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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)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 21 December 2006, each of Pingwei Power Plant II and Yaomeng Power Plant II has entered into the Pingwei Purchase Agreement and Yaomeng Purchase Agreement with the Supplier respectively pursuant to which each of Pingwei Power Plant II and Yaomeng Power Plant II agrees to purchase from the Supplier the Materials.

Since the Supplier is a subsidiary of the CPI Holding and is held by CPI Holding and its wholly owned subsidiary as to 60%, and CPI Holding wholly owns CPDL which is a substantial shareholder of the Company holding approximately 55.38% of the issued share capital of the Company, the Supplier is a connected person of the Company under Chapter 14A of the Listing Rules. The Purchase Agreements constitute continuing connected transactions of the Company.

Since the applicable percentage ratios under Rule 14A.34 of the Listing Rules in respect of the aggregate annual cap for the purchase of the Materials under the Purchase Agreements falls below 2.5%, the Purchase Agreements are only subject to reporting and announcement requirements but exempt from the independent shareholders' approval. Details of the Purchase Agreements will be included in the next published annual report and accounts of the Company pursuant to Rules 14A.45 and 14A.46 of the Listing Rules.

PURCHASE AGREEMENTS

1. PINGWEI PURCHASE AGREEMENT

Date: 21 December 2006

Parties: Supplier: 北京中電環境工程有限公司 (Beijing China Power Environmental Engineering Company Limited*), a subsidiary of CPI Holding

Purchaser: Pingwei Power Plant II, a wholly owned subsidiary of the Company

Terms of the Pingwei Purchase Agreement

Under the Pingwei Purchase Agreement, Pingwei Power Plant II agrees to purchase from the Supplier the Materials for a term commencing from 15 January 2007 and ending on 31 December 2009.

The purchase price of the Materials is calculated on a cost plus profit basis and shall be determined by the parties each year by reference to the market condition and costs of production. It is agreed that for the year ending 15 January 2008, the purchase price of the Materials shall be RMB265 (equivalent to approximately HK\$262) per ton which is determined based on a cost plus a not more than 15% gross profit margin and for the remaining term of the Pingwei Purchase Agreement, the purchase price of the Materials shall not exceed an amount equal to a cost plus a not more than 10% gross profit margin, which will be determined on arm's length, with reference to the market condition and costs of production. The total purchase price under the Pingwei Purchase Agreement for each of the two years ending 15 January 2008 and 2009 shall not exceed RMB18,500,000 (equivalent to approximately HK\$18,316,832) and the total purchase price for the period from 16 January 2009 to 31 December 2009 shall not exceed RMB18,500,000 (equivalent to approximately HK\$18,316,832). It is anticipated that the annual cap for each of the three financial years ending 31 December 2009 is RMB18,500,000 (equivalent to approximately HK\$18,316,832).

Pingwei Power Plant II is currently still under construction. As such, there is no historical value for the transaction in relation to the purchase of the Materials. The annual cap under the Pingwei Purchase Agreement is determined by the Company after taking into account the expected total number of hours of operation of the generating units, the composition of the coal, the specifications of the Materials and the expected requirements of the desulphurisation facilities in Pingwei Power Plant II.

Pursuant to the Pingwei Purchase Agreement, Pingwei Power Plant II will deposit certain sums to the Supplier as prepayment of the Materials which may be used (i) to procure raw materials, equipment and tools for the production of the Materials by the Supplier and (ii) to settle the purchase price of the Materials supplied provided that:

- (i) the balance of the prepaid amount shall not exceed RMB5,000,000 (equivalent to approximately HK\$4,950,495) within 10 days from the execution of the agreement;
- (ii) the balance of the prepaid amount shall not exceed RMB8,000,000 (equivalent to approximately HK\$7,920,792) within three months from the execution of the agreement; and
- (iii) thereafter the balance of the prepaid amount shall not exceed RMB10,000,000 (equivalent to approximately HK\$9,900,990).

Pingwei Power Plant II shall settle the purchase price of the Materials on a monthly basis by deducting the same from the prepayment and pay any shortfall in cash if the total purchase price exceeds the prepaid amount. The Directors are of the view that this prepayment will help to secure the stable supply of the Materials.

