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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.

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CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

**CONTINUING CONNECTED TRANSACTIONS
AND DISCLOSEABLE TRANSACTION IN RELATION
TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



Guotai Junan Capital Limited

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter from Guotai Junan, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 32 of this circular.

A notice dated 20 May 2016 convening the EGM to be held on Tuesday, 7 June 2016 at 11:30 a.m. at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 39 to 40 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 at 17M 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 such event, the relevant form of proxy shall be deemed to be revoked.

20 May 2016

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DEFINITIONS

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

“Annual Caps”	the proposed maximum daily balance of deposits including accrued interest placed by the Group with CPI Financial during the term of the Financial Services Framework Agreement
“Articles”	The Articles of Association of the Company
“associates”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission* (中國銀行業監督管理委員會)
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
“Company”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands with limited liability, the holding company of the Company and a wholly-owned subsidiary of CPI Holding, thus an associate of SPIC
“CPI Financial”	CPI Financial Company Limited (中電投財務有限公司), a company incorporate in the PRC with limited liability, a directly and indirectly 100%-owned subsidiary of SPIC
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the holding company of the Company and a wholly-owned subsidiary of SPIC, thus an associate of SPIC
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Framework Agreement and the transactions contemplated therein
“Financial Services Framework Agreement” or “Framework Agreement”	the framework agreement for provision of financial services entered into between the Company and CPI Financial dated 27 April 2016

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time
“Guotai Junan” or “Independent Financial Adviser”	Guotai Junan Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) of the regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the Annual Caps
“Henan Power”	<p>China Power Investment Henan Power Corporation* (中電投河南電力有限公司), which changed its name to SPIC Henan Electric Power Co., Ltd.* (國家電投集團河南電力有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC</p> <p>(The Company entered into a letter of intent with SPIC, whereby the Company proposed to acquire and SPIC proposed to sell 100% of the equity interest in Henan Power. Please refer to the Company’s announcement dated 18 January 2016 for details.)</p>
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of independent non-executive Directors, consisting of Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. TSUI Yiu Wa, Alec, which has been formed to advise the Independent Shareholders on the terms of the Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the Annual Caps
“Independent Shareholders”	the shareholders of the Company other than SPIC and its associates
“Latest Practicable Date”	18 May 2016, 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
“MW”	megawatt, one million watts. The installed capacity of a power plant is generally expressed in MW

DEFINITIONS

“PBOC”	People’s Bank of China* (中國人民銀行)
“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 of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company
“SPIC”	State Power Investment Corporation* (國家電力投資集團公司), the ultimate controlling company of the Company and CPI Financial, a wholly State-owned enterprise formerly known as China Power Investment Corporation* (中國電力投資集團公司), was approved by the State Council of the PRC* (中華人民共和國國務院) for the consolidation and reorganization with the State Nuclear Power Technology Corporation* (國家核電技術公司) in 2015
“SPIC Group”	SPIC and its subsidiaries from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it by the Listing Rules

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

This circular contains translation between Renminbi and Hong Kong dollars at RMB0.84 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

Non-Executive Directors:

WANG Binghua (*Chairman of the Board*)

GUAN Qihong

Independent Non-Executive Directors:

KWONG Che Keung, Gordon

LI Fang

TSUI Yiu Wa, Alec

Executive Directors:

YU Bing (*President*)

WANG Zichao

Registered Office:

Suite 6301, 63/F

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

20 May 2016

To the shareholders of the Company

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND DISCLOSEABLE TRANSACTION IN RELATION
TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

1. INTRODUCTION

The Board announced that on 27 April 2016, the Company and CPI Financial entered into the Financial Services Framework Agreement with a term of three years, pursuant to which CPI Financial has agreed to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions provided therein.

Details of the arrangements are set out below in the section headed “The Financial Services Framework Agreement”.

LETTER FROM THE BOARD

CPI Financial is a directly and indirectly 100%-owned subsidiary of SPIC which is the ultimate controlling shareholder of the Company holding approximately 55.61% of the issued share capital of the Company as at the Latest Practicable Date. CPI Financial is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. As one of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the provision of the deposit services under the Framework Agreement exceeds 5%, the deposit services to be provided by CPI Financial to the Group are subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. The deposit services transactions contemplated under the Framework Agreement will also constitute a discloseable transaction which is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

The Company has established the Independent Board Committee to advise the Independent Shareholders on the terms of the Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the Annual Caps. Guotai Junan has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The main purposes of this circular are to provide you with (a) details of the transactions contemplated under the Framework Agreement, (b) a letter from the Independent Board Committee and a letter from Guotai Junan, both advising on the terms of Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the Annual Caps, and (c) a notice convening the EGM to consider and, if thought fit, approve, among other things, the Framework Agreement (including the Annual Caps) and the transactions contemplated thereunder.

Apart from CPI Holding and CPDL (being associates of SPIC holding shares in the Company), no other shareholder of the Company will be required to abstain from voting on the ordinary resolution for approving the Framework Agreement and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, CPI Holding directly held 2,093,638,546 Shares representing approximately 28.47% of the total issued share capital of the Company and indirectly through CPDL held 1,996,500,000 Shares representing approximately 27.14% of the total issued share capital of the Company, together representing an aggregate of approximately 55.61% of the total issued share capital of the Company.

2. THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

The Board announces that on 27 April 2016, the Company and CPI Financial entered into the Framework Agreement with a term of three years, pursuant to which CPI Financial has agreed to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions provided therein. The principal terms of the Framework Agreement are set out below.

LETTER FROM THE BOARD

Date

27 April 2016

Parties

- (i) the Company; and
- (ii) CPI Financial.

Effective period

The Framework Agreement will become effective upon execution by both parties, subject to the passing of the ordinary resolution by the Independent Shareholders approving the Framework Agreement (including the Annual Caps) and the provision of deposit services contemplated thereunder in the EGM.

The term of the Framework Agreement will be three years from the effective date.

Principal terms

(1) Services to be provided

CPI Financial has agreed to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBRC on a non-exclusive basis.

(2) Pricing

When determining the price for any financial services provided pursuant to the Framework Agreement, the Group and CPI Financial will pursuant to the Framework Agreement each refer to at least two transactions of a similar type with, or two quotes obtained from, independent third parties during the same period.

In practice, the Group may enquire Agricultural Bank of China Limited, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation or Bank of China Limited in the PRC to obtain such quotes. On the Company side, the Finance Department will be in charge of obtaining the quotes. If such quotes are more favourable to the Group than the price charged by CPI Financial, the Finance Department will report such fact to the financial controller of the Company. Such information will be relied on by the Group when re-negotiating price with CPI Financial. On CPI Financial side, the Company understands that its Settlement Department and the Credit Department will be in charge of pricing the deposit services and the loan services respectively. The general manager's office in CPI Financial will be in charge of its pricing policy. The specific price of deposit services will be approved by the general manager(s) of the Settlement Department and general manager(s) in charge of the pricing policy together, while the specific price of loan services will be approved by the Credit Review Committee chaired by the general manager of CPI Financial. The Credit Review Committee is independent of the Credit Department and is in charge of reviewing the terms for loans including but not limited to exchange rates.

LETTER FROM THE BOARD

Subject to compliance with relevant laws, regulations and regulatory requirements, CPI Financial has undertaken to adhere to the following principles in providing the above financial services to the Group:

- (a) **Deposit services:** The interest rate applicable to the Group for its deposits with CPI Financial will not be lower than (i) the benchmark interest rate specified by the PBOC for deposits of a similar type during the same period; (ii) the interest rate for deposits of a similar type offered by other major commercial banks in the PRC to the Group during the same period; and (iii) the interest rate for deposits of a similar type placed by other members of the SPIC Group with CPI Financial during the same period.

In addition, subject to the above, for the Group's aggregate deposit in current account(s) of CPI Financial that exceeds RMB100,000, the applicable interest rate to the Group will be 20% higher than the benchmark interest rate for deposit agreements (協定存款基準利率) published by the PBOC from time to time.

- (b) **Loan services:** The interest rate for loans granted to the Group by CPI Financial will not be higher than: (i) the benchmark interest rate specified by the PBOC for loans of the same type during the same period; (ii) the interest rate offered by other major commercial banks in the PRC to the Group during the same period; and (iii) the interest rate for loans of the same type offered by CPI Financial to other members of the SPIC Group during the same period.

In addition, subject to the above, the interest rate for loans granted to the Group by CPI Financial will be 10% lower than the benchmark interest rate specified by the PBOC for loans of a similar type during the same period. Subject to the above, the interest rate for specific loan services to be provided by CPI Financial to the Group will be governed by separate loan agreement(s).

Subject to compliance with relevant laws, regulations and regulatory requirements, CPI Financial will provide the loan services on normal commercial terms or better and such loans will not be secured by the assets of the Group.

- (c) **Settlement services:** CPI Financial will provide settlement services to the Group to facilitate clearing among members of the Group. The settlement services provided by CPI Financial to the Group will be free of charge.
- (d) **Other financial services:** The services fees for other financial services to be provided by CPI Financial to the Group will be in accordance with the standard of fees for services of a similar type set by the PBOC or the CBRC (if applicable), and will not be higher than: (i) the fees charged by other major commercial banks in the PRC for services of a similar type during the same period; and (ii) the fees charged by CPI Financial to other members of the SPIC Group for providing services of a similar type during the same period.

LETTER FROM THE BOARD

In practice, to ensure that the individual transactions are conducted within the framework prescribed in the Framework Agreement, the Company will implement the following internal control measures:

- (i) The Company will assign responsible persons to monitor interest rates for deposits and loans and service fees for other financial services published on the official websites of PBOC and other major commercial banks within the PRC (such as Agricultural Bank of China Limited, Industrial and Commercial Bank of China Limited and China Construction Bank Corporation) from time to time.
- (ii) The Company will liaise with the major commercial banks within the PRC. The customer managers of such banks will provide written quotes for deposits, loans and other financial services regularly to the Finance Department of the Company through email.

If the terms obtained through the two methods above are more favourable to the Group than those provided by CPI Financial, the Financial Department will report this fact to the financial controller of the Company. Such information will be relied on by the Group when re-negotiating price with CPI Financial. The Group also has the unilateral right to terminate any services provided by CPI Financial under the Framework Agreement if the fees charged by any other commercial banks in the PRC for such services are more favourable to the Group.

(3) Capital Risk Control Measures

- (a) CPI Financial, as a non-bank financial institution approved by the CBRC, has agreed to comply strictly with the regulatory requirements of the CBRC to conduct its operation and business, establish effective and complete internal control and risk management systems in order to effectively manage risks and ensure the safety of all capital.
- (b) When providing financial services to the Group on a non-exclusive basis, CPI Financial will ensure the Group's rights to own, use and benefit from its funds will not be affected. CPI Financial is obliged to ensure the safety of the Group's funds deposited with it and the Group's independent use of such funds.

In practice, the Company understands that CPI Financial adopts a similar information system to those of commercial banks within the PRC. CPI Financial will provide banking security devices to the Group for log-in and identification purposes on the internet. The Group must deploy such security devices to make account enquiries or carry out payment and settlement activities. Moreover, the Group will be able to withdraw all the deposits placed with CPI Financial at anytime thus will have the same level of independence when depositing funds with commercial banks.

LETTER FROM THE BOARD

- (c) If any member of the Group cannot recover the deposits placed with CPI Financial due to defaults of CPI Financial, the Group has the right to set off the deposit amounts due to the Group from CPI Financial against any amounts of loan outstanding from the Group to CPI Financial. CPI Financial does not have such set-off right.
- (d) SPIC has given an undertaking to the Company that: (i) if CPI Financial encounters emergent financial difficulties in making payments, SPIC will increase the capital of CPI Financial accordingly to meet its actual needs to overcome such financial difficulties; and (ii) SPIC will provide financial support to CPI Financial in accordance with its needs to ensure that the Group will be able to withdraw all the deposits placed with CPI Financial at anytime.
- (e) The monthly financial statements of CPI Financial will be provided to the senior management of the Group on the fifth working day of the following month for their reference.
- (f) The Group, based on its own business needs, has the right to choose to hold no less than 10% of the equity interest in CPI Financial, hold the relevant voting rights and appoint director(s) of CPI Financial, such right to choose being granted at no premium or additional cost. If the Group chooses to exercise such right, the terms of acquisition (including determination of the price for such equity interest in CPI Financial) will be subject to negotiations with relevant parties on an arm's length basis and approvals required under relevant laws and regulations (including the Listing Rules).
- (g) The Group has the unilateral right to terminate any services provided by CPI Financial under the Framework Agreement if the fees charged by any other commercial banks in the PRC for such services are more favourable to the Group. The Group is also entitled to appoint other financial institutions to provide the financial services in accordance with its own needs and requirements. The Group will only consider using the services of CPI Financial when CPI Financial and other financial institutions provide services on equivalent terms.

The Company considers that the above capital risk control measures are adequate to manage any risks involved in depositing funds with CPI Financial. The Group will review contracts and monitor the amount and interest rate of the deposits to ensure the fairness of the terms of the relevant transactions as compared to placing the relevant deposits with independent third parties other than CPI Financial.

(4) Payment

The consideration for the transactions contemplated under the Framework Agreement will be paid in accordance with the specific and separate agreements.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

(1) Raise the efficiency of fund utilization

The settlement services through CPI Financial will strengthen the Company's centralized fund management of its subsidiaries and reduce the capital transmission time. The use of CPI Financial as a clearing platform will facilitate the clearing amongst the members of the Group, reduce the time in transit of the funds, and thereby expedite higher turnaround of funds.

(2) Increase interest income and save finance cost

The interest rate applicable to the Group for its deposits with CPI Financial will be no less favourable than the benchmark interest rate specified by the PBOC for deposits of a similar type during the same period, and no less than the interest rate for deposits of a similar type offered by other major commercial banks in the PRC to the Group during the same period, which is beneficial in improving the Group's interest income.

The interest rate of loans set by CPI Financial for loans to the Group will be no less favourable than the interest rate provided by other major commercial banks in the PRC for loans of the same type during the same period, and no security is to be granted by the Group over its assets in respect of such loans, enabling the lending procedure to be easier and more efficient than that provided by the commercial banks.

The Company may take full advantage of the favourable policy of free settlement services provided by CPI Financial and reduce the banking commission charges payable by the Group. The fees to be charged by CPI Financial for other financial services are equal to or more favourable to the Group than those charged by other major commercial banks in the PRC.

(3) Improve competitiveness

Due to the prevailing rules and regulations in the PRC, a company is prohibited to provide direct lending to another company. All lending must be done through the licensed banks or financial institutions fully regulated by the PBOC and the CBRC. The arrangement of entrusted loans for the Company's subsidiaries through CPI Financial will replace the high-rate loans of its subsidiaries and resolve the liquidity requirements of individual subsidiaries of the Group. The increase in the Company's entrusted loans will in turn help to improve the Company's bargaining power to commercial banks for getting more favourable financing terms.

