

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF POWER PLANT

SUMMARY

The Acquisition

The Company announces that it has entered into the Acquisition Agreement, pursuant to which the Company agrees to acquire and CPDL agrees to sell, the entire issued share capital of the Target Holding Company, subject to the satisfaction (or waiver) of certain conditions. The Target Holding Company will wholly-own Shentou I Power Plant prior to completion of the Acquisition.

Consideration for the Acquisition

The purchase price of the Acquisition amounts to RMB560 million and is subject to an adjustment in certain specified circumstances as set out in this announcement after the completion of the Acquisition. The Company intends to use a portion of the proceeds from its initial public offering completed in October 2004 to finance the Acquisition. The Company is of the view that the purchase price payable by the Company for the Acquisition and the other terms of the Acquisition, are fair and reasonable, and that the Acquisition is in the best interests of the Company and its shareholders as a whole.

Major and Connected Transaction

As at the Latest Practicable Date, CPDL owned approximately 63.68% 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 the applicable percentage ratios for the Acquisition under Rule 14.07 of the Listing Rules exceeds 25% but is below 100%, the Acquisition constitutes a major transaction for the Company. Further, as CPI Group and its Associates (including CPI Holding and CPDL) are substantial shareholders and connected persons of the Company within the meaning of the Listing Rules, the Acquisition also constitutes a connected transaction for the Company. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders.

Prospective Connected Transactions

In connection with the day-to-day business and operations of Shentou I Power Plant, the Target Holding Company will, upon completion of the Acquisition and from time to time, enter into certain arrangements with certain members of the Parent Group. Such transactions will, following the completion of the Acquisition, constitute continuing connected transactions of the Company under the Listing Rules. Details of these arrangements are set out in the section headed "Prospective Connected Transactions". Pursuant to the Listing Rules, these Prospective Connected Transactions are subject to reporting and announcement requirements. In addition, certain of these Prospective Connected Transactions are subject to Independent Shareholders' approval.

Financial Advisers

Merrill Lynch (Asia Pacific) Limited is the international financial adviser and China Merchants Securities (HK) Co., Ltd is the PRC financial adviser to the Company in respect of the Acquisition.

The Company has established an Independent Board Committee to advise the Independent Shareholders on the terms of the Acquisition and those Prospective Connected Transactions requiring Independent Shareholders' approval. CLSA has been retained as the independent financial adviser to the Independent Board Committee and the Independent Shareholders.

EGM and dispatch of shareholders' circular

A circular, containing, amongst other things, details of the terms of the Acquisition and the Prospective Connected Transactions, letters from the Independent Board Committee and from CLSA, further financial and other information of the Target Holding Company and Shentou I Power Plant, and a notice to shareholders of the Company convening an EGM to approve the terms of the Acquisition and the Prospective Connected Transactions requiring Independent Shareholders' approval 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 Acquisition and the Prospective Connected Transactions at the EGM.

1. ACQUISITION OF THE TARGET HOLDING COMPANY

(a) Introduction

The Company entered into the Acquisition Agreement on June 9, 2005, pursuant to which the Company agrees to acquire and CPDL agrees to sell, the entire issued share capital of the Target Holding Company, subject to the satisfaction (or waiver) of certain conditions. The Target Holding Company will wholly-own Shentou I Power Plant prior to completion of the Acquisition.

(b) **The Target Holding Company and Shentou I Power Plant**

The Target Holding Company

The Target Holding Company was incorporated on March 31, 2005 in the BVI as a limited liability company and is an intermediate holding company wholly-owned by CPDL, which is in turn wholly-owned by CPI Holding. CPI Holding is a wholly-owned subsidiary of CPI Group, one of the five national power generating groups in China. Following the completion of the Restructuring and prior to the completion of the Acquisition, Shentou I Power Plant will be wholly-owned by the Target Holding Company.

Shentou I Power Plant

Shentou I Power Plant is located in Shentou town, Shuozhou city of Shanxi province. It has total installed capacity of 1,200 MW that consists of six 200 MW coal-fired generation units, details of which are as follows:

Generation unit	In-Service Year	Total Installed Capacity (MW)
Unit 1	1979	200
Unit 2	1981	200
Unit 3	1985	200
Unit 4	1985	200
Unit 5	1986	200
Unit 6	1987	<u>200</u>
Total	—	1,200

Shentou I Power Plant is a mine-mouth power plant (i.e. it is located close to coal mines). Its coal supply is purchased entirely from producers in Shanxi province. It sells all of the electricity that it generates to the Shanxi provincial power grid which is part of the North China Power Grid operated by the North China Power Grid Company.

The Restructuring

In preparation for the Acquisition, CPI Holding is currently undertaking the Restructuring pursuant to which the assets, liabilities and undertakings of Shentou I Power Plant are being divided into three divisions, namely: power generation, repair and maintenance of power generation units and equipment and other supporting services. The Restructuring will be completed prior to completion of the Acquisition. Upon completion of the Restructuring, the repair and maintenance operations, together with related assets and liabilities, will be injected into Huize Company whilst the other supporting services operations, together with related assets and liabilities, will be

injected into Boya Company. Huize Company and Boya Company were incorporated in the BVI on March 31, 2005 and are wholly-owned subsidiaries of Tianrun Holdings Limited, a company incorporated in the BVI and wholly-owned by CPI Holding. Shentou I Power Plant, comprising the retained power generation business and related assets and liabilities, will be injected into the Target Holding Company before the completion of the Acquisition.

As part of the Restructuring and prior to completion of the Acquisition, the Target Holding Company will also incorporate Shanxi Shentou Power Generation Company Limited (山西神頭發電有限責任公司)⁽¹⁾, a wholly-foreign owned enterprise in the PRC. Shentou I Power Plant (comprising all the assets and liabilities related to the power generation business) will be injected into Shanxi Shentou Power Generation Company Limited⁽¹⁾.

Note:

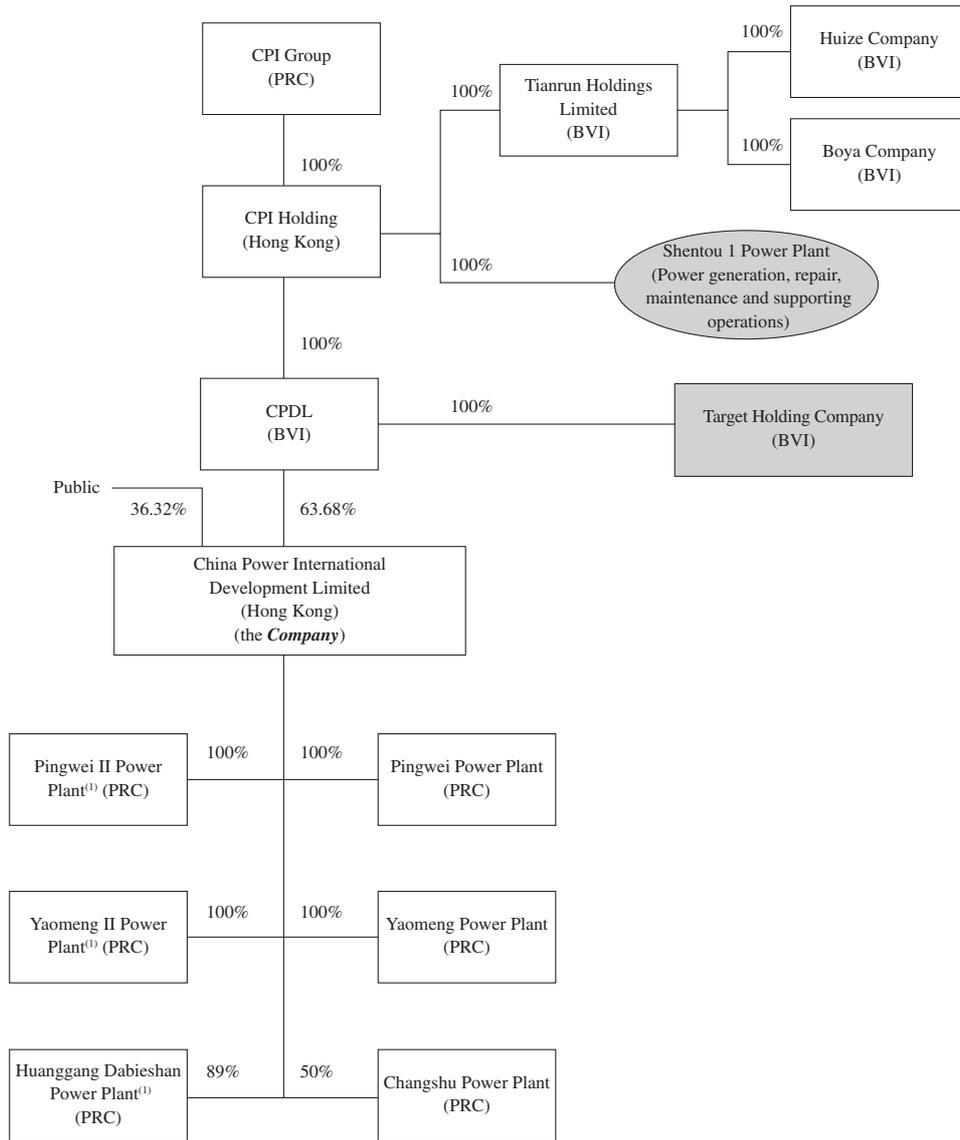
(1) Temporary name

Shentou I Power Plant was originally owned by State Power Corporation before being granted to CPI Group at no consideration pursuant to the power industry restructuring in 2002. It has a large workforce that are employed in both core power generation operations as well as non-core and supporting operations. The Restructuring is necessary to enhance the operating efficiency and competitiveness of the core power generation business by separating the non-core and supporting operations from the power generation business. After the Restructuring, the management 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 and staff costs would also be substantially reduced. The Restructuring would also allow the management to consider other service providers in the future to achieve further cost savings.

The Restructuring is also encouraged by PRC government market economy directives to enable greater efficiency in the repair and maintenance and other supporting operations. After the Restructuring, these operations would no longer function as cost centers but would be market competitors responsible for the competitiveness of their own operations.

Set out below are the 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 Acquisition, currently and immediately following completion of the Restructuring.

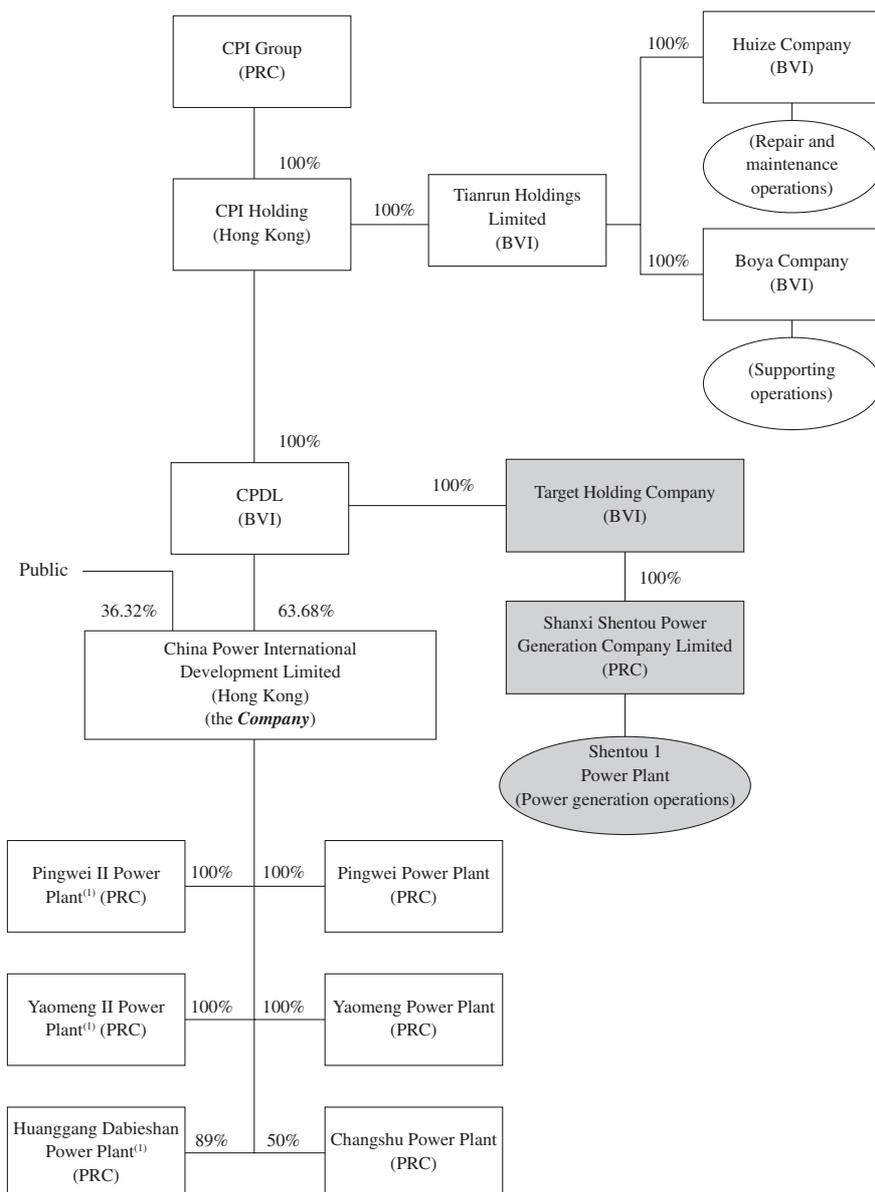
Current corporate structure



Note:

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

Corporate structure immediately following the Restructuring



Note:

- (1) These are planned power plants which are not yet in operation.

