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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)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

The Framework Agreement

The Board announces that on 22 December 2009, the Company and CPI Financial entered into the Framework Agreement with a term of three years, pursuant to which CPI Financial has agreed to provide the Group with deposit services, loan services, guarantee and finance leasing services, bill acceptance and discount services; entrusted loans services and other financial services subject to the terms and conditions provided therein.

Continuing Connected Transactions

CPI Group is the ultimate controlling shareholder of the Company holding approximately 69% of the issued share capital of the Company. CPI Financial is a subsidiary of the CPI Group and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As both the asset and consideration ratios (as defined in Rule 14.07 of the Listing Rules) for the provision of the deposit services under the Framework Agreement are more than 2.5%, the deposit services to be provided by CPI Financial to the Group are subject to the reporting, announcement and independent shareholders' approval requirements as set out in Rules 14A.45 to 14A.48 of the Listing Rules. CPI Group and its associates will abstain from voting at the EGM. The Company will disclose the relevant details in the next published annual report and financial statements of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules. The deposits transaction contemplated under the Framework Agreement also constitutes a major transaction under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and shareholders' approval requirements. The deposits transaction also imposes a general disclosure obligation upon the Company under Rule 13.13 of the Listing Rules as the relevant cap of the deposit transactions exceeds 8% in respect of the percentage ratios as defined under Rule 14.07(1). The Company will comply with Rule 13.20 of the Listing Rules.

Pursuant to the Framework Agreement, the loan services to be provided by CPI Financial to the Group will be governed by, inter alia, separate loan agreement(s) and such loan services should constitute financial assistance to be provided by a connected person for the benefit of the Group. Subject to the terms of any separate loan agreement(s), the loan services should be on normal commercial terms which are comparable to or even more favourable than those offered by independent third parties for similar services in the PRC, and it is contemplated that no security over the assets of the Group will be granted in respect of the loan services. Accordingly, it is expected that the loan services will be exempt under Rule 14A.65(4) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements. The Company will comply with the relevant requirements of the Listing Rules if the exemption under Rule 14A.65(4) does not apply to the loan services.

The Company expects that each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules (other than the profits ratio) of the total fees payable by the Company to CPI Financial in respect of the provision of the entrusted loan services and other financial services under the Framework Agreement will fall within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. As such, the other financial services under the Framework Agreement are exempt under Rule 14A.65(4) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements. A circular containing details of the Framework Agreement, a letter from the independent board committee of the Company and a letter from the independent financial advisor, both advising in respect of the terms of the Framework Agreement, and the notice of the EGM will be despatched to the shareholders of the Company as soon as practicable.

1. THE FRAMEWORK AGREEMENT

Date

22 December 2009

Parties

- (1) the Company; and
- (2) CPI Financial

Major Terms

(1) Services to be provided:

The services to be provided by CPI Financial to the Group include deposit services; loan services, guarantee and finance leasing services; bill acceptance and discount services; entrusted loans services; settlement services; and such other services described in the scope of business in CPI Financial's business licence.

(2) Pricing:

CPI Financial has undertaken to adhere to the following principles in providing the above financial services to the Group:

- (a) Deposit services: The interest rate applicable to the Group for its deposits with CPI Financial shall not be lower than the minimum interest rate specified by the PBOC for deposits of similar type. In addition, the deposit interest rate shall not be lower than the interest rate for similar type of deposits placed by other members of CPI Group with CPI Financial, and shall not be lower than the interest rate for similar type of deposits offered by independent commercial banks to the Group generally during the same period.
- (b) Loan services: The interest rate for loans (including other credit business) granted to the Group by CPI Financial shall not be higher than the maximum interest rate specified by the PBOC for loans of similar type. In addition, the interest rate for loans granted to the Company by CPI Financial shall not be higher than the interest rate for similar type of loans granted by CPI Financial to other members of CPI Group or higher than those for similar type of loans granted by independent commercial banks to the Group generally during the same period.
- (c) Bill acceptance and discount services: The interest rate for bill acceptance and discount services to be provided by CPI Financial shall not be higher than the interest rate for similar type of services offered by CPI Financial to other members of CPI Group or higher than those for similar type of services offered by independent commercial banks to the Group generally.
- (d) Entrusted loan services and other financial services: The services fee for the entrusted loan services and other financial services to be provided by CPI Financial shall be the applicable rate for similar services set by the financial regulatory body in accordance with the relevant regulations and shall not be higher than the rate charged by independent commercial banks for similar type of services and the rate charged by CPI Financial to other members of CPI Group for similar type of services.

