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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 Company entered into the Supplemental Management Agreement on 1 September 2006 with CPI Group and CPI Holding to amend certain terms in the Management Agreement, including, inter alia, making changes to the list of managed power plants and corresponding adjustments to the service fee.

The Board further announces that the Company entered into the Property Lease Agreement on 1 September 2006 with CPI Holding.

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 and CPI Holding is a wholly owned subsidiary of CPI Group. As such, CPI Group and CPI Holding are connected persons of the Company as defined in the Listing Rules. Accordingly, the Supplemental Management Agreement and the Property Lease Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The maximum annual service fee (including any profit margin component) payable by CPI Group and CPI Holding to the Company as adjusted under the Supplemental Management Agreement for the year ending 31 December 2006 and for 31 December 2007 is estimated to be RMB14,196,000 (equivalent to approximately HK\$13,782,524) and RMB11,388,000 (equivalent to approximately HK\$11,056,310) respectively, both of which fall below 2.5% of the applicable percentage ratios (other than the profits ratio) as defined in Rule 14A.10 of the Listing Rules. Accordingly, the Supplemental Management Agreement falls within Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rule 14A.45 but exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Supplemental Management Agreement will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

The rent payable by the Company to CPI Holding under the Property Lease Agreement amounts to US\$489,600 (equivalent to approximately HK\$3,804,192) for the period from 1 September 2006 to 31 December 2006; US\$1,468,800 (equivalent to approximately HK\$11,412,576) for each of the two financial years ending 31 December 2007 and 2008, and US\$979,200 (equivalent to approximately HK\$7,608,384) for the eight months ending 31 August 2009. The maximum annual rent of US\$1,468,800 (equivalent to approximately HK\$11,412,576) therefore falls below 2.5% of the applicable percentage ratios (other than the profits ratio) as defined in Rule 14A.10 of the Listing Rules. Accordingly, the Property Lease Agreement falls within Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rule 14A.45 but exempt from the independent shareholders' approval requirements under the Listing Rules. Details of the Property Lease Agreement 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 Supplemental Management Agreement and the Property Lease Agreement are entered into in the ordinary and usual 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 SUPPLEMENTAL MANAGEMENT AGREEMENT

Date: 1 September 2006

Parties: The Company, CPI Group and CPI Holding

Terms: Pursuant to the Supplemental Management Agreement, the parties agreed to amend the Management Agreement to add CPI Wuhu Power Plant and delete Shentou I Power Plant from the list of managed power plants and adjust the service fee payable to the Company in accordance with the formula provided therein due to an adjustment to the total installed capacity of the managed power plants.

Basis of and reason for the adjustment

As disclosed in the prospectus of the Company dated 4 October 2004, the Company entered into the Management Agreement on 27 August 2004 with CPI Group and CPI Holding for a term of 3 years commencing from 1 July 2004 pursuant to which the Company would manage Qinghe Power Plant, Shentou I Power Plant, Guixi Power Plant, Shaxikou Power Plant, Wuhu Shaoda Power Plant and Hongze Power Plant in return for a service fee.

The service fee payable by CPI Group and CPI Holding to the Company under the Management Agreement consists of the following three components:

1. management costs in the sum of RMB12,000,000 (covering the set-up, operational and other recurrent items to be incurred by the Company in managing the power plants)(the "Management Costs");

2. a premium to cover estimated risks set at 15% of the Management Costs; and
3. a profit/loss margin which is an incentive/penalty calculated by reference to the confirmed results of the power plants under management but which shall not exceed 15% of the Management Costs.

The first two components of the service fee are payable monthly in arrears. The profit/loss margin component is payable based on the annual evaluation of performance of the management but no later than 90 days after the end of each year.

