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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 under the Hong Kong Companies Ordinance)*

(Stock Code: 2380)

### CONTINUING CONNECTED TRANSACTIONS

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



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A letter from the board of Directors of China Power International Development Limited is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee of China Power International Development Limited containing its recommendation to the Independent Shareholders is set out on pages 22 to 23 of this circular. A letter from CLSA Equity Capital Markets Limited containing its advice to the Independent Board Committee is set out on pages 24 to 42 of this circular.

A notice dated 11 December 2007 convening an EGM to be held on 31 December 2007 at 2:00 p.m. at Concord II and III, Renaissance Harbour Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong is set out on pages 49 to 50 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and in, in such event, the relevant form of proxy shall be deemed to be revoked.

11 December 2007

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b>	
1. Introduction .....	6
2. Continuing Connected Transactions .....	8
3. Compliance with the Listing Rules .....	15
4. Renewal of Shentou Continuing Connected Transactions .....	16
5. Compliance with the Listing Rules .....	19
6. Principal businesses of the CPI Group and CPI Holding .....	19
7. EGM .....	20
8. Recommendation .....	20
9. Additional information .....	21
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	22
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	24
<b>APPENDIX — GENERAL INFORMATION</b> .....	43
<b>NOTICE OF THE EXTRAORDINARY GENERAL MEETING</b> .....	49

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## DEFINITIONS

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

“Associate”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“Continuing Connected Transactions”	the transactions in relation to the composite repair and maintenance services agreements, fuel related services agreements, cleaning, repair and maintenance agreements in relation to power plants and composite services agreements entered into (a) between Pingwei Power Plant II and Pingwei Maintenance Company and Pingwei Industry Company (as the case may be) on 22 November 2007; (b) between Yaomeng Power Plant II and Yaomeng Engineering Company and Yaomeng Industrial Company (as the case may be) on 22 November 2007 which will constitute continuing connected transactions for the Company upon completion of the Disposals, the details of which are set out in section 2(b) of the Letter from the Board of this circular; and transactions in relation to the composite repair and maintenance services agreements, fuel related services agreements, cleaning, repair and maintenance agreements in relation to power plants and composite services agreements entered into between Huangguang Dabieshan Power Plant and Shentou Engineering Company and Shentou Industrial Company (as the case may be) on 22 November 2007, the details of which are set out in section 2(b) of the Letter from the Board of this circular
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding
“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC

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## DEFINITIONS

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“CPI Holding”	中國電力國際有限公司 (China Power International Holding Limited), a company incorporated in Hong Kong and a wholly-owned subsidiary of CPI Group
“Director(s)”	director(s) of the Company
“Disposal Agreement”	the conditional sale and purchase agreement dated 23 May 2007 entered into by the Company and CPI Holding relating to the 100% equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company
“Disposals”	the disposals of the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company by the Company to CPI Holding pursuant to the terms and conditions of the Disposal Agreement
“Effective Date”	has the meaning given to it in section 2(c) of the Letter from the Board of this circular
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if though fit, approve amongst other things, the arrangements for the Continuing Connected Transactions, the Renewal of Shentou Continuing Connected Transactions and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HongKong”	Hong Kong Special Administrative Region of the PRC
“Huanggang Dabieshan Power Plant”	the power plant under construction to be wholly-owned by 黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*), a subsidiary of the Company
“Independent Board Committee”	the committee of Directors, consisting of Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec, who are independent non-executive Directors, which will be formed to advise the Independent Shareholders in respect of the terms of the Continuing Connected Transactions and renewal of Shentou Continuing Connected Transactions

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## DEFINITIONS

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“Independent Financial Adviser” or “CLSA”	CLSA Equity Capital Markets Limited, an independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	shareholders of the Company other than CPI Group and its Associates
“Latest Practicable Date”	5 December 2007, being the latest practicable date prior to publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Group”	CPI Group and its subsidiaries from time to time. Unless otherwise expressly stated or the context otherwise requires, references to “Parent Group” exclude the Group
“Pingwei Industry Company”	淮南平圩電力實業有限責任公司 (Huainan Pingwei Electric Power Industry Company Limited*), a limited liability company established by the Company in the PRC on 18 December 2006 for the purpose of holding the supporting services operations and related assets in Pingwei Power Plant, the equity interest in which will be transferred to CPI Holding upon completion of Disposals
“Pingwei Maintenance Company”	安徽淮南平圩電力檢修工程有限責任公司 (Anhui Huainan Pingwei Power Engineering Maintenance Company Limited*), a limited liability company established by the Company in the PRC on 18 December 2006 for the purpose of holding the repair and maintenance operations and related assets in Pingwei Power Plant, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals
“Pingwei Power Plant II”	the power plant under construction wholly-owned by 淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electric Power Generating Company Limited*), a subsidiary of the Company
“Pingwei Power Plant”	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC on 17 September 1999

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## DEFINITIONS

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“Pingwei Yaomeng Continuing Connected Transactions”	the continuing connected transactions in relation to the composite repair and maintenance services agreements, fuel related services agreements, cleaning, repair and maintenance agreements and composite services agreements, the details of which are set out in the announcement of the Company dated 23 May 2007 and the circular of the Company dated 14 June 2007
“PRC” or “China”	the People’s Republic of China. Geographical references in this announcement to the PRC excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of China
“Shentou I Power Plant”	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*), a wholly-owned subsidiary of Tianze Company which is in turn a wholly-owned subsidiary of the Company
“Shentou Continuing Connected Transactions”	the continuing connected transactions in relation to the technical repair and maintenance framework agreement, fuel and chemical processing services framework agreement, non-power generation facilities maintenance framework agreement and composite ancillary services framework agreement entered into between the Group and the Parent Group, the details of which are set out in the announcement of the Company dated 9 June 2005 and the circular of the Company dated 30 June 2005
“Shentou Industrial Company”	山西神頭電力實業有限責任公司 (Shanxi Shentou Industrial Company Limited*), a wholly-owned subsidiary of CPI Holding
“Shentou Engineering Company”	山西神頭電力檢修有限責任公司 (Shanxi Shentou Engineering Company Limited*), a wholly-owned subsidiary of CPI Holding
“State Council”	the State Council of the PRC* (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Yaomeng Engineering Company”	平頂山姚孟電力工程有限責任公司 (Pingdingshan Yaomeng Power Engineering Co., Ltd.*), a limited liability company established by the Company in the PRC on 19 December 2006 for the purpose of holding the repair and maintenance operations and related assets in Yaomeng Power Plant, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals
“Yaomeng Industrial Company”	平頂山姚孟電力實業有限責任公司 (Pingdingshan Yaomeng Power Industrial Co., Ltd.*), a limited liability company established by the Company in the PRC on 19 December 2006 for the purpose of holding the supporting services operations and related assets in Yaomeng Power Plant, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals
“Yaomeng Power Plant II”	the planned power plant wholly-owned by 平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No.2 Power Generating Company Limited*), a subsidiary of the Company
“Yaomeng Power Plant”	平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Electric Power Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC on 27 August 1999

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

*This circular contains translation between Renminbi amounts and Hong Kong dollars at RMB1.00 to HK\$1.03. 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.*

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## LETTER FROM THE BOARD

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# CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

## 中國電力國際發展有限公司

*(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)*

**(Stock Code: 2380)**

*Executive Directors:*

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

Hu Jiandong *(Executive Vice-President)*

*Registered Office:*

Suite 6301, 63/F Central Plaza  
18 Harbour Road, Wanchai  
Hong Kong

*Non-Executive Directors:*

Wang Binghua *(Chairman)*

Gao Guangfu

*Independent Non-Executive Directors:*

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

11 December, 2007

*To the shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### 1. INTRODUCTION

The Board announced that on 22 November 2007, Pingwei Power Plant II and Yaomeng Power Plant II have entered into certain continuing connected transaction agreements with Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company in relation to the provision of various services in connection with their day-to-day businesses and operations.

As disclosed in the announcement of 23 May 2007, CPI Holding, a substantial shareholder of the Company, will own 100% equity interest in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company upon completion of the Disposals, and such transactions will then constitute continuing connected transactions of the Company under the Listing Rules.



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## LETTER FROM THE BOARD

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Also on 22 November 2007, Huangguang Dabieshan Power Plant has entered into certain continuing connected transaction agreements with Shentou Industrial Company and Shentou Engineering Company (both of which are wholly owned subsidiaries of CPI Holding) in relation to the provision of various services in connection with its day-to-day businesses and operations.

