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## **China Power International Development Limited**

**中國電力國際發展有限公司**

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

**(Stock Code: 2380)**

### **CONNECTED TRANSACTION DISPOSAL OF NON-CORE BUSINESS ASSETS AND CONTINUING CONNECTED TRANSACTIONS**

#### **SUMMARY**

##### **The Disposals**

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

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

##### **Disposal of Non-core Business Assets**

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

### **Continuing Connected Transactions and Land Lease Amendment Agreements**

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

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

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

### **EGM and dispatch of shareholders' circular**

A circular, containing, amongst other things, details of the terms of the Continuing Connected Transactions, letters from the Independent Board Committee and from the Independent Financial Advisor, and a notice to shareholders of the Company convening an EGM to approve the terms of the Continuing Connected Transactions will be dispatched to the shareholders of the Company as soon as practicable. CPI Group and its Associates (including CPI Holding and CPDL) will abstain from voting in respect of the Continuing Connected Transactions at the EGM.

## **1. BACKGROUND : RESTRUCTURING**

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

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

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

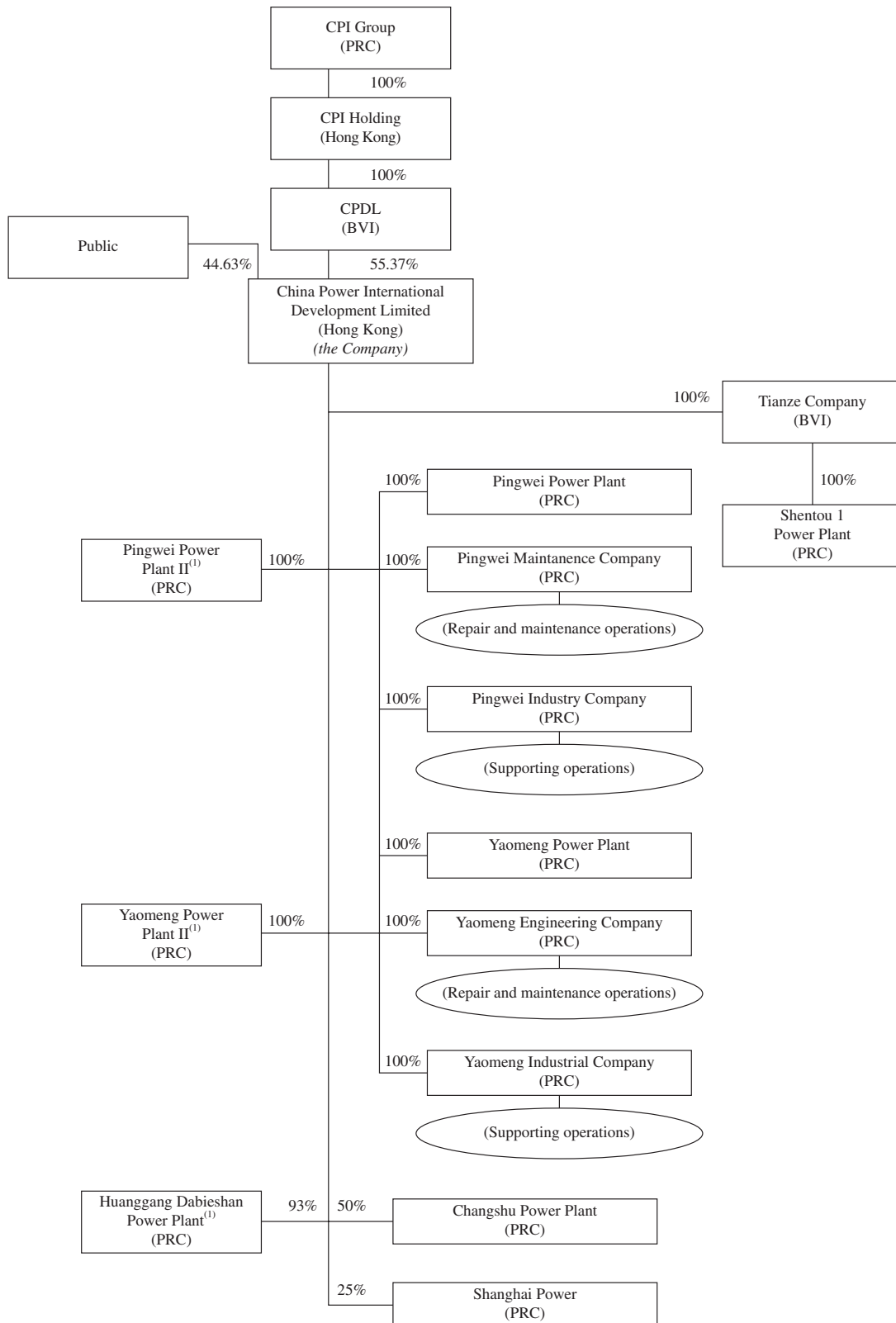
Yaomeng Power Plant was incorporated on 27 August 1999 in the PRC as a wholly foreign owned enterprise and became a wholly-owned subsidiary of the Company in September, 2004. It is principally engaged in owning and operating power generation business. In December 2006, Yaomeng Power Plant completed a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