- (e) Settlement services: Free of charge.
- (3) The Group has the unilateral right to terminate any services to be provided under the Framework Agreement if other financial institutes provide such services in a more favourable term. The Group is also entitled to appoint other financial institutes to provide the financial services in accordance with its own needs and requirements.
 - (4) If the Group or any member of the Group cannot recover the deposits placed with CPI Financial due to the defaults of CPI Financial, the Company has the right to set off the deposit amounts due to the Group from CPI Financial against any amounts outstanding due from the Group to CPI Financial. In the event that the Group suffers financial loss by reason of the default of CPI Financial, CPI Financial shall compensate the Group for full amount of the loss suffered by the Group and the Group is entitled to terminate the Framework Agreement.
 - (5) In respect of the provision of the deposit services under the Framework Agreement, the upper limit of the daily deposit balance (including any interest accrued therefrom but excluding any loan proceeds from CPI Financial) for the Group's deposits with CPI Financial is RMB2.5 billion (approximately HK\$2.838 billion) each day.
 - (6) The term of the Framework Agreement shall be three years commencing immediately after the execution, subject to the passing of the ordinary resolution by the independent shareholders of the Company approving the Framework Agreement and the transactions contemplated thereunder in the EGM.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Capital Risk Control Measures

- (1) Except for the purpose of contribution to the deposit reserve of the PBOC in accordance with the relevant regulations, CPI Financial undertakes that without the prior consent of the Company, the deposits of the Group shall not be used for any purpose other than settlement, loan and bill discounting services amongst the members of the Group.
- (2) A report on the status of the Group's deposits with CPI Financial will be delivered by CPI Financial to the finance department of the Company by the end of each business day so as to enable the Company to monitor and ensure that the daily deposit balance (including any interest accrued therefrom) for the Group's deposits with CPI Financial does not exceed the upper limit of RMB2.5 billion (approximately HK\$2.838 billion) at any time.

- (3) A copy of every regulatory report submitted by CPI Financial to the CBRC will be provided to and reviewed by the senior management of the Company, including the relevant executive Director(s).
- (4) The financial statements of CPI Financial for each month will be provided to and reviewed by the senior management of the Company, including the relevant executive Director(s), on the fifth working day of the following month.
- (5) CPI Financial, as a non-bank financial institution approved by the CBRC, shall strictly comply with the regulatory targets and other requirements of the CBRC to conduct its operation and business, establish effective and complete internal control and risk management systems and set up the credit review committee and investment committee in order to effectively manage risks and ensure the safety of all capital. If the Company intends to inspect the financial statements of CPI Financial, CPI Financial shall make arrangement for such an inspection within 10 days thereof. Pursuant to the provisions of the Measures on Administrating the Financial Companies of Enterprise Groups, in the emergent event that CPI Financial encounters financial difficulties in making payments, CPI Group, as the controlling shareholder of the CPI Financial, shall increase the capital of CPI Financial accordingly to meet the actual need to overcome such financial difficulties in making payments. In addition, the Company has the right to set-off such financial loss caused by the default of CPI Financial against the amount due to CPI Financial and is entitled to terminate the Framework Agreement.

The Directors (including the independent non-executive Directors) consider that the above capital risk control measures are adequate to cover the risks involved in depositing funds with CPI Financial.

2. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

(1) Centralised funds management:

CPI Financial is a non-banking financial institution in the PRC and is qualified to engage in business of capital operations. Through the systems of CPI Financial, the Group can centralise and strength its capital management and control in order to mitigate and avert legal and operating risks.

(2) Saving cost:

The interest rates of loans and deposits set by CPI Financial to the Group are equal to or more favourable than the interest rates provided by other commercial banks in the PRC. The fees to be charged by CPI Financial for the other financial services are equal to or more favourable than those charged by other commercial banks. At the same time, the use of CPI Financial as a clearing platform will facilitate the clearing amongst the members of the Group, reduce the time in transit of the funds, expedite the turnaround of funds and reduce costs.

(3) Enhance fund raising capability:

With the help of CPI Financial, the funding requirements of the Group and its members can be conducted effectively by means of entrusted loans or other forms of financing, thereby further enhancing the Group's fund raising capability.

(4) Efficient clearing system:

The Group is expected to benefit from CPI Financial's understanding of the Group's operations. Such understanding will enable CPI Financial to render more expedient and efficient service than other independent commercial banks in the PRC and to provide the Group with a more efficient clearing platform which enables the Group to achieve clearing on the same day at zero-interest and zero-cost.

