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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**

Reference is made to the announcement of the Company dated 21 December 2006 in relation to the purchase agreements of the Materials which will expire on 31 December 2009.

The Board announces that on 21 December 2009, each of Pingwei Power Plant II and Yaomeng Power Plant II has entered into the Pingwei II Purchase Agreement and Yaomeng II 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 after the original purchase agreements expire on 31 December 2009.

Since the Supplier is an indirect subsidiary of the CPI Holding, a substantial shareholder of the Company holding through CPDL approximately 69% 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.

As the applicable percentage ratios under Rule 14A.34 of the Listing Rules in respect of the aggregate annual caps for the purchase of the Materials under the Purchase Agreements, namely RMB21.4 million (approximately HK\$24.29 million) 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.

Reference is made to the announcement of the Company dated 21 December 2006 in relation to the purchase agreements of the Materials which will expire on 31 December 2009.

## 1. PURCHASE AGREEMENTS

On 21 December 2009, each of Pingwei Power Plant II and Yaomeng Power Plant II has entered into the Pingwei II Purchase Agreement and Yaomeng II Purchase Agreement (collectively referred to as “the Purchase Agreements”) 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 after the expiry of the original purchase agreements. Principle terms of the Purchase Agreements are set out below:

Date: 21 December 2009

Parties: Supplier: 北京中電環境工程有限公司 (Beijing China Power Environmental Engineering Company Limited\*), an indirect subsidiary of CPI Holding  
Purchaser: Pingwei Power Plant II, a wholly owned subsidiary of the Company  
Purchaser: Yaomeng Power Plant II, a wholly owned subsidiary of the Company

### (1) Terms of the Purchase Agreements:

Under the Purchase Agreements, Pingwei Power Plant II and Yaomeng Power Plant II respectively agrees to purchase from the Supplier the Materials for a term commencing from 1 January 2010 and ending on 31 December 2012.

### (2) Maximum amount of Materials to be purchased:

Pingwei Power Plant II agrees to purchase not more than 47,500 tons of the Materials from the Supplier for each financial year commencing from 1 January 2010 and ending on 31 December 2012.

With respect to the Yaomeng II Purchase Agreement, Yaomeng Power Plant II agrees to purchase not more than 57,500 tons of the Materials from the Supplier for each financial year commencing from 1 January 2010 and ending on 31 December 2012.

The above maximum amounts of the Materials are determined with reference to the expected requirements of the desulphurisation facilities in the relevant power plants and the following amounts of Materials consumed during the year 2009:

<b>Pingwei Power Plant II</b>		<b>Yaomeng Power Plant II</b>		
Actual Amount consumed for the first nine months of 2009		Estimated Amount	Actual Amount consumed for the first nine months of 2009	
			Estimated Amount	
28,000 tons		38,000 tons	34,000 tons	
			46,000 tons	

**(3) The purchase price and payment terms:**

The purchase price of the Materials is determined on arm's length, with reference to the market condition and the quantity of Materials purchased. For the year ending 31 December 2010, Pingwei Power Plant II agrees to pay RMB189 (approximately HK\$214.5) per ton to purchase the Materials. Such purchase price is determined by reference to the purchase price of the Materials for the first six months of 2009 (i.e. RMB189 per ton), quality of the Materials supplied and market conditions. With respect to the Yaomeng II Purchase Agreement, the purchase price of the Materials for the year ending 31 December 2010 shall be RMB175 (approximately HK\$198.6) per ton which is also determined based on the purchase price for the first six months of 2009 (i.e. RMB175 per ton), quality of the Materials supplied and market conditions. As Pingwei Power Plant II and Yaomeng Power Plant II are situated in different provinces, the difference between in the purchase prices for Pingwei II Purchase Agreement and Yaomeng II Purchase Agreement is largely caused by differences in production cost, transportation cost and discrepancies of the Material cost in different locations.

The parties also agree to review the above purchase prices annually and may adjust the purchase price by reference to the cost of the Materials, production cost, transportation cost and market conditions. In addition, if the parties agree to raise the purchase prices, the increase shall not be more than 10% of the purchase price level for the year 2010.

Pingwei Power Plant II and Yaomeng Power Plant II respectively agree to pay the purchase price to the Supplier monthly in arrear.

- (4) Save as disclosed in this announcement, the Group does not have any prior transaction or relationship with CPI Holding and its associates which requires aggregation under Rule 14A.25 of the Listing Rules.

## 2. REASONS FOR AND BENEFITS OF THE PURCHASE AGREEMENTS

The Materials are required for the operation of the desulphurization systems of Pingwei Power Plant II and Yaomeng Power Plant II. Furthermore, 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 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.

## 3. ESTIMATED ANNUAL CAPS

It is anticipated that the annual cap for the Pingwei II Purchase Agreement for each of the three financial years ending 31 December 2012 is RMB9.9 million (equivalent to approximately HK\$11.24 million). With respect to the Yaomeng II Purchase Agreement, it is anticipated that the annual cap for each of the three financial years 31 December 2012 is RMB11.5 million (equivalent to approximately HK\$13.05 million).

For the purpose of Rule 14A.35(2) of the Listing Rules, the above estimated annual caps are determined with reference to, among others, the following factors:

(1) historical amounts:

Pingwei II Purchase Agreement (in RMB)

<b>Year ended</b> <b>31 December 2007</b>		<b>Year ended</b> <b>31 December 2008</b>		<b>Year ended</b> <b>31 December 2009</b>	
Annual Cap	Actual Amount	Annual Cap	Actual Amount	Annual Cap	Estimated Amount
18.5 million	2.7 million	18.5 million	9.4 million	18.5 million	7.27 million

Yaomeng II Purchase Agreement (in RMB)

<b>Year ended</b> <b>31 December 2007</b>		<b>Year ended</b> <b>31 December 2008</b>		<b>Year ended</b> <b>31 December 2009</b>	
Annual Cap	Actual Amount	Annual Cap	Actual Amount	Annual Cap	Estimated Amount
20 million	1 million	20 million	13.5 million	20 million	8.05 million

(2) other factors such as, 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 the relevant power plants.

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

#### **4. PRINCIPAL BUSINESS OF THE SUPPLIER AND THE GROUP**

The Company is the listed flagship company outside the PRC of CPI Group. The 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.

The Supplier, an indirect subsidiary of CPI Holding, 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 principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates five high-capacity coal-fired power plants. The Company also manages three other power plants, which are situated in Liaoning and Anhui on behalf of its controlling shareholders.

#### **5. COMPLIANCE WITH THE LISTING RULES**

As at the date of this announcement, CPI Group, through CPDL and CPI Holding, owns approximately 69% of the issued share capital of the Company. As CPI Group is the controlling shareholder of the Company, CPI Group, its subsidiaries and associates are connected persons of the Company within the meaning of the Listing Rules.

Since the Supplier is an indirect subsidiary of CPI Holding, the Supplier is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Purchase Agreements constitute continuing connected transactions of the Company.

Further, as 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, namely RMB21.4 million (equivalent to approximately HK\$24.29 million) 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.

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

## **DEFINITIONS**

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

“Board”	the board of Directors of the Company
“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 wholly-owned subsidiary of CPI Holding
“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly state-owned enterprise established by the State 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

“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
“Materials”	limestone powder for desulphurization
“Pingwei Power Plant II”	淮南平圩第二發電有限責任公司 (Huainan Pingwei No.2 Electrical Power Company Limited*), a subsidiary of the Company
“Pingwei II Purchase Agreement”	the agreement for the purchase of the Materials dated 21 December 2009 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 an indirect subsidiary of CPI Holding
“Yaomeng Power Plant II”	平頂山姚孟第二發電有限公司 (Pingdingshan Yaomeng No.2 Power Company Limited*), a subsidiary of the Company
“Yaomeng II Purchase Agreement”	the agreement for the purchase of the Materials dated 21 December 2009 entered into between Yaomeng Power Plant II and the Supplier

This announcement contains translation between Renminbi and Hong Kong dollars at RMB1 to HK\$1.135. 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.

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

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

Hong Kong, 21 December 2009

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