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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 TRANSACTION

Acquisition of 50% Equity Interest in Henan Zhongping Coal & Electricity Co., Ltd.*

On 31 May 2012, the Company entered into the Share Transfer Agreement with CPI Holding, pursuant to which the Company will acquire 50% equity interest in Henan Zhongping Coal & Electricity Co., Ltd.* from CPI Holding at a consideration of RMB70,504,300.

CPI Holding is the controlling shareholder of the Company which is interested in approximately 69% of the issued share capital of the Company as at the date of this announcement and therefore is a connected person of the Company as defined in the Listing Rules. Accordingly, the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Share Transfer Agreement exceed 0.1% but less than 5%, it is subject to announcement and reporting requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the above connected transaction 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 Share Transfer Agreement is entered into in the ordinary course of the Company's business, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

INTRODUCTION

In 2008, CPI Holding (the controlling shareholder of the Company) and China Pingmei Shenma formed a Sino-foreign equity joint venture, named 河南中平煤電有限責任公司 (Henan Zhongping Coal & Electricity Co., Ltd.*) ("Henan Zhongping"). CPI Holding and China Pingmei Shenma each holds 50% equity interest in Henan Zhongping.

For realization of the Company's strategy in promoting the integration and cooperation of coal and electricity businesses, after the successful partnership with 淮南礦業（集團）有限公司 (Huainan Mining Industry (Group) Company Limited*) and 中國中煤能源股份有限公司 (China Coal Energy Company Limited*) in 2011, the Board decided to acquire the 50% equity interest in Henan Zhongping from CPI Holding.

SHARE TRANSFER AGREEMENT

Date

31 May 2012

Parties

- (i) CPI Holding (as the seller); and
- (ii) The Company (as the purchaser).

Assets to be acquired

50% equity interest in Henan Zhongping.

Henan Zhongping was established on 16 September 2008 and was approved to operate for a term of thirty years. It is principally engaged in construction and operation of steam coal rapid coal transport system, coal processing and coal selling with a total investment and a registered capital of RMB439,600,000 and RMB131,880,000 respectively. Each of CPI Holding and China Pingmei Shenma owns 50% equity interest in Henan Zhongping. CPI Holding had made a capital contribution of RMB65,940,000 (equivalent to HK\$81,407,407) to Henan Zhongping, representing the subscription cost of its 50% equity shareholding in the joint venture.

Based on the audited accounts of Henan Zhongping prepared in accordance with the prevailing generally accepted accounting principles in the PRC, it had total assets of approximately RMB339,466,000, total liabilities of approximately RMB204,537,000 and a net asset of approximately RMB134,929,000 as at 31 December 2011. Its audited net losses before and after taxation and extraordinary items attributable to 50% equity interest held by CPI Holding were RMB829 and RMB622 respectively for the year ended 31 December 2010; and its audited net profits before and after taxation and extraordinary items attributable to 50% equity interest held by CPI Holding were approximately RMB2,037,000 and RMB1,435,000 respectively for the year ended 31 December 2011.

The current construction project of Henan Zhongping includes three parts, the coal processing center, railway station and the main coal transport channels and other ancillary supporting facilities. The coal processing center and the railway station were completed and commenced operation last year. The main coal transport channels are expected to be completed by the end of 2012. Upon full completion of the construction project, Henan Zhongping would be able to supply coal to some power plants of the Company's subsidiaries, Yaomeng Power Plant and Yaomeng Power Plant II, located in Henan Province, the PRC directly through the coal transport channels instead of transport by train or lorry that used presently.

Consideration

The consideration for the 50% equity interest in Henan Zhongping is RMB70,504,300 (equivalent to HK\$87,042,346) which shall be paid in HK\$ in a lump sum in cash based on the exchange rate between HK\$ and RMB announced by the People's Bank of China one day before the payment date.

The consideration is determined based on the valuation report prepared by 北京中企華資產評估有限責任公司 (Beijing China Enterprise Appraisals Co., Ltd.*), an independent professional valuer in the PRC. As at 31 December 2011, the appraised value of the net assets (based on cost method) of Henan Zhongping was approximately RMB141,008,600 (RMB70,504,300 for 50% equity interest).