As disclosed in the announcement of 9 June 2005, a wholly owned subsidiary of the Company entered into the Shentou Continuing Connected Transactions with the Parent Group for a term commencing from the date of completion of the acquisition of Shentou I Power Plant until 31 December 2007. On 22 November 2007, Shentou I Power Plant, a subsidiary of the Company, has entered into four supplemental agreements to renew the Shentou Continuing Connected Transactions for a term of 3 years after its expiry on 31 December 2007.

Details of the above arrangements are set out in the sections headed “Continuing Connected Transactions” and “Renewal of Shentou Continuing Connected Transactions”.

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

The main purpose of this circular are to provide you with (a) details of the Continuing Connected Transaction and the renewal of the Shentou Continuing Connected Transactions; (b) a letter from the Independent Board Committee and from the Independent Financial Advisor; and (c) a notice to shareholders of the Company convening an EGM to approve the terms of the Continuing Connected Transaction and the renewal of the Shentou Continuing Connected Transactions.

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

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## LETTER FROM THE BOARD

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### 2. CONTINUING CONNECTED TRANSACTIONS

#### (a) Introduction

References are made to the announcement (the “Announcement”) of the Company dated 23 May 2007.

As disclosed in the Announcement, the Company entered into the Disposal Agreement with CPI Holding, pursuant to which the Company agreed to sell and CPI Holding agreed to purchase from the Company, the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company. Upon completion of the Disposals, CPI Holding will own 100% equity interest in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company, and all such companies will become connected persons of the Company in accordance with the Listing Rules.

On 22 November 2007, Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant have entered into the following Continuing Connected Transactions with Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company, Yaomeng Industrial Company, Shentou Industrial Company and Shentou Engineering Company in relation to the provision of various services in connection with their day-to-day businesses and operations.

A summary of the Continuing Connected Transactions is as follows:

<b>Continuing Connected Transaction</b>	<b>Term</b>	<b>Parties</b>	
Provision of composite repair and maintenance services	From the Effective Date to 31 December 2010	Pingwei Power Plant II	Pingwei Maintenance Company
Provision of composite repair and maintenance services	From the Effective Date to 31 December 2010	Yaomeng Power Plant II	Yaomeng Engineering Company
Provision of composite repair and maintenance services	From the Effective Date to 31 December 2010	Huangguang Dabieshan Power Plant	Shentou Engineering Company
Provision of fuel related services	From the Effective Date to 31 December 2010	Pingwei Power Plant II	Pingwei Industry Company
Provision of fuel related services	From the Effective Date to 31 December 2010	Yaomeng Power Plant II	Yaomeng Industrial Company

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## LETTER FROM THE BOARD

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Continuing Connected Transaction	Term	Parties	
Provision of fuel related services	From the Effective Date to 31 December 2010	Huangguang Dabieshan Power Plant	Shentou Industrial Company
Provision of cleaning, repair and maintenance services in relation to power plant	From the Effective Date to 31 December 2010	Pingwei Power Plant II	Pingwei Industry Company
Provision of cleaning, repair and maintenance services in relation to power plant	From the Effective Date to 31 December 2010	Yaomeng Power Plant II	Yaomeng Industrial Company
Provision of cleaning, repair and maintenance services in relation to power plant	From the Effective Date to 31 December 2010	Huangguang Dabieshan Power Plant	Shentou Industrial Company
Provision of composite services	From the Effective Date to 31 December 2010	Pingwei Power Plant II	Pingwei Industry Company
Provision of composite services	From the Effective Date to 31 December 2010	Yaomeng Power Plant II	Yaomeng Industrial Company
Provision of composite services	From the Effective Date to 31 December 2010	Huangguang Dabieshan Power Plant	Shentou Industrial Company

Details of each of the Continuing Connected Transactions are set out in section 2(b) below.

The Continuing Connected Transactions for Pingwei Power Plant II and Yaomeng Power Plant II mentioned in section 2(b) of the Letter from the Board of the circular, namely the composite repair and maintenance services agreements, the fuel related services agreements, the cleaning, repair and maintenance agreements in relation to power plants and the composite services agreements will then constitute connected transactions of the Company upon completion of the Disposals. The applicable ratios for the Continuing Connected Transactions, when aggregated together with the renewal of the Shentou Continuing Connected Transactions and Pingwei Yaomeng Continuing Connected Transactions, are on an annual basis more than 2.5% and are subject to the announcement, reporting and Independent Shareholders' approval requirements under the Listing Rules. Save and except the Shentou Continuing Connected Transactions and Pingwei Yaomeng Continuing Connected Transactions, there is no other continuing connected transaction in the past twelve months prior to the date of this announcement subject to aggregation under Rule 14A.25 of the Listing Rules.

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## LETTER FROM THE BOARD

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

*Composite Repair and Maintenance Services Agreements*

Background: On 22 November 2007, each of Pingwei Power Plant II and Yaomeng Power Plant II has entered into the composite repair and maintenance services agreement with Pingwei Maintenance Company and Yaomeng Engineering Company, respectively, both effective from the Effective Date until 31 December 2010 for obtaining the repair and maintenance services for the power generation units and related power equipment of Pingwei Power Plant II and Yaomeng Power Plant II.

On the same date, Huangguang Dabieshan Power Plant has entered into the composite repair and maintenance services agreement with Shentou Engineering Company effective from the Effective Date until 31 December 2010 for obtaining the repair and maintenance services for the power generation units and related power equipment of Huangguang Dabieshan Power Plant.

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

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

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

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## LETTER FROM THE BOARD

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

*Reasons for such transactions:* Repair and maintenance of the power generation units are essential to ensure the safe, effective and efficient operations of Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant. The Company believes that it is in the best interests of Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant to procure these services from Pingwei Maintenance Company, Yaomeng Engineering Company and Shentou Engineering Company as they have special strengths that independent third-party service providers generally do not possess, such as having the relevant power industrial knowledge and understanding of the facilities of Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant and being conveniently located in close proximity to Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant to enable efficient and timely services. Under the composite repair and maintenance services agreements, Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant have the rights to request for and to accept services from third party service providers.

### *Fuel Related Services Agreements*

*Background:* On 22 November 2007, each of Pingwei Power Plant II and Yaomeng Power Plant II has entered into the fuel related services agreement with Pingwei Industry Company and Yaomeng Industrial Company, respectively, both effective from the Effective Date until 31 December 2010 for obtaining the fuel related services for the operation of Pingwei Power Plant II and Yaomeng Power Plant II.

On the same date, Huangguang Dabieshan Power Plant has entered into the fuel related services agreement with Shentou Industrial Company effective from the Effective Date until 31 December 2010 for obtaining the fuel related services for the operation of Huangguang Dabieshan Power Plant.

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

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

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

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## LETTER FROM THE BOARD

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

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

*Reasons for such transactions:* All of the generation units of Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant are fuelled by coal. The Company believes that it is in the best interests of Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant to procure fuel and related processing services from Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company as Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company possess special strengths that independent third-party service providers generally do not possess, such as having the requisite power industrial knowledge and being ideally situated in close proximity to Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant to enable efficient and timely services. Under the fuel related services agreements, Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant have the right to request for and to accept services from third party service providers.

### ***Cleaning, Repair and Maintenance Agreements in relation to Power Plants***

*Background:* On 22 November 2007, each of Pingwei Power Plant II and Yaomeng Power Plant II has entered into the cleaning, repair and maintenance agreement in relation to power plants with Pingwei Industry Company and Yaomeng Industrial Company, respectively, both effective from the Effective Date until 31 December 2010 for obtaining cleaning, repair and maintenance services for the facilities and equipment of Pingwei Power Plant II and Yaomeng Power Plant II.

On the same date, Huangguang Dabieshan Power Plant has entered into the cleaning, repair and maintenance agreement in relation to power plants with Shentou Industrial Company effective from the Effective Date until 31 December 2010 for obtaining cleaning, repair and maintenance services for the facilities and equipment of Huangguang Dabieshan Power Plant.

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

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## LETTER FROM THE BOARD

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

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

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

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

### ***Composite Services Agreements***

*Background:* On 22 November 2007, each of Pingwei Power Plant II and Yaomeng Power Plant II has entered into the composite services agreement with Pingwei Industry Company and Yaomeng Industrial Company, respectively, both effective from the Effective Date until 31 December 2010 for obtaining ancillary services for the operation of Pingwei Power Plant II and Yaomeng Power Plant II.

On the same date, Huangguang Dabieshan Power Plant has entered into the composite services agreement with Shentou Industrial Company effective from the Effective Date until 31 December 2010 for obtaining ancillary services for the operation of Huangguang Dabieshan Power Plant.

