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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 Advisor****to the Independent Board Committee and the Independent Shareholders****交銀國際(亞洲)有限公司**
BOCOM INTERNATIONAL (ASIA) LIMITED

A letter from the board of Directors of China Power International Development Limited is set out on pages 3 to 9 of this circular. A letter from the Independent Board Committee of the Company containing its recommendations to the Independent Shareholders is set out on pages 10 to 11 of this circular. A letter from BOCOM International (Asia) Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 19 of this circular.

A notice dated 17 April 2008 convening an EGM to be held on 28 May 2008 at 10:30 a.m. (or immediately after conclusion of the Annual General Meeting to be held at 10:00 a.m. on the same day, whichever is later) at Harbour View Room, 56/F, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong is set out on pages 25 to 26 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, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and in such event, the relevant form of proxy shall be deemed to be revoked.

17 April 2008

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DEFINITIONS

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

“Associate(s)”	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 Transaction(s)”	the transactions in relation to the Production Target Sale and Purchase Agreement and the Replacement Agreements, the details of which are set out in section 3 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
“CPIC”	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
“CPIC Group”	CIPC, its subsidiaries and Associates (excluding the Group)
“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 CPIC Group
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, amongst other things, the Continuing Connected Transaction and the transaction contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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 Transaction

DEFINITIONS

“Independent Financial Adviser” or “BOCOM International”	BOCOM International (Asia) Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	shareholders of the Company other than CPIC Group and its Associates
“Latest Practicable Date”	14 April 2008, 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
“PRC” or “China”	the People’s Republic of China. Geographical references in this circular to the PRC excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Production Target Sale and Purchase Agreement”	the production target sale and purchase agreement which is described in section 3 of the Letter from the Board of this circular
“Replacement Agreements”	the replacement agreements to be entered into pursuant to the Production Target Sale and Purchase Agreement, the particulars of which are described in section 3(b) of the Letter from the Board of this circular
“Replacement Agreement Connected Transactions”	the connected transactions in relation to the replacement agreements, the details of which are set out in the announcements of the Company dated 31 December 2007 and 5 March 2008 respectively
“RMB”	Renminbi, the lawful currency of China
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended from time to time);
“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
“Targets”	has the meaning given to it in section 2 of the Letter from the Board of this circular

This circular contains translation of RMB into HK\$ at the rate of RMB1.00 to HK\$1.10. The translation shall not be taken as representation that any amounts in RMB or HK\$ could be converted at such rate or at any other rate.

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

LETTER FROM THE BOARD



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 (*Chairman, Chief Executive Officer*)

Liu Liu Guangchi, (*President*)

Non-Executive Directors:

Gao Guangfu

Guan Qihong

Independent Non-Executive Directors:

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

Registered Office:

Suite 6301, 63/F

Central Plaza

18 Harbour Road,

Wanchai

Hong Kong

17 April 2008

To the shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

The Board announced that on 28 March 2008, the Company has entered into the Production Target Sale and Purchase Agreement with CPIC pursuant to which the parties agree that the CPIC Group, their respective Associates and power plants will transfer their production targets to the Group, its Associates and power plants to the extent permissible under the relevant PRC laws, rules, regulations and policies. Details of the arrangements are set out in the section headed “Details of Continuing Connected Transaction”.

CPIC is the ultimate controlling shareholder of the Company and is interested in approximately 55.85% of the issued share capital of the Company. As such, the CPIC Group, its subsidiaries, Associates and power plants are connected persons of the Company as defined in the Listing Rules. Accordingly, the entering into the Production Target Sale and Purchase Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

LETTER FROM THE BOARD

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

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

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

2. BACKGROUNDS

References are made to the announcements of the Company dated 31 December 2007 and 5 March 2008 respectively (the "Announcements").