operations together with related assets and all the liabilities remained in Yaomeng Power Plant. The Company legally and beneficially owns 100% equity interest in Yaomeng Power Plant, Yaomeng Engineering Company and Yaomeng Industrial Company.

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

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

*Current corporate structure*



*Note :*

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

## **2. DISPOSAL OF NON-CORE BUSINESS ASSETS**

### **Disposal Agreement**

#### **Date**

23 May 2007

#### **Parties**

Vendor : the Company

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

#### **Assets to be disposed**

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

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

#### **The Consideration**

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

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

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

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

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

### **Completion of the Disposals**

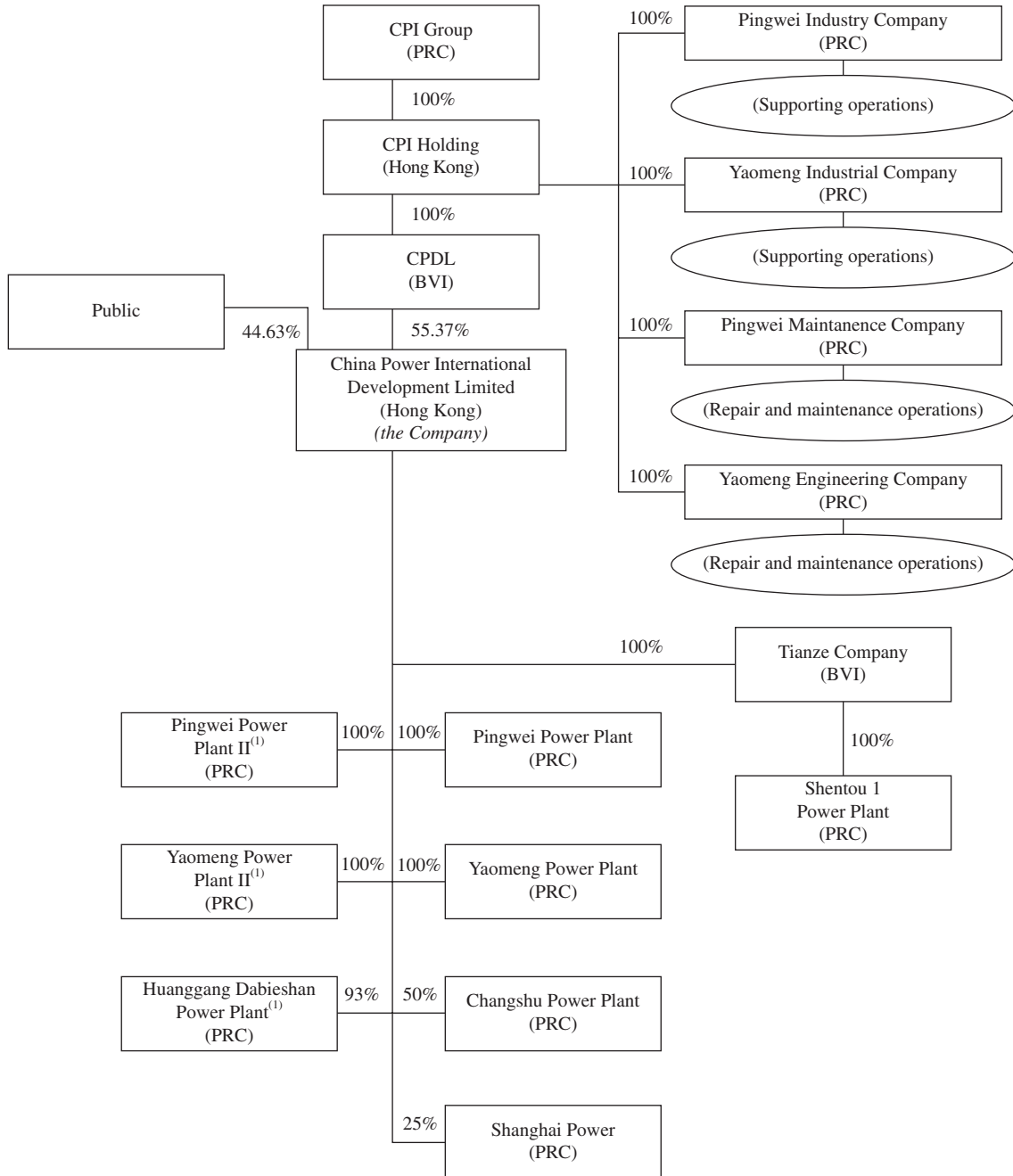
Within 10 working days upon satisfaction of the following conditions, the Company shall procure the filing and registration with the Administration for Industry and Commerce of the PRC by Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company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

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

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

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

*Corporate structure immediately following completion of the Disposals*



*Note :*

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



### 3. REASONS FOR AND BENEFITS OF THE DISPOSALS

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

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

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

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

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

Company and Yaomeng Industrial Company (i.e. Other Non-core Business Assets and Repair and Maintenance Assets) and the carrying value of the Other Non-core Business Assets and Repair and Maintenance Assets in the Company's audited accounts for the financial year ended 31 December 2006.

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

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

#### **4. RELATIONSHIP WITH CPI GROUP**

The Company is the flagship company and only listed entity outside the PRC of CPI Group. CPI Group is one of the five national power generation groups in China, and operates coal-fired, hydroelectric and nuclear power plants in various locations in the PRC. CPI Holding is wholly-owned by CPI Group and owns and operates coal-fired and hydroelectric power plants in the PRC. As at the 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.

#### **5. CONTINUING CONNECTED TRANSACTIONS AND LAND LEASE AMENDMENT AGREEMENTS**

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

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

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

**Continuing Connected  
Transaction and the Land  
Lease Amendment**

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

**Continuing Connected  
Transaction and the Land  
Lease Amendment**

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

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

The Continuing Connected Transactions under section 5(b), namely the composite repair and maintenance services agreements, the fuel related services agreements, the cleaning, repair and maintenance agreements in relation to power plants and the composite services agreements will then constitute connected transactions of the Company upon completion of the Disposals. The applicable ratios for these transactions, when aggregated together with the Shentou Connected Transactions, are on an annual basis more than 2.5% and are subject to the announcement, reporting and Independent Shareholders' approval requirements under the Listing Rules. Save and except the Shentou Connected Transactions, there is no other continuing connected transaction in the past twelve months prior to the date of this announcement subject to aggregation.

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

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

*Composite Repair and Maintenance Services Agreements*

Background: On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant has entered into the composite repair and maintenance services agreement with Pingwei Maintenance Company and Yaomeng Engineering Company, respectively, both effective from the date of completion of the disposal of Pingwei Maintenance Company and Yaomeng Engineering Company (as the case may be) to CPI Holding until 31 December 2009 for obtaining the repair and maintenance services for the power generation units and related power equipment of Pingwei Power Plant and Yaomeng Power Plant.

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

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

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

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

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

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

*Reasons for such transactions:* Repair and maintenance of the power generation units are essential to ensure the safe, effective and efficient operations of Pingwei Power Plant and Yaomeng Power Plant. Such repair and maintenance are highly-technical in nature and can only be carried out by engineers and skilled technicians equipped with the relevant technical skills and specialized knowledge. Upon completion of the Disposals, CPI Holding will hold 100% equity interest in Pingwei Maintenance Company and Yaomeng Engineering Company, and Pingwei Maintenance Company and Yaomeng Engineering Company will have the relevant technical expertise and specific in-depth knowledge of Pingwei Power Plant and Yaomeng Power Plant's power generation units and related power equipment, as the same workforce was responsible for administering ongoing repairs and maintenance for the generation units and related power equipment prior to the disposal of Pingwei Maintenance Company and Yaomeng Engineering Company to CPI Holding. The composite repair and maintenance services agreements will ensure continuity of reliable services, maximization of the specialized knowledge and experience of Pingwei Maintenance Company and Yaomeng Engineering Company to Pingwei Power Plant and Yaomeng Power Plant and the safe, effective and efficient operations of Pingwei Power Plant and Yaomeng Power Plant. Under the composite repair and maintenance services agreements, Pingwei Power Plant and Yaomeng Power Plant have the right to request for and to accept services from third party service providers.

