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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 TRANSACTION**

References are made to the announcement dated 28 March 2008.

The Board announces that on 29 December 2010, the Company has entered into the Production Target Sale and Purchase Agreement with CPIC pursuant to which the parties agree that the CPI Group, their respective Associates and power plants will transfer their production targets to the Group, its Associates and power plants to the extent permissible under the relevant PRC laws, rules, regulations and policies after the expiry of the original production target sale and purchase agreement on 31 December 2010. Details of the arrangements are set out in the section headed “Details of Continuing Connected Transaction”.

CPIC is the ultimate controlling shareholder of the Company and is interested in approximately 69% of the issued share capital of the Company. As such, the CPI Group, its subsidiaries, Associates and power plants are connected persons of the Company as defined in the Listing Rules. Accordingly, the entering into the Production Target Sale and Purchase Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

As the annual cap of the Continuing Connected Transaction for each of the three years ending 31 December 2013, namely RMB156 million (equivalent to approximately HK\$181 million), RMB228 million (equivalent to approximately HK\$264.5 million) and RMB228 million (equivalent to approximately HK\$264.5 million) falls below 5% of the applicable ratio under 14A.34 of the Listing Rules, the Continuing Connected Transaction is only subject to reporting and announcement requirements but exempt from the independent shareholders’ approval. Details of the Production Target Sale and Purchase Agreement 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 Continuing Connected Transaction is 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.

References are made to the announcement dated 28 March 2008.

## **1. DETAILS OF CONTINUING CONNECTED TRANSACTION**

On 29 December 2010, the Company has entered into the Production Target Sale and Purchase Agreement with CPIC pursuant to which the parties agree that the CPI Group, their respective Associates and power plants will transfer their production targets to the Group, its Associates and power plants to the extent permissible under the relevant PRC laws, rules, regulations and policies after the expiry of the original production target sale and purchase agreement on 31 December 2010. The principle terms of the Production Target Sale and Purchase Agreement are set out below:

Date: 29 December 2010.

### **(1) Parties and term:**

(a) CPIC; and

(b) the Group.

The term of the Production Target Sale and Purchase Agreement is three years. The term will commence from 1 January 2011 and end on 31 December 2013.

### **(2) Other principle terms of the Production Target Sale and Purchase Agreement**

The parties agree that their respective subsidiaries, Associates or power plants may trade the Targets with each other to the extent permissible under the PRC laws, rules, regulations and policies. In addition, if any subsidiaries, Associates or power plants of the CPIC decide to transfer their Targets to the Company's subsidiaries or power plants, they will enter into a Replacement Agreement setting out details of the terms and amount of the Targets being transferred. The Replacement Agreement will then be submitted to the relevant PRC government department for approval and confirmation.

Pursuant to the Production Target Sale and Purchase Agreement, both CPIC and the Company agree that separate Replacement Agreements will be entered into upon each occurrence of the transfer of the Targets with terms and conditions in accordance with the following principles:

(a) Parties

Relevant subsidiaries, Associates or power plants of the CPI Group (the “Seller”); and

Relevant subsidiaries, Associates or power plants of the Group (the “Purchaser”).

(b) Purposes

The Seller agrees to transfer its Targets to the Purchaser and the Purchaser agrees to generate the amount of electricity required under the Targets on behalf of the Seller.

(c) Consideration

The consideration payable under the Replacement Agreements will be determined by the following principles:

- the applicable State tariffs set by the PRC government, if any;
- if there are no such stipulated State tariffs, tariffs recommended by the PRC government;
- if there are neither State tariffs nor recommended tariffs, prices determined in accordance with the prevailing market prices; or
- in the absence of the above, an agreed price will be determined on the reasonable cost plus a profit basis. The parties will enter into negotiation so as to determine the amount of reasonable profit and cost with reference to the profit and cost permissible under the relevant PRC standards.

(d) Payment Terms

Depending on the requirements of the local rules and regulations and the terms of the Replacement Agreements, either the Seller or Purchaser will determine the amount of electricity generated under the Replacement Agreements with the provincial power grid company. If the Seller is the responsible party to determine the amount of electricity generated under the Replacement Agreements, the power grid company will pay the tariffs to the Seller who will retain part of the tariffs as consideration for transferring the Targets to the Purchaser (the

“Transfer Consideration”) and pay the balance of the tariffs to the Purchaser as the consideration for generating electricity on behalf of the seller (“Replacement Consideration”). Similarly, if the Purchaser is the responsible party, the power grid company will pay the tariffs to the Purchaser who will pay the Seller the Transfer Consideration and retain the balance as the Replacement Consideration.

Both the Replacement Consideration and the Transfer Consideration will be determined in accordance with the principles mentioned above.

Save as disclosed in this announcement, the Group does not have any prior transaction or relationship with CPI Group and its Associates which require aggregation under Rule 14A.25 of the Listing Rules.

## 2. REASONS FOR THE TRANSACTIONS

The Company believes that it is in the best interests of the Company to enter into the Production Target Sale and Purchase Agreement as the transfer of the Targets from the CPI Group to the Group would enable the Group’s power plants to better utilize its production capacity and increase its outputs and therefore the revenue of the Group. In addition, the transfer of the Targets can also increase the production efficiency and safety of its power plants.

## 3. ESTIMATED ANNUAL CAPS

The estimated annual caps for the consideration payable under the Production Target Sale and Purchase Agreement for the three financial years ending 31 December 2011, 2012 and 2013 are estimated to be RMB156 million (equivalent to approximately HK\$181 million), RMB228 million (equivalent to approximately HK\$264.5 million) and RMB228 million (equivalent to approximately HK\$264.5 million) respectively.

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

- (1) historical amounts (in RMB million):

Year ended 31 December 2008		Year ended 31 December 2009		Year ended 31 December 2010	
Annual Cap	Actual Amount	Annual Cap	Actual Amount	Annual Cap	Actual Amount
424.5	247.48	1,320	172.83	1,340	0*

\* As no reasonable profit can be made, the Purchaser did not generate any electricity on behalf of the Seller during the year 2010.

- (2) reasonable costs to be incurred by the Group for generating electricity pursuant to the Replacement Agreements plus a reasonable profit.

The Directors (including the independent non-executive Directors) of the Company are of the view that the annual caps for the Continuing Connected Transaction are fair and reasonable.

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

The Company is the listed flagship company outside the PRC of CPIC. 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 CPIC and owns and operates coal-fired and hydroelectric power plants in the PRC.

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 high-capacity coal-fired power plants and hydro-power plants. The Company also manages two other power plants, which are situated in Liaoning and Anhui on behalf of its controlling shareholder.

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

As at the date of this announcement, CPIC, through CPDL and CPI Holding, owns approximately 69% of the issued share capital of the Company. As CPIC is the controlling shareholder of the Company, CPIC, its subsidiaries and Associates are connected persons of the Company within the meaning of the Listing Rules. Accordingly, the entering into the Production Target Sale and Purchase Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

Further, as the annual cap of the Continuing Connected Transaction for each of the three years ending 31 December 2013, namely RMB156 million (equivalent to approximately HK\$181 million), RMB228 million (equivalent to approximately HK\$264.5 million) and RMB228 million (equivalent to approximately HK\$264.5 million) falls below 5% of the applicable ratio under 14A.34 of the Listing Rules, the Continuing Connected Transaction is only subject to reporting and announcement requirements but exempt from the independent shareholders' approval. Details of the Production Target Sale and Purchase Agreement 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 Continuing Connected Transaction is 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. Further, none of the Directors has material interest in the agreements relating to the Continuing Connected Transaction or is required to abstain from voting on the Board resolutions in respect of such agreements.

## DEFINITIONS

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

“Associate”	has the meaning given to it by the Listing Rules
“Board”	the board of Directors of the Company
“Continuing Connected Transaction”	the transactions in relation to the Production Target Sale and Purchase Agreement and the Replacement Agreements, the details of which are set out in section 1 of this announcement
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“CPIC”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“CPI Group”	CIPC, its subsidiaries and Associates (excluding the Group)
“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
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of CPIC Holding
“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
“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
“Production Target Sale and Purchase Agreement”	the production target sale and purchase agreement which is described in section 1 of this announcement
“Replacement Agreements”	the replacement agreements to be entered into pursuant to the Production Target Sale and Purchase Agreement, the particulars of which are described in section 1 (2) of this announcement
“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
“Targets”	the power production target assigned by provincial government agency to power plants situated within its jurisdiction

\* *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 to HK\$1.16. 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**  
*Chairman*

Hong Kong, 29 December 2010

*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.*