As disclosed in the Announcements, the power industry in the PRC is structured such that almost every power plant sells all of the electricity it generates to its respective provincial power grid company. In some provinces of China, the provincial government adopts a power production target system whereby every year, the provincial government agency assigns certain power production targets (the "Targets") to power plants situated within its jurisdiction. The power plants should try to achieve the planned output set out in their Targets in order to maintain the stable electricity supply. In accordance with the relevant rules, regulations and policies of the PRC, the Targets are transferable. If any power plant does not meet its Targets, it can transfer its excess Targets to other power plants within the same province. Upon obtaining the approval from the government, the transferee of the Targets can produce the amount of electricity required under the transferors' Targets. In order to facilitate the transfer of the Targets, power plants can publish in the provincial electricity trading centre about the availability of excess Targets and the provincial government agency will then re-allocate the Targets to other power plants after taking into consideration of the power supply. Alternatively, the power plants, which intend to dispose some of its excess Targets, can enter into agreements with other power plants within the same province and then file their agreements with the relevant government department.

LETTER FROM THE BOARD

3. DETAILS OF CONTINUING CONNECTED TRANSACTION

In accordance with the above power production target system, the Company and CPIC have entered into the Production Target Sale and Purchase Agreement, the principle terms of which are set out below:

Date: 28 March 2008.

(a) Parties and term:

- CPIC; and
- the Group.

The term of the Production Target Sale and Purchase Agreement is three years. The term will commence after the passing of an ordinary resolution by the Independent Shareholders approving the Continuing Connected Transaction and end on 31 December 2010.

(b) Principle terms of the Production Target Sale and Purchase Agreement

The parties agree that their respective subsidiaries, Associates or power plants may trade the Targets with each other to the extent permissible under the PRC laws, rules, regulations and policies. In addition, if any subsidiaries, Associates or power plants of the CPIC decide to transfer their Targets to the Company's subsidiaries or power plants, they will enter into a Replacement Agreement setting out details of the terms and amount of the Targets being transferred. The Replacement Agreement will then be submitted to the relevant PRC government department for approval and confirmation.

Pursuant to the Production Target Sale and Purchase Agreement, both CPIC and the Company agree that separate Replacement Agreements will be entered into upon each occurrence of the transfer of the Targets with terms and conditions in accordance with the following principles:

i) Parties

Relevant subsidiaries, Associates or power plants of the CPIC Group (the "Seller");
and

Relevant subsidiaries, Associates or power plants of the Group (the "Purchaser").

ii) Purposes

The Seller agrees to transfer its Targets to the purchaser and the Purchaser agrees to generate the amount of electricity required under the Targets on behalf of the Seller.

LETTER FROM THE BOARD

iii) Consideration

The consideration payable under the Replacement Agreements will be determined by the following principles:

- 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; or
- in the absence of the above, an agreed price will be determined on the reasonable cost plus a profit basis. The parties will enter into negotiation so as to determine the amount of reasonable profit and cost with reference to the profit and cost permissible under the relevant PRC standards.

iv) Payment Terms

As mentioned in the Section 2 of this Letter from the Board, electricity generated by the Purchaser on behalf of Seller pursuant to the Replacement Agreements will be sold to the provincial power grid company. Depending on the requirements of the local rules and regulations and the terms of the Replacement Agreements, either the Seller or Purchaser will determine the amount of electricity generated under the Replacement Agreements with the provincial power grid company. If the Seller is the responsible party to determine the amount of electricity generated under the Replacement Agreements, the power grid company will pay the tariffs to the Seller who will retain part of the tariffs as consideration for transferring the Targets to the Purchaser (the “Transfer Consideration”) and pay the balance of the tariffs to the Purchaser as the consideration for generating electricity on behalf of the seller (“Replacement Consideration”). Similarly, if the Purchaser is the responsible party, the power grid company will pay the tariffs to the Purchaser who will pay the Seller the Transfer Consideration and retain the balance as the Replacement Consideration.

Both the Replacement Consideration and the Transfer Consideration will be determined in accordance with the principles mentioned above.

Save as disclosed in this announcement, the Group does not have any prior transaction or relationship with CPIC Group and its Associates which require aggregation under Rule 14A.25 of the Listing Rules.

4. REASONS FOR THE TRANSACTIONS

The Company believes that it is in the best interests of the Company to enter into the Production Target Sale and Purchase Agreement as the transfer of the Targets from the CPIC Group to the Group would enable the Group’s power plants to better utilize its production capacity and increase its outputs and therefore the revenue of the Group. In addition, the transfer of the Targets can also increase the production efficiency and safety of its power plants.

