cleaning, repair and maintenance services in relation to power plant	Date of completion of the disposal of Pingwei Industry Company to CPI Holding until 31 December 2009	Pingwei Power Plant Pingwei Industry Company
Provision of cleaning, repair and maintenance services in relation to power plant	Date of completion of the disposal of Yaomeng Industrial Company to CPI Holding until 31 December 2009	Yaomeng Power Plant Yaomeng Industrial Company
Provision of composite services	Date of completion of the disposal of Pingwei Industry Company to CPI Holding until 31 December 2009	Pingwei Power Plant Pingwei Industry Company

LETTER FROM THE BOARD

Continuing Connected Transaction and the Land Lease Amendment Agreements

Agreements	Term	Parties	
Provision of composite services	Date of completion of the disposal of Yaomeng Industrial Company to CPI Holding until 31 December 2009	Yaomeng Power Plant	Yaomeng Industrial Company
Land lease amendment agreement	With effect from the date of completion of the disposals of Pingwei Maintenance Company and Pingwei Industry Company	Pingwei Power Plant	CPI Group
Land lease amendment agreement	With effect from the date of completion of the disposals of Yaomeng Engineering Company and Yaomeng Industrial Company	Yaomeng Power Plant	CPI Group

Details of each of the Continuing Connected Transactions and Land Lease Amendment Agreements are set out in paragraphs (b) and (c) below.

The Continuing Connected Transactions under section 6(b), namely the composite repair and maintenance services agreements, the fuel related services agreements, the cleaning, repair and maintenance agreements in relation to power plants and the composite services agreements will then constitute connected transactions of the Company upon completion of the Disposals. The applicable ratios for these transactions, when aggregated together with the Shentou Connected Transactions, are on an annual basis more than 2.5% and are subject to the announcement, reporting and Independent Shareholders' approval requirements under the Listing Rules. Save and except the Shentou Connected Transactions, there is no other continuing connected transaction in the past twelve months prior to the Latest Practicable Date subject to aggregation.

Pingwei Power Plant and Yaomeng Power Plant did not enter into any transactions with Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company for the two years ended 31 December 2006.

(b) Information on Continuing Connection Transactions subject to announcement, reporting and Independent Shareholders' approval requirements

Composite Repair and Maintenance Services Agreements

Background: On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant entered into the composite repair and maintenance services agreement with Pingwei Maintenance

LETTER FROM THE BOARD

Company and Yaomeng Engineering Company, respectively, both effective from the date of completion of the disposal of Pingwei Maintenance Company and Yaomeng Engineering Company (as the case may be) to CPI Holding until 31 December 2009 for obtaining the repair and maintenance services for the power generation units and related power equipment of Pingwei Power Plant and Yaomeng Power Plant.

Under the terms of the agreements, Pingwei Maintenance Company and Yaomeng Engineering Company agree to provide to Pingwei Power Plant and Yaomeng Power Plant repair and maintenance for the power generation units and related power equipment, including annual maintenance of generation units; annual planned inspection and repair of generation units, etc.

Conditions precedent: Each of the composite repair and maintenance services agreements is conditional upon satisfaction of the following conditions:

- (i) the passing of an ordinary resolution by Independent Shareholders approving the terms of the composite repair and maintenance services agreement or such requirement being waived by the Stock Exchange; and
- (ii) the completion of the disposal of Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) to CPI Holding.

Pricing: The fees payable to Pingwei Maintenance Company and Yaomeng Engineering Company (as the case may be) for the various repair and maintenance services provided under the composite repair and maintenance services agreements shall be:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; and
- in the absence of the above, an agreed price reflecting the reasonable cost incurred by Pingwei Maintenance Company and Yaomeng Engineering Company (as the case may be) in providing the services.

The Company will settle the fees payable by way of cash payments.

Reasons for such transactions: Repair and maintenance of the power generation units are essential to ensure the safe, effective and efficient operations of Pingwei Power Plant and Yaomeng Power Plant. Such repair and maintenance are highly-technical in nature and can only be carried out by engineers and skilled technicians equipped with the relevant technical skills and specialized knowledge. Upon completion of the Disposals, CPI Holding will hold 100% equity interest in Pingwei Maintenance Company and Yaomeng Engineering Company, and Pingwei Maintenance Company and Yaomeng Engineering Company will have the relevant

LETTER FROM THE BOARD

technical expertise and specific in-depth knowledge of Pingwei Power Plant and Yaomeng Power Plant's power generation units and related power equipment, as the same workforce was responsible for administering ongoing repairs and maintenance for the generation units and related power equipment prior to the disposal of Pingwei Maintenance Company and Yaomeng Engineering Company to CPI Holding. The composite repair and maintenance services agreements will ensure continuity of reliable services, maximization of the specialized knowledge and experience of Pingwei Maintenance Company and Yaomeng Engineering Company to Pingwei Power Plant and Yaomeng Power Plant and the safe, effective and efficient operations of Pingwei Power Plant and Yaomeng Power Plant. Under the composite repair and maintenance services agreements, Pingwei Power Plant and Yaomeng Power Plant have the right to request for and to accept services from third party service providers.

Fuel Related Services Agreements

Background: On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant entered into the fuel related services agreement with Pingwei Industry Company and Yaomeng Industrial Company, respectively, both effective from the date of completion of the disposal of Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) to CPI Holding until 31 December 2009 for obtaining the fuel related services for the operation of Pingwei Power Plant and Yaomeng Power Plant.

Under the terms of the agreements, Pingwei Industry Company and Yaomeng Industrial Company agree to provide fuel related services for the operations of Pingwei Power Plant and Yaomeng Power Plant, respectively. The services to be provided under the fuel related services agreement include: transportation and unloading of coal from trains; maintenance of ashyard, etc.

Condition precedent: Each of the fuel related services agreements is conditional upon satisfaction of the following conditions:

- (i) the passing of an ordinary resolution by Independent Shareholders approving the terms of the fuel related services agreement or such requirement being waived by the Stock Exchange; and
- (ii) the completion of the disposal of Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) to CPI Holding.

Pricing: The fees payable to Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) for the various services provided under the fuel related services agreements shall be:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;

LETTER FROM THE BOARD

- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; and
- in the absence of the above, an agreed price reflecting the reasonable cost incurred by Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) in providing the services.

The Company will settle the fees payable by way of cash payments.

Reasons for such transactions: Fuel and chemical processing are necessary for the operations of Pingwei Power Plant and Yaomeng Power Plant. All of the generation units of Pingwei Power Plant and Yaomeng Power Plant are fuelled by coal. Pingwei Power Plant and Yaomeng Power Plant purchase their coal requirement directly from coal producers. Raw supply of coal needs to be processed and powderized before it can be used for burning. Ash and wastes will be generated through the burning of coal. These ash wastes must be chemically processed and disposed of in such a manner which complies with PRC environmental and safety regulations. The Company believes that the specialized experience of Pingwei Industry Company and Yaomeng Industrial Company in handling fuel and wastes will ensure that the various processes as well as the subsequent disposal of wastes are undertaken in compliance with the relevant PRC regulations. The Company further believes that it is in the best interests of Pingwei Power Plant and Yaomeng Power Plant to procure fuel and related processing services from Pingwei Industry Company and Yaomeng Industrial Company as Pingwei Industry Company and Yaomeng Industrial Company possess special strengths that independent third-party service providers generally do not possess, such as having the requisite power industry knowledge and being ideally situated in close proximity to Pingwei Power Plant and Yaomeng Power Plant to enable efficient and timely services. Under the fuel related services agreements, Pingwei Power Plant and Yaomeng Power Plant have the right to request for and to accept services from third party service providers.