(5) Facilitating fund management and control by the Group:

CPI Financial has a sophisticated information system and through the system, the Group can access the latest information concerning the collection and payment of funds of the Group as well as the status of fund balance at any time, thus reducing and avoiding operational risks.

3. PROPOSED ANNUAL CAP FOR FINANCIAL SERVICES AND RATIONALE

(1) Deposit Services:

Prior to the entering into the Framework Agreement, neither the Group nor any of its members has placed any deposits with CPI Financial except Wu Ling Power which was previously a subsidiary of CPI Group before its being acquired by the Company this year.

The table below sets out the historical maximum daily deposit balance placed by Wu Ling Power with CPI Financial for each of the two years ended 31 December 2008 and the ten months ended 31 October 2009.

	For the year ended		For the
	31 December		ten months ended
	2007	2008	31 October
			2009
Amounts in RMB millions			
Deposit*	300	600	400

* The balance includes interest accrued from the deposit placed with CPI Financial by the Group, but excludes any loan proceeds from CPI Financial.

The Board has considered and proposed the annual caps in respect of the maximum daily balance of deposits (including accrued interest but excluding loan proceeds from CPI Financial) placed by the Group (including Wu Ling Power) with CPI Financial are RMB2.5 billion (approximately HK\$2.838 billion) during the term of the Framework Agreement.

Basis of determination of the proposed deposit cap:

The table below sets out the historical maximum daily deposit balance of the Group placed with commercial banks and Wu Ling Power placed with CPI Financial and commercial banks for each of the two years ended 31 December 2008 and ten months ended 31 October 2009:

	For the year ended		For the
	31 December		10 months ended
	2007	2008	31 October
			2009
Amounts in RMB billions			
The Group and Wu Ling Power	3.4	3.1	6.5

As mentioned in the above section headed “Reasons for and benefit of entering into the Framework Agreement”, the Group plans to centralize the management of its fund by grouping its deposits and placing a significant portion of the deposits with CPI Financial with a view to enhancing (a) the control and monitoring of its cash flow; and (b) its funding arrangement and planning.

The aggregate attributable installed capacity of the Group (including Wu Ling Power) is expected to reach approximately 11,285MW by the end of 2009. It is expected that the attributable installed capacity of the Group (including Wu Ling Power) will be increased by approximately 21% in the next 3 years. As a result of its business growth, the Group expects that its cash flow requirement will increase accordingly. Having considered its future business plan, its historical maximum daily deposit balance and the utilization of deposit services available in other commercial banks, it is proposed that maintaining the deposit cap will make relevant financial arrangements to be carried out between the Company and CPI Financial with higher flexibility.

In addition, as mentioned in the above section headed “Major Terms”, the Group has the right to set off if it cannot recover its deposits placed with CPI Financial due to the default of CPI Financial. As at the date of this announcement, there is approximately RMB2.96 billion (unaudited figure and equivalent to approximately HK\$3.36 billion) due from the Group to CPI Financial. It is anticipated that after entering into the Framework Agreement, the amounts due from the Group to CPI Financial will increase as the Group intends to obtain more loans or financing from CPI Financial so as to take advantage of the favourable terms offered under the Framework Agreement.

In view of the above and having considered (a) the aforementioned capital risk control measures with respect to the funds to be deposited by the Group with CPI Financial and (b) set off arrangement, the Directors (including the independent non-executive Directors) are of the opinion that the proposed deposit cap is fair and reasonable.

(2) Loan Services:

In view of (a) the loan services to be provided by CPI Financial to the Group are, subject to the terms of the separate loan agreement(s), on normal commercial terms which are comparable to or even more favourable than those offered from independent commercial banks for similar services in the PRC, and (b) it is contemplated that no security over the assets of the Group will be granted in respect of the loan services. Accordingly, it is expected that the loan services will be exempt under Rule 14A.65(4) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements. As such, no annual cap has been set for such loan services. The Directors (including the independent non-executive Directors) consider that the loan services are fair and reasonable and in the interest of the shareholders of the Company as a whole.