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## LETTER FROM THE BOARD

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

*Pricing:* The fees payable to Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company (as the case may be) for services provided under the composite services agreements shall be:

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

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

*Reasons for such transactions:* These ancillary services are required by Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant to facilitate its business operations. The Company believes that it is in the best interest of Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant to procure these ancillary services from Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company as Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company have special strengths that independent third-party service providers generally do not possess, such as having the relevant knowledge and being conveniently located in close proximity to Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant to enable efficient and timely services. Under the composite services agreements, Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant have the right to request for and to accept services from third party service providers.

(c) **Effective Date**

The agreements mentioned in section 2(b) of the Letter from the Board of this circular will come into effect on the following date (whichever is the latest) (the “Effective Date”):

- (a) the date of signing of the agreements by the parties;



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## LETTER FROM THE BOARD

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- (b) the day on which each of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company becomes a subsidiary of CPI Holding (not applicable for the continuing connected transaction agreements between Shentou Industrial Company, Shentou Engineering Company and Huangguang Dabieshan Power Plant);
- (c) the passing of an ordinary resolution by Independent Shareholders approving the terms of Continuing Connected Transactions; and
- (d) 1 January 2008.

The agreements mentioned in section 2(b) of the Letter from the Board of this circular will be effective from its Effective Date until 31 December 2010. The effective period of these agreements may be extended with the written approval of both parties of the agreements and in compliance with the Listing Rules and other applicable laws.

### 3. COMPLIANCE WITH THE LISTING RULES

As each of Pingwei Power Plant II, Yaomeng Power II and Huangguang Dabieshan Power Plant has only recently commenced operation or is only expected to commence operation in the future, there is no historical value for the Continuing Connected Transactions.

The annual cap with respect to each Continuing Connected Transactions is determined based on the estimates of specific cost items under each of the Continuing Connected Transaction as provided by the management and operating staff of the relevant plants based on their knowledge and experience in operating power plants of similar size and nature.

Set out below are the aggregate annual caps for the three financial years ending 31 December 2010 applicable for Continuing Connected Transactions pursuant to the following agreements:

<b>Continuing Connected Transactions</b>	<b>Annual Cap for each of the three years ending 31 December (in Million RMB)</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
Composite repair and maintenance services agreement with Pingwei Power Plant II	40	40	40
Composite repair and maintenance services agreement with Yaomeng Power Plant II	43	43	43
Composite repair and maintenance services agreement with Huangguang Dabieshan Power Plant	43	43	43

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## LETTER FROM THE BOARD

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<b>Continuing Connected Transactions</b>	<b>Annual Cap for each of the three years ending 31 December (in Million RMB)</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>
Fuel related services agreement with Pingwei Power Plant II	20	20	20
Fuel related services agreement with Yaomeng Power Plant II	16	16	16
Fuel related services agreement with Huangguang Dabieshan Power Plant	17	17	17
Cleaning, repair and maintenance agreement in relation to power plant with Pingwei Power Plant II	13	13	13
Cleaning, repair and maintenance agreement in relation to power plant with Yaomeng Power Plant II	12	12	12
Cleaning, repair and maintenance agreement in relation to power plant with Huangguang Dabieshan Power Plant	11	11	11
Composite services agreement with Pingwei Power Plant II	3	3	3
Composite services agreement with Yaomeng Power Plant II	7	7	7
Composite services agreement with Huangguang Dabieshan Power Plant	7	7	7

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

#### **4. RENEWAL OF SHENTOU CONTINUING CONNECTED TRANSACTIONS**

##### **(a) Introduction**

References are made to the announcement of the Company dated 9 June 2005 (the “Shentou Announcement”).

As disclosed in the Shentou Announcement, a wholly owned subsidiary of the Company entered into the technical repair and maintenance framework agreement, the fuel and chemical processing services framework agreement, the non-power generation facilities maintenance framework agreement and the composite ancillary services framework agreement with the Parent Group for a term

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## LETTER FROM THE BOARD

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commencing from date of completion of the acquisition of Shentou I Power Plant until 31 December 2007. According to these framework agreements, the parties to the agreements have the right to novate their respective benefits and obligations under the framework agreements to their wholly subsidiaries. Pursuant to such condition, the Company novated its benefits and obligations under the Shentou Continuing Connected Transactions to Shentou I Power Plant, an indirect wholly owned subsidiary of the Company, and the Parent Group novated theirs to Shentou Engineering Company and Shentou Industrial Company respectively.

### (b) **The Supplemental Agreements I**

Shentou I Power Plant entered into four supplemental agreements whereby Shentou I Power Plant will renew the Shentou Continuing Connected Transactions for a term of three years after its expiry on 31 December 2007.

**Date:**

22 November 2007

**Parties:**

- (1) Shentou I Power Plant; and
- (2) Services providers: Shentou Engineering Company or Shentou Industrial Company (as the case may be).

**Term:**

Pursuant to the Supplemental Agreements I, the parties agreed to renew each of the Shentou Continuing Connected Transactions for a term of three years after its expiry on 31 December 2007. The renewed term will commence from 1 January 2008 and end on 31 December 2010. Save as aforesaid, all other terms and conditions for the Shentou Continuing Connected Transactions remain unchanged.

### (c) **Reasons and benefits of entering into the Supplemental Agreements I**

The services to be provided under each of the Supplemental Agreements I are necessary for the normal and day to day operations of Shentou I Power Plant. The Company believes that it is in the best interests of Shentou I Power Plant to procure these services from Shentou Engineering Company and Shentou Industrial Company as they have special strengths that independent third-party services providers generally do not possess, such as having the requisite power industrial knowledge and understanding of Shentou I Power Plant's facilities and being conveniently located in close proximity to Shentou I Power Plant to enable efficient and timely services.

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## LETTER FROM THE BOARD

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(d) **Estimated Annual Caps**

The maximum annual caps for the services to be rendered under the Supplemental Agreements I for the financial years ending 31 December 2008, 2009 and 2010 are estimated to be:

- (1) RMB68,000,000 (equivalent to approximately HK\$70,040,000) for Supplemental Agreement I for technical repair and maintenance framework agreement;
- (2) RMB24,000,000 (equivalent to approximately HK\$24,720,000) for Supplemental Agreement I for fuel and chemical processing services framework agreement;
- (3) RMB39,000,000 (equivalent to approximately HK\$40,170,000) for Supplemental Agreement I for non-power generation facilities maintenance framework agreement; and
- (4) RMB19,000,000 (equivalent to approximately HK\$19,570,000) for Supplemental Agreement I for composite ancillary services framework agreement.

For the purpose of Rule 14A.35(2) of the Listing Rule, the above maximum annual caps are determined with reference to the previous annual caps (which are same as the annual caps mentioned in (1) to (4) above) as disclosed in the Shentou Announcement. The maximum annual caps are also determined with reference to the following historical amounts:

	<b>For the period from January to October 2007 <i>(in Million RMB)</i></b>	<b>For the period from January to December 2006 <i>(in Million RMB)</i></b>
(1) technical repair and maintenance framework agreement	50	67
(2) fuel and chemical processing services framework agreement	15	19
(3) non-power generation facilities maintenance framework agreement	33	30
(4) composite ancillary services framework agreement	16	19

The Directors (including independent non-executive Directors) of the Company are of the view that such maximum annual caps for the period from 1 January 2008 to 31 December 2010 are fair and reasonable.

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## LETTER FROM THE BOARD

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### 5. COMPLIANCE WITH THE LISTING RULES

As at the Latest Practicable Date, CPDL owned approximately 55.37% of the issued share capital of the Company. CPDL is a wholly-owned subsidiary of CPI Holding, which is in turn wholly-owned by CPI Group. As CPI Holding is a substantial shareholder of the Company, CPI Holding and its subsidiaries Shentou Industrial Company and Shentous Engineering Company are connected persons of the Company within the meaning of the Listing Rules.

Further, the Continuing Connected Transactions under section 2(b) of the Letter form the Board of this circular will constitute connected transactions for the Company upon completion of the Disposals. As the Continuing Connected Transactions with an aggregate annual value of RMB231,721,900 (equivalent to approximately HK\$238,673,557), when aggregated together with the renewal of the Shentou Continuing Connected Transactions (the annual value under which is RMB150,000,000 in aggregate (equivalent to approximately HK\$154,500,000)) and the Pingwei Yaomeng Continuing Connected Transactions (the annual value under which is RMB250,169,000 in aggregate (equivalent to approximately HK\$257,674,070)), on annual basis exceed 2.5% of the applicable percentage under Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions and the renewal of the Shentou Continuing Connected Transactions are subject to the approval of the Independent Shareholders.