(4) Facilitate fund management and control by the Group

CPI Financial has a sophisticated information system and through such system, the Group can access the latest information concerning the collection and payment of funds of the Group as well as the status of fund balance at any time (in particular, to enable the Group to monitor the daily balance of deposits with CPI Financial such that it does not exceed RMB3 billion), thus reducing and avoiding operational risks.

LETTER FROM THE BOARD

(5) Risk Assurance

SPIC, as the controlling shareholder of CPI Financial, has undertaken to the Company that SPIC will provide valid financial assistance to CPI Financial if CPI Financial is in financial difficulties, such as injecting more capital, to ensure the safety and liquidity of the relevant deposits of the Group with CPI Financial.

CPI Financial is regulated by the CBRC and provides its services in accordance with and in satisfaction of the rules and operational requirements of the CBRC.

(6) Possibility to share CPI Financial's revenue

Subject to approvals required by relevant laws and regulations applicable to both parties, if the Group exercises the right to acquire no less than 10% of the equity interest in CPI Financial together with the relevant voting rights, the Group is expected to be able to share benefits derived from CPI Financial.

The transactions contemplated under the Framework Agreement facilitate the Group to optimize its financial management, increase the efficiency of fund utilization, and reduces the cost of financing and risks. It is to the interests of the Group and will not affect the independence of the Group.

4. PROPOSED ANNUAL CAPS FOR THE DEPOSIT SERVICES AND BASIS OF DETERMINATION

The Board has considered and proposed the annual caps in respect of the maximum daily balance of deposits (including accrued interests) placed by the Group with CPI Financial will not exceed RMB3 billion (approximately HK\$3.6 billion) during the term of the Framework Agreement.

Basis of determination of the proposed deposit cap

The historical maximum daily deposit balance of the Group placed with commercial banks (both within the PRC and offshore) for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016 were approximately RMB5.3 billion, RMB5.5 billion and RMB3.4 billion respectively.

The historical maximum daily deposit balance of the Group placed with commercial banks within the PRC for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016 were approximately RMB3.4 billion, RMB3.1 billion and RMB2.8 billion respectively.

LETTER FROM THE BOARD

In determining the proposed maximum daily deposit balance (including accrued interests) in the Group's settlement account with CPI Financial during the term of the Framework Agreement, the Board have considered the following factors: (i) the historical amounts of the funds that were deposited with commercial banks in the PRC for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016, (ii) the increase of the Group's total assets over the past years; (iii) the operating cash flow and financial needs of the Group in respect of its future business expansion in the coming three years, including the potential cash inflow and outflow of the power plants which are in the process of construction based on the historical cash flow of the similar type of power plants in operation; and (iv) the amount of funds deposited with CPI Financial which can be utilized to supplement the financial requirements of the subsidiaries of the Company and thus increase the efficiency of fund utilization.

On 27 April 2016, the Board (including the independent non-executive Directors) approved the Financial Services Framework Agreement and the continuing connected transactions contemplated thereunder. None of the Directors has material interest in the aforesaid transactions and therefore no Director has abstained from voting on such board resolution for the reasons set out in the section entitled "Competing Interests" in Appendix I of this circular.

The Directors (including independent non-executive Directors whose view has been given after taking into account the advice from the Independent Financial Adviser) consider that the Framework Agreement has been negotiated on arm's length basis and is entered into in the ordinary and usual course of business and on normal commercial terms or better. The terms of the Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the proposed Annual Caps are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

5. IMPLICATIONS UNDER THE LISTING RULES

CPI Financial is a directly and indirectly 100%-owned subsidiary of SPIC which is the ultimate controlling shareholder of the Company holding approximately 55.61% of the issued share capital of the Company as at the Latest Practicable Date. CPI Financial is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Deposit Services

As one of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the provision of the deposit services under the Framework Agreement exceeds 5%, the deposit services to be provided by CPI Financial to the Group are subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

The deposit services transactions contemplated under the Framework Agreement will also constitute a discloseable transaction which is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

In accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules, the Company will disclose the relevant details of the deposit services under the Framework Agreement in the next published annual report and financial statements of the Company.

Loan Services

The provision of loan services to be provided by CPI Financial to the Group are on normal commercial terms or better (similar to or more favourable than those offered by the commercial banks in the PRC for the provision of comparable services) and are in the interest of the Group. No security over the assets of the Group is granted to CPI Financial in respect of the loan services. The loan services will be fully exempt from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

Settlement Services and Other Financial Services

The Company expects that each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules of the total fees payable by the Group to CPI Financial in respect of the provision of settlement services (which will be free of charge) and other financial services approved by the CBRC under the Framework Agreement will fall within the de minimis threshold and will be exempt from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with the Listing Rules, an Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the Framework Agreement) has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the Annual Caps and to advise the Independent Shareholders on how to vote.

Guotai Junan has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

7. INFORMATION ABOUT CPI FINANCIAL

CPI Financial was established in the PRC as a non-banking financial institution on 2 September 1992. It is licensed and regulated by the CBRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, as well as other financial services such as finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment,

LETTER FROM THE BOARD

arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to members of the SPIC group. CPI Financial provides services to members of the SPIC Group under the Measures on Administration of the Finance Companies of Enterprise Groups promulgated by the CBRC, and does not provide services to entities outside the SPIC Group.

CPI Financial has a registered capital of RMB5 billion and is owned as to 79.8% by SPIC and as to 20.2% by other members of the SPIC group respectively. In June 2015, CPI Financial was rated the highest ranking A by China National Association of Finance Companies (中國財務公司協會, "CNAFC"), reflecting that it has top-ranking capabilities in terms of centralized fund management, business operations, risk management and profitability. Established in 1994 upon the approval of the PBOC, CNAFC is a self-disciplinary organization for finance companies of enterprise groups as well as a national and non-profit social entity. CNAFC is subject to the supervision of the CBRC and registered under the Ministry of Civil Affairs of the PRC.

The table below compares various financial indicators of CPI Financial as provided by CPI Financial against average levels in the finance company industry in the PRC and the relevant regulatory requirements (if any).

Financial indicators	CPI Financial's data for the financial year ended 31 December 2015	Average levels in the finance company industry in the PRC (Note)	Regulatory requirements
Capital adequacy ratio	28.15%	21.19%	Not less than 10%
Return on net asset ratio	12.37%	10.96%	No regulatory requirements
Non-performing loan ratio	0	0.1%	Not higher than 5%
Owner's equity	RMB7.58 billion	RMB2.6 billion	No regulatory requirements

Note: Statistics for the year ended 31 December 2015 as provided by CNAFC.

8. PRINCIPAL BUSINESS OF THE GROUP

The Company is a core subsidiary of SPIC for conventional energy business. The SPIC group is the only integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC. As at the Latest Practicable Date, SPIC owns approximately 55.61% of the issued share capital of the Company through CPI Holding.

LETTER FROM THE BOARD

The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates high-capacity coal-fired power plants, hydropower, wind power, photovoltaic power and other clean energy power plants.