LETTER FROM THE BOARD

As such, the Directors are of the view that the Continuing Connected Transaction was 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.

5. ESTIMATED ANNUAL CAPS

The estimated annual caps for the consideration payable under the Production Target Sale and Purchase Agreement for the three financial years ending 31 December 2008, 2009 and 2010 are estimated to be RMB424.5 million (equivalent to approximately HK\$466.95 million (which includes the consideration of RMB85.02 million payable under the replacement agreements as disclosed in the Company's announcement dated 5 March 2008)), RMB1.32 billion (equivalent to approximately HK\$1.452 billion) and RMB1.34 billion (equivalent to approximately HK\$1.474 billion) respectively.

For the purpose of Rule 14A.35(2) of the Listing Rule, the above estimated annual caps are determined with reference to, among others, the following factors:

- historical amount of RMB38.75 million (equivalent to approximately HK\$42.625 million) payable pursuant to the replacement agreements for the financial year ended 31 December 2007 as disclosed in the Company's announcement of 31 December 2007.
- the maximum excess capacity of the Group's power plants. As the Group's capacity will increase substantially after the commencement of operations of three new power plants (two during 2008 and one during 2009), the annual caps for 2008 and 2009 are increased correspondingly to cater for the increase of capacity.
- the amount of Targets expected to be transferred to the Group. As the CPIC Group will restructure its operations during 2008, any excess power production targets arising from the restructurings may be transferred to the Group. In light of this, the annual cap for 2008 is increased correspondingly for the increase of the Targets available.
- reasonable costs to be incurred by the Group for generating electricity pursuant to the Replacement Agreements plus a reasonable profit.

The Directors of the Company are of the view that the annual caps for the Continuing Connected Transaction are fair and reasonable.

6. PRINCIPAL BUSINESS OF THE CPIC GROUP AND THE GROUP

The Company is the listed flagship company outside the PRC of CPIC. The CPIC 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 CPIC and owns and operates coal-fired and hydroelectric power plants in the PRC.

LETTER FROM THE BOARD

The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates five high-capacity coal-fired power plants and it has an attributable installed capacity of 7,883MW. The Company also manages five other power plants, which are situated in Liaoning, Anhui, Fujian and Jiangxi on behalf of its controlling shareholders.

7. COMPLIANCE WITH THE LISTING RULES

As at the Latest Practicable Date, CPIC, through CPDL and CPI Holding, owns approximately 55.85% of the issued share capital of the Company. As CPIC is the controlling shareholder of the Company, CPIC, its subsidiaries and Associates are connected persons of the Company within the meaning of the Listing Rules.

Further, as the annual cap of the Continuing Connected Transaction for each of the three years ending 31 December 2010, namely RMB424.5 million (equivalent to approximately HK\$466.95 million), RMB1.32 billion (equivalent to approximately HK\$1.452 billion) and RMB1.34 billion (equivalent to approximately HK\$1.474 billion), when aggregated together with the Replacement Agreement Connected Transactions (the value under which is RMB123.77 million (equivalent to approximately HK\$136.147 million)) exceed 2.5% of the applicable ratio under 14A.34 of the Listing Rules, the Continuing Connected Transaction is subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

CPIC and its Associates (including CPI Holding and CPDL) will abstain from voting on the relevant resolution to approve the Continuing Connected Transaction. Any vote of the Independent Shareholders at the EGM shall be taken by poll.

8. EGM

An EGM will be held on 28 May 2008 at 10:30 a.m. (or immediately after conclusion of the Annual General Meeting to be held at 10:00 a.m. on the same day, whichever is later) at Harbour View Room, 56/F, Island Shangri-La Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong during which an ordinary resolution shall be proposed to the shareholders of the Company to approve the Continuing Connected Transactions and the transactions contemplated thereunder. CPIC Group and its Associates, being connected persons, will abstain from voting on the ordinary resolution to approve the 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

LETTER FROM THE BOARD

- (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 CPIC Group and its Associates in respect of their beneficial interests in the Company.

9. RECOMMENDATION

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

10. ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee to the Independent Shareholders set out on pages 10 to 11 of this circular and the Letter from BOCOM International to the Independent Board Committee and the Independent Shareholders set out on pages 12 to 19 of this circular, and the information set out in the appendix of this circular.

Yours faithfully
On behalf of the Board
Li Xiaolin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

17 April 2008

To the Independent Shareholders,

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the “Circular”) dated 17 April 2008 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 28 March 2008, the Board announced that the Company has entered into the Production Target Sale and Purchase Agreement with CPIC pursuant to which the parties agree that the CPIC Group, their respective Associates and power plants will transfer their production targets to the Group, its Associates and power plants to the extent permissible under the relevant PRC laws, rules, regulations and policies.

CPIC is the ultimate controlling shareholder of the Company and is interested in approximately 55.85% of the issued share capital of the Company. As such, the CPIC Group, its subsidiaries, Associates and power plants are connected persons of the Company as defined in the Listing Rules. Accordingly, the entering into the Production Target Sale and Purchase Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

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 Continuing Connected Transaction are in the interest of the Company and its shareholders. BOCOM International 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 Transaction from a financial perspective.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The terms and reasons for the Continuing Connected Transactions are summarised in the Letter from the Board set out on pages 3 to 9 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Continuing Connected Transaction and the basis upon which their terms have been determined. We have also considered the key factors taken into account by BOCOM International in arriving at its opinion regarding the terms of the Continuing Connected Transaction as set out in the letter from the Independent Financial Adviser on pages 12 to 19 of the Circular, which we urge you to read carefully.

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

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

LETTER FROM BOCOM INTERNATIONAL

The following is the text of a letter from BOCOM International (Asia) Limited to the Independent Board Committee prepared for the purpose of incorporation in this circular:



17 April 2008

*To the Independent Board Committee of
China Power International Development Limited*

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of terms of the Production Target Sale and Purchase Agreement and the proposed annual caps of the Continuing Connected Transactions for the three years ending 31 December 2010 as stipulated therein, particulars of which are set out in a circular to the Shareholders dated 17 April 2008 (the “Circular”) in which this letter is reproduced. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context herein otherwise requires.

As set out in the letter from the Board contained in the Circular (the “Board’s Letter”), CPIC is the ultimate controlling Shareholder and is interested in approximately 55.85% of the issued share capital of the Company. As such, the CPIC Group, its Associates and power plants are connected persons of the Company as defined in the Listing Rules. Accordingly, the entering into of the Production Target Sale and Purchase Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the annual caps of the Continuing Connected Transactions for each of the three years ending 31 December 2010 amounting to RMB424.5 million (equivalent to approximately HK\$466.95 million), RMB1.32 billion (equivalent to approximately HK\$1.452 billion) and RMB1.34 billion (equivalent to approximately HK\$1.474 billion), when aggregated together with the Replacement Agreement Connected Transactions (the value under which is RMB123.77 million (equivalent to approximately HK\$136.147 million)), exceed 2.5% of the applicable ratio under 14A.34 of the Listing Rules, the Continuing Connected Transactions are subject to the requirements of reporting, announcement and Independent Shareholders’ approval under Chapter 14A of the Listing Rules. CPIC and its Associates (including CPI Holding and CPDL) will be required to abstain from voting on the relevant resolution to approve the Continuing Connected Transactions at the EGM.

LETTER FROM BOCOM INTERNATIONAL

The Company will convene the EGM on 28 May 2008 to approve the Continuing Connected Transactions and the related proposed annual caps for each of the three years ending 31 December 2010. Any vote of the Independent Shareholders at the EGM shall be taken by poll. In this connection, the Circular containing, inter alia, the information relating to the Production Target Sale and Purchase Agreement, the recommendation from the Independent Board Committee to the Independent Shareholders, this letter and the notice of the EGM, is despatched to the shareholders. In particular, this letter will set out our recommendations to the Independent Board Committee as to whether the terms of the Production Target Sale and Purchase Agreement and the annual caps stipulated therein are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned and are in the interest of the Group and its shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and the management of the Company and which have been considered to be complete and relevant. We have assumed that all statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were true, accurate and complete in all material respects at the time when they were made and will continue to be so as at the date of EGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company and we have been advised by the Directors and the management of the Company that no material fact has been omitted from the information and representations provided in and referred to in the Circular. We have no reason to suspect that any material information has been withheld by the Directors or the management of the Company. We have not, however, carried out any independent verification of the information provided to us neither by the Directors and the management of the Company, nor have we conducted any independent investigation into the affairs, the business and financial position and the future prospects of each of the members of the Group, its Associates and power plants. Our opinion is based on the information and representations available to us as of the date this letter. We have no obligation to update our opinion and recommendation to take into account circumstances and events occurring after the date of this letter. As a result, circumstances and events could occur prior to the approval of the Continuing Connected Transactions that, if known to us at the time when we had rendered our opinion and recommendation, would have altered our opinion and recommendation.

