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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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

PROPOSED ACQUISITION OF 63% INTEREST IN WU LING POWER

VERY SUBSTANTIAL ACQUISITION

CONNECTED TRANSACTION

ISSUE OF SHARES UNDER SPECIAL MANDATE

Financial Adviser

 **BOCI ASIA LIMITED**

The Board is pleased to announce its proposed acquisition of Wu Ling Power from CPI Holding.

On 8 June 2009, the Company entered into the Acquisition Agreement with CPI Holding, a wholly-owned subsidiary of CPI Group, pursuant to which the Company conditionally agreed to acquire and CPI Holding conditionally agreed to sell 63% of the equity interest in Wu Ling Power, a company principally engaged in the development, production and supply of hydropower in Hunan and Guizhou. The consideration is RMB4,465,087,500 (equivalent to approximately HK\$5,045,548,875) (subject to adjustment).

The consideration for the acquisition of the Equity Interests was arrived at after arm's length negotiations between the Company and CPI Holding. It was based on various relevant factors including the market environment, operating conditions, profitability of Wu Ling Power and an asset valuation carried out by an independent valuation firm. The consideration is to be satisfied as to 70% thereof (or RMB3,125,561,250) (subject to adjustment) by the issue of the Consideration Shares and as to 30% thereof (or RMB1,339,526,250) (subject to adjustment) by way of cash payment. The issue price of the Consideration Shares is HK\$2.408, being the average of the closing share price as quoted on the Stock Exchange for the 5 trading days prior to (but excluding) the date of the Acquisition Agreement. The Company proposes to fund the cash portion of the consideration using a combination of internal cash, bank borrowings and/or other sources.

The Directors are of the view that the terms of the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Reasons for and Benefits of the Acquisition

Hydropower is China's most prevalent renewable energy source, contributing approximately 21.6% of China's total installed capacity and 16.4% of the total electricity generation as at 31 December 2008. A number of supportive policies promulgated by the Chinese government to promote renewable energy and optimise China's energy structure have provided the impetus to the Company's strategic move into hydropower projects. The Acquisition represents a strategic opportunity for the Company to establish a leading presence in the attractive Hunan hydropower industry as well as China's rapidly growing renewable energy industry, significantly enlarge its operational capacity with expansion potential, achieve a more balanced and favourable fuel mix and leverage on Wu Ling Group's hydropower expertise. Upon completion of the Acquisition, based on current industry information, the Company expects to have the highest proportion of hydropower attributable installed capacity among the Chinese independent power producers listed on the Stock Exchange.

Listing Rules Implications

As certain of the percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition by the Company. Furthermore, as CPI Holding is an indirect controlling shareholder of the Company, the Acquisition also constitutes a connected transaction of the Company pursuant to Listing Rule 14A.17. Thus, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CPDL and its Associates, no other shareholder of the Company will be required to abstain from voting on the resolution for approving the Acquisition at the EGM.

An Independent Board Committee (comprising all the independent non-executive Directors of the Company) has been established to advise the Independent Shareholders in respect of the terms of the Acquisition. DBS Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, on whether the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Grant of Special Mandate

The Directors will seek the approval of the Independent Shareholders for the grant of a Special Mandate to authorise the Directors to allot and issue the Consideration Shares at the EGM.

General

A circular containing, among other things, (i) further information on the Acquisition, (ii) the recommendations of the Independent Board Committee in respect of the Acquisition, (iii) a letter of advice from DBS Asia, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, (iv) financial information of the Group, (v) an accountants' report for Wu Ling Group, (vi) unaudited pro forma information of the Enlarged Group, (vii) a property valuation report on the Enlarged Group, and (viii) a notice to convene the EGM will be despatched to the Shareholders as soon as practicable.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

As completion of the Acquisition is subject to the fulfilment of the conditions set out in the Acquisition Agreement, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares. When in doubt, investors are recommended to consult their professional adviser(s).

The Board is pleased to announce its proposed acquisition of Wu Ling Power from CPI Holding.

I THE ACQUISITION

A. BACKGROUND

Reference is made to the announcement of the Company dated 27 May 2008 where the Company announced that a memorandum of understanding was entered into between CPI Group and the Company in relation to the proposed acquisition by the Company of the 63% equity interests in Wu Ling Power.

CPI Group, which indirectly owns approximately 56.05% of the Company, is the controlling shareholder of the Company. CPI Group owns 63% of the equity interest in Wu Ling Power. On 11 May 2009, CPI Holding entered into a sale and purchase agreement with CPI Group, pursuant to which CPI Holding conditionally agreed to acquire and CPI Group conditionally agreed to sell 63% of the equity interest in Wu Ling Power, a company principally engaged in the development, production and supply of hydropower in Hunan and Guizhou. The total consideration for the sale was RMB4,465,087,500 (equivalent to approximately HK\$5,045,548,875), which is subject to adjustment on completion.

On 8 June 2009, the Company entered into the Acquisition Agreement with CPI Holding, pursuant to which the Company has conditionally agreed to acquire 63% of the equity interest in Wu Ling Power (excluding Qian Dong Power, regarding which please see the sub-section headed “Qian Dong Disposal” below) from CPI Holding.

B. THE ACQUISITION AGREEMENT

1. Date

8 June 2009

2. Parties to the Acquisition Agreement

- (i) Company (as the purchaser)
- (ii) CPI Holding (as the seller)

3. Assets to be acquired

The Company has conditionally agreed to acquire from CPI Holding 63% of the equity interest in Wu Ling Power (excluding its interest in Qian Dong Power, regarding which please see the sub-section headed “Qian Dong Disposal” below) as at the date of the Acquisition Agreement. Further details of the Wu Ling Group are set out in the section headed “Information on the Wu Ling Group” below.

4. The consideration

The consideration for the acquisition of the Equity Interests is RMB4,465,087,500 (equivalent to approximately HK\$5,045,548,875) (subject to adjustment).

The consideration was arrived at after arm’s length negotiations between the Company and CPI Holding under the Acquisition Agreement. It was based on various relevant factors including the market environment, operating conditions, profitability of Wu Ling Power and an asset valuation carried out by an independent valuation firm. The consideration is to be satisfied as to 70% thereof (or RMB3,125,561,250) (subject to adjustment) by the issue of the Consideration Shares and as to 30% thereof (or RMB1,339,526,250) (subject to adjustment) by way of cash payment. The number of Consideration Shares will in any event not exceed such number as will result in the Company not meeting the public float requirement under Listing Rule 8.08, such that the amount of cash payment may in such an event be correspondingly increased (the “Public Float Adjustment”). The Company proposes to fund the cash portion of the consideration using a combination of internal cash, bank borrowings and/or other sources.