9. EGM

An EGM will be held on Tuesday, 7 June 2016 at 11:30 a.m. at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong during which an ordinary resolution will be proposed to the shareholders of the Company to approve the Framework Agreement (including the Annual Caps) and the transactions contemplated therein. CPI Holding and CPDL, being associates of SPIC holding shares in the Company, will abstain from voting at the EGM. Any vote of the Independent Shareholders at the EGM will be taken by poll. As at the Latest Practicable Date, CPI Holding directly held 2,093,638,546 Shares representing approximately 28.47% of the total issued share capital of the Company and indirectly through CPDL held 1,996,500,000 Shares representing approximately 27.14% of the total issued share capital of the Company, together representing an aggregate of approximately 55.61% of the total issued share capital of the Company.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours, before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

10. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Framework Agreement, in relation to the deposit services, the deposit services transactions contemplated thereunder and the proposed Annual Caps are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Framework Agreement (including the Annual Caps) and the transactions contemplated thereunder.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 17 to 18 of this circular and the letter from Guotai Junan to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 32 of this circular, and the information set out in the appendix of this circular.

Yours faithfully,
On behalf of the Board
China Power International Development Limited
YU Bing
Executive Director



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

Independent Board Committee

Mr. KWONG Che Keung, Gordon

Mr. LI Fang

Mr. TSUI Yiu Wa, Alec

20 May 2016

To the Independent Shareholders,

Dear Sir and Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND DISCLOSEABLE TRANSACTION IN RELATION
TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

We refer to the circular dated 20 May 2016 issued by the Company to its shareholders (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

The Board announces that on 27 April 2016, the Company and CPI Financial entered into the Financial Services Framework Agreement with a term of three years, pursuant to which CPI Financial has agreed to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBRC on a non-exclusive basis subject to the terms and conditions provided therein.

CPI Financial is a directly and indirectly 100%-owned subsidiary of SPIC which is the ultimate controlling shareholder of the Company holding approximately 55.61% of the issued share capital of the Company as at the Latest Practicable Date. CPI Financial is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

We have been appointed by the Board as the Independent Board Committee to advise you on the fairness and reasonableness of the terms of the Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Guotai Junan has been appointed by the Company as the Independent Financial Adviser to advise you and us in this regard.

The terms and reasons for the Framework Agreement are summarised in the letter from the Board as set out on pages 4 to 16 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Framework Agreement and the basis upon which its terms have been determined. We have also considered the key factors taken into account by Guotai Junan in arriving at its opinion regarding the terms of the Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the proposed Annual Caps as set out in the letter from Guotai Junan on pages 19 to 32 of the Circular, which we urge you to read carefully.

Having taken into account, among other things, the advice of Guotai Junan, we consider that the entering into of the Framework Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group. The terms of the Framework Agreement in relation to the deposit services, the deposit services transactions contemplated thereunder and the proposed Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend 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,

For and on behalf of the
Independent Board Committee
China Power International Development Limited

KWONG Che Keung, Gordon
LI Fang
TSUI Yiu Wa, Alec

LETTER FROM GUOTAI JUNAN

Set out below is the text of a letter received from Guotai Junan, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Framework Agreement and the transactions contemplated thereunder, for the purpose of inclusion in this circular.



20 May 2016

To the Independent Board Committee and the Independent Shareholders

China Power International Development Limited
Suite 6301, 63/F., Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION IN RELATION TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Framework Agreement in relation to the deposit services, the transaction involving the deposits placed by the Group with CPI Financial contemplated thereunder (the “**Deposit Transactions**”) and the proposed maximum daily balance of deposits (including accrued interest) placed by the Group with CPI Financial during the term of Framework Agreement for three years (the “**Proposed Daily Deposit Cap**”) commencing immediately after the execution by both parties and the passing of the ordinary resolutions by the Independent Shareholders at the EGM (the “**Effective Date**”). Details of the Framework Agreement and the transactions contemplated thereunder are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 20 May 2016 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, the Company entered into the Framework Agreement with CPI Financial on 27 April 2016. The Framework Agreement sets out, among others, the terms of the Deposit Transactions and the Proposed Daily Deposit Cap of the Deposit Transactions of RMB3 billion.

LETTER FROM GUOTAI JUNAN

As at the Latest Practicable Date, SPIC owns approximately 55.61% of the issued share capital of the Company through CPI Holding. The Company is a core subsidiary of SPIC for conventional energy business.

CPI Financial was established in the PRC. It is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, and other financial services. CPI Financial is owned as to 79.8% by SPIC and as to 20.2% by other members of SPIC group, respectively. CPI Financial is a directly and indirectly 100%-owned subsidiary of SPIC which is the ultimate controlling shareholder of the Company holding approximately 55.61% of the issued share capital of the Company and is therefore a connected person of the Company as at the Latest Practicable Date. As such the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company.

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the Deposit Transactions under the Framework Agreement exceeds 5%, such transactions are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. Apart from CPI Holding and CPDL (being associates of SPIC holding shares in the Company), no other shareholder of the Company will be required to abstain from voting on the ordinary resolutions for approving the Framework Agreement (including the Annual Caps) and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, CPI Holding directly held 2,093,638,546 Shares representing approximately 28.47% of the total issued share capital of the Company and indirectly held 1,996,500,000 Shares representing approximately 27.14% of the total issued share capital of the Company through CPDL. The Deposit Transactions contemplated under the Framework Agreement will also constitute a discloseable transaction and is therefore subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

Pursuant to the Framework Agreement, the loan services to be provided by CPI Financial to the Group (the "**Loan Transactions**") are on normal commercial terms or better (similar to or more favourable than those offered by the commercial banks in the PRC for the provision of comparable services) and are in the interest of the Group. No security over the assets of the Group is granted to CPI Financial in respect of the Loan Transactions. As such, the Loan Transactions contemplated under the Framework Agreement will be exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

Each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules of the total fees payable by the Group to CPI Financial in respect of the provision of settlement services (which will be free of charge) and other financial services approved by the CBRC (the "**Other Services**") (settlement services and other financial services together as the "**Other Transactions**") under the Framework Agreement will be on normal commercial terms or better and fall within the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules. As such, the Other Transactions under the Framework Agreement will be exempt from all reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

LETTER FROM GUOTAI JUNAN

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. TSUI Yiu Wa, Alec (who have no material interest in the Framework Agreement) has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Framework Agreement in relation to the deposit services, the Deposit Transactions, the Proposed Daily Deposit Cap and to advise the Independent Shareholders on how to vote.

We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Framework Agreement in relation to the deposit services (including the Proposed Daily Deposit Cap) are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Deposit Transactions are on normal commercial terms or better and conducted in the ordinary course of business of the Group; and (iii) the Deposit Transactions are in the interests of the Company and its shareholders as a whole.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company, the SPIC Group (including SPIC and its subsidiaries) that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company or the SPIC Group. Accordingly, we are qualified to give independent advice in respect of the Framework Agreement in respect of the deposit services, the Deposit Transactions (including the Proposed Daily Deposit Cap).

Independent Shareholders should note that the advices and recommendation given by us are on the Framework Agreement in respect of the deposit services, the Deposit Transactions and the Proposed Daily Deposit Cap only, and do not cover the Loan Transactions and the Other Transactions contemplated under the Framework Agreement.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions, representations contained in the Circular and representations expressed to us by the Company and its management. We have assumed that all such statements, information, opinions and representations expressed to us by the Company and its management, for which they are solely responsible, are true and accurate and valid in all material aspects at the time they were made and given and continue to be true and valid as at the date of the Circular. We have also assumed that all the opinions and representations have been reasonably made by the Company and its management after due and careful enquiry.

We have also sought and obtained confirmation from the Company and the management that no material facts have been omitted from the information provided to us. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and its management or to believe that material information has been withheld or omitted from the information provided to us. We

have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with regard to the terms of the Deposit Transactions and the Proposed Daily Deposit Cap, we have considered the principal factors and reasons set out below.

Background of the Company, SPIC and CPI Financial

The principal business of the Company and its subsidiaries is mainly to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates high-capacity coal-fired power plants, hydropower, wind power, photovoltaic power and other clean energy power plants. As stated in the 2015 Annual Report, the attributable installed capacity of the power plants of the Group reached 16,254.6MW as at 31 December 2015.

SPIC, the ultimate controlling company of the Company and CPI Financial, is a wholly State-owned enterprise formerly known as China Power Investment Corporation (中國電力投資集團公司) and was approved by the State Council of the PRC (中華人民共和國國務院) for the consolidation and reorganization with the State Nuclear Power Technology Corporation (國家核電技術公司) in 2015.

The SPIC Group is the only integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC.

CPI Financial was established in the PRC as a non-banking financial institution on 2 September 1992. The registered capital of CPI Financial is RMB5 billion. It is licensed and regulated by the CBRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, as well as other financial services such as finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to members of the SPIC Group. As at the Latest Practicable Date, CPI Financial is owned as to 79.8% by SPIC and as to 20.2% by other members of the SPIC Group, respectively.

Reasons for and Benefits of the Deposit Transactions contemplated under the Framework Agreement

As stated in the Letter from the Board, CPI Financial provides deposit services to the Group at the interest rate which will not be lower than (i) the benchmark interest rate specified by PBOC for deposits of a similar type during the same period; (ii) the interest rate for deposits of a similar type offered by other major commercial banks in the PRC to the Group during the same period; and (iii) the interest rate for deposits of a similar type

LETTER FROM GUOTAI JUNAN

placed by other members of the SPIC Group during the same period. In addition, subject to the above, for the Group's aggregate deposit in current account(s) with CPI Financial that exceeds RMB100,000, the applicable interest rate to the Group will be 20% higher than the benchmark interest rate for deposit agreements (協定存款基準利率) published by the PBOC from time to time.

Adoption of the Capital Risk Control Measure

As set out in the Letter from the Board, the Company adopts a number of capital risk control measures as follow to manage any risks involved in depositing funds with CPI Financial: (a) CPI Financial, as a non-banking financial institution approved by the CBRC, has agreed to strictly comply with regulatory requirements of the CBRC to conduct its operation and business. CPI Financial has also agreed to implement effective and complete internal control and risk management systems in order to effectively manage risks and ensure the safety of all capital. As stated in the internal control manual of CPI Financial, CPI Financial will assess the credit risk of the potential borrower to minimize the operation risk of providing loans to the potential borrower with reference to (i) the financial performance and the liquidity of the potential borrower; (ii) the industry in which the potential borrower operates; (iii) the repayment record of the borrower; (iv) the creditability of the management; (v) the uses of the fund obtained; (vi) the pledge provided; (b) The Group, depending on its business needs, will have the right to choose to hold no less than 10% of the equity interest in CPI Financial, hold the relevant voting right and appoint director(s) of CPI Financial. This enables the Company to have the opportunities to exercise its rights as shareholder according to law to promote the risk control of CPI Financial in order to safeguard its assets and its own interests; (c) SPIC, the parent company of CPI Financial has given an undertaking to the Company, in the event that CPI Financial encounters financial difficulties in making payments, (i) SPIC, as the controlling shareholder of CPI Financial will increase the capital of CPI Financial accordingly to meet the actual need to overcome such financial difficulties in making payments; and (ii) SPIC will provide financial support to CPI Financial in accordance with its need to ensure that the Group will be able to withdraw all the deposits placed with CPI Financial at anytime; (d) in any event any member of the Group cannot recover the deposits placed with CPI Financial due to defaults of CPI Financial, the Group has the right to set off the deposit amounts due to the Group from CPI Financial against any amount of loans outstanding from the Group to CPI Financial. Nevertheless, CPI Financial does not have such set-off right; (e) CPI Financial will ensure the Group's right to own, use and benefit from its funds will not be affected when providing financial services to the Group on a non-exclusive basis. CPI Financial is obligated to ensure the safety of the Group's funds deposited with it and the Group's independent use of such funds; (f) Monthly financial statements of CPI Financial will be provided to the senior management of the Group. The senior management of the Group will closely monitor the financial indicators of CPI Financial, such as capital adequacy ratio, return on net asset ratio, non-performing loan ratio and owner's equity, and they will perform analysis and communicate with CPI Financial promptly in case of any irregularities of these financial indicators occur. The Company will suspend the Deposit Transactions immediately in case no satisfactory explanations are provided by CPI Financial. CPI Financial is obliged to provide its monthly financial statements to the Company on the fifth working day of the

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following month; and (g) the Group has the unilateral right to terminate any services provided by CPI Financial under the Framework Agreement if the fees charged by any other commercial banks in the PRC for such services are more favourable to the Group. The Group is also entitled to appoint other financial institutions to provide the financial services in accordance with its own needs and requirements.

The Company considers that the above capital risk control measures are adequate to manage any risks in placing funds with CPI Financial. Despite that the Company currently does not hold any equity interest in CPI Financial, with the consideration of the capital risk control measures as mentioned above in relation to (i) the financial support from SPIC in the event of financial difficulties of CPI Financial; (ii) the internal control and risk management systems of CPI Financial; (iii) the safety of the deposited funds ensured by CPI Financial; (iv) CPI Financial is being regulated by CBRC, we consider that the capital risk control measures are sufficient.

CPI Financial was rated the highest ranking A by China National Association of Finance Companies (中國財務公司協會, “CNAFC”) in June 2015, which reflect its top ranking capabilities in terms of centralized fund management, business operations, risk management and profitability. Further, we have also discussed with the management of the Company and were advised by the Company and CPI Financial that CPI Financial had capital adequacy ratio of approximately 28.15% as at 31 December 2015 (which is calculated with reference to capital to risk (weighted) assets ratio under the Regulation Governing Capital of Commercial Banks (Provisional) issued by the CBRC), which was significantly higher than the capital adequacy ratio requirements for the non-banking financial institution which is 10% as imposed by the CBRC and the capital adequacy ratio requirements for the commercial banks which is 8% as stated under the Regulation Governing Capital of Commercial Banks (Provisional) issued by the CBRC.

Having considered that (i) adequate capital risk control measures implemented for the Deposits Transactions; (ii) the highest ranking A of CPI Financial granted by CNAFC; and (iii) the significantly higher capital adequacy ratio of CPI Financial compared with the capital adequacy requirement for non-banking financial institution and the commercial banks, the financial risk of placing deposit in CPI Financial is not significant.

Importance, necessity and benefits of the Deposit Transactions

The Board has considered the importance, necessity and benefits of the Deposit Transactions contemplated under the Framework Agreement to the Company as set out as follows:

- (a) The increase in the business over the past years can be evidenced by the increase in the total electricity sold from 52,795,155MWh for the year ended 31 December 2013 to 58,957,127MWh for the year ended 31 December 2014 and further increasing to 60,868,493MWh for the year ended 31 December 2015 as stated in the 2015 Annual Report. The attributable installed capacity of the power plants of the Group reached 16,254.6MW at 31 December 2015, representing an increase of approximately 1,226.2MW as compared with the year ended 31 December 2014. The Group currently has 18 power plants under

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construction as mentioned in the 2015 Annual Report. 14, 2 and 2 power plants are expected to commence operation in 2016, 2017 and 2018 respectively and are expected to bring 475.5MW, 66.2MW and 1,340.2MW attributable installed capacity to the Group in 2016, 2017 and 2018 respectively. Taking into account the operating cashflow and financial needs of the Group in respect of its future business expansion in the coming three years, including the potential cash inflow and outflow of the power plants which are in the process of construction of 18 power plants based on the historical cash flow of the similar type of power plants in operation, the Group expects that the fund flow will increase accordingly. As stated in the Letter from the Board, the historical maximum daily deposit balance of the Group placed with commercial banks (both within the PRC and offshore) for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016 were approximately RMB5.3 billion, RMB5.5 billion and RMB3.4 billion, respectively. In additions, the historical maximum daily deposit balance of the Group placed with commercial banks within PRC were approximately RMB3.4 billion, RMB3.1 billion and RMB2.8 billion for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016, respectively. With the consideration of the historical maximum daily deposit balance of the Group and the potential increase in cash inflow and outflow of 18 power plants in construction in the coming three years as mentioned above, the Proposed Daily Deposit Cap and the Deposit Transactions with CPI Financial will facilitate the Group to optimize its financial management.