PRINCIPAL FACTORS CONSIDERED

In arriving at our recommendation in respect of the Continuing Connected Transactions, we have considered the following principal factors:

(A) Background

(i) Information relating to the Group and the Company

The Company is the listed flagship company of CPIC in Hong Kong. The principal businesses of the Group are to develop, construct, own, operate and manage large power plants

LETTER FROM BOCOM INTERNATIONAL

in the PRC. The Company owns and operates five high-capacity coal-fired power plants and it has an attributable installed capacity of 7,883 MW. The Company also manages five other power plants, which are situated in Liaoning, Anhui, Fujian and Jiangxi on behalf of the CPIC Group.

(ii) *Information relating to the CPIC Group*

The CPIC Group is one of the five national power generation groups in the PRC, which operates coal-fired, hydroelectric and nuclear power plants in various locations in the PRC.

(iii) *Information relating to the Targets and the transferability of Targets in accordance with relevant rules, regulations and policies of the PRC*

As disclosed in the Board's Letter, the power industry in the PRC is structured such that almost every power plant sells all of the electricity it generates to its respective provincial power grid company. In some provinces in the PRC, the provincial government adopts a power production target system whereby, the provincial government agency assigns an annual Target to each power plant situated within its jurisdiction. The power plants should try to achieve the planned output set out in their Targets in order to maintain the stable electricity supply of the province.

In accordance with the relevant rules, regulations and policies of the PRC, if the power plant does not meet the assigned annual Targets, such under-utilized Targets are allowed to be transferred to other power plants within the same province. Upon obtaining the approval from the provincial government, the transferee of the Targets is permitted to produce the amount of electricity required under the transferred Targets. In order to facilitate the transfer of the Targets, power plants can publish in the provincial electricity trading centre about the availability of excess Targets and the provincial government agency will then re-allocate the Targets to other power plants with excess production capacities after taking into consideration the sufficiency of power supply in its power grid. Alternatively, the power plants, which intend to dispose of its excess Targets, can enter into agreements with other power plants within the same province and then file their agreements to the relevant government departments for approval.

(B) Terms of the Production Target Sale and Purchase Agreement

Pursuant to the Production Target Sale and Purchase Agreement dated 28 March 2008, relevant subsidiaries, Associates or power plants of the CPIC Group (the "Seller") have agreed to transfer the Targets, to the extent permissible under the PRC laws, rules, regulations, guidelines and policies, to relevant subsidiaries, Associates or power plants of the Group (the "Purchaser") and the Purchaser has agreed to generate the amount of electricity required under the transferred Targets on behalf of the Seller. The Production Target Sale and Purchase Agreement sets out a framework of the principal terms and conditions upon which all future transfers should adhere to during the term of three years. The Production Target Sale and Purchase Agreement shall be effective from the date on which approval from the Independent Shareholders at the EGM is obtained and shall expire on 31 December 2010.

LETTER FROM BOCOM INTERNATIONAL

As set out in the Production Target Sale and Purchase Agreement, the Purchaser and the Seller will enter into a separate Replacement Agreement upon the occurrence of each future transfer of Targets. Each of the Replacement Agreements shall be subject to approval and confirmation from relevant PRC government departments.

The Purchaser has no obligation to generate the amount of electricity required under the Targets on behalf of Seller until the relevant Replacement Agreement has been reached and approved. The terms of each Replacement Agreement will be negotiated between the Purchaser and the Seller based on the following principles:

- (i) either the Purchaser or the Seller will determine the amount of electricity generated and supplied to the provincial power grid company, depending on the local rules and regulations;
- (ii) consideration payable will be determined by the following principles:
 - 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; or
 - in the absence of the above, an agreed price will be determined on a reasonable cost plus profit basis. The parties will conduct negotiation so as to determine the amount of reasonable cost and profit with reference to the cost and profit permissible under the relevant PRC standards.
- (iii) consideration will be settled in two ways, depending on which party will determine the amount of electricity generated: (1) if the Seller is the responsible party, the power grid company will pay the tariffs to the Seller who will retain the Transfer Consideration and pay the balance of the tariffs to the Purchaser; (2) if the Purchaser is the responsible party, the power grid company will pay the tariffs to the Purchaser who will pay the Seller the Transfer Consideration and retain the balance as the Replacement Consideration;

Review of historical transactions

For the purpose of our analysis, we have compared the principal terms of the Production Target Sale and Purchase Agreement with the terms of (i) the relevant agreements governing historical transactions conducted between the Group and the independent third parties; and (ii) the relevant agreements in relation to the Replacement Agreement Connected Transactions conducted between the Group and the CPIC Group as set out in the announcement of the Company dated 31 December 2007. Based on the review, it is noted that the principal terms, in particular, the pricing basis and payment terms as set out in the Production Target Sale

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and Purchase Agreement, are basically in line with the terms of (i) the relevant agreements which governed similar historical transactions conducted between the Group and independent third parties; and (ii) the relevant agreements in relation to the Replacement Agreement Connected Transactions, which were determined in accordance with relevant guidelines namely 《河南電力市場交易監管暫行辦法》 and 《安徽電網開展節能調度實施替代發電工作實施細則》 (the “Guidelines”), which were issued by the provincial governments of Henan and Anhui where most of the power plants of the Group in relation to the Continuing Connected Transactions are located.

Taking into account that (i) power generation is one of the principal businesses of the Group; and (ii) the principal terms, in particular, the pricing basis and payment terms, of the Production Target Sale and Purchase Agreement are basically in line with the terms of (a) the agreements governing the historical transactions conducted between the Group and the independent third parties; and (b) the agreements in relation to the Replacement Agreement Connected Transactions, which were determined in accordance with the Guidelines, we concur with the Directors’ view that the principal terms of the Production Target Sale and Purchase Agreement are entered into in the ordinary and usual course of businesses of the Group, are negotiated on arm’s length basis on normal commercial terms so far as the Company and the Independent Shareholders as a whole are concerned and are in the interest of the Company and the Shareholders as a whole.

(C) Reasons for entering into the Continuing Connected Transactions

As disclosed in the Board’s Letter, the Company believes that the Continuing Connected Transactions would enable the Group to (i) better utilize its production capacity; (ii) increase its outputs; (iii) increase its revenue; and (iv) increase the production efficiency of its power plants.

As advised by the Directors, there are excess production capacities in the power plants of the Group after achieving their respective annual Targets originally permitted by the relevant PRC government authorities. Based on the information provided by the Company, it is noted that (i) the existing production capacities of the Group’s power plants are yet to be fully utilized; and (ii) additional production capacities would be available as a result of the Group’s production expansion plan commenced or to be commenced in 2008 and 2009. Accordingly, the Group shall have sufficient production capacities to meet the obligations contemplated under the Production Target Sale and Purchase Agreement. Hence, in addition to the annual permitted Targets, the Group can generate additional revenue on a recurring nature by generating electricity on behalf of the CPIC Group through the transfer of Targets from the CPIC Group to the Group. Besides, the Directors expect the Group to gain higher flexibility in procuring resources which enables the Group to better utilize its power-generating facilities and can lower the average cost of production as a whole.

As noted from the Guidelines, it is the intention of the relevant PRC government authorities to encourage the transfer of Targets from low capacity coal-fire power generating facilities to high capacity coal-fire power generating facilities in order to minimize resources wastage and pollution and

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improve the safety and stability of power supply. We are further advised by the management of the Purchaser that the capacity of the power generating facilities of the Seller is substantially lower than that of the Group. In light of the above, we consider that the transfer of Targets from the CPIC Group to the Group is supported by the government policies.