The consideration of RMB4,465,087,500 may be adjusted with reference to the change in net asset value of Wu Ling Power attributable to the Equity Interests between 1 July 2008 and completion of the Acquisition. An audit report will be produced by an accounting firm to be agreed between the parties within 30 business days of the completion of the Acquisition (being the transfer of Equity Interests but excluding the payment of the consideration). Within 10 business days of the production of the audit report, the Company will satisfy 70% of the adjusted consideration (subject to the Public Float Adjustment) by the issue of

Consideration Shares. The remaining 30% of the adjusted consideration (subject to the Public Float Adjustment) will be satisfied in cash within one year after the satisfaction of the conditions precedent referred in paragraphs (iii) and (iv) (whichever is the later) under the sub-section headed “Conditions precedent of the Acquisition Agreement” below.

The Directors are of the view that the consideration for the purchase of the Equity Interests and the other terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms and that the Acquisition is in the interests of the Company and its shareholders as a whole.

5. Consideration Shares

The issue price of the Consideration Shares is HK\$2.408, being the average of the closing share price as quoted on the Stock Exchange for the 5 trading days prior to (but excluding) the date of the Acquisition Agreement.

As at the date of this announcement, there are 3,605,610,850 Shares in issue. The total number of the Consideration Shares to be issued (before any adjustment of the consideration) represents approximately 41% of the existing issued share capital and 29% of the enlarged issued share capital of the Company. The Public Float Adjustment mechanism will enable the Company to continue to comply with the public float requirement under Listing Rule 8.08.

The Consideration Shares, when issued, will rank *pari passu* in all respects with the Shares on the date of the issue of Consideration Shares.

6. Conditions precedent of the Acquisition Agreement

Completion of the Acquisition is conditional upon satisfaction of, among other things, the following conditions on or before 31 December 2010 or a later date as agreed by the parties:

- (i) completion of due diligence to the satisfaction of the Company;
- (ii) the approval by all shareholders and the board of directors of Wu Ling Power of the transfer of Equity Interests under the Acquisition Agreement and the waiver of all pre-emption rights granted by Wu Ling Power’s Articles of Association or any other means;
- (iii) the obtaining of all necessary approvals for the Acquisition from all relevant governmental and regulatory authorities (other than those administrative procedures which can only be carried out at or after completion of the Acquisition);

- (iv) the passing of an ordinary resolution by the Independent Shareholders approving the Acquisition Agreement and the transactions contemplated thereunder;
- (v) the passing of an ordinary resolution by the Independent Shareholders approving the grant of the Special Mandate;
- (vi) there has not been any material adverse change to the financial position, business operations or prospects of Wu Ling Group since 30 June 2008;
- (vii) the representations and warranties made by CPI Holding are true and accurate and not misleading in any material respect at the time of completion of the Acquisition;
- (viii) the representations and warranties made by the Company are true and accurate and not misleading in any material respect at the time of completion of the Acquisition;
- (ix) completion of all relevant legal documentation for the Acquisition in form satisfactory to both the Company and CPI Holding;
- (x) the Preceding Wu Ling Agreement becoming unconditional;
- (xi) completion (including the transfer of shares but excluding the payment of consideration) of the Qian Dong Disposal. (Further details with respect to the payment of consideration for the Qian Dong Disposal are set out in the sub-section headed “Qian Dong Disposal” below.);
- (xii) the repayment of the debt amounting to a total of RMB2.8 billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary (see sub-section headed “Qian Dong Disposal” below); and
- (xiii) the entering into of the Wu Ling Entrusted Loan Agreements (see sub-section headed “Qian Dong Disposal” below).

The conditions set out in paragraphs (i), (vi), (vii), (ix), (x), (xi), (xii) and (xiii) (insofar as it applies to the obligations of CPI Holding) above may be waived by the Company, and the conditions set out in paragraphs (viii) and (ix) (insofar as it applies to the obligations of the Company) above may be waived by CPI Holding. The waiver by the Company of the condition set out in paragraph (vii) will not affect the right of the Company to seek for compensation for any losses and damages caused by CPI Holding’s breach of its representations, warranties, undertakings or other obligations.

7. Board representation

Upon completion of the Acquisition, the Company shall have the power to appoint directors to the board of Wu Ling Power in accordance with the amended articles of association of Wu Ling Power.

8. Completion

Completion shall take place within 20 business days or a date as agreed by the parties upon fulfilment (or waiver, where applicable) of all the above conditions precedent (the last day on which all the conditions must be satisfied being 31 December 2010 or a later date as agreed by the parties).

9. Restrictions on transfer and pre-emption rights

The Equity Interests may be transferred by the Company to other shareholders of Wu Ling Power after the Acquisition. However, any future transfer of Equity Interests to a third party other than Wu Ling Power's shareholders requires (i) the consent of all the shareholders of Wu Ling Power and the waiver of their pre-emption rights on terms and conditions which are the same as those of the proposed transfer of Equity Interests to the third party (shareholders who do not exercise their pre-emption rights shall be deemed to have given their consents to the transfer), (ii) the consent of the board of directors of Wu Ling Power, and (iii) the approval from the relevant governmental and regulatory authorities.

10. Termination

The Company may terminate the Acquisition Agreement by written notice to CPI Holding if prior to completion of the Acquisition:

- (i) there has been any breach of the Acquisition Agreement by CPI Holding;
- (ii) there has been any breach of the representations and warranties made by CPI Holding; or
- (iii) there has been material adverse change to the financial position, business operations or prospects of Wu Ling Group.

CPI Holding may terminate the Acquisition Agreement by written notice to the Company if prior to completion of the Acquisition:

- (i) there has been any breach of the Acquisition Agreement by the Company; or
- (ii) there has been any breach of the representations and warranties made by the Company.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition represents a strategic opportunity for the Company to establish a leading presence in the attractive Hunan hydropower industry as well as China's rapidly growing renewable energy industry, significantly enlarge its operational capacity with expansion potential, achieve a more balanced and favourable fuel mix and leverage on Wu Ling Group's hydropower expertise.

1. Establish a leading presence in the attractive Hunan hydropower industry as well as China's rapidly growing renewable energy industry

Wu Ling Group's power assets are located in two adjacent provinces, Hunan and Guizhou. All of the hydropower assets in Guizhou supply their electricity generation to Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). Hunan is rich in hydro resources and is identified as one of China's top hydropower generation bases as outlined in the 11th Five-Year Plan for the Renewable Energy Development* (可再生能源發展“十一五”規劃).

Wu Ling Group, the largest independent hydropower producer in Hunan contributing over 40% of the province's total centrally despatched hydropower installed capacity as at 31 December 2008, plays a pivotal role in Hunan's hydropower market. The Acquisition will enable the Company to gain a firm foothold in the attractive Hunan hydropower market.

The Chinese government is actively promoting renewable energy and especially hydropower generation. Under the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), the National Development and Reform Commission had set targets for renewable energy to account for 15% of total primary energy consumption in China by 2020 versus today's 7.4%. Hydropower is China's most prevalent renewable energy source, contributing approximately 21.6% of China's total installed capacity and 16.4% of the total electricity generation as at 31 December 2008, according to the Statistics of National Power Industry* (全國電力工業統計快報). The National Development and Reform Commission has set a target of total hydropower installed capacity for China of 190GW in 2010 and 300GW in 2020, of which large and medium scale hydropower accounts for 140GW and 225GW, respectively.

