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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 TRANSACTIONS

The Board announces that the Planned Power Plants and CPI Management Company entered into the Construction Project Management Agreements on 1 June 2005 whereby each of the Planned Power Plants engaged CPI Management Company as project manager to manage the projects which involve the construction of two 600 MW super-critical coal-fired power generation units for each of the Planned Power Plants. The Planned Power Plants, namely, Yaomeng Power Plant II, Pingwei Power Plant II and Huanggang Dabieshan Power Plant, are owned by the Company as to 100%, 100% and 89% respectively.

Further, the Planned Power Plants and CP Equipment Project Company entered into the Equipment Agreements on 1 June 2005 whereby each of the Planned Power Plants engaged CP Equipment Project Company to provide technical assistance and consultancy services relating to the purchase of the equipment and machinery required for each of the Planned Power Plants, including assistance in the calling of tenders, supervision of the manufacture of the equipment and machinery and acting as agents for purchasing imported equipment and parts for each of the Projects.

CPI Management Company is a branch company of CPI Group while CP Equipment Project Company is a non-wholly owned subsidiary of CPI Group in which CPI Group owns approximately 77.7% equity interest. CPI Group is the ultimate controlling shareholder of the Company which is interested in approximately 63.68% of the issued share capital of the Company. As such, CPI Management Company and CP Equipment Project Company are connected persons of the Company as defined in the Listing Rules. Accordingly, the Construction Project Management Agreements and the Equipment Agreements constitute connected transactions of the Company under the Listing Rules.

The total management fees payable by the Planned Power Plants to CPI Management Company under the Construction Project Management Agreements amount to RMB135,000,000 (equivalent to approximately HK\$127,358,490). Depending on its performance, CPI Management Company may be entitled to additional bonus management fees estimated not to exceed RMB45,000,000 (equivalent to approximately HK\$42,452,830) in total under the Construction Project Management Agreements. The total service fees payable by the Planned Power Plants to CP Equipment Project Company under the Equipment Agreements amount to RMB36,000,000 (equivalent to approximately HK\$33,962,264). The total management fees and the estimated bonus management fees payable by the Planned Power Plants to CPI Management Company and the total service fees payable by the Planned Power Plants to CP Equipment Project Company under the Equipment Agreements, when aggregated, fall below 2.5% of the applicable percentage ratios under Rule 14.07 of the Listing Rules. Accordingly, the Construction Project Management Agreements and the

Equipment Agreements fall within Rule 14A.32 of the Listing Rules and are exempted from the independent shareholders' approval requirement under the Listing Rules. Details of the above connected transactions will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Construction Project Management Agreements and the Equipment Agreements are entered into in the ordinary course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its shareholders as a whole.

1. THE CONSTRUCTION PROJECT MANAGEMENT AGREEMENTS

The Planned Power Plants and CPI Management Company entered into the Construction Project Management Agreements on 1 June 2005 whereby each of the Planned Power Plants engaged CPI Management Company as project manager to manage the projects which involve the construction of two 600 MW super-critical coal-fired power generation units for each of the Planned Power Plants. The Planned Power Plants, namely, Yaomeng Power Plant II, Pingwei Power Plant II and Huanggang Dabieshan Power Plant, are owned by the Company as to 100%, 100% and 89% respectively.

Terms of each of the Construction Project Management Agreements

	Yaomeng Management Agreement	Pingwei Management Agreement	Huanggang Dabieshan Management Agreement
Date:	1 June 2005	1 June 2005	1 June 2005
Parties:	(1) Yaomeng Power Plant II and (2) CPI Management Company	(1) Pingwei Power Plant II and (2) CPI Management Company	(1) Huanggang Dabieshan Power Plant and (2) CPI Management Company
Management fees:	RMB45,000,000 (which is equivalent to approximately HK\$42,452,830)	RMB45,000,000 (which is equivalent to approximately HK\$42,452,830)	RMB45,000,000 (which is equivalent to approximately HK\$42,452,830)
Bonus management fees:	Not exceeding RMB15,000,000 (which is equivalent to approximately HK\$14,150,943)	Not exceeding RMB15,000,000 (which is equivalent to approximately HK\$14,150,943)	Not exceeding RMB15,000,000 (which is equivalent to approximately HK\$14,150,943)

Other principal terms

For each of the Construction Project Management Agreements, the management fees comprise two parts, the first part being a basic management fee of RMB41,000,000 and the second part being the information system charges of RMB4,000,000 for installing, developing, purchasing and maintaining the equipment and software for the information technology system at the relevant Planned Power Plant until the completion of the Project. Such equipment and software will be purchased from independent suppliers and the maintenance service will be performed partly by CPI Management Company and partly by independent third parties. The basic management fee is payable by six instalments, the first instalment of 10% is payable, in the case of the Yaomeng Management Agreement and the Huanggang Dabieshan Management Agreement, before or at the beginning of 6 months prior to the commencement of the on-site excavation works, and in the case of the Pingwei Management Agreement, within one month after the signing of the agreement, and the second instalment of 20% for each of the Construction Project Management Agreements is payable upon the commencement of the excavation for the construction of the main building of the power plant. The rest of the instalments become payable as and when specific progresses have been made. The information system charges are payable as to 50% after the signing of the Construction Project Management Agreements, as to 40% after the completion of the information system and as to 10% after the completion of the first power generation unit. CPI Management Company will also be entitled to bonus management fees if it can successfully control the construction costs to a certain level below the budgeted sums and such bonus management fees will be calculated with reference to the level of cost reduction but it is estimated that such bonus management fees will not exceed the amount of RMB15,000,000 for each of the Construction Project Management Agreements. It is currently estimated that not less than 90% of the management fees and bonus management fees will be capitalized. The management fees are determined after arm's length negotiations with reference to the costs involved and the prevailing rates charged by other power companies in comparable projects and the Directors are of the view that such fees and the other terms of the Construction Project Management Agreements are no less favourable to the Group than the terms available from independent third parties.

2. THE EQUIPMENT AGREEMENTS

The Planned Power Plants and CP Equipment Project Company entered into the Equipment Agreements on 1 June 2005 whereby each of the Planned Power Plants engaged CP Equipment Project Company to provide technical assistance and consultancy services relating to the purchase of the equipment and machinery required for each of the Planned Power Plants, including assistance in the calling of tenders, supervision of the manufacture of the equipment and machinery and acting as agents for purchasing imported equipment and parts for each of the Projects.

Terms of each of the Equipment Agreements

	Yaomeng Equipment Agreement	Pingwei Equipment Agreement	Huanggang Dabieshan Equipment Agreement
Date:	1 June 2005	1 June 2005	1 June 2005
Parties:	(1) Yaomeng Power Plant II and (2) CP Equipment Project Company	(1) Pingwei Power Plant II and (2) CP Equipment Project Company	(1) Huanggang Dabieshan Power Plant and (2) CP Equipment Project Company
Service fees:	RMB12,000,000 (which is equivalent to approximately HK\$11,320,755)	RMB12,000,000 (which is equivalent to approximately HK\$11,320,755)	RMB12,000,000 (which is equivalent to approximately HK\$11,320,755)
Term:	1 June 2005 until the completion of the services and payment of all service fees thereunder	1 June 2005 until the completion of the services and payment of all service fees thereunder	1 June 2005 until the completion of the services and payment of all service fees thereunder

Other principal terms

For each of the Equipment Agreements, the service fee is payable by eight instalments after specific progresses have been made, namely, as follows:

Instalment	Progress made	% of total payable
1	After the signing of the relevant Equipment Agreement	30%
2	Within 1 month of the completion of tender of the fourth batch of ancillary equipment	10%
3	Within 1 month of the date of completion of the manufacturing of the first mainframe of the first power generation unit	20%
4	Within 1 month of the date of completion of the manufacturing of the last mainframe of the second power generation unit	20%
5	Within 1 month of the date of passing of certain specified trial runs of the first power generation unit	5%
6	Within 1 month of the date of passing of certain specified trial runs of the second power generation unit	5%
7	After the expiry of the warranty period for the first power generating unit	5%
8	After the expiry of the warranty period for the second power generating unit	5%

It is currently estimated that not less than 90% of the services fees will be capitalized. The service fees are determined after arm's length negotiations with reference to the costs involved, the prevailing rates charged by other power companies in comparable projects and the guideline rates set by the State and the Directors are of the view that such service fees being charged by CP Equipment Project Company and the other terms of the Equipment Agreements are no less favourable to the Group than the terms available from independent third parties.

PRINCIPAL BUSINESS OF THE GROUP AND REASONS FOR THE TRANSACTIONS

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 three high-capacity coal-fired power plants with a total installed capacity of 3,610 MW and an installed capacity attributable to the Company of 3,010 MW. The Company also manages six other power plants on behalf of CPI Group and CPI Holding, both being its controlling shareholders. The additional power plants of the Planned Power Plants, when completed, will have a total installed capacity of 3,600 MW, of which the Company's attributable installed capacity will be 3,468 MW. Although the Company has not previously engaged CPI Management Company or CP Equipment Project Company for similar services before, the Directors are of the view that CPI Management Company possesses the relevant experience and expertise in the management of large scale power plant construction projects using advanced management systems and information technology systems, and CP Equipment Project Company possesses the relevant experience and expertise in the sourcing of equipment for power plants. The Construction Project Management Agreements and the Equipment Agreements are for the purpose of constructing new power plants for the Group which will increase the Group's power generating capacity.

RELATIONSHIP BETWEEN THE COMPANY, CPI MANAGEMENT COMPANY AND CP EQUIPMENT PROJECT COMPANY

CPI Group is one of the leading independent power generating groups in the PRC. CPI Group has power plants with a total installed capacity of approximately 30 GW spanning 17 provinces, municipalities and autonomous regions in the PRC. CPI Management Company is principally engaged in the management of power plant construction projects. CP Equipment Project Company is principally engaged in the provision of technical assistance and other consultancy and agency services in relation to the purchase of equipment for use in the power industry.