#### ***Fuel Related Services Agreements***

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

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

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

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

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

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

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

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

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

*Background:* On 23 May 2007, each of Pingwei Power Plant and Yaomeng Power Plant has entered into the cleaning, repair and maintenance agreement in relation to power plant with Pingwei Industry Company and Yaomeng Industrial Company, respectively, both effective from the date of completion of the disposal of Pingwei

Industry Company and Yaomeng Industrial Company (as the case may be) to CPI Holding until 31 December 2009 for obtaining cleaning, repair and maintenance services for the facilities and equipment of Pingwei Power Plant and Yaomeng Power Plant.

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

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

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

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

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

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

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



located in close proximity to Pingwei Power Plant and Yaomeng Power Plant to enable efficient and timely services. Under the cleaning, repair and maintenance agreements in relation to power plants, Pingwei Power Plant and Yaomeng Power Generation Company have the rights to request for and to accept services from third party service providers.

### ***Composite Services Agreement***

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

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

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

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

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

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

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

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

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

***Land lease amendment agreements***

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

As disclosed in the Prospectus, Pingwei Power Plant leased a total area of land of 4,438,189.23 m<sup>2</sup> on which Pingwei Power Plant is situated for a term commencing on 1 August 2004 and expiring on 16 September 2019 (being the expiry date of the term of the operation of Pingwei Power Plant) at a annual rent to be determined by reference to the market rates. The annual rent can be adjusted by mutual agreement between the parties every three years. The annual rent for the year of 2006 is RMB6,980,000 (equivalent to approximately HK\$6,980,000). As Pingwei Maintenance Company and Pingwei Industry Company will be disposed of under the Disposals, the Pingwei Land Lease Agreement are amended pursuant to the terms of the Pingwei Land Lease Amendment Agreement as follows :

- (i) the total area of land leased from CPI Group is amended from 4,438,189.23 m<sup>2</sup> to 4,352,884 m<sup>2</sup>;
- (ii) the annual rent is adjusted to RMB6,845,839.32 accordingly (equivalent to approximately HK\$6,845,839.32); and
- (iii) Pingwei Power Plant may share the leased land with Pingwei Maintenance Company and Pingwei Industry Company from the date of the completion of the division of Pingwei Power Plant pursuant to the Restructuring to the date of the completion of the disposal of Pingwei Maintenance Company and Pingwei Industry Company to CPI Holding.

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

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

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

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

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

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

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

For the reasons set out in the foregoing, the Directors (excluding independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) of the Company are of the view that the terms of the Continuing Connected Transactions are entered into on normal commercial terms, are fair and reasonable so far as the Group are concerned and are in the interests of the Company and its shareholders as a whole.

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

## 6. COMPLIANCE WITH THE LISTING RULES

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

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

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

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

Fuel related services agreement with Yaomeng Power Plant	RMB26,930,000 (equivalent to approximately HK\$26,930,000)	The annual caps are determined by the Company after taking into account Yaomeng Power Plant's expected coal consumption with reference to the expected power generation level, its requirements for fuel related services and market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.
Cleaning, repair and maintenance agreement in relation to power plant with Pingwei Power Plant	RMB10,060,000 (equivalent to approximately HK\$10,060,000)	The annual caps are determined with reference to the age, condition and repair and maintenance requirements of each facility and equipment of Pingwei Power Plant, the expected time costs of labor required, and the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.
Cleaning, repair and maintenance agreement in relation to power plant with Yaomeng Power Plant	RMB21,474,000 (equivalent to approximately HK\$21,474,000)	The annual caps are determined with reference to the age, condition and repair and maintenance requirements of each facility and equipment of Yaomeng Power Plant, the expected time costs of labor required, and the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.