Further, hydropower is generally recognised as a very competitive renewable energy source for power generation in terms of its on-grid tariff. Therefore, grid companies can be expected to prefer despatch from hydropower versus other sources, especially given its renewable nature. Hence, the Acquisition will strengthen the Company's competitive advantage in China's power industry.

2. Significantly enlarge operational capacity with expansion potential

Upon the completion of the Acquisition, the Company's attributable installed capacity (excluding Qian Dong Power Plant) will increase by approximately 2,245MW to 11,282MW from approximately 9,037MW as at 31 December 2008, representing an approximately 25% increase.

Further, the Acquisition presents a significant expansion potential to the Company. Currently, Wu Ling Group has 3 hydropower projects with a total attributable capacity under construction of approximately 2,388MW which are expected to become operational from late 2009 onwards. Including Wu Ling Power's attributable capacity under construction, the Company's attributable installed capacity will increase by a further 1,504MW to 12,786MW from approximately 9,037MW as at 31 December 2008, representing an approximately 41% increase. Further details of Wu Ling Group's power projects are set out in the section headed "Information on the Wu Ling Group" below.

3. Achieve a more balanced and favourable fuel mix

The Acquisition will transform the Company from a predominantly coal-fired power generation company to a company with a more balanced fuel mix. Following the Acquisition, hydropower attributable installed capacity assets will account for approximately 19% of total attributable installed capacity, and approximately 29% if it includes those under construction. This will greatly lessen the Company's reliance on coal. Upon completion of the Acquisition, based on current industry information, the Company expects to have the highest proportion of hydropower attributable installed capacity among the Chinese independent power producers listed on the Stock Exchange.

4. Leverage on Wu Ling Group's hydropower expertise

Wu Ling Group adopts a cascade hydropower development approach along Hunan's main river basin, Yuan Jiang River* (沅江), which enhances Wu Ling Group's utilisation efficiency. It implements cost control measures in areas of project EPC (Engineering Procurement and Construction), operation and maintenance, as well as the number of staff. Wu Ling Group has a strong management team and technical team with a long proven track record in China's hydropower industry. As a result, Wu Ling Group has achieved significant electricity generation and profit growth in the past 10 years. Further, a hydropower asset portfolio of this size and significance is rarely available and it represents a unique opportunity for the Company to leverage on Wu Ling Group's hydropower expertise in pursuing growth options in other leading hydropower markets in China.

In the light of the above, the Directors consider that the Acquisition will be beneficial to the Company and will have a positive impact on the Company's future prospects, thus benefiting the Company and its shareholders as a whole.

D. INFORMATION ON THE WU LING GROUP

1. Overview of Wu Ling Group

Wu Ling Power was incorporated in the PRC on 3 May 1995 and registered as a sino-foreign joint venture with limited liability on 11 April 2006. As at the date of this announcement, it has a registered capital of RMB3,476,160,000. Wu Ling Power currently has two shareholders, namely CPI Group, which as at the date of this announcement, has cumulatively invested RMB2,189,980,000 for an equity interest of 63% in Wu Ling Power and Hunan Xiangtou International Investment Limited* (湖南湘投國際投資有限公司), which has a 37% equity holding in Wu Ling Power. Hunan Xiangtou International Investment Limited* (湖南湘投國際投資有限公司) is a sino-foreign joint venture company equally owned by Meiya Xiangtou Power Company Limited* (美亞湘投電力有限公司), an independent third party and Hunan Xiangtou Holding (Group) Limited* (湖南湘投控股集團有限公司), an investment company wholly owned by the Hunan provincial government. On 11 May 2009, CPI Group entered into a conditional sale and purchase agreement with CPI Holding to transfer its equity holding of 63% in Wu Ling Power to CPI Holding, for a total consideration of RMB4,465,087,500 (equivalent to approximately HK\$5,045,548,875), which is subject to adjustment on completion.

Wu Ling Group is principally engaged in the development, production and supply of hydropower in Hunan and Guizhou. As at 31 December 2008, Wu Ling Group had 11 power plants in operation (excluding Qian Dong Power Plant which is to be disposed of under the Qian Dong Share Transfer Agreement. Further details of the disposal are set out in the sub-section headed "Qian Dong Disposal" below.) with an attributable installed capacity of approximately 3,564 MW. In addition, Wu Ling Group also had 3 power plants under construction.

Details of each of the 11 power plants in operation and 3 power plants under construction as at 31 December 2008 are summarised in the following table:

	Power Plant	Fuel type	Generation units (MW)	Gross installed capacity (MW)	Wu Ling Power's share-holding (%)	Attributable	Commencement of operation date	Location	
						installed capacity to Wu Ling Power (MW)			
Power plants in operation	Wu Qiang Xi Power Plant	Hydro	5×240	1,200	100%	1,200	1994-1996	Hunan	
	Ling Jin Tan Power Plant	Hydro	9×30	270	100%	270	1998-2000	Hunan	
	Hong Jiang Power Plant	Hydro	6×45	270	95%	257	2003-2005	Hunan	
	Wan Mi Po Power Plant	Hydro	3×80	240	100%	240	2004	Hunan	
	Jin Wei Zhou Power Plant	Hydro	3×21	63	100%	63	2000-2002	Hunan	
	San Ban Xi Power Plant	Hydro	4×250	1,000	95%	950	2006	Guizhou	
	Gua Zhi Power Plant	Hydro	3×50	150	95%	142	2007	Guizhou	
	Dong Ping Power Plant	Hydro	4×18	72	100%	72	2007	Hunan	
	Ma Ji Tang Power Plant	Hydro	3×18.5	56	100%	56	1983	Hunan	
	Zhu Xi Kou Power Plant	Hydro	4×18.5	74	100%	74	2008	Hunan	
	Li Yu Jiang Power Plant	Coal	2×300	600	40%	240	2003	Hunan	
	Sub-total				3,995		3,564		
	Power plants under construction	Bai Shi Power Plant	Hydro	3×140	420	95%	399	2011(Expected)	Guizhou
		Hei Mi Feng Power Plant	Hydro (Pumped storage)	4×300	1,200	100%	1,200	2009-2010 (Expected)	Hunan
Tuo Kou Power Plant		Hydro	4×200 + 2×15	830	95%	789	2012 (Expected)	Hunan	
Sub-total				2,450		2,388			
Total				6,445		5,952			

Wu Ling Power is one of China's leading hydropower companies and the second largest power company in Hunan. For the years 2006 to 2008, Wu Ling Group's (excluding Qian Dong Power Plant) hydropower generation amounted to 7,409,000MWh, 10,903,000MWh and 10,730,000MWh, respectively,

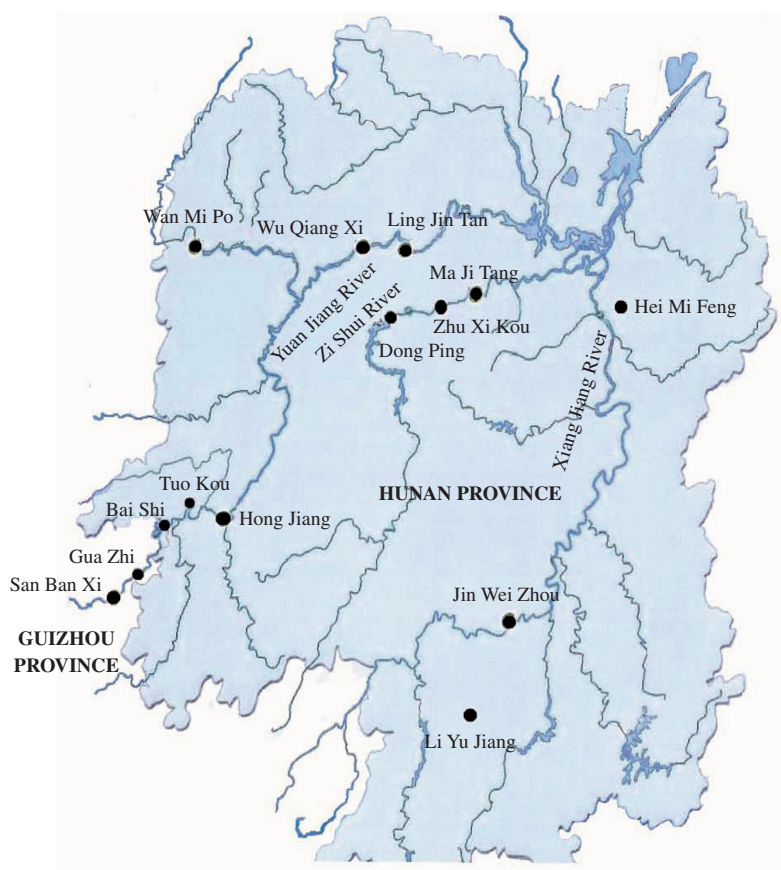
representing 44.3%, 52.2% and 49.8% of Hunan's total centrally despatched hydropower generation. For the same years, Wu Ling Group's (excluding Qian Dong Power Plant) gross installed capacity amounted to 3,099MW, 3,321MW and 3,995MW, respectively, representing 50.1%, 50.9% and 44.3% of Hunan's total centrally despatched installed capacity in hydropower.

The following table sets out certain operating data of Wu Ling Group (excluding Qian Dong Power Plant) for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	7,409,000	10,903,000	10,730,000
Net power generation (MWh)	7,320,000	10,780,000	10,594,000
Average utilisation hours	2,391	3,284	3,169
Average on-grid tariff (VAT inclusive) (RMB/kWh)	0.281	0.281	0.298

In addition to the leadership position in Hunan, Wu Ling Group's strong management team will continue to leverage on their solid experience in cost control and power project management to pursue growth opportunity in other parts of PRC, particularly the southwest region of China where hydro resources are rich.

The map below shows the locations of Wu Ling Group's power plants (excluding Qian Dong Power Plant):



2. Industry background and market environment

(i) Hydropower industry in China

According to the National Bureau of Statistics of China, China's power industry recorded a solid growth from 2002 to 2007 with electricity generation growing at a compound annual growth rate of 14.8%, outpacing China's GDP growth of 11.0% during the same period. However, with a slowing economy in 2008, China's GDP growth rate dropped to 9.0% in 2008 (from 13.0% in 2007). The electricity generation growth slowed to 5.6% in 2008 (from 14.4% in 2007), and electricity generation from coal-fired power plants recorded a mere 2.5% growth in 2008 (compared with 14.9% in 2007).

According to the Statistics of National Power Industry* (全國電力工業統計快報), hydropower is China's most prevalent renewable energy source, contributing approximately 21.6% of China's total installed capacity and

16.4% of the total electricity generation in 2008. Contrary to the declining growth rate of China's electricity generation, hydropower generation has experienced a strong growth of 19.5% in 2008, up from 17.6% in 2007 and 5.1% in 2006.

As at 31 December 2008, the total installed hydropower capacity is 171.52GW. According to the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), China's hydropower installed capacity is planned to reach 190GW by 2010 and 300GW by 2020.

(ii) Hydropower market in Hunan

According to the Bureau of Statistics of Hunan, Hunan's economy enjoyed a strong growth in 2008 with GDP surpassing RMB1 trillion the first time in history, ranking 9th in China. Its provincial GDP grew by 12.8% in 2008 (compared with 14.4% in 2007).

Hunan's power market is heavily reliant on hydropower. As at 31 December 2008, the total centrally despatched installed hydropower capacity is approximately 7,670MW, a 17.6% increase from 2007, accounting for approximately 40% of the province's total centrally despatched installed capacity. The total centrally despatched hydropower generation is approximately 21.5 billion kWh, accounting for approximately 35.8% of the province's total centrally despatched electricity generation.

(iii) Government's supportive policies for the hydropower industry in China

The Chinese government has promulgated a number of regulations, supportive plans and measures to promote renewable energy, including the Renewable Energy Law of PRC* (可再生能源法), the 11th Five-Year Plan for the Renewable Energy Development* (可再生能源發展“十一五”規劃), the Medium-to-Long Term Plan for the Renewable Energy Development* (可再生能源中長期發展規劃), the Implementation of Deepening Electricity Sector Reform in the 11th Five-Year Plan Period* (關於“十一五”深化電力體制改革的實施意見), Regulatory Measures for the Grids to Purchase All Electricity Generation from Renewable Energy* (電網企業全額收購可再生能源電量監管辦法), and Trial Measures for Energy Conservation and Merit Order Despatch* (節能發電調度辦法(試行)).

Hydropower (together with bio-energy, wind power and solar power) is identified as top priority in China's renewable energy development. Hydropower producers enjoy the benefit that all of their hydropower generated is required to be purchased by the relevant grid companies, and hydropower (together with other types of renewable energy) has the highest ranking in the merit order despatch.

3. Further details of Wu Ling Group's power plants

Power plants in operation

(i) Wu Qiang Xi Power Plant* (五強溪電廠)

Wu Qiang Xi Power Plant is located near the downstream of Yuan Jiang River* (沅江) in Yuan Ling County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Wu Qiang Xi Power Plant is 1,200MW. The operation of the 5x240MW hydropower generating units commenced between 1994 and 1996. From 2006 to 2008, the annual gross power generation of Wu Qiang Xi Power Plant were 4,378,700MWh, 5,489,680MWh and 5,227,240MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.28/kWh, RMB0.27/kWh and RMB0.29/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Wu Qiang Xi Power Plant.

The following table sets out certain operating data of Wu Qiang Xi Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	4,378,700	5,489,680	5,227,240
Net power generation (MWh)	4,335,000	5,441,000	5,183,000
Equivalent utilisation hours	3,649	4,575	4,356
Equivalent availability factor (%)	95.44	95.09	96.49

(ii) Ling Jin Tan Power Plant* (凌津灘電廠)

Ling Jin Tan Power Plant is located in Tao Yuan County, Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Ling Jin Tan Power Plant is 270MW. The operation of the 9x30MW hydropower generating units commenced between 1998 and 2000. From 2006 to 2008, the annual gross power generation of Ling Jin Tan Power Plant were 973,020MWh, 1,146,030MWh and 1,112,300MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.27/kWh, RMB0.27/kWh and RMB0.29/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Ling Jin Tan Power Plant.

The following table sets out certain operating data of Ling Jin Tan Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	973,020	1,146,030	1,112,300
Net power generation (MWh)	957,000	1,129,000	1,095,000
Equivalent utilisation hours	3,604	4,245	4,120
Equivalent availability factor (%)	97.49	97.09	95.61

(iii) Hong Jiang Power Plant* (洪江電廠)

Hong Jiang Power Plant is located in Huai Hua City of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Hong Jiang Power Plant is 270MW. The operation of the 6x45MW hydropower generating units commenced between 2003 and 2005. From 2006 to 2008, the annual gross power generation of Hong Jiang Power Plant were 730,680MWh, 863,820MWh and 916,000MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.29/kWh, RMB0.29/kWh and RMB0.29/kWh, respectively. Wu Ling Power currently holds 95% of the equity interest in Hong Jiang Power Plant, while HydroChina Zhongnan Engineering Corporation* (中國水電顧問集團中南勘測設計研究院) holds the remaining 5%.

The following table sets out certain operating data of Hong Jiang Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	730,680	863,820	916,000
Net power generation (MWh)	721,000	853,000	905,000
Equivalent utilisation hours	2,706	3,199	3,395
Equivalent availability factor (%)	91.98	91.71	93.47

(iv) Wan Mi Po Power Plant* (碗米坡電廠)

Wan Mi Po Power Plant is located in Bao Jing County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Wan Mi Po Power Plant is 240MW. The operation of the 3x80MW hydropower generating units commenced in 2004. From 2006 to 2008, the annual gross power generation of Wan Mi Po Power Plant were 418,360MWh, 726,160MWh and 628,720MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.30/kWh, RMB0.29/kWh and RMB0.29/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Wan Mi Po Power Plant.

The following table sets out certain operating data of Wan Mi Po Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	418,360	726,160	628,720
Net power generation (MWh)	414,000	722,000	625,000
Equivalent utilisation hours	1,743	3,026	2,620
Equivalent availability factor (%)	96.79	96.36	95.11

(v) Jin Wei Zhou Power Plant* (近尾洲電廠)

Jin Wei Zhou Power Plant is located near the midstream of Xiang Jiang River* (湘江) in Heng Nan County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Jin Wei Zhou Power Plant is 63MW. The operation of the 3x21MW hydropower generating units commenced between 2000 and 2002. From 2006 to 2008, the annual gross power generation of Jin Wei Zhou Power Plant were 324,750MWh, 247,890MWh and 317,940MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.32/kWh, RMB0.33/kWh and RMB0.33/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Jin Wei Zhou Power Plant.

The following table sets out certain operating data of Jin Wei Zhou Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	324,750	247,890	317,940
Net power generation (MWh)	318,000	242,000	311,000
Equivalent utilisation hours	5,138	3,922	5,032
Equivalent availability factor (%)	97.99	96.19	99.33

(vi) San Ban Xi Power Plant* (三板溪電廠)

San Ban Xi Power Plant is located in Jin Ping County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of San Ban Xi Power Plant is 1,000MW. The operation of the 4x250MW hydropower generating units commenced in 2006. From 2006 to 2008, the annual gross power generation of San Ban Xi Power Plant were 307,250MWh, 2,002,310MWh and 1,732,710MWh, respectively. The

average tariff (VAT inclusive) for the same years were RMB0.25/kWh, RMB0.30/kWh and RMB0.32/kWh, respectively. Wu Ling Power currently holds 95% of the equity interest in San Ban Xi Power Plant, while Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) holds the remaining 5%.

The following table sets out certain operating data of San Ban Xi Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	307,250	2,002,310	1,732,710
Net power generation (MWh)	303,000	1,975,000	1,707,000
Equivalent utilisation hours	307	2,002	1,733
Equivalent availability factor (%)	95.18	94.12	96.84

(vii) Gua Zhi Power Plant* (掛治電廠)

Gua Zhi Power Plant is located in Jin Ping County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of Gua Zhi Power Plant is 150MW. The operation of the 3x50MW hydropower generating units commenced in 2007. From 2007 to 2008, the annual gross power generation of Gua Zhi Power Plant were 166,950MWh and 312,000MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.30/kWh and RMB0.31/kWh, respectively. Wu Ling Power currently holds 95% of the equity interest in Gua Zhi Power Plant, while Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) holds the remaining 5%.

The following table sets out certain operating data of Gua Zhi Power Plant for the two years ended 31 December 2008:

	2007	2008
Gross power generation (MWh)	166,950	312,000
Net power generation (MWh)	164,000	306,000
Equivalent utilisation hours	3,207	2,093
Equivalent availability factor (%)	92.12	94.82

(viii) Dong Ping Power Plant* (東坪電廠)

Dong Ping Power Plant is located in An Hua County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Dong Ping Power Plant is 72MW. The operation of the 4x18MW hydropower generating units commenced in 2007. From 2007 to 2008, the annual gross power generation of Dong Ping Power Plant were 42,000MWh and 208,560MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.29/kWh and RMB0.32/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Dong Ping Power Plant.

The following table sets out certain operating data of Dong Ping Power Plant for the two years ended 31 December 2008:

	2007	2008
Gross power generation (MWh)	42,000	208,560
Net power generation (MWh)	39,000	199,000
Equivalent utilisation hours	1,429	2,897
Equivalent availability factor (%)	92.93	94.59

(ix) Ma Ji Tang Power Plant* (馬迹塘電廠)

Ma Ji Tang Power Plant is located near the midstream of Zi Shui River* (資水) in Tao Jiang County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Ma Ji Tang Power Plant is 56MW. The operation of the 3x18.5MW hydropower generating units commenced in 1983. From 2006 to 2008, the annual gross power generation of Ma Ji Tang Power Plant were 276,650MWh, 218,380MWh and 221,190MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB0.26/kWh, RMB0.26/kWh and RMB0.27/kWh, respectively. Wu Ling Power currently holds 100% of the equity interest in Ma Ji Tang Power Plant.

The following table sets out certain operating data of Ma Ji Tang Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	276,650	218,380	221,190
Net power generation (MWh)	267,000	212,000	214,000
Equivalent utilisation hours	4,985	3,935	3,985
Equivalent availability factor (%)	86.6	93.65	96.34

(x) Zhu Xi Kou Power Plant* (株溪口電廠)

Zhu Xi Kou Power Plant is located in An Hua County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Zhu Xi Kou Power Plant is 74MW. The operation of the 4x18.5MW hydropower generating units commenced in 2008. The annual gross power generation of Zhu Xi Kou Power Plant in 2008 was 52,000MWh, and the average tariff (VAT inclusive) for the same year was RMB0.32/kWh. Wu Ling Power currently holds 100% of the equity interest in Zhu Xi Kou Power Plant.

The following table sets out certain operating data of Zhu Xi Kou Power Plant for the year ended 31 December 2008:

	2008
Gross power generation (MWh)	52,000
Net power generation (MWh)	49,000
Equivalent utilisation hours	621
Equivalent availability factor (%)	95.86

(xi) Li Yu Jiang Power Plant* (鯉魚江電廠)

Li Yu Jiang Power Plant is located in Zi Xing City of Hunan, and sells the entire electricity generation to the Guangdong provincial power grid. The gross installed capacity of Li Yu Jiang Power Plant is 600MW. The operation of the 2x300MW coal-fired generating units commenced in 2003. There were other 2x65MW generating units that has ceased operation from 2008. From 2006 to 2008, the annual gross power generation of Li Yu Jiang Power Plant were 4,823,000MWh, 4,842,000MWh and 3,384,000MWh, respectively. The average tariff (VAT inclusive) for the same years were RMB269.57/kWh, RMB379.47/kWh and RMB411.22/kWh, respectively. Li Yu Jiang Power Plant purchases coal from the spot market. The weighted average price of delivered standard coal for 2006-2008 were approximately RMB528.04 per tonne, RMB507.69 per tonne and RMB824.63 per tonne, respectively. Wu Ling Power currently holds 40% of the equity interest in Li Yu Jiang Power Plant, while China Resources Power Holdings Company Limited which is a State-owned enterprise and is a third party independent of the Company and the Company's connected persons, holds the remaining 60%.

The following table sets out certain operating data of Li Yu Jiang Power Plant for the three years ended 31 December 2008:

	2006	2007	2008
Gross power generation (MWh)	4,823,000	4,842,000	3,384,000
Net power generation (MWh)	4,545,000	4,571,000	3,171,000
Equivalent utilisation hours of operating units	7,008	7,259	5,594
Equivalent utilisation hours of retired units	4,761	3,741	209
Equivalent availability factor of operating units (%)	92.82	93.33	88.56
Equivalent availability factor of retired units (%)	96.08	95.10	—

Power plants under construction

(xii) Bai Shi Power Plant* (白市電廠)

Bai Shi Power Plant is located in Tian Zhu County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of Bai Shi Power Plant is planned to be 420MW. The operation of the 3x140MW hydropower generating units is expected to commence in 2011, and the estimated capital expenditure for the plant is approximately RMB4 billion. Wu Ling Power currently holds 95% of the equity interest in Bai Shi Power Plant, while Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) holds the remaining 5%.

(xiii) Hei Mi Feng Pumped Storage Power Station* (黑麋峰電廠)

Hei Mi Feng Pumped Storage Power Station is located in Wang Cheng County of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Hei Mi Feng Pumped Storage Power Station is planned to be 1,200MW. The operation of the 4x300MW hydropower generating units is expected to commence between 2009 and 2010, and the estimated capital expenditure for the plant is approximately RMB3.5 billion. The station will consist of two reservoirs with total capacity of 8.42 million m³ and 8.44 million m³, respectively. Wu Ling Power currently holds 100% of the equity interest in Hei Mi Feng Pumped Storage Power Station.

(xiv) Tuo Kou Power Plant* (托口電廠)

Tuo Kou Power Plant is located in Hong Jiang City of Hunan, and supplies electricity to the Hunan provincial power grid. The gross installed capacity of Tuo Kou Power Plant is planned to be 830MW. The operation of the 4x200MW + 2x15MW hydropower generating units is expected to commence in 2012, and the estimated capital expenditure for the plant is approximately RMB6.3 billion. Wu Ling Power currently holds 95% of the equity interest in Tuo Kou Power Plant, while HydroChina Zhongnan Engineering Corporation* (中國水電顧問集團中南勘測設計研究院) holds the remaining 5%.

Based on the unaudited financial statements of Wu Ling Group, which were prepared based on accounting principles generally accepted in Hong Kong, its unaudited consolidated profits for each of the two years ended 31 December 2007 and 31 December 2008 are as follows:

	Financial year ended 31 December 2007 (RMB million)	Financial year ended 31 December 2008 (RMB million)
Unaudited consolidated profit before taxation and minority interests	801	405
Unaudited consolidated profit after taxation and minority interests	400	191

The unaudited consolidated net asset value based on accounting principles generally accepted in Hong Kong attributable to 63% of equity interest in Wu Ling Group as at 31 December 2008 based on the above accounts was approximately RMB3,834.18 million.

Investors should note that the above information of Wu Ling Group was unaudited and may be subject to change following the completion of the preparation of the audited financial statements of Wu Ling Group. Investors should therefore exercise caution when considering the unaudited financial information contained in this announcement.

4. **Qian Dong Disposal**

Terms of the Qian Dong Disposal

On 8 June 2009, Wu Ling Power entered into the Qian Dong Share Transfer Agreement with CPI Holding, pursuant to which Wu Ling Power conditionally agreed to sell, and CPI Holding conditionally agreed to purchase, 75% of the equity interest in Qian Dong Power, a subsidiary of Wu Ling Power. The completion of the Acquisition is conditional on the completion (including the transfer of shares but excluding the payment of consideration) of the Qian Dong Disposal.

The consideration for the Qian Dong Disposal is RMB144,055,050 (equivalent to approximately HK\$162,782,207). The consideration was arrived at after arm's length negotiations between Wu Ling Power and CPI Holding with reference to an asset valuation carried out by an independent valuation firm and various factors including the market condition and the profitability of Qian Dong Power. An audit report will be produced by an accounting firm to be agreed between the parties within 30 business days of the completion of the Qian Dong Share Transfer Agreement. The consideration will be adjusted with reference to the change in the net asset value of Qian Dong Power between 1 July 2008 and the completion of the Qian Dong Share Transfer Agreement. In the event that the audited net asset value of Qian Dong Power is zero or negative, the consideration for the Qian Dong Disposal will be nil. CPI Holding has agreed to pay the consideration (if any) within 20 business days after the production of the audit report.

Information about Qian Dong Power Plant

Qian Dong Power Plant is located in Zhen Yuan County of Guizhou, and supplies electricity to the Hunan provincial power grid via the Electricity West-to-East Program* (西電東送項目). The gross installed capacity of Qian Dong Power Plant is 1,200MW. Qian Dong Power is currently applying for government approvals. As the quality of the power plant, including but not limited to its profitability, does not meet the Company's standard for acquisition and due to the potential uncertainties with respect to the grant of government approval, the power plant will be disposed of pursuant to the Qian Dong Share Transfer Agreement. Wu Ling Power currently holds 75% of the equity interest in Qian Dong Power Plant, while Guizhou Shuicheng Coal Mining (Group) Co., Ltd.* (貴州水城礦業(集團)有限責任公司) and Southeast Guizhou Province Miao-Dong Autonomous Prefecture Power Corporation* (黔東南苗族侗族自治州地方電力總公司) hold the remaining 20% and 5%, respectively.