CPI Management Company is a branch company of CPI Group while CP Equipment Project Company is a non-wholly owned subsidiary of CPI Group in which CPI Group owns approximately 77.7% equity interest. CPI Group is the ultimate controlling shareholder of the Company which is interested in approximately 63.68% of the issued share capital of the Company. As such, CPI Management Company and CP Equipment Project Company are connected persons of the Company as defined in the Listing Rules. Accordingly, the Construction Project Management Agreements and the Equipment Agreements constitute connected transactions of the Company under the Listing Rules.

The total management fees payable by the Planned Power Plants to CPI Management Company under the Construction Project Management Agreements amount to RMB135,000,000 (equivalent to approximately HK\$127,358,490). Depending on its performance, CPI Management Company may be entitled to additional bonus management fees estimated not to exceed RMB45,000,000 (equivalent to approximately HK\$42,452,830) in total under the Construction Project Management Agreements. The total service fees payable by the Planned Power Plants to CP Equipment Project Company under the Equipment Agreements amount to approximately RMB36,000,000 (equivalent to approximately HK\$33,962,264). The total management fees and the estimated bonus management fees payable by the Planned Power Plants to CPI Management Company and the total service fees payable by the Planned

Power Plants to CP Equipment Project Company under the Equipment Agreements, when aggregated, fall below 2.5% of the applicable percentage ratios under Rule 14.07 of the Listing Rules. Accordingly, the Construction Project Management Agreements and the Equipment Agreements fall within Rule 14A.32 of the Listing Rules and are exempted from the independent shareholders' approval requirement under the Listing Rules. Details of the above connected transactions will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that as far as the shareholders of the Company are concerned, the Construction Project Management Agreements and the Equipment Agreements are entered into in the ordinary course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and its shareholders as a whole.

DEFINITIONS

Unless otherwise stated, the following words and phrases have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability
“Construction Project Management Agreements”	the Yaomeng Management Agreement, Pingwei Management Agreement and Huanggang Dabieshan Management Agreement
“CP Equipment Project Company”	中國電能成套設備有限公司 (China Power Equipment Project Co., Ltd.*), a limited liability company incorporated in the PRC which is owned by CPI Group as to approximately 77.7%
“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 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 with limited liability and a wholly-owned subsidiary of CPI Group
“CPI Management Company”	中國電力投資集團公司工程建設管理分公司 (China Power Investment Corporation Construction Project Management Branch*), a branch company of CPI Group
“Director(s)”	the director(s) of the Company
“Equipment Agreements”	the Yaomeng Equipment Agreement, Pingwei Equipment Agreement and Huanggang Dabieshan Equipment Agreement
“Group”	the Company and its subsidiaries
“GW”	gigawatt, that is, one million kilowatts

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huanggang Dabieshan Equipment Agreement”	the agreement for overall equipment project, supervision of equipment manufacture and purchase agency for imported equipment in relation to the Project dated 1 June 2005 entered into between Huanggang Dabieshan Power Plant and CP Equipment Project Company
“Huanggang Dabieshan Management Agreement”	the construction project management agreement in relation to the Project dated 1 June 2005 entered into between Huanggang Dabieshan Power Plant and CPI Management Company
“Huanggang Dabieshan Power Plant”	黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*), a subsidiary of the Company which is owned by the Company as to 89%
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MW”	megawatt, that is, one million watts
“PRC”	the People’s Republic of China
“Pingwei Equipment Agreement”	the agreement for overall equipment project, supervision of equipment manufacture and purchase agency for imported equipment in relation to the Project dated 1 June 2005 entered into between Pingwei Power Plant II and CP Equipment Project Company
“Pingwei Management Agreement”	the construction project management agreement in relation to the Project dated 1 June 2005 entered into between Pingwei Power Plant II and CPI Management Company
“Pingwei Power Plant II”	淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electrical Power Co., Ltd.*), a wholly-owned subsidiary of the Company
“Planned Power Plants”	Yaomeng Power Plant II, Pingwei Power Plant II and Huanggang Dabieshan Power Plant
“Project”	the respective project being carried out by each of the Planned Power Plants which involves the construction of two 600 MW super-critical coal-fired power generation units (together the “Projects”)
“RMB”	Renminbi, the lawful currency of the PRC and for the purpose of this announcement, Renminbi is translated into Hong Kong dollars at fixed rate of RMB1.06 = HK\$1.00
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yaomeng Equipment Agreement”	the agreement for overall equipment project, supervision of equipment manufacture and purchase agency for imported equipment in relation to the Project dated 1 June 2005 entered into between Yaomeng Power Plant II and CP Equipment Project Company
“Yaomeng Management Agreement”	the construction project management agreement in relation to the Project dated 1 June 2005 entered into between Yaomeng Power Plant II and CPI Management Company
“Yaomeng Power Plant II”	平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No. 2 Power Co., Ltd.*), a wholly-owned subsidiary of the Company

By Order of the Board

Li Xiaolin

Vice-Chairman and Chief Executive Officer

Hong Kong, 1 June 2005

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.

** for identification purposes only*