- (b) CPI Financial will provide the Group with an efficient clearing platform to facilitate the clearing amongst the members of the Group. Hence, the use of clearing platform provided by CPI Financial will reduce the time in transit of funds, expedite the turnaround of funds.
- (c) The deposit interest rate offered by CPI Financial to the Group will be no less favorable than the benchmark interest rate specified by the PBOC for deposits of a similar type during the same period, and no less than the interest rates offered to the Group by other major commercial banks in the PRC to the Group during the same period. The Group will be able to improve its interest income out of the Deposit Transactions.
- (d) The prevailing rules and regulations in the PRC prohibit a company to provide direct lending to another company. All lending must be done through the licensed banks or financial institutions fully regulated by the PBOC and the CBRC. As advised by the management, the entrusted loan arrangement for the Company's subsidiaries through CPI Financial will enable the Group to utilise the amount of funds deposited with CPI Financial to supplement the financial requirements of subsidiaries. The entrusted loan arrangement will replace the high-rate loans of subsidiaries and resolve the liquidity requirements and funding requirements of individual subsidiaries of the Group as a result of the business expansion.

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- (e) As mentioned above, the Group will have the right to choose to hold no less than 10% of the equity interest in CPI Financial. If the Group chooses to exercise such right, the profit growth of CPI Financial derived from the Company's support to CPI Financial will provide a higher investment return to the Company.

Having taken into account the reasons as mentioned above, (i) the background and business scope of CPI Financial; (ii) the commercial terms offered by CPI Financial to members of the Group pursuant to the terms of the Framework Agreement in respect of the Deposit Transactions will be no less favourable than those offered to the Group by other major commercial banks for provision of similar service and those offered for deposits of a similar type placed by other members of the SPIC Group during the same period; (iii) the financial risk of placing deposit in CPI Financial is not significant; and (iv) the necessity, the importance and benefits of the Deposit Transactions to the Group, we consider that there is a commercial justification for the Company to enter into the Framework Agreement and the Deposit Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Company.

As stated in the Letter from the Board, the Group will adopt a series of capital risk control measures and review contracts and monitor the amount and interest rate of the deposits to ensure the fairness of the terms of the relevant transactions as compared to placing the relevant deposits with independent third parties other than CPI Financial.

As stated in the Letter from the Board, the following procedures will be taken by the Group include:

- (1) The Deposit Transactions under the Framework Agreement are conducted on a non-exclusive basis. In the event that any other commercial banks in the PRC are able to provide such services on more favourable terms, the Company has the unilateral right to terminate any services to be provided by CPI Financial under the Framework Agreement and is simultaneously entitled to appoint other financial institutions to provide the financial services in accordance with its own needs and requirements.
- (2) The Group and CPI Financial will each refer to at least two quotes during the same period in relation to placing deposits with the major commercial banks e.g. Agricultural Bank of China Limited, Industrial and Commercial Bank of China Limited and China Construction Bank Corporation or Bank of China Limited within the PRC, and based on the interest rate promulgated by the PBOC to compare and allow the Company to obtain the most favorable terms relating to placing deposit, reduce the transactional costs and time of the Company.
- (3) The Group will review contracts and monitor the amount and interest rate of the Deposit Transactions. In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive Directors will review the enforcement of the Deposit Transactions annually during the term of the Framework Agreement to ensure that the terms of such transactions are consistent with those approved by the

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shareholders of the Company. Further, the Group's external auditor will report on the Group's continuing connected transactions, including but not limited to the Deposit Transactions, in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

- (4) The Company can access the latest information at any time including the status of fund balance, the collection and payment of funds of the Group through the sophisticated information system provided by CPI Financial in order to ensure safety of funds and reduce and avoid operational risks, and to enable the Group to monitor the daily deposit balance with CPI Financial such that it does not exceed RMB3 billion (approximately HK\$3.6 billion). As advised by the management, the Company will monitor the daily deposit balance by logging in the information system daily with the use of banking security devices provided by CPI Financial and an instruction will be set in the information system by disallowing any further deposit placed with CPI Financial once the deposit balance in CPI Financial reach RMB3 billion.

Given the above, we consider that the abovementioned measures will be adequately and effectively implemented to ensure the fairness of the amount of deposits and the Deposit Transactions under the Framework Agreement will be offered to the Group on terms no less favorable than those available from third parties during the same period.

Principal terms of the Framework Agreement

The principal terms of the Framework Agreement are as follows:

- The services to be provided by CPI Financial to the Group include deposit services, loan services, settlement services and other financial services approved by the CBRC on a non-exclusive basis.
- The term of the Framework Agreement will be three years commencing immediately after the execution by both parties and the passing of the ordinary resolutions by the Independent Shareholders at the EGM.

Pricing of the Deposit Transactions contemplated under the Framework Agreement

The Directors are of the view that it is in the interest of the Company and its shareholder as a whole for entering the Framework Agreement. The Framework Agreement between CPI Financial and the members of the Group and its respective terms will be entered in the ordinary and usual course of business and to be on normal commercial terms or better, taking into account the prevailing market conditions, but in any event on terms no less favorable than those offered to the Group by domestic independent third parties for the provision of similar service during the same period.

Pursuant to the Framework Agreement, the interest rate applicable to the Group for placing deposits with CPI Financial will not be lower than (i) the benchmark interest rate specified by the PBOC for deposits of similar type during the same period; (ii) the interest rate for deposits of a similar type offered by other major commercial banks in the PRC to the Group during the same period; and (iii) the interest rate for deposits of a similar type placed by other members of the SPIC Group with CPI Financial during the same period. For the Group's aggregate deposit in current account(s) with CPI Financial that exceeds RMB100,000, the applicable interest rate will be 20% higher than the benchmark interest rate for deposit agreements (協定存款基準利率) published by the PBOC from time to time. As stated in the Letter from the Board, the Group will obtain two quotes for the interest rate of similar types of deposits during the same period from independent third parties e.g. Agricultural Bank of China Limited, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation or Bank of China Limited within the PRC to enable the Group to monitor that the deposit interest rates offered by CPI Financial will not be lower than the rates offered by independent third parties.

Taking into account the comparison made by the Company against (i) the deposit interest rates offered by other major commercial banks by obtaining two quotes from major commercial banks within the PRC during the same period; (ii) the benchmark interest rate specified by PBOC; and the interest rate for deposits of a similar type placed with CPI Financial by other members of the SPIC Group during the same period, we are of the view that the deposit interest rate for deposits offered by CPI Financial will be at least equal to or no less favorable than the deposit interest rate offered to the Group by the other major commercial banks within the PRC for provision of similar service and those for deposits of a similar type placed by other members of the SPIC Group during the same period. The Deposit Transactions contemplated under the Framework Agreement are on normal commercial terms or better, and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

As stated in the Letter from the Board, the Company will, in practice, implement the following internal measures to ensure the Deposit Transactions to be conducted in accordance with the Framework Agreement:

- (a) The Company will assign responsible persons to monitor interest rates for deposits for other financial services published on the official websites of PBOC and other major commercial banks within the PRC as mentioned above from time to time;

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- (b) The Company will liaise with the major commercial banks within the PRC. The customer managers of such banks will provide quotes for deposits, loans and other financial services regularly to the Finance Department of the Company through email.

The Group will use the fact obtained from the comparison of the interest rates for deposits and loans and service fees of CPI Financial against those rate published on the official website of PBOC and the major commercial bank as mentioned above as the basis to re-negotiate terms with CPI Financial and urge it to observe the pricing principles under the Framework Agreement. The Group also has the unilateral right to terminate any services provided by CPI Financial under the Framework Agreement if the interest rates offered by any other commercial banks in the PRC for such services are more favourable to the Group.

Having considered that (i) the Group will re-negotiate with CPI Financial for the terms of Deposits Transactions with reference to the comparison of the interest rate against the major commercial banks and PBOC; and (ii) the Group has the unilateral right to terminate the deposit services provided by CPI Financial under the Framework Agreement if CPI Financial offers less favorable interest rate to the Group, we consider that the above measures are sufficient to ensure the deposit services to be conducted in accordance with the terms and pricing policy under the Framework Agreement.

Proposed Daily Deposit Cap of the Deposit Transaction contemplated under the Framework Agreement

Pursuant to the terms of Framework Agreement, the maximum daily balance of deposit (including accrued interest) for three years commencing immediately after the Effective Date shall not exceed RMB3 billion (approximately HK\$3.6 billion).

As stated in the Letter from the Board, the historical maximum daily deposit balance of the Group placed with commercial banks (both within the PRC and offshore) for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016 were approximately RMB5.3 billion, RMB5.5 billion and RMB3.4 billion, respectively. Further, the historical maximum daily deposit balance of the Group placed with commercial banks within the PRC for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016 were RMB3.4 billion, RMB3.1 billion and RMB2.8 billion, respectively. As stated in the 2015 Annual Report and the paragraph immediately below, after the commencement of operation of the 18 power plants which are currently under construction, the respective power plants are expected to bring 475.5MW, 66.2MW and 1,340.2MW attributable installed capacity to the Group in 2016, 2017 and 2018, respectively. As advised by the management, the Company has also considered the potential cash inflow and cash outflow for 18 power plants under construction in the coming three years in arriving at the Proposed Daily Deposit Cap including the proposed acquisition of Henan Power as disclosed in its announcement dated 18 January 2016, which may constitute a major transaction for the Company under the Listing Rules and is subject to the approval of the independent shareholders at the relevant general meeting.

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As mentioned in the Letter from the Board, the Proposed Daily Deposit Cap has been determined with reference to (i) the historical amounts of the funds that were deposited with commercial banks in the PRC for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016; (ii) the increase of the Group's total assets over the past years; and (iii) the operating cash flow and financial needs of the Group in respect of the potential cash inflow and cash outflow for the constructions of 18 power plants in the coming three years. As disclosed in the 2015 Annual Report, the Group currently has 18 power plants under construction. 14, 2 and 2 power plants are expected to commence operation in 2016, 2017 and 2018 respectively and are expected to bring 475.5MW, 66.2MW and 1,340.2MW attributable installed capacity to the Group in 2016, 2017 and 2018 respectively; and (iv) the amount of funds deposited with CPI Financial which can be utilised to supplement the financial requirements of the subsidiaries of the Company.

As advised by the management of the Company, the potential cash inflow and cash outflow as a result of 18 power plants under construction in the coming three years is expected to result in increase in the amount of funds that will be deposited with CPI Financial which can be utilised to supplement the financial requirements of the subsidiaries of the Company. In assessing the fairness and reasonableness of the Proposed Daily Deposit Cap for the Deposit Transactions, we have noted the followings:

- (i) The historical maximum daily deposit balance of the Group placed with commercial banks (both within the PRC and offshore) for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016 were approximately RMB5.3 billion, RMB5.5 billion and RMB3.4 billion, respectively. The Proposed Daily Deposit Cap represents approximately 56.6%, 54.5% and 88.2% of the maximum daily deposit balance of the Group with commercial banks (both within the PRC and offshore) for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016, respectively;
- (ii) The historical maximum daily deposit balance of the Group with commercial banks within PRC for the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016 were RMB3.4 billion, RMB3.1 billion and RMB2.8 billion, respectively. The Proposed Daily Deposit Cap represents approximately 88.2%, 96.8% and 107.1% of the maximum daily deposit balance of the Group with commercial banks within PRC for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016, respectively;
- (iii) The total number of months that the historical maximum monthly deposit balance of the Group with commercial banks within PRC for the two years ended 31 December 2014 and 31 December 2015 that exceeded RMB3 billion was 7 months out of 24 months;

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- (iv) As stated in the 2015 Annual Report, the total electricity sold has increased from 52,795,155MWh for the year ended 31 December 2013 to 58,957,127MWh for the year ended 31 December 2014 and further increased to 60,868,493MWh for the year ended 31 December 2015. In additions, the total assets of the Group has increased from approximately RMB81,795.8 million as at 31 December 2014 to RMB86,243.1 million as at 31 December 2015. The increase in the total electricity sold and the increase in total assets demonstrate the increase in the Group's business and fund flow over the past years;
- (v) The Company's attributable installed capacity is expected to increase in the coming three years. The attributable installed capacity of the power plants of the Group was approximately 16,254.6MW at 31 December 2015, representing an increase of approximately 1,226.2MW as compared with 31 December 2014. As stated in the 2015 Annual Report, the Group currently has 18 power plants under construction, which are expected to bring 475.5MW, 66.2MW and 1340.2MW attributable installed capacity to the Group upon the commencement of operation of those power plants in 2016, 2017 and 2018 respectively. The potential cash inflow and cash outflow for 18 power plants under construction in the coming three years resulted in the increase in fund flow and the necessity for the centralized funds management offered by CPI Financial through the Deposit Transactions under the Framework Agreement. As advised by the management, the Company has considered the proposed expansion of the Company's business in arriving at the Proposed Daily Deposit Caps including the proposed acquisition of Henan Power as disclosed in the announcement dated 18 January 2016, which may constitute a major transaction for the Company under the Listing Rules and is subject to the approval of the independent shareholders at the relevant general meeting.

Having taken into consideration that (i) the historical maximum daily deposit balance of the Group placed with commercial banks (both within the PRC and offshore) for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016 were approximately RMB5.3 billion, RMB5.5 billion and RMB3.4 billion, respectively; (ii) the historical maximum daily deposit placed with major commercial bank within PRC were RMB3.4 billion, RMB3.1 billion and RMB2.8 billion for each of the two years ended 31 December 2014 and 31 December 2015 and the three months ended 31 March 2016; (iii) total number of months that the historical maximum monthly balance exceeded RMB3 billion; (iv) the expansion in the Group's attributable installed capacity that will bring the potential cash inflow and cash outflow in the coming three years; (v) the increase in the total electricity sold over the past years; (vi) the increasing scale of total assets of the Company over the past years, and (vii) the amount of funds that will be deposited with CPI Financial which can be utilised to supplement the financial requirements of the subsidiaries of the Company as advised by the management of the Company, we are of the view that the Proposed Daily Deposit Cap is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the opinion that the Deposit Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group; the terms of the Framework Agreement in relation to the deposit services, the Deposit Transactions contemplated thereunder and the Proposed Daily Deposit Cap are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution proposed at the EGM regarding the terms of the Framework Agreement in relation to the deposit services, the Deposit Transactions contemplated thereunder and the Proposed Daily Deposit Cap.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Wilson LO
Deputy General Manager

Note: Mr. Wilson LO has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2006. Mr. Wilson LO has more than ten years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions (including connected transactions of listed companies in Hong Kong).