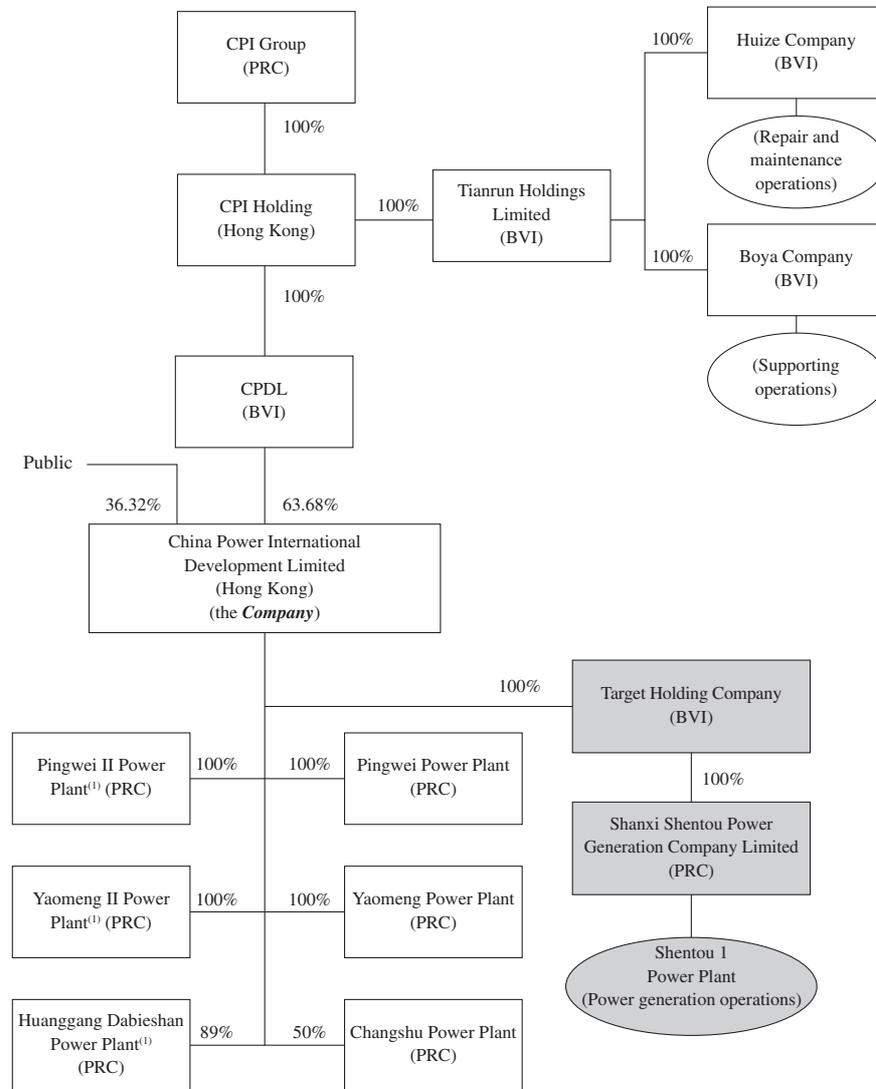
(c) Interest to be acquired

The Company will acquire from CPDL the entire issued share capital of the Target Holding Company, which will, upon the completion of the Restructuring, wholly-own the power generation assets and liabilities of Shentou I Power Plant.

Pursuant to the Acquisition Agreement, the Company, CPI Holding and CPDL also agree that the revenues, profits and losses attributable to the power generation business of Shentou I Power Plant from July 1, 2005 will belong to the Company.

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 Acquisition immediately following completion of the Acquisition:

Corporate structure immediately following completion of the Acquisition



Note:

- (1) These are planned power plants which are not yet in operation.

(d) The Consideration

The purchase price of the Acquisition is RMB560 million, subject to an adjustment in the circumstances set out below after the completion of the Acquisition. Consistent with the Company’s intentions as disclosed in its prospectus issued for the initial public

offering completed in October 2004, the Company intends to use a portion of the proceeds received from the initial public offering to finance the Acquisition. The purchase price of the Acquisition (subject to adjustment after completion of the Acquisition) is payable in cash on completion.

The Acquisition Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The purchase price was determined based on various factors, including the valuation report prepared by China Enterprise Appraisal, an asset appraiser independent from CPI Group and its Associates (using the depreciated replacement costs basis) which valued the net assets of the power generation business of Shentou I Power Plant at approximately RMB502 million as at December 31, 2004, the market environment and the technical and operating conditions of Shentou I Power Plant, and Shentou I Power Plant's earnings potential.

Adjustment to the Purchase Price

Following completion of the Acquisition and in any event no later than the release of the Company's audited financial results for the year ending December 31, 2005, the Company will appoint a certified public accountant to audit the completion accounts of Shentou I Power Plant to be prepared in accordance with Hong Kong GAAP for the period from January 1, 2005 to June 30, 2005 (the "**Completion Accounts**").

The final consideration will be subject to an adjustment according to the Adjusted Net Asset Amounts between December 31, 2004 and June 30, 2005. The "Adjusted Net Asset Amount" as at December 31, 2004 or June 30, 2005, as the case may be, means (a) the net assets of Shentou I Power Plant as at the relevant date, less (b) the net asset value of the Non-Acquired Items as at the relevant date and, less (c) the Converted Loan amount.

The Completion Accounts will set out the net asset value of Shentou I Power Plant on a pre-Restructuring basis, as the Restructuring will not have been completed by June 30, 2005, and will disclose the net asset value of the Non-Acquired Items as of June 30, 2005 (being the relevant assets and liabilities relating to the repair and maintenance and other supporting operations).

If the Adjusted Net Asset Amount as at June 30, 2005 is less than the Adjusted Net Asset Amount as at December 31, 2004, CPDL shall pay such difference to the Company. If the Adjusted Net Asset Amount as at June 30, 2005 is more than the Adjusted Net Asset Amount as at December 31, 2004, subject to a maximum limit of 10% of the Purchase Price, the Company will pay such difference (which shall be no more than RMB56 million under the limit) to CPDL. The adjustment payment should be made in cash within 14 business days after the delivery of the completion accounts by the relevant party.

Please refer to "Financial information" under section 3(b) below for further information on the net asset value of Shentou I Power Plant and the net asset value of the Non-Acquired Items as at December 31, 2004. The relevant amounts for computing the Adjusted Net Asset Amount as at December 31, 2004 will be included in the shareholders' circular to be issued by the Company.

The Board is of the view that the purchase price for the Acquisition payable by the Company and the other terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms and that the Acquisition is in the best interests of the Company and its shareholders as a whole.

(e) Conditions to Completion of the Acquisition

Completion of the Acquisition is conditional upon satisfaction (or waiver) of the following conditions:

- (i) the passing of an ordinary resolution by Independent Shareholders approving the terms of the Acquisition;
- (ii) the obtaining of all necessary approvals from the PRC and other relevant governmental and regulatory authorities for the Acquisition, including the transaction structure and transaction terms, the Restructuring and the incorporation of Shanxi Shentou Power Generation Company Limited;
- (iii) the completion of the Restructuring; and
- (iv) other than pursuant to the Restructuring, there having been no material adverse change to the financial conditions, business operations or prospects of the Target Holding Company and Shentou I Power Plant since December 31, 2004.