Qian Dong Power's unaudited loss based on accounting principles generally accepted in Hong Kong for each of the two years ended 31 December 2007 and 31 December 2008 are as follows:

	Financial year ended 31 December 2007 (RMB million)	Financial year ended 31 December 2008 (RMB million)
Unaudited loss before taxation	19	131
Unaudited loss after taxation	18	121

The unaudited net asset value based on accounting principles generally accepted in Hong Kong attributable to Wu Ling Power's equity interest in Qian Dong Power as at 31 December 2008 based on the above accounts was approximately RMB97.35 million.

Investors should note that the above financial information of Qian Dong Power was unaudited and may be subject to change following the completion of the preparation of the audited financial statements of Qian Dong Power. Investors should therefore exercise caution when considering the unaudited financial information contained in this announcement.

The Qian Dong Debt and the Wu Ling Entrusted Loan Agreements

As at the date of this announcement, there is an outstanding indebtedness amounting to a total of RMB4.3 billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary ("Qian Dong Debt") in connection with the construction of the Qian Dong Power Plant. It is a condition precedent to the completion of the Acquisition that a portion of the Qian Dong Debt amounting to RMB2.8 billion be repaid by Qian Dong Power to Wu Ling Power and its relevant subsidiary. The remaining portion of the loan is required to be repaid to Wu Ling Power in accordance with the terms of the entrusted loan agreements to be entered into among Wu Ling Power, Qian Dong Power and certain independent financial institutions ("Wu Ling Entrusted Loan Agreements") before completion of the Acquisition. The entering into of the Wu Ling Entrusted Loan Agreements is also a condition precedent to the completion of the Acquisition.

Upon completion of the Acquisition and the Qian Dong Disposal, Qian Dong Power will become an associate of CPI Holding, an indirect shareholder of the Company, thus a connected person of the Company under the Listing Rules. As

such, any outstanding Qian Dong Debt pursuant to the Wu Ling Entrusted Loan Agreements may constitute a continuing connected transaction. Pursuant to Listing Rule 14A.41, the Company sets out the principal provisions of the Wu Ling Entrusted Loan Agreements in the following:

Total loan amount: RMB1.5 billion

Interest rate: 5.4% per annum (being the PBOC Rate as at the date of this announcement)

Repayment: 3 years

CPI Holding will indemnify the Company for any losses and damages caused by or related to Qian Dong Power (including the failure of Qian Dong Power to fulfil its obligations under the Wu Ling Entrusted Loan Agreements).

The Directors (including the independent non-executive Directors) are of the view that the Wu Ling Entrusted Loan Agreements have been entered into on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Leasing agreement

In addition, Qian Dong Power has been using, and since beginning of 2009, leasing a switching station and transmission lines owned by Wu Ling Power for the transmission of electricity generated by Qian Dong Power Plant to the Hunan power grid. Such arrangements, which have been formalised in a lease agreement between Wu Ling Power and Qian Dong Power, may constitute a continuing connected transaction after the completion of the Acquisition and the Qian Dong Disposal. Pursuant to Listing Rule 14A.41, the Company sets out the details of the lease agreement in the following:

Date: 8 June 2009

Annual consideration: RMB54,110,000 (the consideration shall be payable annually, on normal commercial terms and not more favourable than that given to any independent third party)

Term: 3 years

The Directors (including the independent non-executive Directors) are of the view that the lease agreement has been entered into on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Landscaping project

Further, in April 2009, Qian Dong Power has entered into a landscaping project contract with Changde Liyuan Landscaping Company Limited* (常德力源園林綠化有限公司), an indirect subsidiary of Wu Ling Power. While this contract is currently expected to expire before the completion of the Acquisition, the consideration is not payable until after the completion of the Acquisition and the Qian Dong Disposal. Pursuant to Listing Rule 14A.41, the Company sets out the details of the landscaping project contract in the following:

Date: April 2009

Expiry: 30 June 2009

Consideration: RMB6,830,000

The Directors (including the independent non-executive Directors) are of the view that the landscaping project contract has been entered into on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As the completion of the Qian Dong Share Transfer Agreement is subject to the fulfilment of the conditions set out in the Qian Dong Share Transfer Agreement, the Qian Dong Disposal may or may not proceed. If the Qian Dong Disposal does not proceed, the Acquisition will also not proceed. **Investors should exercise caution when dealing in the Shares.**

5. Non-competition with Qian Dong Power

Following the completion of the Qian Dong Disposal, CPI Holding will hold 75% of the equity interest in Qian Dong Power. Qian Dong Power has been in the past, and will after the Qian Dong Disposal, remain a member of the Parent Group. There is no material competition between Wu Ling Power and Qian Dong Power Plant because the PRC government has mandated that all hydropower generated is required to be purchased by the relevant grid companies and accordingly, compared with coal-fired power, hydropower has a higher ranking in the merit order despatch. In addition, the coal-fired power plants of the Group supply power to grid companies different from that of Qian Dong Power Plant.

Pursuant to the reorganisation agreement entered into between the Company, CPI Group and CPI Holding on 27 August 2004, in the event CPI Group or CPI Holding wishes to dispose of power plants, power assets or power projects that they may from time to time own in the PRC (which includes Qian Dong Power), the Company has been granted the right of first refusal to acquire such power

plants, power assets or power projects on terms comparable to those offered by a third party or negotiated at arm's length. Further, under the Acquisition Agreement, CPI Holding has granted the Company an option exercisable at any time to purchase, upon obtaining the relevant government approvals, Qian Dong Power at a consideration to be agreed by the parties.

E. INFORMATION ON THE COMPANY, CPI HOLDING AND CPI GROUP

The Company's principal activities are the development, construction, operation and management of power plants.

CPI Holding is a Hong Kong incorporated company focusing on power-related assets investment and development in China and abroad. CPI Group is one of the five national power generation groups in China, and operates coal-fired power, hydropower and nuclear power plants in the PRC with an attributable installed capacity of approximately 9,037 MW as at 31 December 2008. The Company is the flagship company and the only subsidiary of CPI Group listed outside the PRC.

F. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE ISSUE OF CONSIDERATION SHARES

Set out below is the shareholding structure of the Company as at the date of this announcement and the possible shareholding structure immediately after the allotment and issue of Consideration Shares (before any adjustment of the consideration). As mentioned in the sub-section headed "Consideration Shares" above, the Public Float Adjustment mechanism will enable the Company to continue to comply with the public float requirement under Listing Rule 8.08.

	As at the date of this announcement		Upon issue and allotment of the Consideration Shares on the assumption as set out in Note 1	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
CPDL	1,996,500,000	55.37	1,996,500,000	39
CPI Holding (Note 2)	2,021,084,000	56.05	3,487,813,324	69
CPI Group (Note 3)	2,021,084,000	56.05	3,487,813,324	69
Public	<u>1,584,526,850</u>	<u>43.95</u>	<u>1,584,526,850</u>	<u>31</u>
Total	<u>3,605,610,850</u>	<u>100.00</u>	<u>5,072,340,174</u>	<u>100.00</u>

Notes:

1. Assuming none of the share options is exercised on or before the date of allotment and issue of the Consideration Shares. As at the date of this announcement, the Company has 51,117,600 outstanding share options.
2. As at the date of this announcement, CPI Holding is the beneficial owner of 24,584,000 Shares. Further, CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the Shares owned by CPDL for the purposes of the SFO.
3. CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in the Shares owned by CPI Holding for the purposes of the SFO.