Composite services agreement with Pingwei Power Plant	RMB15,800,000 (equivalent to approximately HK\$15,800,000)	The annual caps are determined with reference to Pingwei Power Plant's requirements for ancillary services and the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.
Composite services agreement with Yaomeng Power Plant	RMB16,595,000 (equivalent to approximately HK\$16,595,000)	The annual caps are determined with reference to Yaomeng Power Plant's requirements for ancillary services and the market prices (or in the case where market prices are not ascertainable, the estimated costs) for the procurement of similar services from third party service providers.
Pingwei Land Lease Agreement as amended by the Pingwei Land Lease Amendment Agreement	RMB6,845,839.32 (equivalent to approximately HK\$6,845,839.32)	The annual rentals are fixed at RMB6,845,839.32 (equivalent to approximately HK\$6,845,839.32) pursuant to the Pingwei Land Lease Amendment Agreement.
Yaomeng Land Lease Agreement as amended by the Yaomeng Land Lease Amendment Agreement	RMB5,275,364.70 (equivalent to approximately HK\$5,275,364.70)	The annual rentals are fixed at RMB5,275,364.70 (equivalent to approximately HK\$5,275,364.70) pursuant to the Yaomeng Land Lease Amendment Agreement.

The Directors (excluding independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) of the Company are of the view that the annual caps for each of the Continuing Connected Transactions are fair and reasonable.

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

## **7. DISPOSAL OF NON-CORE BUSINESS ASSETS AND CONTINUING CONNECTED TRANSACTIONS**

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

Further, the Continuing Connected Transactions under section 5(b) will constitute connected transactions for the Company upon completion of the Disposals. As the Continuing Connected Transactions with an aggregate annual value of RMB250,169,000 (equivalent to approximately HK\$250,169,000), when aggregated together with the Shentou Connected Transactions (the annual value under which is RMB150,000,000 in aggregate (equivalent to approximately HK\$150,000,000)), on annual basis exceed 2.5% of the applicable percentage under Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions are subject to the approval of the Independent Shareholders.

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

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



## 8. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND EXTRAORDINARY GENERAL MEETING

An Independent Board Committee will be established to advise the Independent Shareholders in respect of the terms of the Continuing Connected Transactions. An Independent Financial Advisor will be retained as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the terms of the Continuing Connected Transactions.

A circular, containing, amongst other things, details of the terms of the Continuing Connected Transactions, letters from the Independent Board Committee and from the Independent Financial Advisor, and a notice to shareholders of the Company convening an EGM to approve the terms of the Continuing Connected Transactions will be dispatched to the shareholders of the Company as soon as practicable.

### DEFINITIONS

*In this announcement, 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
“BVI”	British Virgin Islands
“Changshu Power Plant”	the power plant wholly-owned by 江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited*), a company in which the Company has a 50% equity interest
“Company Law”	Company Law of the PRC, amended from time to time
“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 agreement entered into between Pingwei Power Plant and Pingwei Maintenance Company and Pingwei Industry Company (as the case may be) on 23 May 2007 and between Yaomeng Power Plant and Yaomeng Engineering Company and Yaomeng Industrial Company (as the case may be) on 23 May 2007 which will constitute continuing connected transactions for the Company upon completion of the Disposals, the details of which are set out in section 5(b) of this announcement

“CPDL”	China Power Development Limited, a company incorporated in the BVI and a wholly-owned subsidiary of CPI Holding
“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“CPI Holding”	中國電力國際有限公司 (China Power International Holding Limited), a company incorporated in Hong Kong and a wholly-owned subsidiary of CPI Group
”Director(s)”	director(s) of the Company
“Disposal Agreement”	the conditional sale and purchase agreement dated 23 May 2007 entered into by the Company and CPI Holding relating to the 100% equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company
“Disposals”	the disposals of the entire equity interests in Pingwei Maintenance Company, Pingwei Industry Company, Yaomeng Engineering Company and Yaomeng Industrial Company by the Company to CPI Holding pursuant to the terms and conditions of the Disposal Agreement
“EGM”	the extraordinary general meeting of the Company to be convened on a date to be announced, or any adjournment thereof
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huanggang Dabieshan Power Plant”	the power plant under construction to be wholly-owned by 黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*)
“Independent Board Committee”	the committee of Directors, consisting of Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec, 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