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company and according to the register of interests kept by the Company under section 336 of the SFO, the parties (other than a Director or chief executive of the Company) which had interests or short positions in the Shares and underlying Shares 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 were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were as follows:

Name	Capacity	Number of shares in which interested other than under equity derivatives ⁽³⁾	Percentage of issued share capital of the Company (%)	Long/Short position
CPDL	Beneficial owner	1,996,500,000	27.14	Long
CPI Holding ⁽¹⁾	Interest of a controlled corporation	1,996,500,000	27.14	Long
	Beneficial owner	2,093,638,546	28.47	Long
SPIC ⁽²⁾	Interest of a controlled corporation	4,090,138,546	55.61	Long

Notes:

- (1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.
- (2) SPIC is the beneficial owner of CPI Holding and therefore SPIC is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.
- (3) SPIC, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than a Director or chief executive of the Company) who had any interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of interests required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save 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 are required 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 are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives ⁽¹⁾	Percentage of issued share capital of the Company (%)	Long/Short position
WANG Zichao	Beneficial owner	the Company	4 April 2007 and 2 July 2008	1,504,000	0.020	Long
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0054	Long

Notes:

- (1) The interests of the above Directors in the underlying Shares represent the share options granted to them under the share option scheme by the Company.
- (2) None of the above Directors has interests in any securities of the Company (except for interests held under equity derivatives disclosed above).

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. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or is proposing to enter, into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within a year without payment of any compensation (other than statutory compensation)).

7. COMPETING INTERESTS

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

Name of the Director	Position(s) within the Company	Other Interests
WANG Binghua	Chairman of the Board and non-executive Director	Chairman of SPIC, chairman of State Nuclear Power Technology Corporation* (國家核電技術公司), chairman of CPI Holding and chairman of the board and a non-executive director of China Power New Energy Development Limited
YU Bing	Executive Director and president	Director and general manager of CPI Holding
WANG Zichao	Executive Director	Head of the General Office of SPIC, general manager of the branch company of SPIC in Hunan and chairman of Wu Ling Power Corporation* (五凌電力有限公司), a 63%-owned subsidiary of the Company
GUAN Qihong	Non-executive Director	Chief capital market officer of the Strategic Planning Department of SPIC, director of CPI Financial and director of CPI Holding

The Company noted the fact that certain Directors were also the directors or senior management of SPIC or CPI Holding as at the Latest Practical Date, and concluded that the overlapping directors and their associates do not have any material interest in the continuing connected transactions contemplated under the Financial Services Framework Agreement for the following reasons:

Firstly, article 96(1) of the Articles states that: “Subject to the Statutes, no Director or intending Director shall be disqualified by his office from entering into any transaction, arrangement or contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise, nor (subject to the interest of the Director being duly declared) shall any transaction, arrangement or contract entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so interested be liable to account to the Company for any benefit resulting from the transaction, arrangement or contract by reason of such Director holding that office or of the fiduciary relationship established by his holding that office.” In accordance with article 96 of the Articles, none of the Directors should be regarded as having any interest in the continuing connected transactions contemplated under the Financial Services Framework Agreement “either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise” nor “shall any Director so interested be liable to account to the Company for any benefit resulting from the transaction, arrangement or contract by reason of such Director holding that office or of the fiduciary relationship established by his holding that office.”

Secondly, at the Board meeting on 27 April 2016 approving the Framework Agreement and the continuing connected transactions contemplated thereunder, each of the Directors had duly declared the nature and extent of his interest, the interest of his associates and the entity connected with him, if any, including the position held in SPIC and CPI Holding, in accordance with article 96 of the Articles and the Companies Ordinance.

Thirdly, none of the Directors or his close associate(s) was/were beneficially interested in the Shares or shares of CPI Holding or SPIC as at the date of the Board meeting on 27 April 2016.

Fourthly, there is nothing in the Articles that prevents the Directors from voting or being counted towards the quorum so long as the Directors have declared the nature and extent of their interest (including their associates’) in accordance with the Companies Ordinance and the Articles.

Fifthly, the Company was not aware of any reason why the overlapping directors’ independent and impartial judgment as directors of the Company was affected by the fact that they also held offices in SPIC or CPI Holding.

8. EXPERT QUALIFICATION AND CONSENT

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

Name	Qualifications
Guotai Junan	a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) of the regulated activities under the SFO

As at the Latest Practicable Date, Guotai Junan has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Guotai Junan did not have any shareholding in any members of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

9. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or the expert named in paragraph 8 of this appendix had any direct or indirect interest in any assets which have been or were proposed to be, acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

11. MISCELLANEOUS

- (a) The registered office of the Company is at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) 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.
- (c) 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 7 June 2016 (both dates inclusive):

- (a) the Financial Services Framework Agreement;
- (b) the letter of recommendation from the Independent Board Committee dated 20 May 2016, the text of which is set out on pages 17 to 18 of this circular;
- (c) the letter of advice issued by Guotai Junan to the Independent Board Committee and Independent Shareholders date 20 May 2016, the text of which is set out on pages 19 to 32 of this circular; and
- (d) the written consent given by Guotai Junan as referred to in the paragraph headed “Expert Qualification and Consent” of this appendix.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of China Power International Development Limited (the “Company”) will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 7 June 2016 at 11:30 a.m. for the purposes of considering and, if thought fit, passing with or without amendments the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the financial services framework agreement dated 27 April 2016 (the “Framework Agreement”) entered into between the Company and CPI Financial Company Limited (中電投財務有限公司) (“CPI Financial”) (a copy of the Framework Agreement has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification) and the provision of deposit services contemplated under the Framework Agreement and all other matters of and incidental thereto or in connection therewith be and are hereby approved and confirmed;
- (b) the annual caps of the deposit services contemplated under the Framework Agreement, being the maximum daily balance of deposits placed by the Company and its subsidiaries from time to time with CPI Financial during the term of the Framework Agreement as more particularly set out in the circular of the Company dated 20 May 2016 (a copy of which has been produced to the meeting marked “B” and has been initialled by the chairman of the meeting for the purpose of identification), be and are hereby approved and confirmed; and

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (c) any one director of the Company be and is hereby authorized for and on behalf of the Company, amongst other matters, to sign, seal, execute, perfect, deliver, do or to authorize signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the Framework Agreement as he/she may in his discretion consider to be desirable and in the interests of the Company.”

By order of the Board
China Power International Development Limited
YU Bing
Executive Director

Hong Kong, 20 May 2016

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.
3. The resolution set out in this notice will be voted by way of a poll.
4. As at the date of this notice, the directors of the Company are: executive directors YU Bing and WANG Zichao, non-executive directors WANG Binghua and GUAN Qihong, and independent non-executive directors KWONG Che Keung, Gordon, LI Fang and TSUI Yiu Wa, Alec.

Please note that only light beverages will be served at the Extraordinary General Meeting.