The service fee (excluding the profit/loss margin component) payable by CPI Group and CPI Holding may be adjusted according to changes in the total installed capacity of the power plants under management. The formula for adjustment is as follows:

$$\text{New monthly service fee} = \frac{\text{Service fee for the previous month}}{\text{Total installed capacity of the managed power plants before adjustment}} \times \frac{\text{Total installed capacity of the managed power plants after adjustment}}{\text{Total installed capacity of the managed power plants before adjustment}}$$

The service fee (excluding the profit/loss margin component) before the adjustment was RMB13,800,000 per annum (equivalent to HK\$13,398,058 per annum) (or RMB1,150,000 per month) (equivalent to HK\$1,116,505 per month).

The total installed capacity of the managed power plants as at the date of the Management Agreement was 3,465MW. Due to (1) the acquisition by the Company of Shentou I Power Plant (with installed capacity of 1200MW) in 2005, (2) the increase of installed capacity Hongze Power Plant by 15MW from previously 15MW, and (3) the addition of CPI Wuhu Power Plant (having an installed capacity of 250MW) to the list of the managed power plants, the current total installed capacity of the managed power plants is 2,530MW. The installed capacity of the six managed power plants are: Qinghe Power Plant (1,200MW), Guixi Power Plant (500MW), Shaxikou Power Plant (300MW), Wuhu Shaoda Power Plant (250MW), CPI Wuhu Power Plant (250MW) and Hongze Power Plant (30MW). Under the Supplemental Management Agreement, the service fee (excluding the profit/loss margin component) is adjusted accordingly to RMB10,074,000 per annum (equivalent to HK\$9,780,582 per annum) or RMB839,500 per month (equivalent to HK\$815,048 per month) and the list of the managed power plants as set out in the Management Agreement are amended in accordance with the changes set out above.

The service fee is adjusted in accordance with the formula contained in the Management Agreement and the Directors, including the independent non-executive Directors, are of the view that such fee and the other terms of the Supplemental Management Agreement are no less favourable to the Group than the terms available from independent third parties.

It was disclosed in the prospectus of the Company dated 4 October 2004 that the aggregate annual value in respect of the Management Agreement for the year ending 31 December 2006 would not exceed RMB20,000,000. It is expected that the aggregate annual value for the year ending 31 December 2006 will not exceed RMB14,196,000 (equivalent to approximately HK\$13,782,524) pursuant to the amendments under the Supplemental Management Agreement whilst the annual value for the year ending 31 December 2007 will not exceed RMB11,388,000 (equivalent to approximately HK\$11,056,310).

As disclosed in the 2005 annual report of the Company, the service fee (including the profit margin component) paid to the Company under the Management Agreement during the year ended 31 December 2005 amounted to HK\$13,972,115. The service fee (including the profit margin component) accrued to the Company under the Management Agreement for the eight-month period ended 31 August 2006 should not exceed RMB9,200,000 (equivalent to HK\$8,932,038).

2. THE PROPERTY LEASE AGREEMENT

Date: 1 September 2006

Parties: The Company and CPI Holding

Terms:

Address of premises	Area of premises	Use	Annual Rent	Lease Term
Premises on 7th , 8th, 9th, 11th to 13th Floors, East Building, Huihuang Shidai Plaza, 56 North West Fourth Ring Road, Haidian District, Beijing PRC	6,800 square metres	Office	US\$1,468,800 (equivalent to approximately HK\$11,412,576) or US\$18 per square metre per month (equivalent to approximately HK\$140 per square metre per month)	1 September 2006 to 31 August 2009

Reason for the transaction

The premises being rented under the Property Lease Agreement to be used by the Company as its office. The rent is determined after arm's length negotiations and is more favourable than the market rent for other comparable office buildings and the Directors are, including the independent non-executive Directors, of the view that the terms of the Property Lease Agreement are no less favourable to the Group than the terms available from independent third parties.

PRINCIPAL BUSINESS OF THE GROUP, CPI GROUP AND CPI HOLDING

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 4,870 MW and an installed capacity attributable to the Company of 4,255 MW. Pursuant to the Management Agreement (as amended by the Supplemental Management Agreement), the Company also manages six other power plants on behalf of CPI Group and CPI Holding, both being its controlling shareholders.