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

The Directors (including independent non-executive Directors) of the Company are of the view that the Continuing Connected Transactions and the renewal of the Shentou Continuing Connected Transactions are entered into on normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable so far as the Group is concerned and are in the interests of the Company and its shareholders as a whole.

### 6. PRINCIPAL BUSINESS OF THE CPI GROUP AND CPI HOLDING

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

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## LETTER FROM THE BOARD

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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 four high-capacity coal-fired power plants and it has an attributable installed capacity of 7,215 MW. The Company also manages five other power plants, which are situated in Liaoning, Anhui, Fujian and Jiangxi, on behalf of its controlling shareholder.

### 7. EGM

An EGM will be held on 31 December, 2007 at 2:00 p.m. at Concord II and III, Renaissance Harbour Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong, during which an ordinary resolution shall be proposed to the shareholders of the Company to approve the terms of the Continuing Connected Transaction and the renewal of the Shentou Continuing Connected Transactions and the transaction contemplated thereunder. CPI Group and its Associates, being connected persons of the Company, will abstain from voting on the ordinary resolution to approve the terms of the Continuing Connected Transaction and the renewal of the Shentou Continuing Connected Transactions and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the EGM shall be taken by poll.

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

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

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

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

### 8. RECOMMENDATION

The Directors consider that the terms of the terms of the Continuing Connected Transaction and the renewal of the Shentou Continuing Connected Transactions are fair and reasonable, on normal

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## LETTER FROM THE BOARD

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commercial terms and are in the interests of the Company and the shareholders as a whole. Accordingly, the Directors recommend the shareholders of the Company to vote in favour of the resolution to be proposed at the EGM to approve the Continuing Connected Transactions and the renewal of the Shentou Continuing Connected Transactions.

### 9. ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee to the Independent Shareholders set out on pages 22 to 23 of this circular and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 24 to 42 of this circular in respect of the terms of the Continuing Connected Transactions and the renewal of the Shentou Continuing Connected Transactions, and to the information set out in the appendix of this circular.

By Order of the Board  
**China Power International Development Limited**  
**Li Xiaolin**  
*Vice Chairman*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED**

**中國電力國際發展有限公司**

*(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)*

**(Stock Code: 2380)**

*Independent Board Committee*

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

11 December 2007

*To the Independent Shareholders,*

Dear Sir and Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular (the “Circular”) dated 11 December 2007 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context other requires.

On 22 November 2007, the Board announced that Pingwei Power Plant II, Yaomeng Power Plant II and Huangguang Dabieshan Power Plant, subsidiaries of the Company, had entered into certain continuing connected transactions respectively with Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company, Yaomeng Industrial Company, Shentou Engineering Company and Shentou Industrial Company in connection with their day-to-day business and operation. Also on 22 November 2007, Shentou I Power Plant, a subsidiary of the Company, had entered into four supplemental agreements to renew the Shentou Continuing Connected Transactions for a term of 3 years after its expiry on 31 December 2007.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to make a recommendation to the Independent Shareholders as to whether, in its view, the terms of the terms of the Continuing Connected Transactions and the renewal of the Shentou Continuing Connected Transactions are in the interest of the Company and its shareholders. CLSA has been appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms of the Continuing Connected Transactions and the renewal of the Shentou Continuing Connected Transactions from a financial perspective.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The terms and reasons for the agreements for the Continuing Connected Transactions and supplemental agreements for Shentou Continuing Connected Transactions are summarised in the Letter from the Board set out on pages 6 to 21 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the entering into the Continuing Connected Transactions and the renewal of Shentou Continuing Connected Transactions and the basis upon which their terms have been determined. We have also considered the key factors taken into account by CLSA in arriving at its opinion regarding the terms of the Continuing Connected Transactions and the renewal of Shentou Continuing Connected Transactions as set out in the letter from the Independent Financial Adviser on pages 24 to 42 of the Circular, which we urge you to read carefully.

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.*



11 December 2007

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sirs,

We refer to our engagement pursuant to which CLSA has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether certain continuing connected transactions, including (i) certain new continuing connected transactions that are proposed to be entered into with the recent commencement (or upon the expected commencement in the near future) of commercial operations of certain new power plants, namely Pingwei Power Plant II, Yaomeng Power Plant II and Huanggang Dabieshan Power Plant (the “**New Continuing Connected Transactions**”); and (ii) certain new continuing connected transactions that are proposed to be entered into between Shentou I Power Plant and Shentou Engineering Company and Shentou Industrial Company in relation to the day-to-day operation of Shentou I Power Plant (the “**New Shentou Continuing Connected Transactions**”, and together with the New Continuing Connected Transactions, the “**Continuing Connected Transactions**”), that are subject to announcement, reporting and Independent Shareholders’ approval requirements under the Listing Rules, are on normal commercial terms, in the ordinary and usual course of the business of the Group, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The details of such Continuing Connected Transactions are contained in the circular dated 11 December 2007 (the “**Circular**”) issued by the Company to its Shareholders.

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

We are advised by the Directors that the relevant percentage ratios applicable to the Continuing Connected Transactions, when aggregated together and with some other continuing connected transactions entered into by the Company previously, are expected to exceed 2.5% on an annual basis and are subject to, among other things, approval by the Independent Shareholders at the EGM.

In formulating our opinion with regard to the Continuing Connected Transactions, we have relied on the information, opinions and facts supplied, and representations made to us by the Directors and representatives of the Company (including those contained or referred to in the Circular). We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors and representatives of the Company, and for which they are wholly responsible, are true and accurate in all material respects. We have also relied on certain information available to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the public and we have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. Further, we have relied on the representations of the Directors that they have made all reasonable inquiries, and that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement contained in the Circular untrue or misleading. We have also assumed that statements and representations made or referred to in the Circular were accurate at the time they were made and continue to be accurate at the date of dispatch of the Circular.

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

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated, and on the information publicly available to us, as of the date of this opinion. We have no obligation to update this opinion to take into account events occurring after the date that this opinion is delivered to the Independent Board Committee and the Independent Shareholders. As a result, circumstances could develop prior to completion of the Continuing Connected Transactions that, if known to us at the time we rendered our opinion, would have altered our opinion.

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

- a) We are instructed to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions. As such, the scope of our review, and consequently, our opinion, does not include any statement or opinion as to the commercial merits or strategic rationale of the Continuing Connected Transactions;
- b) We do not express any opinion or statement as to whether any similar terms or transactions akin to the terms proposed for the Continuing Connected Transactions are or might be available from any independent third parties, nor as to whether any independent third parties might offer similar transactions;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- c) It is not possible to confirm whether or not the Continuing Connected Transactions are in the interests of each individual Independent Shareholder and each Independent Shareholder should consider his/her/its vote on the merits or otherwise of the Continuing Connected Transactions in light of his/her/its own circumstances and from his/her/its own point of view having regard to all the circumstances (and not only the financial perspectives offered in this letter) as well as his/her/its own investment objectives;
- d) In preparing this letter and in giving any opinion or advice, we have only had regard to the Continuing Connected Transactions and necessarily circumstances thereof in connection with the Continuing Connected Transactions only, and not in connection with any other business plan, strategy or transaction, past or present, with regard to the Company or the Group as a whole, which falls beyond the scope of our opinion in connection with the Continuing Connected Transactions;
- e) We express no opinion as to whether the Continuing Connected Transactions will be completed nor whether it will be successful;
- f) Nothing contained in this letter should be construed as us expressing any view as to the trading price or market trends of any securities of the Company at any particular time;
- g) Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any securities of the Company; and
- h) We were not requested to and did not provide advice concerning the structure, the specific amount of consideration, the timing, pricing, size, feasibility, or any other aspects of the Continuing Connected Transactions.

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Principal factors and reasons:

In arriving at our opinion, we have taken into consideration, among others, the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

We understand that entering into the Continuing Connected Transactions is necessary for the day-to-day operation of power plants owned and operated by the Company. We are further advised by the Directors that, to enhance the Company's operating efficiency and competitiveness and to reduce the Company's workforce, the Company adopts a strategy of separating non-core and supporting operations, including repair, maintenance, fuel-related services and other supporting services, from its core power generation business. To implement such business strategy:

- prior to the Company's acquisition of Shentou I Power Plant in 2005, a restructuring was conducted to separate the repair, maintenance and other supporting businesses from the power generation operations of Shentou I Power Plant, whereby only the core power generation assets / operations of Shentou I Power Plant were acquired by the Company; and
- on 23 May 2007, the Company entered into a disposal agreement with CPI Holding, pursuant to which the Company sold to CPI Holding the Company's 100% equity interests in each of Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company (the "Disposals"), which previously functioned as internal cost centres within Pingwei Power Plant and Yaomeng Power Plant respectively to provide repair, maintenance and other supporting services to the relevant power plants. Further details of the Disposals are set out in the Company's shareholders' circular dated 14 June 2007. We are advised by the Directors that the Disposals are still subject to approval from the PRC government and are expected to be completed soon. Pingwei Power Plant II and the first power generation unit of Yaomeng Power Plant II have already commenced commercial power generation by the end of 2007 and procure relevant repair, maintenance and other supporting services from Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company. Upon completion of the Disposals, such transactions will constitute connected transactions.

As a result of the above, none of the Company's wholly-owned power plants conduct repair, maintenance or other supporting operations internally. Instead, to ensure the day-to-day operation of the power plants, the Company is required to source such relevant services from service providers.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1. New Continuing Connected Transactions:

#### 1.1 *Reasons for and background to entering into the New Continuing Connected Transactions:*

The New Continuing Connected Transactions involve power plants that have either commenced power generation recently or are expected to commence power generation in the near future. According to the Company's annual report for the year ended 31 December 2006, the following table sets forth the scheduled development of those power plants that will be parties to the New Continuing Connected Transactions:

	Location	Unit	Installed capacity	(Expected) date of commencement of commercial operation
Pingwei Power Plant II	Huainan, Anhui Province	Unit 1	600MW	First half of 2007
		Unit 2	600MW	Fourth quarter of 2007
Yaomeng Power Plant II	Pingdingshan, Henan Province	Unit 1	600MW	Fourth quarter of 2007
		Unit 2	600MW	First quarter of 2008
Huanggang Dabieshan Power Plant	Huanggang, Hubei Province	Unit 1	600MW	First quarter of 2008
		Unit 2	600MW	Second quarter of 2008

*Note:* Due to technology improvement implemented through out the construction process, the generating capacity of Unit 1 of Pingwei Power Plant II can reach as high as 640MW.

#### 1.2 *Agreements in relation to the New Continuing Connected Transactions:*

Set out below is a summary of the agreements that will govern the New Continuing Connected Transactions (the "New Continuing Connected Transaction Agreements").

Date of execution	Agreement(s)	Parties to the agreement(s)		Services governed by the relevant agreement(s)
22 November 2007	The Composite Repair and Maintenance Services Agreement	Pingwei Power Plant II	Pingwei Maintenance Company	The provision of repair and maintenance services for the power generation units and related power equipment of Pingwei Power Plant II
22 November 2007	The Fuel Related Services Agreement	Pingwei Power Plant II	Pingwei Industry Company	The provision of fuel related services for the operation of Pingwei Power Plant II

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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<b>Date of execution</b>	<b>Agreement(s)</b>	<b>Parties to the agreement(s)</b>		<b>Services governed by the relevant agreement(s)</b>
22 November 2007	The Composite Repair and Maintenance Services Agreement	Huanggang Dabieshan Power Plant	Shentou Engineering Company	The provision of repair and maintenance services for the power generation units and related power equipment of Huanggang Dabieshan Power Plant
22 November 2007	The Fuel Related Services Agreement	Huanggang Dabieshan Power Plant	Shentou Industrial Company	The provision of fuel related services for the operation of Huanggang Dabieshan Power Plant
22 November 2007	The Cleaning, Repair and Maintenance Agreements in relation to Power Plant	Huanggang Dabieshan Power Plant	Shentou Industrial Company	The provision of facilities cleaning, repair and maintenance services in relation to the power plant of Huanggang Dabieshan Power Plant
22 November 2007	The Composite Services Agreement	Huanggang Dabieshan Power Plant	Shentou Industrial Company	The provision of ancillary services which are necessary to facilitate the operation of Huanggang Dabieshan Power Plant

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

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

As disclosed in the Circular, on 22 November 2007, each of Pingwei Power Plant II, Yaomeng Power Plant II and Huanggang Dabieshan Power Plant (collectively the “**New Power Plants**”), all being wholly-owned subsidiaries of the Company, entered into a composite repair and maintenance services agreement with Pingwei Maintenance Company, Yaomeng Engineering Company and Shentou Engineering Company respectively, whereby Pingwei Maintenance Company, Yaomeng Engineering Company and Shentou Engineering Company shall provide relevant repair and maintenance services for the power generation units and related power equipment of the New Power Plants respectively. Please refer to the Letter from the Board contained in the Circular for further details of relevant services provided under the composite repair and maintenance services agreements.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the Letter from the Board, the relevant services under the composite repair and maintenance service agreements will be provided to each of the New Power Plants based on the following pricing:

- (i) at the applicable State tariffs set by the PRC government, if any;
- (ii) where there are no State tariffs set by the PRC government, at prices not exceeding any pricing guidelines or pricing recommendations set by the PRC government;
- (iii) where there are no State tariffs set by the PRC government and there are no such pricing guidelines or recommendations, at prices determined in accordance with the prevailing market prices (including prices determined through a bidding process); or
- (iv) where none of the above is applicable, at agreed prices based on the reasonable costs incurred in the provision of the services.

The prevailing market prices referred to in (iii) mean prices at which similar services could be obtained from a Chinese independent third party in the ordinary course of business on normal commercial terms, or prices at which similar services are provided at the same time by CPI Holding to an independent third party in China in the ordinary course of business on normal commercial terms. We are advised by the Directors that the reasonable costs in (iv) above will be determined according to accounts prepared in accordance with the PRC GAAP and will include cost items such as costs of parts and materials used in providing the relevant services, direct labour costs, depreciation charges and relevant business taxes and government surcharges.

We are advised by the Directors that repair and maintenance of the power generation units are essential to ensure the safe, effective and efficient operations. Such repair and maintenance services are highly technical in nature and can only be carried out by engineers and skilled technicians equipped with the relevant technical skills and expertise. Each of Pingwei Maintenance Company, Yaomeng Engineering Company and Shentou Engineering Company has in the past provided services to power generating facilities of the Company and thus has accumulated in-depth knowledge of the relevant equipment and demonstrated its skill and proficiency in providing repair and maintenance services with successful track records. In addition, the Directors believe the geographical proximity of these service companies to the relevant power plants will further facilitate their ability to provide efficient and expedient repair and maintenance services to the power plants, as:

- (a) Pingwei Maintenance Company and Yaomeng Engineering Company are conveniently located within the vicinity of Pingwei Power Plant II and Yaomeng Power Plant II respectively; and
- (b) in order to provide timely repair and maintenance services to Huanggang Dabieshan Power Plant, Shentou Engineering Company has recently established an operating subsidiary at Huanggang City of Hubei Province, which is close to where Huanggang Dabieshan Power Plant is located, and has subsequently staffed the operating subsidiary with a work force having necessary technical knowledge and experience.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As such, the Directors believe that the composite repair and maintenance services agreements were entered into in order to ensure reliable services, maximum use of the service providers' specialist knowledge and experience and the safe, effective and efficient operation of the New Power Plants.

(B) *The provision of fuel related services*

As disclosed in the Circular, on 22 November 2007, each of the New Power Plants entered into a fuel related services agreement with Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company respectively, whereby Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company shall provide relevant fuel related services (such as the transportation and unloading of coal from trains) to the New Power Plants respectively. Please refer to the Letter from the Board contained in the Circular for further details of relevant services provided under the fuel related services agreements.

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

As discussed in the Letter from the Board contained in the Circular, fuel related services are necessary for the operation of power plants. The Directors believe that it is in the best interests of the New Power Plants to procure the relevant fuel related services from Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company respectively, considering (i) the successful track records of Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company in providing similar fuel related services to other power plants of the Company; and (ii) the ideal locations of Pingwei Industry Company, Yaomeng Industrial Company and the operating subsidiary recently established by Shentou Industrial Company in the neighbourhood of Huanggang Dabieshan Power Plant, being situated in close proximity to Pingwei Power Plant II, Yaomeng Power Plant II and Huanggang Dabieshan Power Plant, to ensure their ability to provide efficient and timely services.

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

As disclosed in the Circular, on 22 November 2007, each of Pingwei Power Plant II, Yaomeng Power Plant II and Huanggang Dabieshan Power Plant entered into a cleaning, repair and maintenance agreement with Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company respectively, whereby Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company shall provide relevant cleaning, repair and maintenance services to the ancillary/non-power generating equipment, machinery and facilities that are essential to support the respective power generating activities of the New Power Plants. Please refer to the Letter from the Board contained in the Circular for further details of relevant services provided under the cleaning, repair and maintenance agreements.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As discussed in the Letter from the Board contained in the Circular, cleaning, repair and maintenance of facilities are necessary for the normal and day to day operations of the New Power Plants. The Directors are of the opinion that it is in the best interests of the New Power Plants to procure these services from Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company considering their successful track record in providing such services to other power plants of the Company and due to their location being in close proximity to Pingwei Power Plant II, Yaomeng Power Plant II and Huanggang Dabieshan Power Plant enabling efficient and timely services.

(D) *The composite services agreement:*

As disclosed in the Circular, on 22 November 2007, each of the New Power Plants entered into a composite services agreement with Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company respectively, whereby Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company shall provide relevant ancillary services (such as property management and transportation services for power plant employees) which are necessary to facilitate the operations of the New Power Plants. Please refer to the Letter from the Board contained in the Circular for further details of relevant services provided under the composite services agreements.

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

We are advised by the Directors that, for similar reasons of (i) sourcing power generation equipment repair and maintenance services under the Composite Repair and Maintenance Services Agreement; (ii) sourcing fuel related services under the Fuel Related Service Agreements and (iii) sourcing cleaning, repair and maintenance services of facilities under the Cleaning, Repair and Maintenance Agreements referred to above, it is in the best interests of the New Power Plants to procure relevant ancillary services from Pingwei Industry Company, Yaomeng Industrial Company and Shentou Industrial Company respectively.

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

- Each of the New Continuing Connected Transaction Agreements is effective until 31 December 2010;
- Pursuant to each of the New Continuing Connected Transaction Agreements, the provision of relevant services by Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company, Yaomeng Industrial Company, Shentou Engineering Company and Shentou Industrial Company (collectively the “**Power Services Companies**”) is non-exclusive and each of the New Power Plants is entitled to request for and to accept services from third-party service providers for any services covered by those New Continuing Connected Transaction Agreements;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Pursuant to the New Continuing Connected Transaction Agreements, while each of the Power Services Companies is entitled to provide services to third parties, their provision of services to any other parties shall not in any way affect their obligations to provide services to the New Power Plants (as the case may be). We further note that, pursuant to certain agreements previously entered into by the Power Services Companies with some of the Company's other power plants, the Power Services Companies have previously subjected themselves to the obligations that, their future provision of relevant services to any other parties (such as the New Power Plants pursuant to the New Continuing Connected Transaction Agreements that are currently under discussion) shall not affect each of their existing abilities or obligations to provide services to those other power plants, namely Pingwei Power Plant, Yaomeng Power Plant and Shentou I Power Plant. We are advised by the Directors that, based on their investigation and discussion with the management of those Power Services Companies, all Power Services Companies confirmed to have sufficient capacities to ensure quality services be provided to all these power plants in a timely and efficient manner.
- Each of the New Continuing Connected Transaction Agreements or any services governed by the New Continuing Connected Transaction Agreements, may be terminated by either party subject to a six-month written notice. However, none of the Power Services Companies, as service providers to the Company, may terminate the relevant agreements or any services governed therein, if either Pingwei Power Plant II, Yaomeng Power Plant II or Huanggang Dabieshan Power Plant (as the case may be) fails to engage a satisfactory replacement provider of relevant services.

### 1.3. *The proposed annual caps for the New Continuing Connected Transactions:*

Set out below are the proposed annual caps for each of the three years ending 31 December 2008, 2009 and 2010 applicable to the New Continuing Connected Transactions:

New Continuing Connected Transactions	Relevant power plant that receives the services	Annual caps (RMB million)		
		2008	2009	2010
Provision of composite repair and maintenance services under the Composite Repair and Maintenance Services Agreements	Pingwei Power Plant II	40	40	40
	Yaomeng Power Plant II	43	43	43
	Huanggang Dabieshan Power Plant	43	43	43
Provision of fuel related services under the Fuel Related Services Agreements	Pingwei Power Plant II	20	20	20
	Yaomeng Power Plant II	16	16	16
	Huanggang Dabieshan Power Plant	17	17	17

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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<b>New Continuing Connected Transactions</b>	<b>Relevant power plant that receives the services</b>	<b>Annual caps (RMB million)</b>		
		<b>2008</b>	<b>2009</b>	<b>2010</b>
Provision of cleaning, repair and maintenance services in relation to power plant under the Cleaning, Repair and Maintenance Agreements	Pingwei Power Plant II	13	13	13
	Yaomeng Power Plant II	12	12	12
	Huanggang Dabieshan Power Plant	11	11	11
Provision of composite services under the Composite Services Agreements	Pingwei Power Plant II	3	3	3
	Yaomeng Power Plant II	7	7	7
	Huanggang Dabieshan Power Plant	7	7	7

Given that the New Power Plants have only recently commenced operations or are only expected to commence operations in the near future, there is no historical information in relation to the New Continuing Connection Transactions for us to compare to the proposed annual limits. Instead, we are advised by the Directors that the proposed annual limits are based on the estimates of specific cost items under each New Continuing Connected Transaction Agreements as provided by the management and operation staff of the New Power Plants based on their knowledge and experience in operating power plants of similar sizes and nature.

We are advised by the Directors that for reasons of similarities in geographical location and level of economic development (such as the level of labour costs), the possible comparable power plant for Pingwei Power Plant II and Huanggang Dabieshan Power Plant is Pingwei Power Plant, and the possible comparable power plant for Yaomeng Power Plant II is Yaomeng Power Plant. As such, when evaluating the reasonableness of the annual limits, we have compared the proposed annual limits to the annual limits of similar continuing connected transactions previously approved by the Independent Shareholders in relation to Pingwei Power Plant and Yaomeng Power Plant at the shareholders meeting on 27 July 2007 in relation to the Pingwei Yaomeng Continuing Connected Transactions.

We are further advised by the Directors, however, there are also important differences in the level of requirements for similar services by the New Power Plants in comparison to their respective comparable power plants such as the age, condition and operating efficiency of the relevant power generating assets. Similarly, other differences exist, for example, different methods (eg road and/or railway) and distance of transportation, number of staff and site area of the relevant power plant facilities as well as the general design, planning and operating strategy of the plant facilities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following table sets forth a summary of certain operating data comparisons between the New Power Plants and their respective comparable power plants:

<b>Information relating to the New Power Plants</b>			<b>Information relating to the comparable power plants</b>		
<b>In relation to the power plant equipment</b>					
	<b>In-service date</b>	<b>Installed capacity</b>		<b>In-service date</b>	<b>Installed capacity</b>
Pingwei Power Plant II	Unit 1: 2007 Unit 2: 2007	2X600	Pingwei Power Plant	Unit 1: 1990 Unit 2: 1993	2X600
Huanggang Dabieshan Power Plant	Unit 1: 1Q 2008 Unit 2: 2Q 2008	2X600			
Yaomeng Power Plant II	Unit 1: 4Q 2007 Unit 2: 1Q 2008	2X600	Yaomeng Power Plant	Unit 1: 1975 Unit 2: 1980 Unit 3: 1985 Unit 4: 1986	1X310 3X300
<b>In relation to the power plant facilities and staff</b>					
Pingwei Power Plant II	Site area: 310,000 sq.m. Length of railway: N/A Number of staff: 30 Expected standard coal consumption: below 300g/Kwh		Pingwei Power Plant	Site area: approx. 1.05 million sq.m. Length of railway: 8.35 km Number of staff: 770 standard coal consumption: approx. 318g/Kwh	
Huanggang Dabieshan Power Plant	Site area: approx. 415,000 sq.m. Length of railway: 3.6 km Number of staff: 30 Expected standard coal consumption: below 300g/Kwh				
Yaomeng Power Plant II	Site area: 253,167 sq.m. Length of railway: 3.9 km Number of staff: 30 Expected standard coal consumption: below 300g/Kwh		Yaomeng Power Plant	Site area: 495,738 sq.m. Length of railway: 11.6 km Number of staff: 1,359 Standard coal consumption: approx. 330g/Kwh	

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The following table sets forth a comparison of the proposed annual limits for the New Continuing Connected Transactions in connection with the New Power Plants with the annual limits of similar continuing connected transactions of the comparable power plants:

<b>Continuing Connected Transactions</b>	<b>Proposed annual limits of the New Continuing Connected Transactions in relation to the New Power Plants</b>		<b>Annual limits of similar continuing connected transactions (which were approved at the Company's shareholders meeting dated 27 July 2007) in relation to the respective comparable power plants</b>	
Provision of composite repair and maintenance services	Pingwei Power Plant II	40	Pingwei Power Plant	66.40
	Yaomeng Power Plant II	43	Yaomeng Power Plant	48.32
	Huanggang Dabieshan Power Plant	43	Pingwei Power Plant	66.40
Provision of fuel related services	Pingwei Power Plant II	20	Pingwei Power Plant	44.59
	Yaomeng Power Plant II	16	Yaomeng Power Plant	26.93
	Huanggang Dabieshan Power Plant	17	Pingwei Power Plant	44.59
Provision of cleaning, repair and maintenance services in relation to power plant	Pingwei Power Plant II	13	Pingwei Power Plant	10.06
	Yaomeng Power Plant II	12	Yaomeng Power Plant	21.474
	Huanggang Dabieshan Power Plant	11	Pingwei Power Plant	10.06
Provision of composite services	Pingwei Power Plant II	3	Pingwei Power Plant	15.80
	Yaomeng Power Plant II	7	Yaomeng Power Plant	16.595
	Huanggang Dabieshan Power Plant	7	Pingwei Power Plant	15.80

We note that, except for the proposed annual limits in relation to the provision of cleaning, repair and maintenance services concerning Pingwei Power Plant II and Huanggang Dabieshan Power Plant, the proposed annual limits in respect of each of the New Continuing Connected Transactions for the three years ending 31 December 2010 are lower than the annual limits, as approved at the Company's shareholders meeting dated 27 July 2007, in relation to similar continuing connected transactions of the respective comparable power plants.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are advised by the Directors that,

- 1) in relation to the provision of composite repair and maintenance services under the respective composite repair and maintenance services agreements, the level of services to be procured by each of the New Power Plants is lower than that of their respective comparable power plants, principally because their power generating equipment and machineries are newer and therefore require a lower level of repair and associated replacement of parts and components, daily maintenance and necessary technical upgrades;
- 2) in relation to the provision of fuel-related services under the respective fuel related services agreements, the level of services to be procured by each of the New Power Plants is lower than that of their respective comparable power plants, principally because the newly constructed generating units are more efficient and will consume less coal for each KWh of electricity generated and will therefore require less fuel services and the more efficient design of a modern 600MW power plant does not require certain service items such as the use of certain fuel-related chemicals which are included in the fuel-related services agreements of the comparable power plants;
- 3) in relation to the provision of cleaning, repair and maintenance services under the respective cleaning, repair and maintenance agreements, the proposed annual limits for Pingwei Power Plant II and Huanggang Dabieshan Power Plant are higher than that for Pingwei Power Plant (being the comparable power plant), as certain service items (such as the removal of ash and pebble coal and the cleaning of coal residues from the conveyer belt systems) which are included in the cleaning, repair and maintenance agreements for Pingwei Power Plant II and Huanggang Dabieshan Power Plant were included in the fuel-related services agreement entered into by Pingwei Power Plant; and
- 4) in relation to the provision of composite services under the respective composite services agreements, the level of services to be procured by each of the New Power Plants is lower than that of their respective comparable power plants, principally because the number of staff and the site area occupied by each of the New Power Plants is smaller than that of their respective comparable power plants and therefore requires a lower level of support services in relation to the plant facilities.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. New Shentou Continuing Connected Transactions:

#### 2.1 *The agreements covering the New Shentou Continuing Connected Transactions:*

On 9 June 2005, pursuant to the acquisition of Shentou I Power Plant and in connection with the day-to-day business and operations of the acquired business, Tianze Holding Company, a company incorporated to hold 100% equity interest in Shentou I Power Plant, entered into:

- (a) the Technical Repair and Maintenance Framework Agreement with Huize Development Limited (a company incorporated to hold 100% equity interest in Shentou Engineering Company); and
- (b) the Fuel and Chemical Processing Services Framework Agreement, the Non-power Generation Facilities Maintenance Framework Agreement and the Composite Ancillary Services Framework Agreement with Boya Development Limited (a company incorporated to hold 100% equity interest in Shentou Industrial Company).

The above agreements (the “**Original Shentou Continuing Connected Transaction Agreements**”) are effective until 31 December 2007. After completion of the acquisition of Shentou I Power Plant and pursuant to relevant terms under the Original Shentou Continuing Connected Transactions Agreements, all rights and obligations under the Original Shentou Continuing Connected Transaction Agreements were subsequently assigned and assumed by Shentou I Power Plant, Shentou Engineering Company and Shentou Industrial Company respectively.

As those Original Shentou Continuing Connected Transaction Agreements are to expire on 31 December 2007, Shentou I Power Plant entered into the following agreements (the “**New Shentou Continuing Connected Transaction Agreements**”) with Shentou Engineering Company and Shentou Industrial Company respectively in order to continue to procure repair, maintenance and other supporting services that are necessary for the power plant’s day-to-day operations.

<b>Date of execution</b>	<b>Agreement(s)</b>	<b>Parties to the agreement(s)</b>		<b>Services governed by the relevant agreement(s)</b>
22 November 2007	The Technical Repair and Maintenance Framework Agreement	Shentou I Power Plant	Shentou Engineering Company	The provision of repair and maintenance services for the power generation units and related power equipment of Shentou I Power Plant

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Date of execution	Agreement(s)	Parties to the agreement(s)		Services governed by the relevant agreement(s)
22 November 2007	The Fuel and Chemical Processing Services Framework Agreement	Shentou I Power Plant	Shentou Industrial Company	The provision of fuel related services for the operations of Shentou I Power Plant
22 November 2007	The Non-Power Generation Facilities Maintenance Framework Agreement	Shentou I Power Plant	Shentou Industrial Company	The provision of facilities cleaning, repair and maintenance services in relation to the power plant of Shentou I Power Plant
22 November 2007	The Composite Ancillary Services Framework Agreement	Shentou I Power Plant	Shentou Industrial Company	The provision of ancillary services which are necessary to facilitate the operations of Shentou I Power Plant

We note that:

- the New Shentou Continuing Connected Transactions Agreements are entered into upon similar terms and subject to similar conditions as those of (i) the Original Shentou Continuing Connected Transaction Agreements and (ii) the New Continuing Connected Transaction Agreements (the details of which are discussed in the section entitled “*Agreements in relation to the New Continuing Connected Transactions*” of this letter); and
- under the agreements covering the New Shentou Continuing Connected Transactions, the relevant services will be provided based on the same pricing mechanism as the pricing mechanism set out in (i) the Original Shentou Continuing Connected Transaction Agreements and (ii) the New Continuing Connected Transaction Agreements.

We are further advised by the Directors that, the entering into of the New Shentou Continuing Connected Transactions Agreements is necessary to ensure the sustained day-to-day business and operations of Shentou I Power Plant. The Directors further believe that it is in the best interests of Shentou I Power Plant to procure the relevant services from Shentou Engineering Company and Shentou Industrial Company respectively for the following reasons:

- (i) The arrangements allow the Company to continue to take advantage of the specialised knowledge and experience of Shentou Engineering Company and Shentou Industrial Company, which they have gained through several years of providing relevant services to the power plant both prior to and after the acquisition of Shentou I Power Plant by the Company;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) Shentou Engineering Company and Shentou Industrial Company have established proven track records in the continuous provision of reliable services to ensure the safe, effective and efficient operations of Shentou I Power Plant; and
- (iii) Shentou Engineering Company and Shentou Industrial Company are capable of providing efficient and timely services as a result of their close geographical proximity to Shentou I Power Plant.

### 2.2 *The annual limits in relation to the New Shentou Continuing Connected Transactions:*

We are advised by the Directors that, in determining the annual caps in relation to each of the New Shentou Continuing Connected Transactions for each of the three years ended 31 December 2010, reference was made to the existing annual limits for each of the three years ended 31 December 2007. The following table sets forth a comparison of the proposed annual limits for the New Shentou Continuing Connected Transactions for the three years ending 31 December 2010 with (i) the existing annual limits of similar continuing connected transactions of Shentou I Power Plant as approved at the Company's shareholders meeting dated 21 July 2005; and (ii) historical expenditure of Shentou I Power Plant for each corresponding category of the Shentou Continuing Connected Transactions:

	<b>Historical expenditure provided by the Company in relation to the relevant services</b>		<b>Existing annual limits for each of the two years ended</b>	<b>Proposed annual limits for each of the three years ending</b>
	<b>For the year ended 31 December 2006</b>	<b>For the 10-month period ended 31 October 2007</b>	<b>31 December 2006 and the year ending 31 December 2007</b>	
Provision of composite repair and maintenance services	67	50	68	68
Provision of fuel related services	19	15	24	24
Provision of cleaning, repair and maintenance services in relation to power plant	30	33	39	39
Provision of composite services	19	16	19	19

We note the following:

- the proposed annual limits applied for with respect to each of the New Shentou Continuing Connected Transactions are the same as those as set out in the existing limits; and
- the proposed annual limits applied for with respect to each of the New Shentou Continuing Connected Transactions are in line with historical expenditures incurred by the Company for the services governed by each of the Shentou Continuing Connected Transactions for the financial year ended 31 December 2007.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Conclusion:

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

- a) the terms of the Continuing Connected Transactions are on normal commercial terms;
- b) the Continuing Connected Transactions are entered into in the ordinary and usual course of the business of the Company;
- c) the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and
- d) the proposed annual caps for each of the Continuing Connected Transactions for the three years ending 31 December 2010 are fair and reasonable.