Completion of the Acquisition will take place within 10 business days following notification by the Company to CPI Holding and CPDL of the satisfaction (or waiver) of the above-mentioned conditions.

If any of the above-mentioned conditions is or are not satisfied (or in the case of (ii), (iii) or (iv) above, not waived by the Company) by December 31, 2005 or such other date as the Company, CPI Holding and CPDL may agree, the Acquisition Agreement will lapse.

CPI Holding and CPDL are in the process of obtaining all necessary PRC regulatory approvals for the Restructuring and the Acquisition, and have undertaken to incorporate Shanxi Shentou Power Generation Company Limited as a wholly-foreign owned enterprise under the Target Holding Company prior to the completion of the Acquisition. CPI Holding and CPDL do not anticipate any material obstacles in obtaining the approvals and incorporating such company.

2. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition represents a good opportunity for the Company to enlarge its operating scale, expand its geographical scope and promote business development and improve financial performance, so as to benefit from the growth in the power industry in the PRC. In addition, the advantageous location of Shentou I Power Plant in coal-rich Shanxi province will enable the Group to benefit from proximity to coal supply and without the need to pay for long distance transportation or being subject to transportation capacity constraints.

(a) Enlarge operating scale

At present, the Company operates and has a 100% ownership interest in two coal-fired power plants, namely Pingwei Power Plant and Yaomeng Power Plant, and operates Changshu Power Plant in which it has a 50% equity interest. These three power plants have total installed capacity of 3,610 MW, and give the Company installed capacity attributable to its ownership of 3,010 MW in aggregate.

The Acquisition will give the Company additional installed capacity of 1,200 MW, increasing its total installed capacity to 4,810 MW, and installed capacity attributable to its ownership to 4,210 MW in aggregate, representing an increase of approximately 33% and approximately 40% respectively.

Further, the Company currently manages Shentou I Power Plant for CPI Holding pursuant to the management agreement between CPI Group, CPI Holding and the Company effective July 1, 2004, and receives a service fee in return. The Acquisition will enable the Company to leverage its experience gained in the management of Shentou I Power Plant to enhance its financial position and increase its revenue.

In addition, Shentou I Power Plant has resources required for future expansion plans. It has vacant land, water sources and available ash disposal and storage facilities that could be deployed in the future should Shentou I Power Plant wish to expand its power generation capacity by constructing more generation units.

(b) Expand geographical coverage and improve financial and growth prospects

Shentou I Power Plant is located in Shanxi province, and supplies electricity to the Shanxi provincial power grid. Shanxi provincial power grid is a significant grid of the North China Power Grid operated by the North China Power Grid Company. The North China Power Grid Company transmits electricity to the northern regions of China, including the more populous and economically prosperous regions of Beijing and Tianjin.

The Acquisition will expand the geographical coverage of the Company's power operations beyond Anhui, Henan and Jiangsu provinces (where the Company's three existing power plants under operation are located) and expand its service coverage. Currently, Pingwei Power Plant and Changshu Power Plant supply electricity to the East China Power Grid which transmits electricity primarily to the eastern regions of China and Yaomeng Power Plant supplies electricity to the Central Power Grid which transmits electricity primarily to the central regions of China. The Acquisition will expand the Company's service coverage to three interprovincial power grids with the addition of the North China Power Grid, thereby opening up a new market for the Company, improving the Company's growth prospects and enhancing the Company's risk tolerance by diversifying its asset portfolio and market exposure.

(c) Ensure secured supply of coal with lower cost

Shentou I Power Plant is a mine-mouth power plant located in Shanxi province. Shanxi province has abundant coal supply and ranks among the top regions in the PRC for coal production. Shentou I Power Plant's close proximity to coal mines is a significant advantage, considering coal is one of the most important raw materials and fuel cost is a significant component of operating costs of coal-fired power plants, and rising coal price has been one of the challenges faced by coal-fired power plants in recent years. Shentou I Power Plant's advantageous location will enable the Group to benefit from proximity to supply of coal and without the need to pay for long distance transportation cost or being subject to transportation capacity constraints. Currently, Shentou I Power Plant obtains all its coal requirements from producers in Shanxi province and need not rely on State allocation to meet its needs or State-allocated transportation to transport coal.

(d) Improve financial performance

After completion of the Acquisition, Shanxi Shentou Power Generation Company will be a wholly-owned subsidiary of the Company and its financial results will be consolidated into the Company's. Such financial results are expected to contribute to the revenue of the Company due to increased on-grid tariffs and stable generation output owing to expected high power demand. Please refer to section 3 below for more information regarding Shentou I Power Plant.

For the reasons set out above, the Acquisition will be beneficial to the Company. The Company considers it is ideal timing to acquire Shentou I Power Plant now as Shentou I Power Plant fulfils certain key criteria the Company typically uses in selecting power plants and is in line with the Company's overall development strategy. The Company has gained sufficient knowledge and operational experience of Shentou I Power Plant from its management of Shentou I Power Plant on behalf of the Parent Group since July 1, 2004. Further, pursuant to its separation from the operations of the Shanxi provincial power grid and injection into the Parent Group in 2002, Shentou I Power Plant had undergone restructuring to become an independent power producer, and will, upon completion of the Restructuring, be separated from its non-core operations.

3. INFORMATION ON SHENTOU I POWER PLANT

(a) Industry Background and Market Environment

PRC and Shanxi province statistics

As the PRC economy continues to grow, electricity demand and consumption in the PRC is also expected to increase. In 2004, total annual electricity generation in the PRC amounted to 2,197 TWh, an increase of 14.8% from 2003. The gross domestic production of China was RMB13,652 billion in 2004, an increase of 9.5% from 2003.

Shentou I Power Plant is located in Shanxi province in the northern part of China. Shanxi province has a total land area of approximately 156,000 square kilometers and its population at the end of 2004 was approximately 33.4 million people, representing approximately 2.6% of the total population of China.

From 1993 to 2004, Shanxi province's gross domestic production increased from RMB70.4 billion to RMB 304.2 billion, representing a compounded annual growth rate of 14.2%. Its gross industrial value-add in 2004 was RMB156.9 billion.

Shanxi province's electricity supply principally comes from thermal power sources within the province. As at December 31, 2004, the total installed capacity of all power plants in Shanxi province was approximately 17,925 MW. Total power generation in the province amounted to 106.4 TWh and 95.4 TWh in 2004 and 2003 respectively. For the six months ended June 30, 2004, Shanxi province consumed 39.2 TWh of Electricity, an 11.0% increase over the corresponding period in 2003. In 2003, Shanxi province consumed a total of 72.5 TWh of electricity.

Transmission and Dispatch

All electricity generated by power plants in the PRC is dispatched by power grids (except for electricity generated by power plants not connected to a grid). Power plants negotiate with the relevant PRC government agencies to determine the volume of output to be dispatched annually.

The main system for the dispatch, transmission and distribution of power in China consists of five existing interprovincial power grids owned by the State Grid Corporation of China and one interprovincial power grid owned by the China Southern Grid Company, namely:

- (i) East China Power Grid
- (ii) North China Power Grid
- (iii) Central China Power Grid
- (iv) Northeast Power Grid
- (v) Northwest Power Grid
- (vi) Southern Grid

The electricity generated by Shentou I Power Plant is supplied to the Shanxi provincial power grid, which is a significant grid of the North China Power Grid operated by the North China Power Grid Company. The North China Power Grid transmits electricity to the northern regions of China, including the more populous and economically prosperous municipalities of Beijing and Tianjin.

On-grid tariffs

On-grid tariffs for power output in the PRC are determined by a review process involving the relevant provincial price bureaus and the NDRC. Prior to the implementation of the coal price-tariff linked policy effective May 1, 2005, different on-grid tariffs were applicable to planned output and excess output.

In April 2001, the former State Development and Planning Commission (the predecessor to the NDRC) issued guidelines for tariff reforms. Pursuant to the notice, an on-grid tariff setting mechanism, based on the operating term of power plants as well as the average costs of comparable power plants that were constructed during the same period within the same provincial power grid, was gradually implemented.

In addition, in 1998 the PRC government started an experiment to effect power sales through competitive bidding in several provinces, (which did not include provinces in the northern region of China). As the PRC power industry continues to undergo reform, the portion of output subject to competitive bidding on-grid tariffs is expected to increase in the long-term. However, in the past, the on-grid tariffs for power sold through competitive bidding were generally lower than the pre-approved on-grid tariffs for planned output. According to the tariff reform plans of the PRC government, in the long-term, on-grid tariffs are expected to be determined by market competition.

Pursuant to the coal price-tariff linkage policy recently announced by the PRC government which seeks to allow on-grid tariffs to float in line with coal price fluctuations, on-grid tariffs were adjusted nationwide to alleviate coal costs pressure faced by coal-fire power plants.

Coal prices

The allocation of coal used by coal-fired power plants is regulated by the PRC government. Each year, the NDRC sponsors and coordinates annual sales conferences to make allocations for coal purchases which are attended by representatives of coal purchasers and sellers, the railway authorities and the shipping companies. At these conferences, power plants obtain allocations for coal and sign supply contracts with coal producers.

However, power plants that are able to procure coal supply from local sources and do not require State-allocated transportation for coal generally do not need to participate in the NDRC sales conferences for allocation of coal. These power plants may negotiate for coal supply directly with local coal producers. Shentou I Power Plant obtains all its coal requirements locally from producers located in Shanxi province, and does not rely on the NDRC sales conferences for allocation of coal.

Due to PRC government policies announced in 2002 aimed at eliminating guideline prices for coal used in electricity generation and increasing demand for coal with increased industrial production and economic growth, coal prices in PRC have been on an upward trend, as they become more subject to market forces. From time to time, the PRC government has intervened to alleviate cost pressures by adjusting on-grid tariffs for power output or affecting coal prices. For instance, the coal price-tariff linkage policy was recently implemented.

(b) **Overview of the business of Shentou I Power Plant**

Set out below are certain operating data in respect of Shentou I Power Plant provided by the management of Shentou I Power Plant.

Operating data

The following table sets out certain operating data of Shentou I Power Plant for 2004:

	2004
Installed capacity (MW)	1,200
Average utilization hours (hours)	7,008
Gross generation (MWh)	8,409,502
Net generation (MWh)	7,560,135
Equivalent availability factor (%)	87
Net generation standard coal consumption rate (grams/kWh)	383
Planned output (MWh)	5,900,220
Excess output (MWh)	1,659,915

On-grid tariffs

The following table sets out the on-grid tariffs (exclusive of value-added tax) applicable to Shentou I Power Plant, from 2003⁽¹⁾ to the Latest Practicable Date:

	2003	January 1, 2004 to June 14, 2004 (inclusive)	June 15, 2004⁽²⁾ (inclusive) to April 30, 2005	May 1, 2005 (inclusive)⁽³⁾ to the Latest Practicable Date
			<i>(RMB per MWh)</i>	
Planned			133	
Output	118	124		167
Excess			168	

Notes:

- (1) Prior to the power industry restructuring in 2002, Shentou I Power Plant was owned by the State Power Corporation and was managed by the Shanxi Electric Power Corporation as part of the Shanxi provincial grid. Power output supplied by Shentou I Power Plant did not have an applicable tariff. After Shentou I Power Plant was transferred to the CPI Group in 2002, on-grid tariffs applicable for power output supplied by Shentou I Power Plant became regulated and set by the NDRC annually.
- (2) On-grid tariffs were adjusted with effect from June 15, 2004 and a separate on-grid tariff for excess output became applicable for Shentou I Power Plant, pursuant to measures implemented by NDRC to alleviate pressures arising from coal price increases.

- (3) Pursuant to the implementation of the coal-price tariff linkage policy, on-grid tariffs were again adjusted. On-grid tariff for excess output was abolished and a single on-grid tariff became applicable for all output sold by Shentou I Power Plant.

Coal prices

Shentou I Power Plant is a mine-mouth power plant, located within close proximity to major coal producers in Shanxi province. It obtains its coal supply from coal producers in Shanxi province. Its proximity to coal mines helps reduce operating costs by reducing the transportation component in the coal price.

The following table sets out the weighted average standard coal prices (exclusive of value-added tax) of Shentou I Power Plant for the three years ended December 31, 2002, 2003 and 2004 and the three months ended March 31, 2005:

	Year ended December 31,			3 months ended March 31,
	2002	2003	2004	2005
	<i>(RMB per ton)</i>			
Weighted average standard coal price	180	180	182	271

The weighted average standard coal price for Shentou I Power Plant for the first three months ended March 31, 2005 is approximately RMB271 per ton, which is significantly higher than the weighted average standard coal price for 2004. The abnormal increase in coal price was primarily due to a shortage in coal supply as a result of the temporary shutdown of or production restrictions imposed on certain coal mines from which Shentou I Power Plant procures its coal requirements.

Financial information

The following is a summary of the financial results of Shentou I Power Plant (before the Restructuring) for the years ended December 31, 2003 and 2004, as extracted from the financial statements of Shentou I Power Plant prepared in accordance with Hong Kong GAAP for inclusion in the shareholders' circular to be issued by the Company. As the Restructuring is undertaken after December 31, 2004 and has not been completed to date, the summary financial information presented in the table below relate to the entire Shentou I Power Plant, including the repair and maintenance and other supporting operations which would not be acquired by the Company.

	As at/Year ended December 31,	
	2003	2004
	<i>RMB millions</i>	<i>RMB millions</i>
Total assets	807	1,563
Total liabilities	623	782
Net assets	184	781
Turnover	842	1,030
Profit/(Loss)	(54) ⁽¹⁾	114

Note:

- (1) The loss suffered in 2003 was in part due to the low on-grid tariff applicable. On-grid tariff was implemented for Shentou I Power Plant by the NDRC for the first time in 2003 (following the PRC power industry restructuring in 2002) and was fixed by the NDRC at a relatively low level.