II. LISTING RULES IMPLICATIONS

As certain of the percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. Furthermore, as CPI Holding is an indirect controlling shareholder of the Company interested in approximately 56.05% of its share capital, the Acquisition also constitutes a connected transaction of the Company pursuant to Listing Rule 14A.17. Thus, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CPDL and its Associates, no other shareholder of the Company will be required to abstain from voting on the resolution for approving the Acquisition at the EGM.

BOCI is the financial adviser to the Company.

An Independent Board Committee (comprising all the independent non-executive Directors of the Company) has been established to advise the Independent Shareholders in respect of the terms of the Acquisition. DBS Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

III. GRANT OF SPECIAL MANDATE

The Directors will seek the approval of the Independent Shareholders for the grant of the Special Mandate to authorise the Directors to allot and issue the Consideration Shares at the EGM.

IV. GENERAL

An EGM is currently scheduled to be held in July 2009 during which an ordinary resolution will be proposed to the shareholders of the Company to approve (i) the Acquisition Agreement and the transaction contemplated thereunder and (ii) the Special Mandate. CPDL and its Associates, being connected persons in respect of the Acquisition, will abstain from voting on the ordinary resolution to approve (i) the Acquisition Agreement and the transaction contemplated thereunder and (ii) the Special Mandate. Any vote of the Independent Shareholders at the EGM will be taken by poll.

A circular containing, among other things, (i) further information on the Acquisition, (ii) the recommendations of the Independent Board Committee in respect of the Acquisition, (iii) a letter of advice from DBS Asia, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, (iv) financial information of the Group, (v) an accountants' report for Wu Ling Group, (vi) unaudited pro forma information of the Enlarged Group, (vii) a property valuation report of the Enlarged Group, and (viii) a notice to convene the EGM will be despatched to the Shareholders as soon as practicable.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

As completion of the Acquisition is subject to the fulfilment of the conditions set out in the Acquisition Agreement, the Acquisition may or may not proceed. Investors should exercise caution when dealing in the Shares. When in doubt, investors are recommended to consult their professional adviser(s).

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Acquisition”	the proposed acquisition by the Company of the Equity Interests pursuant to the Acquisition Agreement, as further described in this announcement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 8 June 2009 entered into by the Company and CPI Holding in relation to the Acquisition
“Associates”	has the meaning given to it under the Listing Rules

“attributable installed capacity”	power generation capacity of a company proportional to its ownership of generating units or power plants, usually denominated in MW
“Board”	the board of Directors
“BOCI”	BOCI Asia Limited, the financial adviser to the Company and a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“Companies Ordinance”	Companies Ordinance (Cap 32 of the Laws of Hong Kong)
“Consideration Shares”	the new 1,466,729,324 Shares to be issued (subject to adjustment) and allotted to CPI Holding at HK\$2.408 per Share as part of the consideration pursuant to the Acquisition Agreement
“controlling shareholder”	has the meaning given to it under the Listing Rules
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding which holds approximately 55.37% of the equity interest in the Company
“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by SASAC
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CPI Group
“DBS Asia”	DBS Asia Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders in respect of the Acquisition

“Directors”	the directors 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 Acquisition Agreement and the transaction contemplated thereunder, currently scheduled to take place in July 2009
“Enlarged Group”	the Group as enlarged by the Acquisition
“Equity Interests”	63% of the equity interest in Wu Ling Power (excluding Qian Dong Power, regarding which please see the sub-section headed “Qian Dong Disposal” above) to be sold by CPI Holding pursuant to the Acquisition Agreement
“GDP”	gross domestic product
“Group”	the Company and its subsidiaries
“Guizhou”	Guizhou Province of the PRC
“GW”	gigawatt, one million kilowatts
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hunan”	Hunan Province of the PRC
“Independent Board Committee”	the committee of Directors, formed to advise the Independent Shareholders in respect of the terms of the Acquisition
“Independent Shareholder(s)”	Shareholder(s) of the Company other than CPDL and its Associates
“installed capacity”	the manufacturers’ rated power output of a generating unit or a power plant, usually denominated in MW
“kWh”	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“MW”	megawatt, one million watts. The attributable installed capacity of a power plant is generally expressed in MW
“MWh”	megawatt-hour, one thousand kWh
“Parent Group”	CPI Group and its subsidiaries (excluding the Group)
“PBOC Rate”	the applicable base rate of interest published by the People’s Bank of China for lending in Renminbi with a maturity period of three years
“Preceding Wu Ling Agreement”	the conditional sale and purchase agreement dated 11 May 2009 between CPI Group and CPI Holding, pursuant to which CPI Holding conditionally agreed to acquire and CPI Group conditionally agreed to sell 63% of the equity interest in Wu Ling Power
“Public Float Adjustment”	has the meaning as defined under the sub-section headed “B. THE ACQUISITION AGREEMENT — 4. The consideration” above
“PRC” or “China”	the People’s Republic of China. Geographical reference in this announcement to the PRC excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Qian Dong Debt”	the outstanding indebtedness amounting to a total of RMB4.3 billion owed by Qian Dong Power to Wu Ling Power and its relevant subsidiary
“Qian Dong Disposal”	the disposal of Qian Dong Power by Wu Ling Power pursuant to the Qian Dong Share Transfer Agreement
“Qian Dong Power”	貴州黔東電力有限公司 (Qian Dong Power Corporation*)
“Qian Dong Share Transfer Agreement”	the conditional sale and purchase agreement dated 8 June 2009 entered into by Wu Ling Power and CPI Holding in relation to the sale of 75% of the equity interest in Qian Dong Power
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	中華人民共和國國務院國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the State Council of the PRC*)

“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s)
“Special Mandate”	the special mandate to authorise the Directors to allot and issue Shares to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it under the Listing Rules
“VAT”	value-added tax
“Wu Ling Entrusted Loan Agreements”	the entrusted loan agreement to be entered into among Wu Ling Power, Qian Dong Power and certain independent financial institutions
“Wu Ling Group”	Wu Ling Power and its subsidiaries (references to Wu Ling Group with respect to Wu Ling Group’s operating data includes information of Wu Ling Group and all companies in which Wu Ling Group have direct or indirect equity interests, without regard to the ownership level of, or the proportion of interest held by, the members of the Wu Ling Group in such companies)
“Wu Ling Power”	五凌電力有限公司 (Wu Ling Power Corporation*)

* English translation is for identification only.

This announcement contains translation of RMB into HK\$ at the rate of RMB1.00 to HK\$1.13. The translation shall not be taken as representation that any amounts in RMB or HK\$ could be converted at such rate or at any other rate.

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

Hong Kong, 8 June 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.