Under the Pingwei Purchase Agreement, the prepaid amounts will be deposited in a designated account of the Supplier. Pingwei Power Plant II is entitled to supervision rights over the use of the prepaid amounts. To ensure the prepaid amounts will be properly used for procurement of raw materials, equipment and tools for production of the Materials by the Supplier, the Pingwei Purchase Agreement provides for the following manner of supervision and management:

- (i) the Supplier will provide accounts and documents relating to the procurement of raw materials to Pingwei Power Plant II on a monthly basis. Pingwei Power Plant II will supervise the use of the prepaid amounts on the basis of the accounting entries and/or appoint its representative to conduct on-site supervision; and
- (ii) in the event that the Supplier has misused any portion of the prepayment, the Supplier shall be required to make up the shortfall, failing which Pingwei Power Plant II has the right to terminate the Pingwei Purchase Agreement and is entitled to demand for the repayment of the whole or part of the prepaid amounts.

2. YAOMENG PURCHASE AGREEMENT

Date: 21 December 2006

Parties: Supplier: 北京中電環境工程有限公司 (Beijing China Power Environmental Engineering Company Limited*), a subsidiary of CPI Holding

Purchaser: Yaomeng Power Plant II, a wholly owned subsidiary of the Company

Terms of the Yaomeng Purchase Agreement

Under the Yaomeng Purchase Agreement, Yaomeng Power Plant II agrees to purchase from the Supplier the Materials for a term commencing from 10 September 2007 and ending on 31 December 2009.

The purchase price of the Materials is calculated on a cost plus profit basis and shall be determined by the parties each year by reference to the market condition and costs of production. It is agreed that for the year ending 10 September 2008, the purchase price of the Materials shall be RMB265 (equivalent to approximately HK\$262) per ton which is determined based on a cost plus a not more than 15% gross profit margin and for the remaining term of the Yaomeng Purchase Agreement, the purchase price of the Materials shall not exceed an amount equal to a cost plus a not more than 10% gross profit margin, which will be determined on arm's length, with reference to the market condition and costs of production. The total purchase price under the Yaomeng Purchase Agreement for each of the two years ending 10 September 2008 and 2009 shall not exceed RMB20,000,000 (equivalent to approximately HK\$19,801,980.20) and the total purchase price for the period from 11 September 2009 to 31 December 2009 shall not exceed RMB20,000,000 (equivalent to approximately HK\$19,801,980.20). It is anticipated that the annual cap for the each of the three financial years ending 31 December 2009 is RMB20,000,000 (equivalent to approximately HK\$19,801,980.20).

Yaomeng Power Plant II is currently still under construction. As such, there is no historical value for the transaction in relation to the purchase of the Materials. The annual cap under the Yaomeng Purchase Agreement is determined by the Company after taking into account the total number of hours of operation of the generation units, the composition of the coal and the specifications of the Materials and the expected requirements of the desulphurization facilities in Yaomeng Power Plant II.

Pursuant to the Yaomeng Purchase Agreement, Yaomeng Power Plant II will deposit certain sums to the Supplier as prepayment of the Materials which may be used (i) to procure raw materials, equipment and tools for production of the Materials by the Supplier and (ii) to settle the purchase price of the Materials supplied provided that:

- (i) the balance of the prepaid amount shall not exceed RMB5,000,000 (equivalent to approximately HK\$4,950,495) within 10 days from the execution of the agreement;
- (ii) the balance of the prepaid amount shall not exceed RMB8,000,000 (equivalent to approximately HK\$7,920,792) within three months from the execution of the agreement; and
- (iii) thereafter the balance of the prepaid amount shall not exceed RMB10,000,000 (equivalent to approximately HK\$9,900,990).

Yaomeng Power Plant II shall settle the purchase price of the materials on a monthly basis by deducting the same from the prepayment and pay any shortfall in cash if the total purchase price exceeds the prepaid amount. The Directors are of the view that this prepayment will help to secure the stable supply of the Materials.

Under the Yaomeng Purchase Agreement, the prepaid amount will be deposited in a designated account of the Supplier. Yaomeng Power Plant II is entitled to supervision rights over the use of the prepaid amount. To ensure the prepaid amounts will be properly used for procurement of raw materials, equipment and tools for production of the Materials by the Supplier, the Yaomeng Purchase Agreement provides for the following manner of supervision and management:

- (i) the Supplier will provide accounts and documents relating to the procurement of raw materials to Yaomeng Power Plant II on a monthly basis. Yaomeng Power Plant II will supervise the use of the prepaid amounts on the basis of the accounting entries and/or appoint its representative to conduct on-site inspection; and
- (ii) in the event that the Supplier has misused any portion of the prepayment, the Supplier shall be required to make up the shortfall, failing which Yaomeng Power Plant II has the right to terminate the Yaomeng Purchase Agreement and is entitled to demand for the repayment of the whole or part of the prepaid amounts.

REASONS FOR AND BENEFITS OF THE PURCHASE AGREEMENTS

The principal business of the Group is the development, construction, operation and management of large power plants in the PRC.

The Supplier is principally engaged in the development, production and sale of environmentally-friendly materials used in power generation-related processes including desulphurisation and the provision of technical consultancy services and technical training.

The Materials are required for the operation of the desulphurization systems of Pingwei Power Plant II and Yaomeng Power Plant II. The Supplier has not conducted any prior transaction with the Group for the sale and purchase of the Materials. The Supplier is the only available producer of the Materials within 100 kilometres from Pingwei Power Plant II and Yaomeng Power Plant II. The Directors are of the view that purchasing the Materials from any supplier further than 100 kilometres will not be cost effective due to the transportation costs. The Purchase Agreements contain the prepayment provisions which will secure reliable and timely supply of quality Materials to the Group from the Supplier and the efficient operations of desulphurisation facilities of Pingwei Power Plant II and Yaomeng Power Plant II. The Directors consider that in view of the high level of the costs of investment of the production facilities and the unique application of the Materials, prepayment provisions are normal commercial terms of any agreements for the purchase of the same.

The Directors (including the independent non-executive Directors) confirm that the Purchase Agreements were entered into by the parties after arm's length negotiation and upon normal commercial terms. The Directors (including the independent non-executive Directors) are also of the opinion that the terms of the Purchase Agreements and the annual caps set out therein are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

IMPLICATION OF THE LISTING RULES

Since the Supplier is a subsidiary of the CPI Holding and is held by CPI Holding and its wholly owned subsidiary as to 60%, and CPI Holding wholly owns CPDL which is a substantial shareholder of the Company holding approximately 55.38% of the issued share capital of the Company, the Supplier is a connected person of the Company under Chapter 14A of the Listing Rules. The Purchase Agreements constitute continuing connected transactions of the Company.

Since the applicable percentage ratios under Rule 14A.34 of the Listing Rules in respect of the aggregate annual cap for the purchase of the Materials under the Purchase Agreements falls below 2.5%, the Purchase Agreements are only subject to reporting and announcement requirements but exempt from the independent shareholders' approval. Details of the Purchase Agreements will be included in the next published annual report and accounts of the Company pursuant to Rules 14A.45 and 14A.46 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“CPDL”	China Power Development Limited, a company incorporated in the BVI and a wholly-owned subsidiary of CPI Holding
“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
“Group”	the Company and its subsidiaries from time to time
“Materials”	limestone powder for desulphurisation
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pingwei Power Plant II”	淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electric Power Generating Company Limited*)
“Pingwei Purchase Agreement”	the agreement for the purchase of the Materials dated 21 December 2006 entered into between Pingwei Power Plant II and the Supplier
“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
“RMB”	Renminbi, the lawful currency of China
“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

“Supplier”	北京中電環境工程有限公司 (Beijing China Power Environmental Engineering Company Limited*), a company incorporated in the PRC with limited liability and a subsidiary of CPI Holding which is held as to 60% by CPI Holding and its wholly owned subsidiary
“Yaomeng Power Plant II”	平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No.2 Power Generating Company Limited*)
“Yaomeng Purchase Agreement”	the agreement for the purchase of the Materials dated 21 December 2006 entered into between Yaomeng Power Plant II and the Supplier

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB1.01 to HK\$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.

By order of the Board
China Power International Development Limited
Li Xiaolin
Vice-Chairman and Chief Executive Officer

Hong Kong, 21 December 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.