“Independent Financial Adviser”	CLSA Equity Capital Markets Limited, an independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	shareholders of the Company other than CPI Group and its Associates
“Land Lease Amendment Agreements”	the two land lease amendment agreements entered into between CPI Group and each of Pingwei Power Plant and Yaomeng Power Plant as described in section 5(c) of this announcement and individually known as the “Pingwei Land Lease Amendment Agreement” and the “Yaomeng Land Lease Agreement” respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Non-core Business Assets”	the assets liabilities and undertakings in relation to the supporting services operations in Pingwei Power Plant and Yaomeng Power Plant allocated to Pingwei Industry Company and Yaomeng Industrial Company pursuant to the Restructuring, as further described in this announcement
“Parent Group”	CPI Group and its subsidiaries from time to time. Unless otherwise expressly stated or the context otherwise requires, references to “Parent Group” exclude the Group
“Pingwei Industry Company”	淮南平圩電力實業有限責任公司 (Huainan Pingwei Electric Power Industry Company Limited* ), a limited liability company established by the Company in the PRC on 18 December 2006 for the purpose of holding the supporting services operations and related assets in Pingwei Power Plant pursuant to the Restructuring, the equity interest in which will be transferred to CPI Holding upon completion of Disposals
“Pingwei Land Lease Agreement”	the land lease agreement dated 27 August 2004 entered into between Pingwei Power Plant and CPI Group relating to the lease of the land on which Pingwei Power Plant is situated
“Pingwei Maintenance Company”	安徽淮南平圩電力檢修工程有限責任公司 (Anhui Huainan Pingwei Power Engineering Maintenance Company Limited* ), a limited liability company established by the Company in the PRC on 18 December 2006 for the purpose of holding the repair and maintenance operations and related assets in Pingwei Power Plant pursuant to the Restructuring, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals

“Pingwei Power Plant 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*)
“Pingwei Power Plant”	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC on 17 September 1999 which hold the power generation operations and related assets and all the liabilities pursuant to the Restructuring
“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
“Prospectus”	the prospectus of the Company dated 4 October 2004
“Repair and Maintenance Assets”	the assets, liabilities and undertakings in relation to the repair and maintenance operations in Pingwei Power Plant and Yaomeng Power Plant allocated to Pingwei Maintenance Company and Yaomeng Engineering Company, respectively pursuant to the Restructuring, as further described in this announcement
“Restructuring”	has the meaning given to it under the section headed “Background : Restructuring” of this announcement
“RMB”	Renminbi, the lawful currency of China
“Shanghai Power”	上海電力股份有限公司 (Shanghai Electric Power Co., Ltd.*), a company listed on the Shanghai Stock Exchange
“Shentou 1 Power Plant”	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*), a wholly-owned subsidiary of Tianze Company which is in turn a wholly-owned subsidiary of the Company
“Shentou Connected Transactions”	the connected transactions in relation to the technical repair and maintenance framework agreement, fuel and chemical processing services framework agreement, non-power facilities maintenance framework agreement and composite ancillary services framework agreement entered into between the Group and the Parent Group, the details of which are set out in the announcement of the Company dated 9 June 2005 and the circular of the Company dated 30 June 2005

“Shentou Land Lease Agreement”	the land lease agreement dated 9 June 2005 entered into between Tianze Company and CPI Group relating to the lease of the land on which Shentou 1 Power Plant is situated
“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
“Tianze Company”	Tianze Development Limited (天澤發展有限公司*), a company incorporated in the BVI on 31 March 2005
“Yaomeng Engineering Company”	平頂山姚孟電力工程有限責任公司 (Pingdingshan Yaomeng Power Engineering Co., Ltd.*), a limited liability company established by the Company in the PRC on 19 December 2006 for the purpose of holding the repair and maintenance operations and related assets in Yaomeng Power Plant pursuant to the Restructuring, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals
“Yaomeng Industrial Company”	平頂山姚孟電力實業有限責任公司 (Pingdingshan Yaomeng Power Industrial Co., Ltd.*), a limited liability company established by the Company in the PRC on 19 December 2006 for the purpose of holding the supporting services operations and related assets in Yaomeng Power Plant pursuant to the Restructuring, the equity interest of which will be transferred to CPI Holding upon completion of the Disposals
“Yaomeng Land Lease Agreement”	the land lease agreement dated 27 August 2004 entered into between Yaomeng Power Plant and CPI Group, as amended on 24 September 2004 relating to the lease of the land on which Yaomeng Power Plant is situated
“Yaomeng Power Plant 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*)
“Yaomeng Power Plant”	平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Electric Power Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC on 27 August 1999 which hold the power generation operations and related assets and all the liabilities pursuant to the Restructuring

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

This announcement contains translation between Renminbi amounts and Hong Kong dollars at RMB1.00 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.

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

Hong Kong, 23 May 2007

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