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

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

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

**1. RESPONSIBILITY STATEMENT**

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

**2. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES**

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

Name	Number of shares	Percentage of shares held (%)
CPDL	1,996,500,000(L)	55.37
CPI Holding	1,996,500,000(L)	55.37
CPI Group	1,996,500,000(L)	55.37
Mondrian Investment Partners Ltd	219,258,000(L)	6.08
The Bank of New York Mellon Corporation	181,588,022(L)	5.04

*Notes:*

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

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

### 3. DIRECTORS' INTERESTS IN SECURITIES

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

Name	Exercise period		Number of Shares subject to the option	Exercise price (HK\$)
	from	to		
Wang Binghua	18 September 2005	17 September 2014	1,495,400	2.53
	4 April 2008	3 April 2017	921,000	4.07
Li Xiaolin	18 September 2005	17 September 2014	1,661,500	2.53
	4 April 2008	3 April 2017	1,905,000	4.07
Hu Jiandong	18 September 2005	17 September 2014	996,900	2.53
	4 April 2008	3 April 2017	1,377,000	4.07
Gao Guangfu	18 September 2005	17 September 2014	207,700	2.53
	4 April 2008	3 April 2017	667,000	4.07

### 4. DIRECTORS' INTERESTS IN CONTRACTS

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

### 5. SERVICE CONTRACTS

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

## 6. COMPETING INTERESTS

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

<b>Name</b>	<b>Position with Company</b>	<b>Other Interests</b>
Wang Binghua	Chairman and Non-executive director	Chairman of CPI Holding
Li Xiaolin	Vice-chairman, Executive Director and chief executive officer	Vice-president of CPI Group; executive director and General Manager of CPI Holding; Chairman of China Power New Energy Development Limited
Hu Jiandong	Executive Director and Executive Vice-president	Executive Director and Vice-president of CPI Holding
Gao Guangfu	Non-executive Director	Manager of the Department of Finance and Asset Management of CPI Group

## 7. EXPERT AND CONSENT

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

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

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

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

**8. INTERESTS IN ASSETS**

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

**9. MATERIAL ADVERSE CHANGE**

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

**10. LITIGATION**

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

**11. MISCELLANEOUS**

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



**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 28 December 2007 (both dates inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the composite repair and maintenance services agreement dated 22 November 2007 between Pingwei Power Plant II and Pingwei Maintenance Company;
- (c) the composite repair and maintenance services agreement dated 22 November 2007 between Yaomeng Power Plant II and Yaomeng Engineering Company;
- (d) the composite repair and maintenance services agreement dated 22 November 2007 between Huangguang Dabieshan Power Plant and Shentou Engineering Company;
- (e) the fuel related services agreement dated 22 November 2007 between Pingwei Power Plant II and Pingwei Industry Company;
- (f) the fuel related services agreement dated 22 November 2007 between Yaomeng Power Plant II and Yaomeng Industrial Company;
- (g) the fuel related services agreement dated 22 November 2007 between Huangguang Dabieshan Power Plant and Shentou Industrial Company;
- (h) the cleaning, repair and maintenance agreement in relation to power plant dated 22 November 2007 between Pingwei Power Plant II and Pingwei Industry Company;
- (i) the cleaning, repair and maintenance agreement in relation to power plant dated 22 November 2007 between Yaomeng Power Plant II and Yaomeng Industrial Company;
- (j) the cleaning, repair and maintenance agreement in relation to power plant dated 22 November 2007 between Huangguang Dabieshan Power Plant and Shentou Industrial Company;
- (k) the composite services agreement dated 22 November 2007 between Pingwei Power Plant II and Pingwei Industry Company;
- (l) the composite services agreement dated 22 November 2007 between Yaomeng Power Plant II and Yaomeng Industrial Company;
- (m) the composite services agreement dated 22 November 2007 between Huangguang Dabieshan Power Plant and Shentou Industrial Company;

- (n) the supplemental agreement I dated 22 November 2007 between Shentou I Power Plant and Shentou Engineering Company in relation to technical repair and maintenance services;
- (o) the supplemental agreement I dated 22 November 2007 between Shentou I Power Plant and Shentou Industrial Company in relation to fuel and chemical processing services
- (p) the supplemental agreement I dated 22 November 2007 between Shentou I Power Plant and Shentou Industrial Company in relation to non-power generation facilities maintenance services
- (q) the supplemental agreement I dated 22 November 2007 between Shentou I Power Plant and Shentou Industrial Company in relation to composite ancillary services
- (r) the written consent of the Independent Financial Adviser referred to in paragraph headed "Expert and Consent" in this Appendix;
- (s) the letter dated 11 December 2007 from the Independent Financial Adviser, the text of which is set out on pages 24 to 42 of this circular; and
- (t) the letter dated 11 December 2007 from the Independent Board Committee, the text of which is set out on pages 22 to 23 of this circular.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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### CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

### 中國電力國際發展有限公司

*(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)*

**(Stock Code: 2380)**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of the shareholders of China Power International Development Limited (the “Company”) will be held at Concord II and III, Renaissance Harbour Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on 31 December 2007 at 2:00 p.m., for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

- 1. “THAT** each of the continuing connected transactions referred to in sections 2 and 4 in the Letter from the Board in the circular of the Company dated 11 December 2007 (the “Circular”), namely, (a) the composite repair and maintenance services agreement dated 22 November 2007 between Pingwei Power Plant II and Pingwei Maintenance Company; (b) the composite repair and maintenance services agreement dated 22 November 2007 between Yaomeng Power Plant II and Yaomeng Engineering Company; (c) the composite repair and maintenance services agreement dated 22 November 2007 between Huangguang Dabieshan Power Plant and Shentou Engineering Company; (d) the fuel related services agreement dated 22 November 2007 between Pingwei Power Plant II and Pingwei Industry Company; (e) the fuel related services agreement dated 22 November 2007 between Yaomeng Power Plant II and Yaomeng Industrial Company; (f) the fuel related services agreement dated 22 November 2007 between Huangguang Dabieshan Power Plant and Shentou Industrial Company; (g) the cleaning, repair and maintenance agreement in relation to power plant dated 22 November 2007 between Pingwei Power Plant II and Pingwei Industry Company; (h) the cleaning, repair and maintenance agreement in relation to power plant dated 22 November 2007 between Yaomeng Power Plant II and Yaomeng Industrial Company; (i) the cleaning, repair and maintenance agreement in relation to power plant dated 22 November 2007 between Huangguang Dabieshan Power Plant and Shentou Industrial Company; (j) the composite services agreement dated 22 November 2007 between Pingwei Power Plant II and Pingwei Industry Company; (k) the composite services agreement dated 22 November 2007 between Yaomeng Power Plant II and Yaomeng Industrial Company; (l) the composite services agreement dated 22 November 2007 between Huangguang Dabieshan Power Plant and Shentou Industrial Company; (m) the supplemental agreement I dated 22 November 2007 between Shentou I Power Plant and Shentou Engineering Company in relation to technical repair and maintenance services; (n) the supplemental agreement I dated 22 November 2007 between Shentou I Power Plant and Shentou Industrial Company in relation to fuel and chemical processing services; (o) the supplemental agreement I dated 22 November 2007 between Shentou I Power Plant and Shentou Industrial Company in relation to non-power generation facilities

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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maintenance services; (p) the supplemental agreement I dated 22 November 2007 between Shentou I Power Plant and Shentou Industrial Company in relation to composite ancillary services as set out in the Circular, are hereby generally and unconditionally approved and that the directors of the Company be and are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to each of the continuing connected transactions referred to in sections 2 and 4 in the Letter from the Board in the Circular.”

By order of the Board  
**China Power International Development Limited**  
**Li Xiaolin**  
*Vice Chairman*

Hong Kong, 11 December 2007

**Notes:**

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