Cleaning, Repair and Maintenance Agreements in relation to Power Plants

Background: On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant entered into the cleaning, repair and maintenance agreement in relation to power plant with Pingwei Industry Company and Yaomeng Industrial Company, respectively, both effective from the date of completion of the disposal of Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) to CPI Holding until 31 December 2009 for obtaining cleaning, repair and maintenance services for the facilities and equipment of Pingwei Power Plant and Yaomeng Power Plant.

Under the terms of the agreements, Pingwei Industry Company and Yaomeng Industrial Company agree to provide cleaning, repair and maintenance services for the facilities and equipment of Pingwei Power Plant and Yaomeng Power Plant. The services to be provided under the agreements include: cleaning and maintenance of production facilities; maintenance of public facilities in the production site, etc.

LETTER FROM THE BOARD

Conditions precedent: Each of the cleaning, repair and maintenance services agreements in relation to power plants is conditional upon satisfaction of the following conditions:

- (i) the passing of an ordinary resolution by Independent Shareholders approving the terms of the cleaning, repair and maintenance services agreement in relation to power plant or such requirement being waived by the Stock Exchange; and
- (ii) the completion of the disposal of Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) to CPI Holding.

Pricing: The fees payable to Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) for the provision of services under the cleaning, repair and maintenance agreements in relation to power plants shall be:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; and
- in the absence of the above, an agreed price reflecting the reasonable cost incurred by Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) in providing the services.

The Company will settle the fees payable by way of cash payments.

Reasons for such transactions: Facilities cleaning, repair and maintenance services are necessary for the normal and day to day operations of Pingwei Power Plant and Yaomeng Power Plant. The Company believes that it is in the best interests of Pingwei Power Plant and Yaomeng Power Plant to procure these services from Pingwei Industry Company and Yaomeng Industrial Company as they have special strengths that independent third-party service providers generally do not possess, such as having the requisite power industry knowledge and understanding of the facilities of Pingwei Power Plant and Yaomeng Power Plant and being conveniently located in close proximity to Pingwei Power Plant and Yaomeng Power Plant to enable efficient and timely services. Under the cleaning, repair and maintenance agreements in relation to power plants, Pingwei Power Plant and Yaomeng Power Generation Company have the rights to request for and to accept services from third party service providers.

Composite Services Agreement

Background: On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant entered into the composite services agreement with Pingwei Industry Company and Yaomeng

LETTER FROM THE BOARD

Industrial Company, respectively, both effective from the date of completion of the disposal of Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) to CPI Holding until 31 December 2009 for obtaining ancillary services for the operation of Pingwei Power Plant and Yaomeng Power Plant.

Under the terms of the agreements, Pingwei Industry Company and Yaomeng Industrial Company agree to provide to Pingwei Power Plant and Yaomeng Power Plant ancillary services which are necessary to facilitate the operations of Pingwei Power Plant and Yaomeng Power Plant. The services to be provided under the agreements include: transportation of special vehicles and goods, security and fire safety management, etc.

Conditions precedent: Each of the composite services agreements is conditional upon satisfaction of the following conditions:

- (i) the passing of an ordinary resolution by Independent Shareholders approving the terms of the composite services agreement or such requirement being waived by the Stock Exchange; and
- (ii) the completion of the disposal of Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) to CPI Holding.

Pricing: The fees payable to Pingwei Industry Company and Yaomeng Industrial Company for services provided under the composite services agreements shall be:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; and
- in the absence of the above, an agreed price reflecting the reasonable cost incurred by Pingwei Industry Company and Yaomeng Industrial Company (as the case may be) in providing the services.

The Company will settle the fees payable by way of cash payments.

Reasons for such transactions: These ancillary services are required by Pingwei Power Plant and Yaomeng Power Plant to facilitate its business operations. The Company believes that it is in the best interest of Pingwei Power Plant and Yaomeng Power Plant to procure these ancillary services from Pingwei Industry Company and Yaomeng Industrial Company as Pingwei Industry Company and Yaomeng Industrial Company have special strengths that independent third-party service providers generally do not possess, such as having the relevant knowledge

and being conveniently located in close proximity to Pingwei Power Plant and Yaomeng Power Plant to enable efficient and timely services. Under the composite services agreements, Pingwei Power Plant and Yaomeng Power Plant have the right to request for and to accept services from third party service providers.

(c) Information on Land Lease Amendment Agreements subject to announcement, reporting but exempt from Independent Shareholders' approval requirements

Land lease amendment agreements

Background: On 23 May 2007, Pingwei Power Plant entered into the Pingwei Land Lease Amendment Agreement with CPI Group to amend the terms in the Pingwei Land Lease Agreement, including inter alia, the area of leased land and corresponding adjustments to the annual rent.

As disclosed in the Prospectus, Pingwei Power Plant leased a total area of land of 4,438,189.23 m² on which Pingwei Power Plant is situated for a term commencing on 1 August 2004 and expiring on 16 September 2019 (being the expiry date of the term of the operation of Pingwei Power Plant) at a annual rent to be determined by reference to the market rates. The annual rent can be adjusted by mutual agreement between the parties every three years. The annual rent for the year of 2006 is RMB6,980,000 (equivalent to approximately HK\$6,980,000). As Pingwei Maintenance Company and Pingwei Industry Company will be disposed of under the Disposals, the Pingwei Land Lease Agreement are amended pursuant to the terms of the Pingwei Land Lease Amendment Agreement as follows:

- (i) the total area of land leased from CPI Group is amended from 4,438,189.23 m² to 4,352,884 m²;
- (ii) the annual rent is adjusted to RMB6,845,839.32 accordingly (equivalent to approximately HK\$6,845,839.32); and
- (iii) Pingwei Power Plant may share the leased land with Pingwei Maintenance Company and Pingwei Industry Company from the date of the completion of the division of Pingwei Power Plant pursuant to the Restructuring to the date of the completion of the disposal of Pingwei Maintenance Company and Pingwei Industry Company to CPI Holding.

It is expected that the maximum aggregate annual value of the rent payable by Pingwei Power Plant for each of the three years ending 2009 will not exceed RMB6,845,839.32 accordingly (equivalent to approximately HK\$6,845,839.32).

On 23 May 2007, Yaomeng Power Plant entered into Yaomeng Land Lease Amendment Agreement with CPI Group to amend the terms in the Yaomeng Land Lease Agreement, including inter alia, the area of leased land and corresponding adjustments to the annual rent.

LETTER FROM THE BOARD

As disclosed in the Prospectus, Yaomeng Power Plant leased a total area of land of 2,887,772 m² on which Yaomeng Power Plant is situated for a term commencing on 1 August 2004 and expiring on 26 August 2019 (being the expiry date of the term of the operation of Yaomeng Power Plant) at an annual rent to be determined by reference to the market rates. The annual rent can be adjusted by mutual agreement between the parties every three years. The annual rent for the year of 2006 is RMB5,330,000 (equivalent to approximately HK\$5,330,000). As Yaomeng Engineering Company and Yaomeng Industrial Company will be disposed of under the Disposals, the Yaomeng Land Lease Agreement are amended pursuant to the terms of the Yaomeng Land Lease Amendment Agreement as follows:

- (i) the total area of land leased from CPI Group is amended from 2,887,772 m² to 2,858,170.60 m²;
- (ii) the annual rent is adjusted to RMB5,275,364.70 (equivalent to approximately HK\$5,275,364.70) accordingly; and
- (iii) Yaomeng Power Plant may share the leased land with Yaomeng Engineering Company and Yaomeng Industrial Company from the date of the completion of the division of Yaomeng Power Plant pursuant to the Restructuring to the date of the completion of the disposal of Yaomeng Engineering Company and Yaomeng Industrial Company to CPI Holding.