The net asset value of the Non-Acquired Items (which would not be acquired by the Company) was approximately RMB 96 million as at December 31, 2004. The assets and liabilities relating to the Non-Acquired Items would also be disclosed in the shareholders' circular to be issued by the Company.

In addition, on June 8, 2005, the Target Holding Company, on behalf of Shanxi Shentou Power Generation Company Limited, the wholly-foreign owned enterprise to be established to hold Shentou I Power Plant, entered into a loan agreement with China Power Finance Company Limited* (中電投財務有限公司), a company wholly-owned by CPI Group, for the sum of RMB 270,295,174, to convert an existing equity contribution of the same amount in Shentou I Power Plant by CPI Group to debt on completion of the Acquisition. When converted, the Converted Loan will increase the total liabilities and reduce the net assets of Shentou I Power Plant. The loan is repayable in full on June 7, 2010. Pursuant to the loan agreement, an aggregate monthly interest plus handling fee of 5.305% per annum is payable. The loan is on normal commercial terms and is not secured by any assets of the Enlarged Group. Pursuant to rule 14A.65(4) of the Listing Rules, the loan is considered financial assistance from a connected person, exempt from reporting, announcement and independent shareholders' approval requirements. For the purpose of the asset valuation report prepared as at December 31, 2004 and submitted to the PRC regulatory authorities for approval, this amount had been included and accounted for as a liability and was taken into account in the valuation of Shentou I Power Plant.

4. RELATIONSHIP WITH CPI GROUP

The Company, whose principal activities are the development, construction, operations and management of power plants, 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. CDPL is an investment

holding company wholly-owned by CPI Holding. As at the Latest Practicable Date, CPI Group, through intermediate holding companies, CPI Holding and CPDL, owned and was entitled to control approximately 63.68% of the issued share capital of the Company.

5. PROSPECTIVE CONNECTED TRANSACTIONS

(a) Introduction

Certain agreements have been entered into by the Target Holding Company with certain members of the Parent Group, which following the Acquisition, will constitute connected transactions between the Parent Group and the Enlarged Group. These transactions are necessary for the continual operations of Shentou I Power Plant following the Restructuring and completion of the Acquisition.

A summary of these Prospective Connected Transactions is as follows:

Prospective Connected Transaction	Term	Enlarged Group	Parties	
			Enlarged Group	Parent Group
Technical repair and maintenance	Date of completion until December 31, 2007	Target Holding Company	Target Holding Company	Huize Company
Fuel and chemical processing	Date of completion until December 31, 2007	Target Holding Company	Target Holding Company	Boya Company
Non-power generation facilities maintenance	Date of completion until December 31, 2007	Target Holding Company	Target Holding Company	Boya Company
Composite ancillary services	Date of completion until December 31, 2007	Target Holding Company	Target Holding Company	Boya Company
Land lease	20 years from July 1, 2005	Target Holding Company	Target Holding Company	CPI Group

Pursuant to the agreements, the parties to the agreements have the right to novate their respective benefits and obligations under the agreements to their wholly-owned subsidiaries. Specific agreements in respect of each of the Prospective Connected Transactions are set out in paragraphs (b) and (c) below.

Pursuant to the Listing Rules, the Prospective Connected Transactions under section 5(b), namely the technical repair and maintenance framework agreement, the fuel and chemical processing serves framework agreement, the non-power generation facilities

maintenance framework agreement and the composite ancillary services framework agreement are subject to the announcement, reporting and Independent Shareholders' approval requirements as the applicable percentage ratios (other than the profits ratio) for these transactions, when aggregated, are on an annual basis more than 2.5%.

As each of the applicable percentage ratios (other than the profits ratio) (as defined in the Listing Rules) for the land lease agreement (aggregated with those entered into by the Enlarged Group with the Parent Group in the last 12 months) is on an annual basis more than 0.1% but less than 2.5%, it is subject to the reporting and announcement requirements but is exempt from Independent Shareholders' approval requirements.

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

Technical Repair and Maintenance Framework Agreement

Background: On June 9, 2005, the Target Holding Company entered into the technical repair and maintenance framework agreement with Huize Company effective from the date of completion of the Acquisition until December 31, 2007. Under the terms of the technical repair and maintenance framework agreement, Huize Company agrees to provide to the Target Holding Company repair and maintenance services for the six power generation units and related power equipment of Shentou I Power Plant. The services to be provided under the agreement include: overhaul services involving detailed inspection, extensive repair and replacement of parts and components of the generation units and recalibration and retuning of power generation units and its related equipment; daily routine repair and maintenance of the power generation units and related power equipment, including protection against frost, heat and other seasonal conditions; calibration of inspection apparatus; extensive repair and maintenance of the power generation units and related power equipment, on a routine, ad hoc or emergency basis; repair and maintenance of power generation and supporting infrastructure; ongoing technical testing to ensure compliance with the relevant PRC requirements and specifications; repair and maintenance consultancy services; plant-grid-dispatch center communications network services; and repair and maintenance technical training.

Pricing: The fees payable to Huize Company for the various repair and maintenance services provided under the technical repair and maintenance services framework agreement shall be:

- the applicable State tariffs set by the PRC government (central and local), if any; and if there are no such stipulated State tariffs,
- prices not exceeding any pricing guidelines or pricing recommendations set by the PRC government (central and local); and if there are no such pricing guidelines or recommendations,
- prices determined in accordance with the prevailing market prices; and if there is no market price for a particular service,

- an agreed price consisting of reasonable cost incurred by Huize Company in providing the service.

Reasons for such transactions: Repair and maintenance of the six power generation units are essential to ensure the safe, effective and efficient operations of Shentou I 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. Huize Company has the relevant technical expertise and specific in-depth knowledge of Shentou I 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 Restructuring. The technical repair and maintenance framework agreement will ensure continuity of reliable service, maximization of the specialized knowledge and experience of Huize Company and the safe, effective and efficient operations of Shentou I Power Plant. Under the technical repair and maintenance agreement, the Target Holding Company has the right to request for and to accept services from third party service providers.

Fuel and Chemical Processing Services Framework Agreement

Background: On June 9, 2005, the Target Holding Company entered into the fuel and chemical processing services framework agreement with Boya Company effective from the date of completion of the Acquisition until December 31, 2007. Under the terms of the fuel and chemical processing services framework agreement, Boya Company agrees to provide fuel and chemical processing services for Shentou I Power Plant's operations. The services to be provided under the fuel and chemical processing services framework agreement include: transportation and unloading of coal; powderization of coal, chemical treatment and purification of water supply; collection and treatment of ash, coal residue and wastes produced from power generation; lime treatment; procurement of steel grinders; and procurement of chemical agents and transportation of chemicals and chemical containers.

Pricing: The fees payable to Boya Company for the various services provided under the fuel and chemical processing services framework agreement shall be:

- the applicable State tariffs set by the PRC government (central and local), if any; and if there are no such stipulated State tariffs,
- prices not exceeding any pricing guidelines or pricing recommendations set by the PRC government (central and local); and if there are no such pricing guidelines or recommendations,
- prices determined in accordance with the prevailing market prices; and if there is no market price for a particular service,
- an agreed price consisting of reasonable cost incurred by Boya Company in providing the service.

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

Reasons for such transactions: Fuel and chemical processing are necessary for Shentou I Power plant's operations. All of Shentou I Power Plant's generation units are fueled by coal. Shentou I Power Plant purchases its coal requirement directly from coal producers in Shanxi province. Raw supply of coal needs to be processed and powdered before it can be used for burning. Water supply used in the burning of coal and generation of power must be chemically treated and purified. 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 Boya Company's specialized experience in handling fuel, water 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 Shentou I Power Plant to procure fuel and chemical processing services from Boya Company as it possesses 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 Shentou I Power Plant to enable efficient and timely services. Under the fuel and chemical processing framework services agreement, the Target Holding Company has the right to request for and to accept services from third party service providers.

Non-power Generation Facilities Maintenance Framework Agreement

Background: On June 9, 2005, the Target Holding Company entered into the non-power generation facilities maintenance framework agreement with Boya Company effective from the date of completion of the Acquisition until December 31, 2007. Under the terms of the non-power generation facilities maintenance framework agreement, Boya Company agrees to provide maintenance services for the facilities and equipment (not including power generation units and related power equipment) of Shentou I Power Plant. The services to be provided under the agreement include: cleaning, maintenance and repair of ash yards, ash residue yards and ash disposal system, coal yard sand adjoining roads, internal rail tracks, waterway and water pipes, transmission poles, yards and interiors of generation rooms, sewage systems, ducted heating systems, underground power lines, electrical supply equipment, cooling towers, fire safety systems; temperature control for facilities and equipment; procurement of facilities and equipment spare parts; and providing anti-corrosion protection to operations facilities.

Pricing: The fees payable to Boya Company for the provision of services under the non-power generation facilities maintenance framework agreement shall be:

- the applicable State tariffs set by the PRC government (central and local), if any; and if there are no such stipulated State tariffs,
- prices not exceeding any pricing guidelines or pricing recommendations set by the PRC government (central and local); and if there are no such pricing guidelines or recommendations,

- prices determined in accordance with the prevailing market prices; and if there is no market price for a particular service,
- an agreed price consisting of reasonable cost incurred by Boya Company in providing the service.

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

Reasons for such transactions: Facilities maintenance, repair and cleaning services are necessary for the normal and day to day operations of Shentou I Power Plant. The Company believes that it is in the best interests Shentou I Power Plant to procure these services from Boya Company as it has special strengths that independent third-party service providers generally do not possess, such as having the requisite power industry knowledge and understanding of Shentou I Power Plant's facilities and being conveniently located in close proximity to Shentou I Power Plant to enable efficient and timely services. Under the non-power generation facilities maintenance framework agreement, the Target Holding Company has the right to request for and to accept services from third party service providers.

Composite Ancillary Services Framework Agreement

Background: On June 9, 2005, the Target Holding Company entered into the composite ancillary services framework agreement with Boya Company effective from the date of completion of the Acquisition until December 31, 2007. Under the terms of the composite ancillary services framework agreement, Boya Company agrees to provide to Shentou I Power Plant ancillary services which are necessary to facilitate the operations of Shentou I Power Plant. The services to be provided under the agreement include: security and surveillance; fire safety; roads, buildings and environmental sanitation, greening and maintenance; general office supplies procurement; meals catering; maintenance of water and electricity supply and heating systems; printing and marketing; transportation arrangements for employees; provision of medical care for employees; conference room and meeting facilities; postal delivery and dispatch; human resources and labor recruitment.

Pricing: The fees payable to Boya Company for services provided under the composite ancillary services framework agreement shall be:

- the applicable State tariffs set by the PRC government (central and local), if any; and if there are no such stipulated State tariffs,
- prices not exceeding any pricing guidelines or pricing recommendations set by the PRC government (central and local); and if there are no such pricing guidelines or recommendations,
- prices determined in accordance with the prevailing market prices; and if there is no market price for a particular service,
- an agreed price consisting of reasonable cost incurred by Boya Company in providing the service.

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

Reasons for such transactions: These ancillary services are required by Shentou I Power Plant to facilitate its business operations. The Company believes that it is in the best interest of Shentou I Power Plant to procure these ancillary services from Boya Company as Boya Company has 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 Shentou I Power Plant to enable efficient and timely services. Under the composite ancillary services framework agreement, the Target Holding Company has the right to request for and to accept services from third party service providers.

(c) Prospective Connected Transaction exempt from Independent Shareholders' approval requirements

Land lease agreement

Background: On June 9, 2005, the Target Holding Company entered into the land lease agreement with CPI Group to lease approximately 2,925,019.15 square meters of land from CPI Group, for a term of 20 years commencing from July 1 2005. The annual rent for the period up to 31 December 2007 is fixed at RMB4.94 million. The rental amount is subject to review by the parties on the expiration of the period and independent valuation.

Reason for such transactions: The land Shentou I Power Plant is situated on is allocated by the State to CPI Group, Entering into the land lease agreement is necessary to ensure that, following the Acquisition, Shentou I Power Plant can continue to operate on the land.

The annual rental payable is determined by reference to market rates. CLSA, the Company's independent financial adviser will review the land lease agreement and its 20 year term to confirm it is normal business practice for contracts of this type to be of such duration. Please refer to the shareholders' circular to be issued for this Acquisition for more information.

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

For the reasons set out in the foregoing, the Directors of the Company, are of the view that the above Prospective Connected Transactions are and will be conducted on normal commercial terms that are no less favourable to the Enlarged Group than terms available from independent third party service providers, are fair and reasonable so far as the Enlarged Group are concerned and are in the interests of the Company and its shareholders of as a whole.

6. COMPLIANCE WITH THE LISTING RULES

Following completion of the Acquisition, the Enlarged Group will enter into the Prospective Connected Transactions that are continuing in nature and described in section 5 above. Such transactions would constitute continuing connected transactions for the Company under the Listing Rules for so long as the relevant members of the Parent Group remain connected persons within the meaning of the Listing Rules.

These transactions will be entered into for the first time in 2005, following the Restructuring and completion of the Acquisition. Prior to the Restructuring, Shentou I Power Plant satisfied its needs for services provided under the respective agreements internally. As such, there are no historical values for these Prospective Connected Transactions. However, purely for information purposes only, the historical amounts of operating expenses Shentou I Power Plant spent on repair and maintenance services (to which the technical repair and maintenance framework agreement relates) and on other supporting services (to which the fuel and chemical process framework agreement, non-power generation facilities maintenance framework agreement and composite ancillary services framework agreement relate) are approximately RMB66 million and approximately RMB82 million respectively. These historical operating expenses are calculated from the financial information for year ended 2004 based on the staff costs associated with the related workforce to be transferred to Huize Company and Boya Company respectively and the depreciation expenses associated with the Non-Acquired Items to be transferred to Huize Company and Boya Company respectively. As they are prepared on cost-based assumptions and do not correspond to pricing mechanisms used for the Prospective Connected Transactions going forward, these historical amounts shall not necessarily be read as an indication of future transaction amounts.

Set out below are the aggregate annual caps for the years ending December 31, 2005, 2006, and 2007 applicable for transactions entered and to be entered into between (i) the Target Holding Company or its subsidiaries and (ii) members within the Parent Group pursuant to the following agreements, and the basis of determining such aggregate annual caps:

Prospective Connected Transactions	Annual Cap (RMB millions)			Basis of determination of the annual cap
	2005	2006	2007	
Technical repair and maintenance framework agreement	68	68	68	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, the expected time costs of expertise labor required, the complexity of the repair and maintenance works involved, and/or 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 plus a buffer to take into account any unexpected factors.
Fuel and chemical processing services framework agreement	24	24	24	The annual caps are determined by the Company after taking into account Shentou I Power Plant's expected coal consumption with reference to the expected power generation level, its requirements for fuel and chemical processing services and/or 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 plus a buffer to take into account any unexpected factors.
Non-power generation facilities maintenance framework agreement	39	39	39	The annual caps are determined with reference to the age, condition and repair and maintenance requirements of each facility and equipment, the expected time costs of labor required, and/or 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 plus a buffer to take into account any unexpected factors.

Prospective Connected Transactions	Annual Cap (RMB millions)			Basis of determination of the annual cap
	2005	2006	2007	
Composite ancillary services framework agreement	19	19	19	The annual caps are determined with reference to Shentou I Power Plant's requirements for ancillary services and/or 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 plus a buffer to take into account any unexpected factors.
Land lease agreement	4.94	4.94	4.94	The annual caps are determined based on the annual rental payable which have been confirmed by the independent property valuer to be fair and reasonable.

7. APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND EXTRAORDINARY GENERAL MEETING

As at the Latest Practicable Date, CPDL owned approximately 63.68% 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 Group and its Associates (including CPI Holding and CPDL) are substantial shareholders and connected persons of the Company within the meaning of the Listing Rules, the Acquisition constitutes a connected transaction for the Company. The Acquisition exceeds 25% but is below 100% of the applicable percentage ratios under Rule 14.07 of the Listing Rules and constitutes also a major transaction for the Company.

Further, the Prospective Connected Transactions under section 5(b), when aggregated, on an annual basis exceed 2.5% of the applicable percentage ratios under Rule 14A.34 of the Listing Rules.

The Acquisition and the Prospective Connected Transactions under section 5(b) 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 Acquisition and the Prospective Connected Transactions, will abstain from voting on the ordinary resolution to approve the terms of the Acquisition and the Prospective Connected Transactions under section 5(b). Any vote of the Independent Shareholders at the EGM shall be taken by poll.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Acquisition and the Prospective Connected Transactions under section 5(b). CLSA has been retained as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders.

A circular, containing, amongst other things, details of the terms of the Acquisition and the Prospective Connected Transactions, letters from the Independent Board Committee and from CLSA, further financial and other information of the Target Holding Company and Shentou I Power Plant, and a notice to shareholders of the Company convening an Extraordinary General Meeting to approve the terms of the Acquisition and the Prospective Connected Transactions under section 5(b) 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

“Acquisition”	the proposed acquisition by the Company of the entire equity interest in the Target Holding Company pursuant to the Acquisition Agreement, as further described in this announcement
“Acquisition Agreement”	the conditional sale and purchase agreement dated June 9, 2005 entered into by the Company, CPI Holding and CPDL relating to the Acquisition
“Associate”	has the meaning given to it by the Listing Rules
“Board”	the board of directors of the Company
“Boya Company”	Boya Development Limited (博亞發展有限公司*), a company incorporated in the BVI on March 31, 2005
“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
“CLSA”	CLSA Equity Capital Markets Limited, the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders on the Acquisition and the Prospective Connected Transactions requiring Independent Shareholders’ approval
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“Converted Loan”	the equity contribution made by CPI Group to Shentou I Power Plant to be converted to debt after the date of this announcement, details of which are set in “Financial information” under section 3(b) of this announcement

“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding which holds approximately 63.68% in the Company
“CPI Group”	China Power Investment Corporation* 中國電力投資集團公司, 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 and a wholly-owned subsidiary of CPI Group
”Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on a date to be announced, or any adjournment thereof
“Enlarged Group”	the Company, its subsidiaries and the Target Holding Company
“excess output”	the amount by which the total output of a power plant in a particular year exceeds its planned output for such a year but does not include any output subject to competitive bidding
“Huanggang Dabieshan Power Plant”	the planned power plant to be wholly-owned by 黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Generating Company Limited*)
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong GAAP”	accounting principles generally accepted in Hong Kong
“Huize Company”	Huize Development Limited (匯澤發展有限公司), a company incorporated in the BVI on March 31, 2005
“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, formed to advise the Independent Shareholders in respect of the terms of the Acquisition
“Independent Shareholders”	shareholders of the Company other than CPI Group and its Associates
“installed capacity”	the manufacturers’ rated power output of a generating unit or a power plant, usually denominated in MW
“Latest Practicable Date”	June 6, 2005, being the latest practicable date prior to the publication of this announcement for ascertaining certain information contained herein

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt. One million watts.
“NDRC”	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the PRC* (previously known as the State Development and Planning Commission))
“Non-Acquired Items”	the relevant assets and liabilities relating to the repair and maintenance and other supporting operations (more particularly described in “The Restructuring” under section 1(b) of this announcement) and which will not be acquired by the Company
“Parent Group”	CPI Group and its subsidiaries. Unless otherwise expressly stated or the context otherwise requires, references to “Parent Group” exclude the Listed Group and the Target Group
“planned output”	the actual amount of electricity sold by a power plant in accordance with annually determined target gross generation level in a particular year
“Pingwei Power Plant”	the power plant wholly-owned by 安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Generating Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC
“Pingwei Power Plant II”	the planned power plant 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*)
“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
“Prospective Connected Transactions”	the connected transactions between the Enlarged Group and the Parent Group described in “Prospective Connected Transactions” under Section 5 in this announcement
“RMB”	Renminbi, the lawful currency of China
“Restructuring”	has the meaning given to it in “The Restructuring” under section 1(b) of this announcement

“Shentou I Power Plant”	山西神頭第一發電廠 (Shanxi Shentou Number 1 Power Plant*) situated in Shentou town, Shuozhou city, Shanxi province comprising the power generation, repair and maintenance and supporting operations prior to the Restructuring, and only the power generation operations immediately after completion of the Restructuring
“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
“Target Holding Company”	Tianze Development Limited (天澤發展有限公司), a company incorporated in the British Virgin Islands on 31 March 2005
“TWh”	terawatt-hour. One billion kilowatt-hour, which is the standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“Yaomeng Power Plant	the power plant wholly owned by 平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Power Generating Company Limited*), a wholly owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC
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*)

** 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 1.0632, being the exchange rate prevailing on the Latest Practicable Date. 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
Wang Binghua
Chairman

Hong Kong, 9 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.