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 Holding is a wholly-owned subsidiary of CPI Group.

LISTING RULES REQUIREMENTS

The maximum annual service fee (including any profit margin component) payable by CPI Group and CPI Holding to the Company as adjusted under the Supplemental Management Agreement for the year ending 31 December 2006 and for 31 December 2007 is estimated to be RMB14,196,000 (equivalent to approximately HK\$13,782,524) and RMB11,388,000 (equivalent to approximately HK\$11,056,310) respectively, both of which fall below 2.5% of the applicable percentage ratios (other than the profits ratio) as defined in Rule 14A.10 of the Listing Rules. Accordingly, the Supplemental Management Agreement falls within Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rule 14A.45 but exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Supplemental Management Agreement will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

The rent payable by the Company to CPI Holding under the Property Lease Agreement amounts to US\$489,600 (equivalent to approximately HK\$3,804,192) for the period from 1 September 2006 to 31 December 2006; US\$1,468,800 (equivalent to approximately HK\$11,412,576) for each of the two financial years ending 31 December 2007 and 2008, and US\$979,200 (equivalent to approximately HK\$7,608,384) for the eight months ending 31 August 2009. The maximum annual rent US\$1,468,800 (equivalent to approximately HK\$11,412,576) therefore falls below 2.5% of the applicable percentage ratios (other than the profits ratio) as defined in Rule 14A.10 of the Listing Rules. Accordingly, the Property Lease Agreement falls within Rule 14A.34 of the Listing Rules and is subject to the reporting and announcement requirements set out in Rule 14A.45 but exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Property Lease Agreement 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 Supplemental Management Agreement and the Property Lease Agreement are entered into in the ordinary and usual 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
“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 Wuhu Power Plant”	中電國際(蕪湖)發電有限責任公司 (CPI (Wuhu) Power Generating Company Limited*)
“Director(s)”	the director(s) of the Company
“GW”	gigawatt, one million kilowatts
“Group”	the Company and its subsidiaries
“Guixi Power Plant”	江西貴溪火力發電廠 (Jiangxi Guixi Coal-Fired Power Plant*)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongze Power Plant”	中電洪澤熱電有限公司 (Zhongdian Hongze Thermal Company Limited*)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MW”	megawatt, that is, one million watts
“Management Agreement”	an agreement entered into by the Company, CPI Group and CPI Holding on 27 August 2004 pursuant to which the Company manage various power plants for CPI Group and CPI Holding
“PRC”	the People’s Republic of China

“Property Lease Agreement”	a property lease agreement entered into by the Company and CPI Holding on 1 September 2006 in relation to certain premises at East Building, Huihuang Shidai Plaza, 56 North West Fourth Ring Road, Haidian District, Beijing PRC
“RMB”	Renminbi, the lawful currency of the PRC and for the purpose of this announcement, Renminbi is translated into Hong Kong dollars at a fixed rate of RMB1.03 = HK\$1.00
“Qinghe Power Plant”	遼寧清河發電有限責任公司 (Liaoning Qinghe Electric Power Generating Company Limited*)
“Shaxikou Power Plant”	福建沙溪口水力發電廠 (Fujian Shaxikou Hydro-Power Plant*)
“Shentou I Power Plant”	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Management Agreement”	a supplemental agreement to the Management Agreement entered into between the Company, CPI Group and CPI Holding on 1 September 2006
“US\$”	United States dollars, the lawful currency of the United States of America and for the purpose of this announcement, United States dollar is translated into Hong Kong dollars at a fixed rate of US\$1.00 = HK\$7.77
“Wuhu Shaoda Power Plant”	蕪湖兆達電力開發有限公司 (Wuhu Shaoda Power Development Company Limited*)

By Order of the Board

Li Xiaolin

Vice-Chairman and Chief Executive Officer

Hong Kong, 1 September 2006

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*