It is expected that the maximum aggregate annual value of the rent payable by Yaomeng Power Plant for each of the three years ending 31 December 2009 will not exceed RMB5,275,364.70 (equivalent to approximately HK\$5,275,364.70).

Conditions: The amendments to the rental and the total area of the leased land under the Pingwei Land Lease Amendment Agreement are conditional upon completion of the disposal of Pingwei Maintenance Company and Pingwei Industry Company to CPI Holding. The amendments to the rental and the total area of the leased land under the Yaomeng Land Lease Amendment Agreement are conditional upon completion of the disposal of Yaomeng Engineering Company and Yaomeng Industrial Company to CPI Holding.

Reasons for such transactions: Upon the Disposals, Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company will cease to be subsidiaries of the Company and the total area of the land leased from CPI Group shall be reduced accordingly.

For the reasons set out in the foregoing, the Directors (including independent non-executive Directors) are of the view that the terms of the Continuing Connected Transactions are entered into on normal commercial terms, are fair and reasonable so far as the Group are concerned and are in the interests of the Company and its shareholders as a whole.

The Directors (including independent non-executive Directors) are of the view that the terms of the Land Lease Amendment Agreements are entered into on normal commercial terms, are fair and reasonable so far as the Group are concerned and are in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

7. COMPLIANCE WITH THE LISTING RULES

Prior to the Disposals, the Group satisfied their needs by themselves. As such, there are no historical values for the Continuing Connected Transactions.

Set out below are the aggregate annual caps for the three financial years ending 31 December 2009 applicable for Continuing Connected Transactions and the Land Lease Amendment Agreements pursuant to the following agreements, and the basis of determining such aggregate annual caps:

Continuing Connected Transactions/Land Lease Amendment Agreements	Annual Cap for each of the three years ending 31 December 2007, 31 December 2008 and 31 December 2009	Basis of determination of the annual cap
Composite repair and maintenance services agreement with Pingwei Power Plant	RMB66,400,000 (equivalent to approximately HK\$66,400,000)	The annual caps are determined by the Company after taking into account repair and maintenance plans determined based on the age, condition and repair and maintenance needs of each power generation unit and equipment of Pingwei Power Plant, the expected time costs of expertise labor required, the complexity of the repair and maintenance works involved, market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.

LETTER FROM THE BOARD

Continuing Connected Transactions/Land Lease Amendment Agreements	Annual Cap for each of the three years ending 31 December 2007, 31 December 2008 and 31 December 2009	Basis of determination of the annual cap
Composite repair and maintenance services agreement with Yaomeng Power Plant	RMB48,320,000 (equivalent to approximately HK\$48,320,000)	The annual caps are determined by the Company after taking into account repair and maintenance plans determined based on the age, condition and repair and maintenance needs of each power generation unit and equipment of Yaomeng Power Plant, the expected time costs of expertise labor required, the complexity of the repair and maintenance works involved, market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.
Fuel related services agreement with Pingwei Power Plant	RMB44,590,000 (equivalent to approximately HK\$44,590,000)	The annual caps are determined by the Company after taking into account Pingwei Power Plant's expected coal consumption with reference to the expected power generation level, its requirements for fuel related services and market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.

LETTER FROM THE BOARD

Continuing Connected Transactions/Land Lease Amendment Agreements	Annual Cap for each of the three years ending 31 December 2007, 31 December 2008 and 31 December 2009	Basis of determination of the annual cap
Fuel related services agreement with Yaomeng Power Plant	RMB26,930,000 (equivalent to approximately HK\$26,930,000)	The annual caps are determined by the Company after taking into account Yaomeng Power Plant's expected coal consumption with reference to the expected power generation level, its requirements for fuel related services and market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.
Cleaning, repair and maintenance agreement in relation to power plant with Pingwei Power Plant	RMB10,060,000 (equivalent to approximately HK\$10,060,000)	The annual caps are determined with reference to the age, condition and repair and maintenance requirements of each facility and equipment of Pingwei Power Plant, the expected time costs of labor required, and the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.

LETTER FROM THE BOARD

Continuing Connected Transactions/Land Lease Amendment Agreements	Annual Cap for each of the three years ending 31 December 2007, 31 December 2008 and 31 December 2009	Basis of determination of the annual cap
Cleaning, repair and maintenance agreement in relation to power plant with Yaomeng Power Plant	RMB21,474,000 (equivalent to approximately HK\$21,474,000)	The annual caps are determined with reference to the age, condition and repair and maintenance requirements of each facility and equipment of Yaomeng Power Plant, the expected time costs of labor required, and the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.
Composite services agreement with Pingwei Power Plant	RMB15,800,000 (equivalent to approximately HK\$15,800,000)	The annual caps are determined with reference to Pingwei Power Plant's requirements for ancillary services and the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.
Composite services agreement with Yaomeng Power Plant	RMB16,595,000 (equivalent to approximately HK\$16,595,000)	The annual caps are determined with reference to Yaomeng Power Plant's requirements for ancillary services and the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.

LETTER FROM THE BOARD

Continuing Connected Transactions/Land Lease Amendment Agreements	Annual Cap for each of the three years ending 31 December 2007, 31 December 2008 and 31 December 2009	Basis of determination of the annual cap
Pingwei Land Lease Agreement as amended by the Pingwei Land Lease Amendment Agreement	RMB6,845,839.32 (equivalent to approximately HK\$6,845,839.32)	The annual rentals are fixed at RMB6,845,839.32 (equivalent to approximately HK\$6,845,839.32) pursuant to the Pingwei Land Lease Amendment Agreement.
Yaomeng Land Lease Agreement as amended by the Yaomeng Land Lease Amendment Agreement	RMB5,275,364.70 (equivalent to approximately HK\$5,275,364.70)	The annual rentals are fixed at RMB5,275,364.70 (equivalent to approximately HK\$5,275,364.70) pursuant to the Yaomeng Land Lease Amendment Agreement.

The Directors (including independent non-executive Directors) are of the view that the annual caps for each of the Continuing Connected Transactions are fair and reasonable.

The Directors (including independent non-executive Directors) are of the view that the annual caps for each of the Land Lease Amendment Agreements are fair and reasonable.

8. DISPOSAL OF NON-CORE BUSINESS ASSETS AND CONTINUING CONNECTED TRANSACTIONS

As at the Latest Practicable Date, CPDL owned approximately 55.37% of the issued share capital of the Company. CPDL is a wholly-owned subsidiary of CPI Holding, which is in turn wholly-owned by CPI Group. As CPI Holding is a substantial shareholder of the Company, CPI Holding is a connected person of the Company within the meaning of the Listing Rules. Thus, the Disposals constitute connected transactions for the Company. As each of the applicable percentage ratios for the Disposals, when aggregated, falls below 2.5% as set out in Rule 14A.32 of the Listing Rules, the Disposals are subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval.

Further, the Continuing Connected Transactions under section 6(b) will constitute connected transactions for the Company upon completion of the Disposals. As the Continuing Connected Transactions with an aggregate annual value of RMB250,169,000 (equivalent to approximately HK\$250,169,000), when aggregated together with the Shentou Connected Transactions (the annual value under which is RMB150,000,000 in aggregate (equivalent to approximately HK\$150,000,000)), on annual basis exceed 2.5% of the applicable percentage under Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions are subject to the approval of the Independent Shareholders.

LETTER FROM THE BOARD

CPI Group and its Associates (including CPI Holding and CPDL) being connected persons in respect of the Continuing Connected Transactions, will abstain from voting on the ordinary resolution to approve the terms of the Continuing Connected Transactions. Any vote of the Independent Shareholders at the EGM shall be taken by poll.

The maximum annual rent payable by Pingwei Power Plant and Yaomeng Power Plant to CPI Group in aggregate for each of the three years ending 31 December 2009 will be RMB12,121,204.02 (equivalent to approximately HK\$12,121,204.02). As each of the applicable percentage ratios for these transactions, when aggregated together with the Shentou Land Lease Agreement (the annual rental under which is RMB4,940,000 (equivalent to approximately HK\$4,940,000)), falls below 2.5% as set out in Rule 14A.34 of the Listing Rules, the Land Lease Amendment Agreements are subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval. Details of the Land Lease Amendment Agreements will be included in the next published annual report and accounts of the Company pursuant to Rules 14A.45 and 14A.46 of the Listing Rules.

Under the articles of association of the Company, a poll can be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three members present in person or by proxy having the right to vote on the resolution; or
- (c) a member or members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
- (d) a member or members present in person or by proxy holding shares conferring the right to attend and vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right,

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

No voting trust, other agreement, arrangement or understanding was entered into by or binding upon CPI Group and its associates in respect of their beneficial interests in the Company.

9. RECOMMENDATION

The Directors consider that the terms of the Continuing Connected Transactions are fair and reasonable, on normal commercial terms and are in the interests of the Company and the shareholders as a whole. Accordingly, the Directors recommend the shareholders of the Company to vote in favour of the resolution to be proposed at the EGM to approve the Continuing Connected Transactions.

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee to the Independent Shareholders set out on pages 32 to 33 of this circular and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 34 to 48 of this circular in respect of the terms of the Continuing Connected Transactions, and to the information set out in the appendix of this circular.

By order of the Board
China Power International Development Limited
Li Xiaolin
Vice Chairman and Chief Executive Officer



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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

Independent Board Committee

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

14 June 2007

To the Independent Shareholders,

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the “Circular”) dated 14 June 2007 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context other requires.

The Board announces that on 23 May 2007, the Company entered into the Disposal Agreement with CPI Holding, pursuant to which the Company agreed to sell and CPI Holding agreed to purchase from the Company, the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company for a total consideration of RMB285,086,600 (equivalent to approximately HK\$285,086,600).

On 23 May 2007, Pingwei Power Plant entered into certain continuing connected transactions agreements with Pingwei Maintenance Company and Pingwei Industry Company in relation to the provision of various services by Pingwei Maintenance Company and Pingwei Industry Company to Pingwei Power Plant in connection with its day-to-day business and operations. On the same date, Yaomeng Power Plant entered into certain continuing connected transactions agreements with Yaomeng Engineering Company and Yaomeng Industrial Company in relation to the provision of various services by Yaomeng Engineering Company and Yaomeng Industrial Company to Yaomeng Power Plant in connection with its day-to-day business and operations.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to make a recommendation to the Independent Shareholders as to whether, in its view,

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the terms of the Continuing Connected Transactions are in the interest of the Company and its shareholders. CLSA has been appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms of the Continuing Connected Transactions from a financial perspective.

The terms and reasons for the Continuing Connected Transactions are summarised in the Letter from the Board set out on pages 6 to 31 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the Continuing Connected Transactions and the basis upon which their terms have been determined. We have also considered the key factors taken into account by CLSA in arriving at its opinion regarding the terms of the Continuing Connected Transactions as set out in the letter from the Independent Financial Adviser on pages 34 to 48 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, amongst other things, the views of CLSA, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, considers that the terms of the Continuing Connected Transactions are fair and reasonable and in the interest of the Company and its shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the Notice of the EGM at the end of the Circular.

Yours faithfully
Kwong Che Keung, Gordon
Li Fang
Tsui Yiu Wa, Alec
Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders prepared for the purpose of incorporation in this circular:



14 June 2007

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

Continuing Connected Transactions

We refer to our engagement pursuant to which CLSA Equity Capital Markets Limited (“CLSA”) has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether certain continuing connected transactions that are proposed to be entered into upon completion of the Disposals, which are subject to announcement, reporting and Independent Shareholders’ approval requirements under the Listing Rules (the “Relevant Connected Transactions”), is on normal commercial terms, in the ordinary and usual course of the business of the Group, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The details of such Relevant Connected Transactions are contained in the circular dated 14 June 2007 (the “Circular”) issued by the Company to its Shareholders.

This letter has been prepared for inclusion in the Circular. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 23 May 2007, the Company entered into the Disposal Agreement with CPI Holding, pursuant to which the Company agreed to sell and CPI Holding agreed to purchase from the Company the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company (together, the “Disposal Assets”) for a total consideration of RMB 285,086,600 (please refer to the Letter from the Board contained in the Circular for details). The Disposal Assets were originally operated as internal cost centers within Pingwei Power Plant and Yaomeng Power Plant respectively and were established as separate legal entities on 18 December 2006 pursuant to the Restructuring which was conducted by the Company in preparation for the Disposals.

The Disposals constitute connected transactions for the Company. However, as each of the applicable percentage ratios for the Disposals, when aggregated, falls below 2.5% as set out in Rule 14A.32 of the Listing Rules, the Disposals will be exempted from the Independent Shareholders’ approval requirements under the Listing Rules. As such, we do not express an opinion on the Disposals for the purpose of our engagement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In connection with their day-to-day business and operations, each of Pingwei Power Plant and Yaomeng Power Plant, both being wholly owned subsidiaries of the Company, will enter into transactions with certain entities (i.e. Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company) that are to become wholly-owned subsidiaries of CPI Holding following completion of the Disposals. As the relevant percentage ratios applicable to the Relevant Connected Transactions, when aggregated together and with Shentou Connected Transactions, for the purpose of Chapter 14A of the Listing Rules are expected to exceed 2.5% on an annual basis, the Relevant Connected Transactions, together with their associated annual caps, will be subject to Independent Shareholders' approval at the EGM.

In formulating our opinion with regard to the Relevant Connected Transactions, we have relied on the information, opinions and facts supplied, and representations made to us by the Directors and representatives of the Company (including those contained or referred to in the Circular). We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors and representatives of the Company, and for which they are wholly responsible, are true and accurate in all material respects. We have also relied on certain information available to the public and we have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. Further, we have relied on the representations of the Directors that they have made all reasonable inquiries, and that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement contained in the Circular untrue or misleading. We have also assumed that statements and representations made or referred to in the Circular were accurate at the time they were made and continue to be accurate at the date of dispatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the Relevant Connected Transactions and to justify our recommendation, relying on the accuracy of the information provided in the Circular as well as to provide a reasonable basis for our advice. It is not within our terms of reference to comment on the commercial feasibility of the Relevant Connected Transactions, which remains the responsibility of the Directors. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiations in respect of the terms and conditions of the Relevant Connected Transactions. Our opinion with regard to the terms and conditions thereof has been made on the assumption that all obligations to be performed by each of the parties to the Relevant Connected Transactions will be fully performed in accordance with the terms and conditions thereof. Further, we have no reason to suspect that any material facts or information have been omitted or withheld from the information supplied or opinions expressed to us nor to doubt the truth, accuracy and completeness of the information, facts and representations provided, or the reasonableness of the opinions expressed, to us by the Company, its Directors and its representatives. We have not, however, made any independent verification of the information and facts provided, representations made or opinions expressed by the Company, its Directors and its representatives, nor have we conducted any form of independent investigation into the business affairs or assets and liabilities of the Company. Accordingly, we do not warrant the accuracy or completeness of any such information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated, and on the information publicly available to us, as of the date of this opinion. We have no obligation to update this opinion to take into account events occurring after the date that this opinion is delivered to the Independent Board Committee and the Independent Shareholders.

In addition, our opinion is also subject to the following qualifications:

- a) We are instructed to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Relevant Connected Transactions. As such, our opinion does not include any statement or opinion as to the merits or otherwise of the Relevant Connected Transactions from any other point of view;
- b) We do not express any opinion or statement as to whether any similar terms or transactions akin to the terms proposed for the Relevant Connected Transactions are or might be available from any independent third parties, nor as to whether any independent third parties might offer similar transactions;
- c) It is not possible to confirm whether or not the Relevant Connected Transactions are in the interests of each individual Independent Shareholder and each Independent Shareholder should consider his/her/its vote on the merits or otherwise of the Relevant Connected Transactions in light of his/her/its own circumstances and from his/her/its own point of view having regard to all the circumstances (and not only the financial perspectives offered in this letter) as well as his/her/its own investment objectives;
- d) In preparing this letter and in giving any opinion or advice, we have only had regard to the Relevant Connected Transactions and necessarily circumstances thereof in connection with the Relevant Connected Transactions only, and not in connection with any other business plan, strategy or transaction, past or present, with regard to the Company or the Group as a whole, which falls beyond the scope of our opinion in connection with the Relevant Connected Transactions;
- e) Nothing contained in this letter should be construed as us expressing any view as to the trading price or market trends of any securities of the Company at any particular time; and
- f) Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any securities of the Company.

This letter is for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Relevant Connected Transactions and, except for its inclusion in the Circular and for references thereto in the letter from the Independent Board Committee set out in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CLSA is licensed by the Hong Kong Securities and Futures Commission to undertake Types 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO and we, together with our affiliates, provide a full range of investment banking and brokerage services, which, in the course of normal trading activities, may from time to time effect transactions and hold securities, including derivative securities, of the Company, its subsidiaries or its substantial shareholder (as defined in the Listing Rules) for our own account and the accounts of customers. CLSA will receive a fee from the Company for rendering this opinion. The Company has also agreed to indemnify CLSA and certain related persons against liabilities and expenses in connection with this engagement.

Principal factors and reasons:

In considering whether or not the terms and conditions of the Relevant Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the shareholders as a whole, we have taken into consideration, among others, the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

I. Reasons for and background of entering into the Relevant Connected Transactions

We understand from the Directors that the Relevant Connected Transactions are to be entered into as a result of the Disposals, which are being carried out to improve the operating efficiency of the Company's power generation business and to achieve cost savings.

II. The Relevant Connected Transactions that are subject to Independent Shareholders' approval

In preparation for the disposal of certain non-core assets, Pingwei Power Plant has entered into a number of agreements with Pingwei Maintenance Company and Pingwei Industry Company on 23 May 2007 in relation to the provision of various services to Pingwei Power Plant after the completion of the Disposals. On the same date, Yaomeng Power Plant has entered into similar agreements with Yaomeng Engineering Company and Yaomeng Industrial Company in relation to the provision of various services to Yaomeng Power Plant after the completion of the Disposals.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the agreements that govern the Relevant Connected Transactions (together, the “Relevant Continuing Connected Transaction Agreements”).

Date of execution	Agreement(s)	Parties to the agreement(s)		Services governed by the relevant agreement(s)
23 May 2007	The Composite Repair and Maintenance Services Agreement	Pingwei Power Plant	Pingwei Maintenance Company	The provision of repair and maintenance services for the power generation units and related power equipment of Pingwei Power Plant
23 May 2007	The Fuel Related Services Agreement	Pingwei Power Plant	Pingwei Industry Company	The provision of fuel related services for the operations of Pingwei Power Plant
23 May 2007	The Cleaning, Repair and Maintenance Agreement in relation to Power Plant	Pingwei Power Plant	Pingwei Industry Company	The provision of facilities cleaning, repair and maintenance services in relation to the power plant of Pingwei Power Plant
23 May 2007	The Composite Services Agreement	Pingwei Power Plant	Pingwei Industry Company	The provision of ancillary services which are necessary to facilitate the operations of Pingwei Power Plant
23 May 2007	The Composite Repair and Maintenance Services Agreement	Yaomeng Power Plant	Yaomeng Engineering Company	The provision of repair and maintenance services for the power generation units and related power equipment of Yaomeng Power Plant

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of execution	Agreement(s)	Parties to the agreement(s)		Services governed by the relevant agreement(s)
23 May 2007	The Fuel Related Services Agreement	Yaomeng Power Plant	Yaomeng Industrial Company	The provision of fuel related services for the operations of Yaomeng Power Plant
23 May 2007	The Cleaning, Repair and Maintenance Agreements in relation to Power Plant	Yaomeng Power Plant	Yaomeng Industrial Company	The provision of facilities cleaning, repair and maintenance services in relation to the power plant of Yaomeng Power Plant
23 May 2007	The Composite Services Agreement	Yaomeng Power Plant	Yaomeng Industrial Company	The provision of ancillary services which are necessary to facilitate the operations of Yaomeng Power Plant

We have reviewed the terms of each of the above Relevant Continuing Connected Transaction Agreements and we note the following:

- (A) The provision of relevant repair and maintenance services for the power generation units and related power equipment of the Company.

We note that, on 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant, both being wholly-owned subsidiaries of the Company, entered into a composite repair and maintenance services agreement with Pingwei Maintenance Company and Yaomeng Engineering Company respectively, whereby Pingwei Maintenance Company and Yaomeng Engineering Company shall provide relevant repair and maintenance services for the power generation units and related power equipment of Pingwei Power Plant and Yaomeng Power Plant respectively. Please refer to the Letter from the Board contained in the Circular for details of relevant services provided under the composite repair and maintenance services agreements.

The relevant services under the composite repair and maintenance services agreements will be provided to each of Pingwei Power Plant and Yaomeng Power Plant at:

- (i) the applicable State tariffs set by the PRC government (central and local), if any;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) where there are no State tariffs set by the PRC government, the prices not exceeding any pricing guidelines or pricing recommendations set by the PRC government (central and local);
- (iii) where there are no State tariffs set by the PRC government and there are no such pricing guidelines or recommendations, the prices determined in accordance with the prevailing market prices; or
- (iv) where none of the above is applicable, an agreed price consisting of the reasonable cost incurred in providing the services.

The prevailing market prices in (iii) mean the prices at which the same services are provided by a Chinese independent third party in the ordinary course of its business upon normal commercial terms, or the prices at which the same services are provided at the same time by Pingwei Maintenance Company or Yaomeng Engineering Company (as the case may be) to an independent third party in China in the ordinary course of its business upon normal commercial terms.

We are further advised by the Directors that the reasonable costs in (iv) above will be based on the historical costs incurred by each of Pingwei Power Plant and Yaomeng Power Plant in relation to the relevant service items governed by their respective composite repair and maintenance services agreement. Such costs are determined according to accounts prepared in accordance with PRC GAAP and include cost items such as the cost of parts / materials used in providing the relevant services, direct labour costs, depreciation charges and relevant business taxes and government surcharges. The Directors confirmed their view that the actual costs in relation to the relevant service items are expected to remain stable from 2007 to 2009 compared to the historical costs.

As discussed in the Letter from the Board, repair and maintenance of the power generation units are essential to ensure the safe, effective and efficient operations of a power plant. Such repair and maintenance services are highly-technical in nature and can only be carried out by engineers and skilled technicians equipped with the relevant technical skills and specialised knowledge. We further understand from the Directors that, as Pingwei Maintenance Company and Yaomeng Engineering Company have operated as internal cost centers within Pingwei Power Plant and Yaomeng Power Plant respectively, the same workforce was responsible for administering ongoing repair and maintenance of the relevant generation units and related power equipment prior to the Disposals and thus has accumulated in-depth knowledge of the relevant equipment and demonstrated its skills and proficiency in providing repair and maintenance services to such equipment with a successful service track record. In addition, as Pingwei Maintenance Company and Yaomeng Engineering Company are conveniently located within the vicinity of Pingwei Power Plant and Yaomeng Power Plant respectively, the Directors believe the geographical proximity will further facilitate their ability to provide efficient and expedient repair and maintenance services to the relevant power plants.

As such, the Directors believe that the composite repair and maintenance services agreements were entered into to ensure the continuity of reliable services, the maximization of the service providers' specialized knowledge and experience and the safe, effective and efficient operations of Pingwei Power Plant and Yaomeng Power Plant.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(B) *The provision of fuel related services*

On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant entered into a fuel related services agreement with Pingwei Industry Company and Yaomeng Industrial Company respectively, whereby Pingwei Industry Company and Yaomeng Industrial Company shall provide relevant fuel related services (such as the transportation and unloading of coal from trains and maintenance of ashyards) to Pingwei Power Plant and Yaomeng Power Plant respectively. Please refer to the Letter from the Board contained in the Circular for details of relevant services provided under the fuel related services agreements.

The relevant services under the fuel related services agreement will be provided in accordance with the same pricing policy as that of the composite repair and maintenance services agreements.

As discussed in the Letter from the Board contained in the Circular, fuel and chemical processing (which primarily involves the processing / powderising of coal to fuel the relevant power generation units and the chemically processing / disposal of ashes and waste generated through the burning of coal) are necessary for the operation of power plants. The Directors believe it is in the best interests of Pingwei Power Plant and Yaomeng Power Plant to procure fuel and related processing services from Pingwei Industry Company and Yaomeng Industrial Company respectively considering the following factors:

- the specialised experience of Pingwei Industry Company and Yaomeng Industrial Company in handling fuel and waste, which will ensure that the various processing as well as the subsequent disposal of wastes are undertaken in compliance with the relevant PRC regulations; and
- the special strengths possessed by Pingwei Industry Company and Yaomeng Industrial Company, such as having the requisite power industry knowledge and being ideally situated in close proximity to Pingwei Power Plant and Yaomeng Power Plant, which will ensure their ability to provide efficient and timely services.

(C) *The cleaning, repair and maintenance agreements in relation to power plants*

On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant entered into a cleaning, repair and maintenance agreement with Pingwei Industry Company and Yaomeng Industrial Company respectively, whereby Pingwei Industry Company and Yaomeng Industrial Company shall provide relevant cleaning, repair and maintenance services to the ancillary / non-power generating equipment, machinery and facilities that are essential to support the respective power plant's power generating activities (such as cleaning and maintenance of public facilities in the production site) in respect of Pingwei Power Plant and Yaomeng Power Plant respectively. Please refer to the Letter from the Board contained in the Circular for details of relevant services provided under the cleaning, repair and maintenance agreements.

The relevant services under the cleaning, repair and maintenance agreements will be provided in accordance with the same pricing policies as that of the composite repair and maintenance services agreements and the fuel related services agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed in the Letter from the Board contained in the Circular, facilities cleaning, repair and maintenance are necessary for the normal and day to day operations of Pingwei Power Plant and Yaomeng Power Plant. The Directors are of the opinion that it is in the best interests of Pingwei Power Plant and Yaomeng Power Plant to procure these services from Pingwei Industry Company and Yaomeng Industrial Company as they have special strengths that independent third-party service providers generally do not possess, such as having the requisite power industry knowledge and understanding of the facilities of Pingwei Power Plant and Yaomeng Power Plant and being conveniently located in close proximity to Pingwei Power Plant and Yaomeng Power Plant to enable efficient and timely services.

(D) *The composite services agreement:*

On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant entered into a composite services agreement with Pingwei Industry Company and Yaomeng Industrial Company respectively, whereby Pingwei Industry Company and Yaomeng Industrial Company shall provide relevant ancillary services (such as property management and shuttle bus services for plant employees) which are necessary to facilitate the operations of Pingwei Power Plant and Yaomeng Power Plant. Please refer to the Letter from the Board contained in the Circular for details of relevant services provided under the composite services agreements.

The relevant services under the composite services agreements will be provided in accordance with the same pricing policies as that of the composite repair and maintenance services agreements, the fuel related services agreements and the cleaning, repair and maintenance agreements.

We are advised by the Directors that, similar to the provision of power generation equipment repair and maintenance services under the Composite Repair and Maintenance Services Agreement, the provision of fuel related services under the fuel related service agreements and the provision of facilities cleaning, repair and maintenance services, it is in the best interests of Pingwei Power Plant and Yaomeng Power Plant to procure relevant ancillary services from Pingwei Industry Company and Yaomeng Industrial Company respectively as Pingwei Industry Company and Yaomeng Industrial Company each possesses special strengths such as:

- (i) their knowledge of the power industry in general and understanding of the facilities of Pingwei Power Plant and Yaomeng Power Plant in particular; and
- (ii) their being conveniently located in close proximity to Pingwei Power Plant and Yaomeng Power Plant to enable efficient and timely services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(E) *In addition to the discussion in (A) — (D) above, we note the following from each of the Relevant Continuing Connected Transaction Agreements:*

- each of the Relevant Continuing Connected Transaction Agreements is conditional upon the following conditions: (i) the passing of an ordinary resolution by Independent Shareholders approving the terms of the agreement; and (ii) the completion of the Disposals;
- each of the Relevant Continuing Connected Transaction Agreements will become effective from the date of completion of the Disposals until 31 December 2009;
- pursuant to each of the Relevant Continuing Connected Transaction Agreements, the provision of relevant services by Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company is not exclusive and each of Pingwei Power Plant and Yaomeng Power Plant is entitled to request for and to accept services from third party service providers for any services covered by those Relevant Continuing Connected Transaction Agreements;
- pursuant to the Relevant Continuing Connected Transaction Agreements, while each of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company is entitled to provide services to third parties, their provision of services to any other parties shall not in any way affect their obligations to provide services to Pingwei Power Plant or Yaomeng Power Plant (as the case may be); and
- each of the Relevant Continuing Connected Transaction Agreements or any services governed by the Relevant Continuing Connected Transaction Agreements can be terminated by either party subject to a six-month written notice. However, none of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company, as service providers to the Company, may terminate the relevant agreements or any services governed therein in any event if either Pingwei Power Plant or Yaomeng Power Plant (as the case may be) fails to engage a satisfactory replacement provider of relevant services.

Further details of the Relevant Continuing Connected Transaction Agreements are set out in the Letter from the Board contained in the Circular.

We were also advised that the Directors are of the opinion that the pricing mechanism set out in each of the Relevant Continuing Connected Transaction Agreements and the other terms of those Relevant Continuing Connected Transaction Agreements are fair and reasonable, on normal commercial terms and that the Relevant Connected Transactions are in the best interests of the Company and its shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. *The proposed annual caps for the Relevant Connected Transactions:*

Set out below are the proposed annual caps for each of the three years ending 31 December 2007, 2008 and 2009 applicable to the Relevant Connected Transactions:

Relevant Connected Transactions	Relevant power plant that receives the services	Annual caps (RMB million)		
		2007	2008	2009
Provision of composite repair and maintenance services under the Composite Repair and Maintenance Services Agreements	Pingwei Power Plant	66.40	66.40	66.40
	Yaomeng Power Plant	48.32	48.32	48.32
Provision of fuel related services under the Fuel Related Services Agreements	Pingwei Power Plant	44.59	44.59	44.59
	Yaomeng Power Plant	26.93	26.93	26.93
Provision of cleaning, repair and maintenance services in relation to power plant under the Cleaning, Repair and Maintenance Agreements	Pingwei Power Plant	10.06	10.06	10.06
	Yaomeng Power Plant	21.474	21.474	21.474
Provision of composite services under the Composite Services Agreements	Pingwei Power Plant	15.80	15.80	15.80
	Yaomeng Power Plant	16.595	16.595	16.595

As disclosed in the Letter from the Board, in estimating the proposed annual limits set out in the table above, the Directors have taken into consideration the following factors:

- In respect of the provision of composite repair and maintenance services by Pingwei Maintenance Company to Pingwei Power Plant and by Yaomeng Engineering Company to Yaomeng Power Plant, (i) repair and maintenance plans determined based on the age, condition and repair and maintenance needs of each power generation unit and equipment of the relevant power plant, (ii) the expected time costs of expertise labour required, (iii) the complexity of the repair and maintenance works involved and (iv) the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- In respect of the provision of fuel related services by Pingwei Industry Company to Pingwei Power Plant and by Yaomeng Industrial Company to Yaomeng Power Plant, (i) the expected coal consumption by the relevant power plant, which is in turn determined with reference to the expected power generation level of such power plant, (ii) the requirements for fuel related services, and (iii) the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers;
- In respect of the provision of power plant cleaning, repair and maintenance services by Pingwei Industry Company to Pingwei Power Plant and by Yaomeng Industrial Company to Yaomeng Power Plant, (i) the age, condition and repair and maintenance requirements of facility and equipment of the relevant power plant, (ii) the expected time costs of labour required, and (iii) the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers; and
- In respect of the provision of composite services by Pingwei Industry Company to Pingwei Power Plant and by Yaomeng Industrial Company to Yaomeng Power Plant, (i) the relevant power plant's requirements for ancillary services and (ii) the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.

We have reviewed the unaudited historical figures provided by the Company relating to each of the Relevant Connected Transactions for the year ended 31 December 2006. However, such historical figures were calculated and provided by the Company for information purposes only as there was no transaction between Pingwei Power Plant and Yaomeng Power Plant with Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company in the past since the predecessor of each of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company operated as an internal cost centre and was only established as a separate legal entity on 18 December 2006 pursuant to the Restructuring. The Company has calculated the historical figures relating to each of the Relevant Connected Transactions for the year ended 31 December 2006 based on (i) the staff costs associated with the related workforce transferred pursuant to the Disposals and the relevant labour hours spent on each of the services governed by the respective Relevant Continuing Connected Transaction Agreements; (ii) the procurement costs for materials, parts and components directly used in providing the relevant services governed by each of the Relevant Continuing Connected Transaction Agreements; and (iii) the depreciation charges of property, plant and equipment transferred pursuant to the Disposals that are relevant to the provision of each of the services governed by the Relevant Continuing Connected Transaction Agreements.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the historical costs incurred by the Company for the relevant services that are the subject matter of each of the Relevant Continuing Connected Transaction Agreements.

Relevant Connected Transactions	Relevant power plant that receives the services	Historical costs incurred by the relevant power plant in relation to the Relevant Connected Transactions	Annual caps applied for by the Company in relation to the Relevant Connected Transactions for each of the three years ending 31 December 2009
Provision of composite repair and maintenance services	Pingwei Power Plant	RMB 67.79 million	RMB 66.40 million
	Yaomeng Power Plant	RMB 48.70 million	RMB 48.32 million
Provision of fuel related services	Pingwei Power Plant	RMB 43.23 million	RMB 44.59 million
	Yaomeng Power Plant	RMB 29.09 million	RMB 26.93 million
Provision of cleaning, repair and maintenance services in relation to power plant	Pingwei Power Plant	RMB 10.06 million	RMB 10.06 million
	Yaomeng Power Plant	RMB 19.72 million	RMB 21.474 million
Provision of composite services	Pingwei Power Plant	RMB 12.35 million	RMB 15.80 million
	Yaomeng Power Plant	RMB 13.03 million	RMB 16.595 million

We note that the proposed annual caps for the three years ending 31 December 2009 in respect of each Relevant Connected Transactions are in line with the relevant historical costs incurred by the Company for the services relating to the Relevant Connected Transactions.

We also note that the historical transaction amounts are prepared on cost-based assumptions and thus do not necessarily correspond to the pricing mechanisms used for the Relevant Connected Transactions going forward, where the “cost based” pricing would only apply when none of the State tariffs set by the PRC government, the pricing guidelines or pricing recommendations set by the PRC government, and the market prices are applicable.

Summary:

Having considered the above principal factors and reasons, we draw your attention to the following in arriving at our conclusion:

- (i) the Directors’ representation that the purpose to conducting the Disposals (and as result of which, to entering into each of the Relevant Connected Transactions), is to improve the operating efficiency of the Company’s power generation business and to achieve cost savings;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the fact that the provision of relevant services by Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company is not exclusive and each of Pingwei Power Plant and Yaomeng Power Plant is entitled to request for and to accept services from third party service providers for any services covered by those Relevant Continuing Connected Transaction Agreements;
- (iii) the fact that none of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company, as service providers, may terminate the relevant agreement in any event if either Pingwei Power Plant or Yaomeng Power Plant (as the case may be) fails to engage a satisfactory replacement service provider;
- (iv) the fact that the “cost based” pricing principle would only apply where none of the State tariffs set by the PRC government, the pricing guidelines or pricing recommendations set by the PRC government, and the market prices are applicable;
- (v) the Directors’ representations that the Relevant Connected Transactions are necessary to ensure the continuing operations of Pingwei Power Plant and Yaomeng Power Plant and that each of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company is uniquely positioned to provide services in a safe, effective and efficient manner;
- (vi) the Directors’ representation as to the basis of their estimation of the annual limits in relation to each of the Relevant Connected Transactions;
- (vii) the fact that the proposed annual caps for the three years ending 31 December 2009 in respect of each Relevant Connected Transaction are in line with the relevant historical costs incurred by the Company for services relating to those Relevant Connected Transactions; and
- (viii) our understanding that, in addition to obtaining Independent Shareholders’ approval for the Relevant Connected Transactions together with their associated annual caps at the EGM, the Relevant Connected Transactions are also subject to the reporting requirements under Rule 14A.46 and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules to the extent and so far as applicable.

Recommendation:

Having considered all the above principal factors and reasons, we consider as the date hereof that:

- a) the terms of the Relevant Connected Transactions are on normal commercial terms;
- b) the Relevant Connected Transactions are entered into in the ordinary and usual course of the business of the Company;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- c) the Relevant Connected Transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
- d) the proposed annual caps for each of the Relevant Connected Transactions for the three years ending 31 December 2009 are fair and reasonable.

Accordingly, we would advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the Relevant Connected Transactions and the annual caps associated with those Relevant Connected Transactions at the EGM.