Having considered the reasons and benefits described above, we concur with the Directors' view that the conduction of the Continuing Connected Transactions are in the interest so far as the Company and its shareholders as a whole are concerned.

(D) Proposed annual caps

The Directors consider that the proposed annual caps are determined with reference to, among others, the following factors:

- historical transacted amount of RMB38.75 million (equivalent to approximately HK\$42.625 million) payable for the financial year ended 31 December 2007;
- the expected increase in the Group's production capacities due to the commencement of operations of three power plants in 2008 and 2009;
- the expected amount of Targets to be transferred to the Group after considering the capacity replacement plan of the CPIC Group's operations in 2008 and 2009; and
- reasonable costs to be incurred by the Group for generating electricity pursuant to the Replacement Agreements plus a reasonable profit.

Set out below are the transacted amount of the Replacement Agreement Connected Transactions for the year ended 31 December 2007 and the summary of the proposed annual caps of the consideration payable under the Production Target Sale and Purchase Agreement for the year ending 31 December 2008, 2009 and 2010:

	Approximate transacted amount (RMB million) for the year ended 31 December (Note)	Proposed Annual Caps (RMB million) for the year ending 31 December		
		2007	2008	2009
Consideration payable	38.75	424.5	1,320	1,340
<i>Year-on-year growth</i>	N/A	995.5%	211.0%	1.5%

Note: consideration payable in relation to the Replacement Agreement Connected Transactions set out in the announcement of the Company dated 31 December 2007.

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As illustrated in the table above, the proposed annual cap for the year ending 31 December 2008 of RMB424.5 million represents a growth rate of approximately 995.5% as compared to the actual transacted amount of RMB38.75 million for the year ended 31 December 2007 on a year-on-year basis. Upon enquiry, the management of the Company represented to us that the actual transacted amount in 2007 should not be considered as a reasonable base for direct comparison purpose with the 2008 proposed cap due to the fact that the CPIC Group was at the initial stage of its power plant capacity replacement plan and relative small amount of Targets had been transferred from the CPIC Group in 2007. Moreover, the Directors also consider that the existing production capacities of the Group's power plants are yet to be fully utilized. Coupled with the expected increase in production capacities as a result of the commencement of operation of the two new power generating facilities of the Group in Henan and Anhui by early 2008, the Directors consider that the proposed cap of the Continuing Connected Transactions in 2008 is in line with the planned production capacity expansion of the Group.

We further noted from the table above that the proposed annual cap for the year ending 31 December 2009 of RMB1,320 million represents a growth rate of approximately 211.0% from RMB424.5 million for the year ending 31 December 2008 on a year-on-year basis. Upon enquiry, we were given to understand that such cap for the year ending 31 December 2009 is determined after taken into account a number of factors including, among others, (i) the proposed capacity replacement plan of the CPIC Group in 2009 under which another low capacity coal-fire power plant of the CPIC Group located in Anhui is proposed to be closed down and the excess Targets of the CPIC Group would be transferred to the high capacity power plants of the Group; and (ii) additional production capacities would be available as a result of the commencement of operation of one additional new power plant of the Group in Liaoning by early 2009. Accordingly, the Directors consider that the proposed cap of the Continuing Connected Transactions in 2009 is in line with (i) the proposed capacity replacement plan of the CPIC Group; and (ii) the planned production capacity expansion of the Group.

As discussed with the management of the Company, since no specific development plan for the year of 2010 has been formulated at the moment, the proposed annual cap in 2010 shall be substantially similar to that of 2009.

Based on (i) the actual transacted amount in 2007 should not be considered as a reasonable base for direct comparison purpose due to the fact that the CPIC Group was at the initial stage of its power plant capacity replacement plan and relative small amount of Targets had been transferred from the CPIC Group in 2007; (ii) the planned production capacity expansion of the Group in 2008 and 2009; and (iii) the proposed capacity replacement plan to be taken effect by the CPIC Group, we concur with the Directors' view that the estimated annual caps for the Continuing Connected Transactions are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

RECOMMENDATION

Having considered the above factors, in particular,

- (i) the background of and reasons for carrying out the Continuing Connected Transactions;

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- (ii) the pricing basis, in particular, the consideration and payment terms, of the Production Target Sale and Purchase Agreement were determined in accordance with the Guidelines;
- (iii) the transfer of Targets from low capacity coal-fire power plants of the CPIC Group to high capacity coal-fire power plants of the Group is supported by the Guidelines;
- (iv) the proposed annual caps stipulated under the Production Target Sale and Purchase Agreement for the three years ending 31 December 2010 were determined after due and careful consideration by the Directors and the basis of determination of the annual caps are fair and reasonable so far as the Company and the Shareholders as a whole are concerned,

we consider that the Continuing Connected Transactions are in the interest of the Company and the Shareholders as a whole and the terms of the Production Target Sale and Purchase Agreement as well as the proposed annual caps as contained therein are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution for approving the Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
BOCOM International (Asia) Limited
Ronald T.L. Wan
Managing Director

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	2,013,776,000(L)	55.85
CPI Holding	2,013,776,000 (L)	55.85
CPI Group	2,013,776,000 (L)	55.85

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	Date of Grant	Number of Shares subject to the option	Exercise price (HK\$)
Li Xiaolin	18 September 2004	1,661,500	2.53
	4 April 2007	1,905,000	4.07
Gao Guangfu	18 September 2004	207,700	2.53
	4 April 2007	667,000	4.07

4. DIRECTORS' INTERESTS IN CONTRACTS

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

5. SERVICE CONTRACTS

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

6. COMPETING INTERESTS

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

Name	Position with Company	Other Interests
Li Xiaolin	Chairman, Executive Director and chief executive officer	Vice-president of CPIC Group; Director of CPI Holding and Chairman of China Power New Energy Development Limited
Liu Guangchi	Executive Director and President	Director and general manager of CPI Holding, a director of Shanghai Waigaoqiao Power Generation Co., Ltd.* (上海外高橋發電有限責任公司), a director of Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd.* (上海外高橋第二發電有限責任公司) and a director of Shanghai Electric Power Co., Ltd* (上海電力股份有限公司)
Gao Guangfu	Non-executive Director	Manager of the Department of Finance and Asset Management of CPIC and Director of CPI Holding
Guan Qihong	Non-executive Director	Director of CPI Holding, Director of CPI Financial Co. Ltd.* (中電投財務有限公司) and the supervisor of the Capital Market and Equity Management Department of CPIC

7. EXPERT AND CONSENT

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

Name	Qualifications
BOCOM International (Asia) Limited	Licensed corporation under the SFO to conduct Type 1 (dealng in securities) and Type 6 (advising on corporate finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders

As at the Latest Practicable Date, BOCOM International (Asia) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of their letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, BOCOM International (Asia) Limited does not have any shareholding interest in any members of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member 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 2007, 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 2007, 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. Lai Sai Wo, Ricky, who is a associate member of the Association of Chartered Certified Accountants and 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 27 May 2008 (both dates inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the Production Target Sale and Purchase Agreement;
- (c) the letter of consent referred to under the paragraph headed "Expert and Consent" in this appendix;
- (d) the letter from BOCOM International, the text of which is set out on pages 12 to 19 of this circular; and
- (e) the letter dated 17 April 2008 from the Independent Board Committee, the text of which is set out on pages 10 to 11 of this circular.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability 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 on 28 May 2008 at 10:30 a.m. (or immediately after conclusion of the Annual General Meeting to be held at 10:00 a.m. on the same day, whichever is later) at Harbour View Room, 56/F, Island Shangri-la Hong Kong, Two Pacific Place, Supreme Court Road, Central, Hong Kong 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** the continuing connected transaction referred to in the Letter from the Board in the circular of the Company dated 17 April 2008 (the “Circular”), namely the production target sale and purchase agreement dated 28 March 2008 between 中國電力投資集團公司 (China Power Investment Corporation*) and the Company (the “Agreement”) and replacement agreements to be entered into pursuant to the Agreement, and the annual caps for such continuing connected transaction for the year ending 31 December 2008, 31 December 2009 and 31 December 2010 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 the continuing connected transaction referred to in the Letter from the Board in the Circular.”

By order of the Board

China Power International Development Limited

Li Xiaolin

Chairman

Hong Kong, 17 April, 2008

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.

* *English translation for identification purposes only.*

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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.