(3) Other Services:

Apart from the deposit services and the loan services, the other services which may be provided by CPI Financial to the Group include mainly entrusted loans services, i.e. the Company may entrust CPI Financial to provide entrusted loans to the members of the Group. Under the entrusted loan arrangement, the Group will grant loans to its members via CPI Financial by using its deposits to be placed with CPI Financial or by using the loan proceeds from CPI Financial. The Company confirms that there will not be any provision of financial assistance by the Company to CPI Financial under the entrusted loan arrangement. The other services provided under the Framework Agreement will be on normal commercial terms and on terms comparable to or even more favourable than those offered by independent commercial banks for similar services in the PRC. The Directors (including the independent non-executive Directors) consider that the other services provided under the Framework Agreement are fair and reasonable and in the interest in the shareholders of the Company as a whole.

The Company expects that each of the percentage ratios as defined in Rule 14.07 of the Listing Rules (other than the profits ratio) of the total fees payable in respect of the entrusted loan services and other financial services by the Company to CPI Financial will fall within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. As such, the other financial services under the Framework Agreement are exempt under Rule 14A.65(4) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

4. INFORMATION ABOUT CPI FINANCIAL

CPI Financial was established in the PRC as a non-banking financial institution on 2 September 1992. It is licensed by the CBRC and is engaged in the provision of financial services which principally include deposit taking, provision of loans, issue of corporate debentures, inter-bank lending, as well as other financial services such as finance leasing, bills acceptance and discounting, entrusted loans and entrusted investment, arrangement of buyer's credit for member companies' products, underwriting of corporate debentures of member companies, provision of financial advisory, credit certification and other advisory agency services and security to member of the CPI Group.

CPI Financial has a registered capital of RMB5 billion and is owned as to 77% by the CPI Group and as to 23% by other members of the CPI Group. In July 2009, CPI Financial issued bonds of not more than RMB5 billion, which were rated AAA by China Chengxin International Credit Rating Co., Ltd (中誠信國際信用評級有限責任公司), reflecting that risk for failure to repayment of the bonds is very low and that its risk of default will be minimal. China Chengxin International Credit Rating Co., Ltd is an independent credit rating company and is one of the four credit rating organisations accepted by the PBOC for the purpose of corporate bonds issuance.

5. PRINCIPAL BUSINESS OF 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 principal business of the Company is investment holding. The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Group owns and operates five high-capacity coal-fired power plants. The Group also manages three other power plants, which are situated in Liaoning and Anhui on behalf of its controlling shareholders.

6. COMPLIANCE WITH THE LISTING RULES

(1) Continuing Connected Transactions

CPI Group is the ultimate controlling shareholder of the Company which owned approximately 69% of the issued share capital of the Company as at the date of this announcement. CPI Financial is a subsidiary of CPI Group, and is therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As both the asset and consideration ratios (as defined in Rule 14.07 of the Listing Rules) for the provision of deposit services under the Framework Agreement are more than 2.5%, the deposit services to be provided by CPI Financial to the Group are subject to the reporting, announcement and independent shareholders' approval requirements as set out in Rules 14A.45 to 14A.48 of the Listing Rules. CPI Group and its associates will abstain from voting at the EGM. The Company will disclose the relevant details in the next published annual report and financial statements of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules.

Pursuant to the Framework Agreement, the loan services to be provided by CPI Financial to the Group will be governed by, inter alia, separate loan agreement(s) and such loan services should constitute financial assistance to be provided by a connected person for the benefit of the Group. Subject to the terms of any separate loan agreement(s), the loan services should be on normal commercial terms which are comparable to or even more favourable than those offered by independent commercial banks for similar services in the PRC, and it is contemplated that no security over the assets of the Group will be granted in respect of the loan services, the loan services will be exempt under Rule 14A.65(4) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements. The Company will comply with the requirements of the Listing Rules if the exemption under Rule 14A.65(4) does not apply to the loan services.

The Company expects that each of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules (other than the profits ratio) of the total fees payable by the Group to CPI Financial in respect of the provision of the entrusted loan services and other financial services by CPI Financial to the Group under the Framework Agreement will fall within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules, as such the other financial services are exempt under Rule 14A.65(4) of the Listing Rules from all reporting, announcement and independent shareholders' approval requirements.

“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“CPI Financial”	CPI Financial Co., Ltd. (中電投財務有限公司)
“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
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Framework Agreement and the transactions contemplated thereunder
“Framework Agreement”	the financial services framework agreement entered into between CPI Financial and the Company on 22 December 2009
“Group”	the Company, its subsidiaries and associated companies 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
“PBOC”	People’s Bank of China (中國人民銀行)
“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”	中華人民共和國國務院 (the State Council of the PRC*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wu Ling Power”	五凌電力有限公司 (Wu Ling Power Corporation*)

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, 22 December 2009

As at the date of this announcement, the Directors 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.