This letter is provided to the Independent Board Committee and the Independent Shareholders of the Company in connection with and for the purposes of their evaluation of the Relevant Connected Transactions. In the event of inconsistency, the English text of this letter shall prevail over the Chinese text. This letter may not be disclosed, referred to, or communicated (in whole or part) to any third party for any purpose whatsoever except with our prior written approval. This letter may be reproduced in full in the Circular but may not otherwise be disclosed publicly in any manner without our prior written approval.

Yours faithfully,
For and on behalf of
CLSA Equity Capital Markets Limited
William Yeung
Managing Director of Investment Banking

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Number of shares	Percentage of shares held (%)
CPDL	1,996,500,000 (L)	55.37
CPI Holding	1,996,500,000 (L)	55.37
CPI Group	1,996,500,000 (L)	55.37

Notes:

- (a) Because of the fact that CPI Holding and CPI Group directly or indirectly control all the voting rights of the issued share capital of CPDL, in accordance with the SFO, the interests of CPDL are deemed to be and have therefore been included in, the interests of CPI Holding and CPI Group.
- (b) The letter "L" denotes long position in the shares or underlying shares of the Company.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no persons (not being a Director and chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as the options granted to our Directors under the Company's Pre-IPO Share Option Scheme as disclosed in the table below, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange.

Name	Date of Grant	Number of Shares subject to the option	Exercise price (HK\$)
Wang Binghua	18 September 2004	1,495,400	2.53
	4 April 2007	921,000	4.07
Li Xiaolin	18 September 2004	1,661,500	2.53
	4 April 2007	1,905,000	4.07
Hu Jiandong	18 September 2004	996,900	2.53
	4 April 2007	1,377,000	4.07
Gao Guangfu	18 September 2004	207,700	2.53
	4 April 2007	667,000	4.07

4. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any members of the Group which is subsisting at the date of this circular and which was significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries with is not expiring or may not be terminated by the Company within a year without payment of any compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their Associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name	Position with Company	Other Interests
Wang Binghua	Chairman and Non-executive Director	Chairman of CPI Holding
Li Xiaolin	Vice-chairman, Executive Director and chief executive officer	Vice-president of CPI Group; executive director and president of CPI Holding
Hu Jiandong	Executive Director and Executive Vice-president	Executive Director and Vice-president of CPI Holding
Gao Guangfu	Non-executive Director	Manager of the Department of Finance and Asset Management of CPI Group

7. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion, letter or advice contained in this circular:

Name	Qualifications
CLSA	CLSA Equity Capital Markets Limited, a licensed corporation under the SFO, licensed to undertake Types 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders

As at the Latest Practicable Date, CLSA had given and had not withdrawn its written consent to the issue of this circular with the inclusions of its statement and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, CLSA was not interested in the share capital of any members of the Group nor has any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities in any members of the Group.

8. INTERESTS IN ASSETS

None of the Directors or the expert named in paragraph 7 of this Appendix had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited accounts of the Company were made up.

10. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Chong Wai Sang, who is a qualified lawyer in Hong Kong and a member of CPA Australia.
- (b) The qualified accountant of the Company is Hui Ka Chun, who is a fellow member of the Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (d) The head office of the Company is 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (e) Computershare Hong Kong Investor Services Limited, the share registrar of the Company, is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 26 July 2007 (both dates inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the Disposal Agreement;
- (c) the composite repair and maintenance services agreement dated 23 May 2007 between Pingwei Power Plant and Pingwei Maintenance Company;
- (d) the composite repair and maintenance services agreement dated 23 May 2007 between Yaomeng Power Plant and Yaomeng Engineering Company;
- (e) the fuel related services agreement dated 23 May 2007 between Pingwei Power Plant and Pingwei Industry Company;
- (f) the fuel related services agreement dated 23 May 2007 between Yaomeng Power Plant and Yaomeng Industrial Company;
- (g) the cleaning, repair and maintenance agreement in relation to power plant dated 23 May 2007 between Pingwei Power Plant and Pingwei Industry Company;
- (h) the cleaning, repair and maintenance agreement in relation to power plant dated 23 May 2007 between Yaomeng Power Plant and Yaomeng Industrial Company;
- (i) the composite services agreement dated 23 May 2007 between Pingwei Power Plant and Pingwei Industry Company;
- (j) the composite services agreement dated 23 May 2007 between Yaomeng Power Plant and Yaomeng Industrial Company;
- (k) Pingwei Land Lease Agreement;
- (l) Pingwei Land Lease Amendment Agreement;
- (m) Yaomeng Land Lease Agreement;
- (n) Yaomeng Land Lease Amendment Agreement;
- (o) the sale and purchase agreement dated 2 November 2006 entered into between the Company and CPI Group in relation to the acquisition of 25% issued shares of Shanghai Power by the Company;

- (p) the written consent of the Independent Financial Adviser referred to in paragraph headed "Expert and Consent" in this Appendix;
- (q) the letter dated 14 June 2007 from the Independent Financial Adviser, the text of which is set out on pages 34 to 48 of this circular; and
- (r) the letter dated 14 June 2007 from the Independent Board Committee, the text of which is set out on pages 32 to 33 of this circular.



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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of China Power International Development Limited (the “Company”) will be held at 5/F, Island Ballroom C, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong on 27 July 2007 at 11:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** each of the continuing connected transactions referred to in section 6(b) in the Letter from the Board in the circular of the Company dated 14 June 2007 (the “Circular”), namely, (a) the composite repair and maintenance services agreement dated 23 May 2007 between 安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Company Limited*) (“Pingwei Power Plant”) and 安徽淮南平圩電力檢修工程有限責任公司 (Anhui Huainan Pingwei Power Engineering Maintenance Company Limited*), (b) the composite repair and maintenance services agreement dated 23 May 2007 between 平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Electric Power Company Limited*) (“Yaomeng Power Plant”) and 平頂山姚孟電力工程有限責任公司 (Pingdingshan Yaomeng Power Engineering Co., Ltd.*), (c) the fuel related services agreement dated 23 May 2007 between Pingwei Power Plant and 淮南平圩電力實業有限責任公司 (Huainan Pingwei Electric Power Industry Company Limited*) (“Pingwei Industry Company”), (d) the fuel related services agreement dated 23 May 2007 between Yaomeng Power Plant and 平頂山姚孟電力實業有限責任公司 (Pingdingshan Yaomeng Power Industrial Co., Ltd.*) (“Yaomeng Industrial Company”), (e) the cleaning, repair and maintenance agreement in relation to power plant dated 23 May 2007 between Pingwei Power Plant and Pingwei Industry Company, (f) the cleaning, repair and maintenance agreement in relation to power plant dated 23 May 2007 between Yaomeng Power Plant and Yaomeng Industrial Company, (g) the composite services agreement dated 23 May 2007 between Pingwei Power Plant and Pingwei Industry Company and (h) the composite services agreement dated 23 May 2007 between Yaomeng Power Plant and Yaomeng Industrial Company, and the annual caps for each of such continuing connected transactions for the year ending 31 December 2007, 31 December 2008 and 31 December 2009 as set out in the Circular, are hereby generally and unconditionally approved and that the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to each of the continuing connected transactions referred to in section 6(b) in the Letter from the Board in the Circular.”

* *English transaction for identification purposes only.*

By order of the Board
China Power International Development Limited
Li Xiaolin
Vice Chairman and Chief Executive Officer

Hong Kong, 14 June, 2007

Notes:

1. A shareholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more but (not exceeding two) proxies to attend and, on a poll, vote on his behalf. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders is present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, a form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or at any adjourned meeting should the shareholder so wishes.