Principal terms and conditions

- The board of directors of CPI Holding and the Board having approved the Share Transfer Agreement, and China Pingmei Shenma having given its written consent to the Share Transfer.
- All the shareholder's rights and obligations of CPI Holding in Henan Zhongping will be passed to and assumed by the Company upon execution of the Share Transfer Agreement.
- CPI Holding has undertaken to actively carry out all the registration works and legal formalities required to effect the Share Transfer after signing the Share Transfer Agreement, including but not limited to the change in the board of directors of Henan Zhongping.
- The Company shall pay CPI Holding in full the consideration for the 50% equity interest in Henan Zhongping within 30 working days upon completion of all the necessary procedures for the Share Transfer.
- From signing of the Share Transfer Agreement to any time prior to the completion of the administrative approval and formal registration with the relevant administrative authority for industry and commerce of the PRC for the Share Transfer, if any material adverse change affects severely the Share Transfer, then either the Company or CPI Holding by serving written notice to the other party may revoke the Share Transfer Agreement.
- After signing of the Share Transfer Agreement, if any encumbrance related to the title of the assets of Henan Zhongping that have already existed before the completion of the Share Transfer (whether or not CPI Holding has disclosed by way of representations and warranties in the Share Transfer Agreement) that may subsequently cause substantial interruption to the operation of Henan Zhongping, then the Company has the right to require CPI Holding to terminate Share Transfer Agreement. Should the Company choose to terminate the Share Transfer Agreement, CPI Holding shall refund the Company the consideration that was paid for the Share Transfer and compensate any other losses that suffered by the Company as a result.

Impact of the Share Transfer

After the completion of the Share Transfer, the Company will replace CPI Holding to partner with China Pingmei Shenma for holding 50% equity interest in Henan Zhongping. Both the Company and China Pingmei Shenma have agreed to execute a new joint venture agreement and a new set of articles of association for the joint venture company (Henan Zhongping) to replace the existing ones upon completion of the Share Transfer.

Henan Zhongping is a jointly controlled entity established under a contractual arrangement whereby the Company and the other party undertake an economic activity which is subject to joint control and none of the participating parties have unilateral control over the economic activity. The Company's interest in Henan Zhongping will be accounted for using the equity method of accounting. The consideration for the Share Transfer will be financed by the Group's internal resources.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, China Pingmei Shenma and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

REASONS AND BENEFITS FOR THE TRANSACTION

The Share Transfer will enhance the Company's participation in the upstream coal field business. It is advantageous to broaden the asset base of the Company, conducive to optimize the coal procurement channels, control the cost of coal and thus improve profitability.

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

PRINCIPAL BUSINESS OF THE GROUP AND CPI HOLDING

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 power plants spread across 28 provinces, municipalities and autonomous regions in the PRC. CPI Holding is wholly-owned by CPI Group and owns and operates coal-fired and hydroelectric power plants in the PRC. As at the date of this announcement, CPI Group, through CPI Holding and CPDL, owns approximately 69% of the issued share capital of the Company.

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 on behalf of its controlling shareholders two other power plants in the PRC.

PRINCIPAL BUSINESS OF CHINA PINGMEI SHENMA

China Pingmei Shenma is the joint venture partner holding the other 50% equity interest in Henan Zhongping. China Pingmei Shenma is a giant-sized State-owned energy and chemical group which is affiliated to the People's Government of Henan Province, the PRC with its headquarters situated at Pingdingshan in Henan Province, the PRC. It has subsidiaries or assets spreading across 9 provinces and regions, including Henan, Hubei, Jiangsu, Shanghai, Shaanxi and its products are exported to more than 30 countries and regions. It is the most complete variety of coking coal and steam coal production base in China and is the largest nylon chemical products production base in Asia.

COMPLIANCE WITH THE LISTING RULES

As at the date of this announcement, CPI Holding is interested in approximately 69% of the issued share capital of the Company. As CPI Holding is the controlling shareholder of the Company, it is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Share Transfer Agreement exceed 0.1% but less than 5%, it is subject to announcement and reporting requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the above connected transaction will be included in the next published annual report and accounts of the Company pursuant to Rule 14A.45 of the Listing Rules.

None of the Directors has material interest in the transaction of the Share Transfer Agreement or is required to abstain from voting on the board resolution.

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
“China Pingmei Shenma”	中國平煤神馬能源化工集團有限責任公司 (China Pingmei Shenma Energy & Chemical Group Co., Ltd.*), a wholly State-owned energy and chemical group which is affiliated to the People's Government of Henan Province, the PRC
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and 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 中華人民共和國國務院 (the State Council of the PRC*)
“CPI Holding”	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
“PRC” or “China”	the People’s Republic of China (for the purpose of the announcement excluding the Special Administrative Regions of Hong Kong and Macau and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Share Transfer”	the acquisition by the Company for 50% equity interest in Henan Zhongping from CPI Holding pursuant to the Share Transfer Agreement
“Share Transfer Agreement”	the share transfer agreement entered into between the Company and CPI Holding on 31 May 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yaomeng Power Plant”	平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Electric Power Company Limited*), a wholly-owned subsidiary of the Company
“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 wholly-owned subsidiary of the Company

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

This announcement contains translation between Renminbi and Hong Kong dollars at RMB0.81 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
Chairman

Hong Kong, 31 May 2012

As at the date of this announcement, the directors of the Company are: executive directors Li Xiaolin and Gu Dake, non-executive directors Guan Qihong and Gu Zhengxing, and independent non-executive directors Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec.