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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Power International Development Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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)

## MAJOR AND CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Advisor  
to the Independent Board Committee and the Independent Shareholders**



**招商證券(香港)有限公司**

CHINA MERCHANTS SECURITIES (HK) CO., LTD.

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A letter from the Board is set out on pages 3 to 12 of this circular. A letter from the Independent Board Committee of the Company containing its recommendation to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from China Merchants Securities (HK) Co., Ltd., the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 22 of this circular.

A notice dated 29 January 2010 convening the EGM to be held on 18 March 2010 at 11:00 a.m. at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong is set out on pages 30 to 31 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

29 January 2010

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## DEFINITIONS

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*In this circular, 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
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding
“CPI Financial”	CPI Financial Co., Ltd. (中電投財務有限公司)
“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“CPI Holding”	中國電力國際有限公司 (China Power International Holding Limited), a company incorporated in Hong Kong and a wholly-owned subsidiary of CPI Group
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, amongst other things, the deposit services transactions contemplated under the Framework Agreement, to be held on 18 March 2010
“Framework Agreement”	the financial services framework agreement entered into between CPI Financial and the Company on 22 December 2009, the details of which are set out in the Letter from the Board of this circular
“Group”	the Company and its subsidiaries and its associated companies from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of Directors, consisting of Kwong Che Keung, Gordon, Li Fang and Tsui Yiu Wa, Alec, who are independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the deposit services transactions contemplated under the Framework Agreement

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## DEFINITIONS

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“Independent Financial Adviser” or “China Merchants Securities”	China Merchants Securities (HK) Co., Ltd., a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the deposit services transactions contemplated under the Framework Agreement
“Independent Shareholders”	the shareholders of the Company other than CPI Group and its Associates
“Latest Practicable Date”	25 January 2010, being the latest practicable date prior to publication of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt, one million watts. The attributable installed capacity of a power plant is generally expressed in MW
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC” or “China”	the People’s Republic of China. Geographical references in this circular to the PRC excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of HK\$1.00 each in the share capital of the Company
“State Council”	中華人民共和國國務院 (the State Council of the PRC*)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning given to it by the Listing Rules
“Wu Ling Power”	五凌電力有限公司 (Wu Ling Power Corporation*)

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

*This circular contains translation of RMB into HK\$ at the rate of RMB1.00 to HK\$1.135. 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.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Li Xiaolin (*Chairman and Chief Executive Officer*)

Liu Guangchi (*President*)

*Non-Executive Directors:*

Gao Guangfu

Guan Qihong

*Registered Office:*

Suite 6301,

63/F Central Plaza

18 Harbour Road

Wanchai

Hong Kong

*Independent Non-Executive Directors:*

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

29 January 2010

*To the shareholders of the Company*

*Dear Sir or Madam,*

### MAJOR AND CONTINUING CONNECTED TRANSACTIONS

#### 1. INTRODUCTION

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

Details of the arrangements are set out below in the section headed “The Framework Agreement”.

CPI Group is the ultimate controlling shareholder of the Company holding approximately 69% of the issued share capital of the Company as at the Latest Practicable Date. CPI Financial is a subsidiary of the CPI Group and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the relevant percentage ratios for the deposit services transactions under the Framework Agreement exceed 25% but under 75%, the deposit services transactions also constitute major transactions for the Company.

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## LETTER FROM THE BOARD

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The Company has established the Independent Board Committee to advise the Independent Shareholders on the deposit services transactions contemplated under the Framework Agreement. China Merchants Securities has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the deposit services transactions contemplated under the Framework Agreement.

The main purposes of this circular are to provide you with (a) details of the deposit services transactions contemplated under the Framework Agreement, (b) details of other financial services transactions contemplated under the Framework Agreement for your information only, (c) a letter from the Independent Board Committee and from the Independent Financial Adviser, and (d) a notice to the Independent Shareholders convening the EGM to approve the deposit services transactions contemplated under the Framework Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CPI Group and its Associates, no other shareholder of the Company will be required to abstain from voting on the ordinary resolution for approving the deposit services transactions contemplation under the Framework Agreement at the EGM.

## 2. THE FRAMEWORK AGREEMENT

### **Date**

22 December 2009

### **Parties**

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

### **Major Terms**

- (1) Services to be provided:

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

- (2) Pricing:

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

- (a) Deposit services: The interest rate applicable to the Group for its deposits with CPI Financial shall not be lower than the minimum interest rate specified by the PBOC for

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## LETTER FROM THE BOARD

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deposits of similar type. In addition, the deposit interest rate shall not be lower than the interest rate for similar type of deposits placed by other members of CPI Group with CPI Financial, and shall not be lower than the interest rate for similar type of deposits offered by independent commercial banks to the Group generally during the same period.

- (b) Loan services: The interest rate for loans (including other credit business) granted to the Group by CPI Financial shall not be higher than the maximum interest rate specified by the PBOC for loans of similar type. In addition, the interest rate for loans granted to the Company by CPI Financial shall not be higher than the interest rate for similar type of loans granted by CPI Financial to other members of CPI Group or higher than those for similar type of loans granted by independent commercial banks to the Group generally during the same period. Pursuant to the Framework Agreement, the loan services to be provided by CPI Financial will be governed by, inter alia, separate loan agreements.
  - (c) Bill acceptance and discount services: The interest rate for bill acceptance and discount services to be provided by CPI Financial shall not be higher than the interest rate for similar type of services offered by CPI Financial to other members of CPI Group or higher than those for similar type of services offered by independent commercial banks to the Group generally.
  - (d) Entrusted loan services and other financial services: The services fee for the entrusted loan services and other financial services to be provided by CPI Financial shall be the applicable rate for similar services set by the financial regulatory body in accordance with the relevant regulations and shall not be higher than the rate charged by independent commercial banks for similar type of services and the rate charged by CPI Financial to other members of CPI Group for similar type of services.
  - (e) Settlement services: Free of charge.
- (3) The Group has the unilateral right to terminate any services to be provided under the Framework Agreement if other financial institutes provide such services in a more favourable term. The Group is also entitled to appoint other financial institutes to provide the financial services in accordance with its own needs and requirements.
- (4) If the Group or any member of the Group cannot recover the deposits placed with CPI Financial due to the defaults of CPI Financial, the Company has the right to set off the deposit amounts due to the Group from CPI Financial against any amounts outstanding due from the Group to CPI Financial. In the event that the Group suffers financial loss by reason of the default of CPI Financial, CPI Financial shall compensate the Group for full amount of the loss suffered by the Group and the Group is entitled to terminate the Framework Agreement.

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## LETTER FROM THE BOARD

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- (5) In respect of the provision of the deposit services under the Framework Agreement, the upper limit of the daily deposit balance (including any interest accrued therefrom but excluding any loan proceeds from CPI Financial) for the Group's deposits with CPI Financial is RMB2.5 billion (approximately HK\$2.838 billion) each day.
- (6) The term of the Framework Agreement shall be three years commencing immediately after the execution, subject to the passing of the ordinary resolution by the Independent Shareholders at the EGM.

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

### Capital Risk Control Measures

- (1) Except for the purpose of contribution to the deposit reserve of the PBOC in accordance with the relevant regulations, CPI Financial undertakes that without the prior consent of the Company, the deposits of the Group shall not be used for any purpose other than settlement, loan and bill discounting services amongst the members of the Group.
- (2) A report on the status of the Group's deposits with CPI Financial will be delivered by CPI Financial to the finance department of the Company by the end of each business day so as to enable the Company to monitor and ensure that the daily deposit balance (including any interest accrued therefrom) for the Group's deposits with CPI Financial does not exceed the upper limit of RMB2.5 billion (approximately HK\$2.838 billion) at any time.
- (3) A copy of every regulatory report submitted by CPI Financial to the CBRC will be provided to and reviewed by the senior management of the Company, including the relevant executive Director(s).
- (4) The financial statements of CPI Financial for each month will be provided to and reviewed by the senior management of the Company, including the relevant executive Director(s), on the fifth working day of the following month.
- (5) CPI Financial, as a non-bank financial institution approved by the CBRC, shall strictly comply with the regulatory targets and other requirements of the CBRC to conduct its operation and business, establish effective and complete internal control and risk management systems and set up the credit review committee and investment committee in order to effectively manage risks and ensure the safety of all capital. If the Company intends to inspect the financial statements of CPI Financial, CPI Financial shall make arrangement for such an inspection within 10 days thereof. Pursuant to the provisions of the Measures on Administrating the Financial Companies of Enterprise Groups, in the emergent event that CPI Financial encounters financial difficulties in making payments, CPI Group, as the controlling shareholder of the CPI Financial, shall increase the capital of CPI Financial accordingly to meet the actual need to overcome such financial difficulties in making payments. In addition, the Company has the right to set-off such financial loss caused by the default of CPI Financial against the amount due to CPI Financial and is entitled to terminate the Framework Agreement.

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

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## LETTER FROM THE BOARD

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### 3. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

#### (1) Centralised funds management:

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

#### (2) Saving cost:

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

#### (3) Enhance fund raising capability:

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

#### (4) Efficient clearing system:

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

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

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

### 4. PROPOSED ANNUAL CAP FOR FINANCIAL SERVICES AND RATIONALE

#### (1) Deposit Services:

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

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## LETTER FROM THE BOARD

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

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

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

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

### **Basis of determination of the proposed deposit cap:**

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

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>ten months</b>
	<b>2007</b>	<b>2008</b>	<b>ended</b>
			<b>31 October</b>
<i>Amounts in RMB billions</i>			<b>2009</b>
Deposit	3.4	3.1	6.5

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

The aggregate attributable installed capacity of the Group (including Wu Ling Power) is expected to reach approximately 11,285MW by the end of 2009. It is expected that the attributable installed capacity of the Group (including Wu Ling Power) will be increased by approximately 21%

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## LETTER FROM THE BOARD

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in the next 3 years. As a result of its business growth, the Group expects that its cash flow requirement will increase accordingly. Having considered its future business plan, its historical maximum daily deposit balance and the utilization of deposit services available in other commercial banks, it is proposed that maintaining the deposit cap will make relevant financial arrangements to be carried out between the Company and CPI Financial with higher flexibility.

In addition, as mentioned in the above section headed “Major Terms”, the Group has the right to set off if it cannot recover its deposits placed with CPI Financial due to the default of CPI Financial. As at the Latest Practicable Date, there is approximately RMB2.87 billion (unaudited figure and equivalent to approximately HK\$3.257 billion) due from the Group to CPI Financial. It is anticipated that after entering into the Framework Agreement, the amounts due from the Group to CPI Financial will increase as the Group intends to obtain more loans or financing from CPI Financial so as to take advantage of the favourable terms offered under the Framework Agreement.

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

### (2) **Loan Services:**

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

### (3) **Other Services:**

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

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## LETTER FROM THE BOARD

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

### 5. INFORMATION ABOUT CPI FINANCIAL

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

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

### 6. PRINCIPAL BUSINESS OF THE GROUP

The Company is the listed flagship company outside the PRC of CPI Group. The CPI Group is one of the five national power generation groups in China and operates coal-fired, hydroelectric and nuclear power plants in various locations in the PRC. CPI Holding is wholly-owned by CPI Group and owns and operates coal-fired and hydroelectric power plants in the PRC.

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

### 7. COMPLIANCE WITH THE LISTING RULES

#### (1) Continuing connected transactions

CPI Group is the ultimate controlling shareholder of the Company which owned approximately 69% of the issued share capital of the Company as at the Latest Practicable Date. CPI Financial is a

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## LETTER FROM THE BOARD

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subsidiary of CPI Group, and is therefore a connected person of the Company pursuant to the Listing Rules. Accordingly, the transactions contemplated the Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

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

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CPI Group and its Associates, no other shareholders of the Company will be required to abstain from voting on the ordinary resolution for approving the deposit services transactions contemplated under the Framework Agreement at the EGM.

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

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

### (2) Major transactions

The deposit services transactions contemplated under the Framework Agreement also constitute major transactions under Chapter 14 of the Listing Rules and are therefore subject to the notification, announcement and shareholders' approval requirements. As CPI Group and its Associates are not considered to be Independent Shareholders, CPI Group and its Associates will abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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### (3) Advance to an entity

The deposit services contemplated under the Framework Agreement also imposes a general disclosure obligation on the Company under Rule 13.13 as the relevant annual cap of the deposit services exceed 8% in respect of the percentage ratios as defined under Rule 14.07(1). With respect to the deposit services, no collateral has been provided by the Company or CPI Financial. The Company will comply with Rule 13.20 of the Listing Rules

### 8. EGM

An EGM will be held on 18 March 2010 at 11:00 a.m. at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong during which an ordinary resolution shall be proposed to the shareholders of the Company to approve the deposit services transactions contemplated under the Framework Agreement. CPI Group and its Associates, being connected persons, will abstain from voting on the ordinary resolution to approve the deposit services transactions contemplated under the Framework Agreement. Any vote of the Independent Shareholders at the EGM shall be taken by poll.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the registrar of the Company, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours, before the time appointed for holding the EGM or any adjournment thereof completion and return of the form of proxy will not prevent a shareholder of the Company from attending and voting in person at the EGM or any adjournment thereof if they so wish.

### 9. RECOMMENDATION

The Directors consider that the terms of the Framework Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the shareholders of the Company as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the deposit services transactions contemplated under the Framework Agreement.

### 10. ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee to the Independent Shareholders set out on pages 13 to 14 of this circular and the Letter from China Merchants Securities to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 22 of this circular, and the information set out in the appendix of this circular.

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

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

*Independent Board Committee*

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

29 January 2010

*To the Independent Shareholders,*

Dear Sir and Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular (the “Circular”) dated 29 January 2010 issued by the Company to its shareholders of which this letter forms part. Terms defined in this circular shall have the same meanings when used in this letter, unless the context otherwise requires.

On 22 December 2009, the Board announced that the Company has entered into the Framework Agreement with CPI Financial pursuant to which CPI Financial has agreed to provide the Group with deposit services, loan services, bill acceptance and discount services, entrusted loans services and other financial services subject to the terms and conditions provided therein.

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

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to make a recommendation to the Independent Shareholders as to whether, in its view, the terms of the deposit services transactions contemplated under the Framework Agreement are in the interest of the Company and its shareholders. China Merchants Securities has been appointed as independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms of the deposit services transactions contemplated under the Framework Agreement from a financial perspective.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The terms and reasons for the Framework Agreement are summarised in the Letter from the Board as set out on pages 3 to 12 of this circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Framework Agreement and the basis upon which its terms have been determined. We have also considered the key factors taken into account by China Merchants Securities in arriving at its opinion regarding the terms of the deposit services transactions contemplated under the Framework Agreement as set out in the letter from the Independent Financial Adviser on pages 15 to 22 of this circular, which we urge you to read carefully.

**The Independent Board Committee, after taking into account, amongst other things, the views of China Merchants Securities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, considers that the terms of the deposit services transactions contemplated under the Framework Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the Notice of the EGM at the end of this circular.**

Yours faithfully,  
**Kwong Che Keung, Gordon**  
**Li Fang**  
**Tsui Yiu Wa, Alec**  
*Independent Board Committee*

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## LETTER FROM CHINA MERCHANTS SECURITIES

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*The following is the text of a letter from China Merchants Securities for the purpose of incorporation in the Circular, in connection with its advice to the Independent Board Committee in respect of the Non-exempt Continuing Connected Transaction.*



48th Floor  
One Exchange Square  
Central  
Hong Kong

29 January 2010

To: The Independent Board Committee of  
China Power International Development Limited

Dear Sirs

### NON-EXEMPT CONTINUING CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the deposit service transaction under the Framework Agreement (the “**Non-exempt Continuing Connected Transaction**”), details of which are set out in the letter from the Board contained in the circular dated 29 January 2010 (the “**Circular**”) issued by the Company to the shareholders of the Company (the “**Shareholders**”), of which this letter forms part. Unless otherwise stated, terms used herein shall have the same meanings as those defined in the Circular.

On 22 December 2009, the Company and CPI Financial entered into the Framework Agreement, pursuant to which CPI Financial agreed to provide the Group with various financial services including deposit services, loan services, settlement services, bill acceptance and discount services, entrusted loans services and other financial services for a term of 3 years. CPI Financial is a company controlled by CPI Group, the controlling shareholder of the Company. Therefore, CPI Financial is a connected person of the Company as defined under the Listing Rules. The provision of financial services by CPI Financial to the Group will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (except for the profits ratio which is not applicable) in respect of the proposed annual cap for the Non-exempt Continuing Connected Transaction, on an annual basis, exceed 2.5% and has an annual consideration more than HK\$10,000,000, thus, the Framework Agreement, the Non-exempt Continuing Connected Transaction and the relevant proposed annual cap are subject to reporting, announcement and independent shareholders’ approval requirement under the Listing Rules.

The Independent Board Committee comprising all the Company’s independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec, has been formed to consider and advise the Independent Shareholders whether the Framework Agreement, the Non-exempt Continuing Connected Transaction and the relevant proposed annual cap are fair and

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## LETTER FROM CHINA MERCHANTS SECURITIES

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reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. We, China Merchants Securities (HK) Co., Ltd., have been appointed as the independent financial adviser to advise the Independent Board Committee in these respects.

### **BASIS OF OUR OPINION**

In formulating our advice and recommendation, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and the management of the Company and which have been considered to be complete and relevant. We have assumed that all statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were true, accurate and complete in all material respects at the time when they were made and will continue to be so as at the date of the letter. We have also assumed that all statements and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company and we have been advised by the Directors and the management of the Company that no material fact has been omitted from the information and representations provided in and referred to in the Circular. We have no reason to suspect that any material information has been withheld by the Directors or the management of the Company. We have not, however, carried out any independent verification of the information provided to us neither by the Directors and the management of the Company, nor have we conducted any independent investigation into the affairs, the business and financial position and the future prospects of the Group, CPI Financial, Wu Ling Power Corporation (“**Wu Ling Power**”), CPI Group, their respective shareholders and associates. Our advice and recommendation are based on the information and representations available to us as of the date of this letter. We have no obligation to update our advice and recommendation to take into account the circumstances and events occurring after the date of this letter. As a result, the circumstances and events could occur prior to the approval of the Non-exempt Continuing Connected Transaction that, if known to us at the time when we had rendered our advice and recommendation, would have altered our advice and recommendation.

### **PRINCIPAL FACTORS CONSIDERED**

In formulating and giving our independent advice and recommendation in respect of the Non-exempt Continuing Connected Transaction, we have taken into consideration the following principal factors:

#### **1. Background of and reasons for the Framework Agreement**

The Company is the listed flagship company of CPI Group outside the mainland of the PRC. The principal businesses of the Group are to develop, construct, own, operate and manage large scale power plants in the PRC. On 8 June 2009, the Company entered into a conditional sale and purchase agreement with CPI Group in relation to the acquisition of 63% equity interest in Wu Ling Power by the Company. The acquisition was approved at the Company’s extraordinary general meeting held on 22 July 2009. Following acquisition of Wu Ling Power, the Group’s business has been extended to hydro power business in the PRC.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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CPI Group, which is a state-owned enterprise incorporated in the PRC in 2002, is the controlling shareholder of the Company. CPI Group is one of the five leading state-run power-generating groups in the PRC. The principal activities of CPI Group comprise, amongst other things, development, investment, construction, operation and management of power plants.

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

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

Being the financial institution of CPI Group, CPI Financial has been providing various financial services within CPI Group. In order to regulate the ongoing financial service transactions between the Company and CPI Financial, the Company and CPI Financial entered into the Framework Agreement for a term of 3 years.

Pursuant to the Framework Agreement, CPI Financial has agreed to provide the Group with a range of financial services including:

- deposit services;
- loan services;
- guarantee and financing leasing services;
- bill acceptance and discount services;
- entrusted loan services; and
- settlement services and other financial services described in the scope of business in CPI Financial's business licence.

Please refer to the paragraph headed "Major Terms" in the letter from the Board contained in the Circular for details of the above financial services to be provided by CPI Financial to the Group.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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The Group plans to centralize its fund management with a view to enhancing (i) the control and monitoring of its cash flow; and (ii) its financing arrangement and planning. Given the above mentioned objectives, the Group has planned to centralize the management of its fund by grouping its deposits and placing a significant portion of its deposits with CPI Financial. As indicated in the letter from the Board, the management of the Company believe that it is in the best interest of the Company to enter into the Framework Agreement with CPI Financial by taking into account the following main reasons:

1. The Group is expected to benefit from CPI Financial's understanding of the Group's operations. Such understanding will enable CPI Financial to render more expedient and efficient financial services than other independent commercial banks in the PRC and to provide a more efficient clearing platform to the Group which enables the Group to achieve clearing on the same day free of charge;
2. The Group can borrow from CPI Financial at interest rates not higher than the maximum interest rate specified by the PBOC for loans of similar type without the need of providing security over the assets of the Group. In addition, the Group is not precluded under the Framework Agreement to borrow money from other PRC independent commercial banks if the terms and conditions are more favorable. In the past, the Group has confirmed to us that Wu Ling Power has been able to borrow and/ or obtain financing from CPI Financial at interest rates more favorable than those offered by PRC independent commercial banks for similar loans with faster processing and approval time. In view of the comparable interest rates to be charged by CPI Financial, faster approval time for financing services and no security requirement over the assets of the Group in respect of the loan services, CPI Financial is in a better position to facilitate the financing activities of the Group;
3. As advised by the Board, CPI Financial has a sophisticated information system. Through the utilization of the information system of CPI Financial, the Group can access the latest information concerning the collection and payment of funds of the Group as well as the status of fund balance at any time, thereby enable the Group to centralize and strengthen its fund management with a view to mitigating and averting financial and operational risks; and
4. As mentioned above, CPI Financial is a non-banking financial institution approved by the PBOC and CPI Financial's business is under the guidance, management and supervision of the CBRC. Throughout years of operation, CPI Financial has established effective and complete internal control and risk management systems and has set up the credit review committee and investment committee in order to effectively manage its risks and ensure the safety of all capital. Furthermore, there are numbers of capital risk control measures provided under the Framework Agreement to safeguard the security of capital. Please refer to the capital risk control measures as mentioned below for details.

Having considered the aforementioned factors, we are of the view that the entering into the Framework Agreement is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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As advised by the management of the Company, except for the deposit services, all other aforementioned financial services are subject to the reporting and announcement requirements, but are exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules. Our discussion and analysis in relation to the terms of the Framework Agreement as set out below will be confined to the deposit services contemplated thereunder.

### 2. Principal Terms of the Framework Agreement

Having reviewed the terms of the Framework Agreement, we consider that the transaction nature, the interest rate to be offered by CPI Financial and the capital risk control measures contemplated under the Framework Agreements are the principal terms for us to assess the fairness and reasonableness of the Non-exempt Continuing Connected Transaction. As we have discussed the background of and reasons for the Framework Agreement above, our discussion will be confined to the interest rate to be offered by CPI Financial and the capital risk control measures contemplated under the Framework Agreements as below:

#### Interest Rate

Pursuant to the Framework Agreement, the interest rate applicable to the Group for its deposits with CPI Financial shall not be lower than the minimum interest rate specified by the PBOC for deposits of similar type. Further, the deposit interest rate shall not be lower than the interest rate for similar type of deposits placed by other members of CPI Group with CPI Financial, and shall not be lower than the interest rate for similar type of deposits offered by PRC independent commercial banks to the Group generally during the same period.

#### Capital Risk Control Measures

We also noted from the Framework Agreement that there are a number of risk control measures to secure the funds to be deposited by the Group with CPI Financial under the Framework Agreement as set out below:

- except for the purpose of contribution to the deposit reserve of the PBOC in accordance with the relevant regulations, CPI Financial undertakes that without the prior consent of the Company, the deposits of the Group shall not be used for any purposes other than settlement, loan and bill discounting services amongst the members of the Group;
- a report on the status of the Group's deposits with CPI Financial will be delivered by CPI Financial to the finance department of the Company by the end of each business day so as to enable the Company to monitor and ensure that the daily deposit balance (including any interest accrued thereupon) of the Group's deposits with CPI Financial does not exceed the upper limit of RMB2.5 billion (equivalent to approximately HK\$2.838 billion) at any time;
- a copy of every regulatory reports submitted by CPI Financial to the CBRC will be provided to and reviewed by the senior management of the Company, including the relevant executive Director(s);

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## LETTER FROM CHINA MERCHANTS SECURITIES

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- the monthly financial statements of CPI Financial will be provided to and reviewed by the senior management of the Company, including the relevant executive Director(s), on the fifth working day of the following month; and
- CPI Financial, as a non-banking financial institution approved by the CBRC, shall strictly comply with the regulatory targets and other requirements of the CBRC to conduct its operation and business, establish effective and complete internal control and risk management systems and set up the credit review committee and investment committee in order to effectively manage its risks and ensure the safety of all capital. If the Company intends to inspect the financial statements of CPI Financial, CPI Financial shall make arrangement for such an inspection within 10 days thereof. Pursuant to the provisions of the Measures on Administrating the Financial Companies of Enterprise Groups, in the emergent event that CPI Financial encounters financial difficulties in making payments. CPI Group, as the controlling shareholder of CPI Financial, shall increase the capital of CPI Financial accordingly to overcome such financial difficulties in making payments. In addition, the Company has the right to set-off such financial loss caused by the default of CPI Financial against the amount due to CPI Financial and is entitled to terminate the Framework Agreement in such emergent event. As at the Latest Practicable Date, the amount due by the Group to CPI Financial was approximately RMB2.87 billion (unaudited figure and equivalent to approximately HK\$3.257 billion), which was larger than the proposed annual cap of RMB2.5 billion for the maximum daily outstanding balance of the deposits to be placed by the Group with CPI Financial.

Having considered the pricing basis as mentioned above and the aforementioned measures to secure the funds to be deposited by the Group with CPI Financial, we concur with the Directors' view that the terms of the Framework Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

### 3. Annual Caps

We were advised by the management of the Company that prior to the entering into the Framework Agreement, neither the Group nor any of its members has placed any deposits with CPI Financial with the exception of Wu Ling Power which was previously a subsidiary of CPI Group before its being acquired by the Company in 2009. For each of the 2 years ended 31 December 2008 and the 10 months ended 31 October 2009, the maximum daily deposit balances placed by Wu Ling Power with CPI Financial were approximately RMB300 million, RMB600 million and RMB400 million respectively. As mentioned in the above paragraph headed "Background of and reasons for the Framework Agreement", we are given to understand that the Group plans to centralize the management of its fund by grouping its deposits and placing a significant portion of its deposits with CPI Financial with a view to enhancing (i) the control and monitoring of its cash flow and (ii) its funding arrangement and planning.

As indicated in the letter from the Board, the proposed annual cap of RMB2.5 billion (equivalent to approximately HK\$2.838 billion) for the maximum daily outstanding balance of the deposits (including accrued interest but excluding loan proceeds from CPI Financial) to be placed by the Group with CPI Financial for each of the 3 years ending 2012 has been determined after taking into account

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## LETTER FROM CHINA MERCHANTS SECURITIES

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(i) the historical maximum daily deposit balance of the Group; and (ii) the future business development plans of the Group. In order to evaluate the reasonableness and fairness of the above proposed annual cap, we have discussed with the management of the Company and analyzed the basis of determining the proposed annual cap as follow:

The table below sets out the aggregate historical maximum daily deposit balance of (i) the Group placed with other PRC independent commercial banks and (ii) Wu Ling Power placed with CPI Financial and other PRC independent commercial banks for each of the 2 years ended 31 December 2008 and 10 months ended 31 October 2009:

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

As illustrated in the table above, the aggregate maximum daily deposit balances of the Group and Wu Ling Power for the 2 years ended 31 December 2008 were stable; whilst the aggregate maximum daily deposit balance increased substantially to RMB6.5 billion for the 10 months ended 31 October 2009, which was significantly higher than the proposed annual cap for the maximum daily deposit balance (including accrued interest but excluding loan proceeds from CPI Financial) to be placed by the Group with CPI Financial of RMB2.5 billion. Upon enquiry, we were given to understand that the significant increase in the aggregate maximum daily deposit balances of the Group and Wu Ling Power was mainly attributable to the fact that Wu Ling Power has received a cash repayment in the amount of RMB2.5 billion in October 2009.

As advised by the management of the Company, the attributable installed capacity of the Group (including Wu Ling Power) was approximately 11,178 MW as at 31 December 2009, and the Group had planned to expand its business by increasing its installed capacity. We understand from the management of the Company that certain new power plants of the Group are currently under construction and will commence operation in the coming years, thereby will increase the attributable installed capacity of the Group (including Wu Ling Power) by approximately 21.6% by the end of 2012. In view of the aforementioned increase in the installed capacity of the Group, it is expected that the cash flow of the Group will increase as a result of its business growth in the corresponding period. Having considered the impact on its cash flow requirement as a result of the Group's business expansion and the Group's plan to centralise its fund management by placing a significant portion of its deposits with CPI Financial with the rest to be placed with other independent commercial banks in the PRC, the Company proposes the annual cap for the maximum daily outstanding balance of the deposits (including accrued interest but excluding loan proceeds from CPI Financial) to be placed by the Group with CPI Financial for each of the 3 years ending 2012 to be RMB2.5 billion (approximately HK\$2.838 billion).

In view of the above, we concur with the Directors' view that the proposed annual cap for the Non-exempt Continuing Connected Transaction is fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

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## LETTER FROM CHINA MERCHANTS SECURITIES

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### RECOMMENDATION

Taking into consideration of the above factors, we concur with the Directors' view that (i) the Non-exempt Continuing Connected Transaction is in the ordinary and usual course of the Group's business and is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Framework Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned; and (iii) the proposed annual cap for the Non-exempt Continuing Connected Transaction is fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve, amongst other things, the Framework Agreement, the Non-exempt Continuing Connected Transaction and the relevant proposed annual cap.

Your faithfully

For and on behalf of

**China Merchants Securities (HK) Co., Ltd.**

**Ronald T.L. Wan**

*Managing Director*

*Investment Banking Department*

**Christine Au**

*Director*

*Investment Banking Department*

**1. STATEMENT OF INDEBTEDNESS**

At the close of business on 31 December 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total borrowings of the Group amounted to approximately RMB34,460 million which comprises secured bank borrowings of RMB15,892 million, unsecured bank borrowings of RMB12,551 million, unsecured borrowings including derivative financial instruments, finance leases obligation and other borrowings of RMB288 million, an unsecured loan payable to CPI Financial of RMB2,870 million, an unsecured loan from the ultimate holding company of RMB1,474 million, an unsecured loan from an equity holder of a subsidiary of RMB385 million, and corporate bonds of RMB1,000 million.

In addition, the Group is liable to pay approximately RMB1,189,055,000 to CPI Holding, being the remaining portion of the adjusted cash consideration for the acquisition of 63% equity interest in Wu Ling Power.

As at the close of business on 31 December 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group's secured bank borrowings were secured by rights on receivables for certain of the Group's sales of electricity and corporate guarantees provided by CPI Group and Hunan Provincial Finance Bureau (湖南省財政廳), an independent third party. The corporate bonds are guaranteed by CPI Group.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have at the close of business on 31 December 2009 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than unsecured trade bills) or acceptable credits, debentures, mortgages, charges, hire purchase commitments charges, guarantees or other material contingent liabilities.

**2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the Group's existing cash and bank balances, the present available credit facilities and the expected internally generated funds, the Group has sufficient working capital for its present requirement for the next twelve months from the date of this circular.

**3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In the second half of 2009, the macro economy of Mainland China and the international economic condition gradually improved. The power generation industry recorded an increase in national electricity consumption, but the utilization hours of coal-fired generation units are far from satisfactory. The price fluctuation of annual key contract coal is still subject to change and uncertainty. In light of these factors, the Group expects 2010 to be another difficult year.

**4. FINANCIAL EFFECT OF THE TRANSACTION ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP**

The Directors are of the opinion that the entering into the Framework Agreement will not have material impact on the earnings, assets and liabilities of the Group.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

## 2. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

- (a) As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company and according to the register of interest kept by the Company under section 336 of the SFO, the parties (other than a Director or chief executive of the Company) which had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Enlarged Group were as follows:

(i) **Interests in the Shares:**

Name	Capacity	Number of Shares in which interested other than under equity derivatives <sup>(3)</sup>	Percentage of issued share capital of the Company (%)	Long/Short position
CPDL	Beneficial owner	1,996,500,000	39.09	Long
CPI Holding <sup>(1)</sup>	Interest of a controlled corporation	1,996,500,000	39.09	Long
CPI Group <sup>(2)</sup>	Beneficial owner	1,526,033,927	29.88	Long
	Interest of a controlled corporation	3,522,533,927	68.97	Long

*Notes:*

- (1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in 1,996,500,000 Shares owned by CPDL for the purposes of the SFO. 1,526,033,927 Shares are beneficially owned by CPI Holding. Li Xiaolin, Liu Guangchi, Gao Guangfu and Guan Qihong, being the Directors are also directors of CPI Holding.
- (2) 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. Li Xiaolin, Gao Guangfu and Guan Qihong, being the Directors, are also directors or employees of CPI Group.

- (3) CPI Group, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.
- (b) Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who, or were deemed to have, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

### 3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as the options granted to the Directors under the Company's Pre-IPO share option scheme and share option scheme as disclosed in the table below, none of the Directors or chief executive of the Company has any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives	Percentage of issued share capital of the Company (%)	Long/Short position
LI Xiaolin	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	4,386,500	0.086	Long
LIU Guangchi	Beneficial owner	the Company	2 July 2008	740,000	0.014	Long
GAO Guangfu	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	1,274,700	0.025	Long
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0078	Long

Notes:

- (1) The interests of the above Directors in the underlying Shares of the Company represent the options granted to them under the Pre-IPO share option scheme and/or share option scheme by the Company.

- (2) None of the above Directors has interests in the any securities of the Company (except for interests held under equity derivatives)

#### 4. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any members of the Group which is subsisting at the date of this circular and which was significant in relation to the business of the Group.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company or its subsidiaries within a year without payment of any compensation, other than statutory compensation.

#### 6. COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their Associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

<b>Name</b>	<b>Position with Company</b>	<b>Other Interests</b>
Li Xiaolin	Chairman, executive Director and chief executive officer	Vice-president of CPI Group and executive director of CPI Holding
Liu Guangchi	Executive Director and president	Executive director and president of CPI Holding
Gao Guangfu	Non-executive Director	Manager of the Department of Finance and Asset Management of CPI Group, executive director of CPI Holding and director of CPI Financial
Guan Qihong	Non-executive Director	Executive director of CPI Holding, director of CPI Financial and the supervisor of the Capital Market and Equity Management Department of CPI Group

Although the abovementioned Directors have competing interest in other companies by virtue of their respective common directorship, they will fulfil their fiduciary duties in order to ensure that they will act in the best interest of the Shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such companies.

**7. EXPERT AND CONSENT**

The following are the qualifications of the expert who has given opinion, letter or advice contained in this circular:

<b>Name</b>	<b>Qualifications</b>
China Merchants Securities	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the deposit services transactions contemplated under the Framework Agreement

As at the Latest Practicable Date, China Merchants Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, China Merchants Securities does not have any shareholding interest in any members of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**8. INTERESTS IN ASSETS**

None of the Directors or the expert named in paragraph 7 of this Appendix had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

**9. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Group were made up.

**10. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**11. MATERIAL CONTRACTS**

Save and except the transactions disclosed below, there are no material contracts (being contracts entered outside the ordinary course of business carried on or intended to be carried on by the Group) having been entered into by any member of the Group within the two years preceding the Latest Practicable Date:

- (a) the Framework Agreement;
- (b) a joint venture contract dated 15 October 2009 entered into between the Company and Sichuan Guangwang Energy Development (Group) Limited\* (四川廣旺能源發展(集團)有限公司) in relation to the establishment of Sichuan Guangwang Group Chuanjing Coal Industrial Limited\* (四川廣旺集團船景煤業有限公司) (“Chuanjing Coal Company”). Chuanjing Coal Company will have a registered capital of RMB405million, of which RMB206.55 million will be contributed by Sichuan Guangwang Energy Development (Group) Limited\*, representing 51% of the registered capital; and RMB198.45 million will be contributed by the Company, representing 49% of the registered capital;
- (c) a sale and purchase agreement dated 8 June 2009 entered into between the Company and CPI Holding, relating to the acquisition of 63% equity interest in Wu Ling Power at a consideration of RMB4,550,650,000 (after adjustment);
- (d) an asset acquisition agreement dated 16 November 2007 entered into between the Company and Qinghe Company, relating to the acquisition of a power plant situated in Qinghe District, Tieling City, Liaoning Province, the PRC, at a consideration of RMB944,628,262.68;
- (e) an equity transfer framework agreement dated 30 December 2007 entered into between the Company and Guangzhou Development Group Company Limited, relating to the acquisition of a 25% equity interest in Guangzhou Power Enterprise (Group) Company Limited, at a consideration of RMB749,500,000;
- (f) a sale and purchase agreement dated 8 June 2009 entered into between Wu Ling Power and CPI Holding, relating to the sale of 75% equity interest in Qian Dong Power Corporation, at a consideration of RMB144,055,050; and
- (g) a US Dollar-Japanese yen currency swap agreement entered into between Wu Ling Power and China Everbright Bank for a total notional principal amount of JPY 3.77 billion.

**12. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Chong Wai Sang, who is a qualified lawyer in Hong Kong and a member of CPA Australia.

- (b) The registered office of the Company is 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (c) The head office of the Company is 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (d) Computershare Hong Kong Investor Services Limited, the share registrar of the Company, is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

### **13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 18 March 2010 (both dates inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the Framework Agreement;
- (c) the letter of consent referred to under the paragraph headed "Expert and Consent" in this appendix;
- (d) the letter from China Merchants Securities, the text of which is set out on pages 15 to 22 of this circular;
- (e) the letter dated 29 January 2010 from the Independent Board Committee, the text of which is set out on pages 13 to 14 of this circular;
- (f) material contracts referred to under the paragraph headed "Material Contracts" in this appendix;
- (g) the annual reports of the Company for the years ended 31 December 2007 and 2008;
- (h) the circular of the Company dated 29 June 2009 relating to the proposed acquisition of 63% interest in Wu Ling Power; and
- (i) this circular.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of the shareholders of China Power International Development Limited (the “Company”) will be held at Drawing Room, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong on 18 March 2010 at 11:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**“THAT**

- (a) the provision of deposit services contemplated under the financial services framework agreement dated 22 December 2009 (the “Framework Agreement”) entered into between the Company and CPI Financial Co., Ltd. (中電投財務有限公司) (“CPI Financial”) (a copy of the Framework Agreement has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification) and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed;
- (b) the annual cap and the maximum daily balance of deposits placed by the Company and its subsidiaries and its associated companies from time to time with CPI Financial during the term of the Framework Agreement as more particularly set out in the circular of the Company dated 29 January 2010 (a copy of which has been produced to the meeting marked “B” and has been initialled by the chairman of the meeting for the purpose of identification) be and are hereby approved, ratified and confirmed; and
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, seal, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the Framework Agreement as he/she may in his discretion consider to be desirable and in the interests of the Company.”

By order of the Board

**China Power International Development Limited**

**Li Xiaolin**

*Chairman*

Hong Kong, 29 January 2010

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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**Notes:**

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A member who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude any member of the Company from attending the meeting or any adjournment thereof and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.
3. As required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the vote will be taken by poll. The chairman of the above meeting will demand a poll on the resolution set out in the notice of the above meeting in accordance with the articles of association of the Company.
4. As at the date of this notice, the directors of the Company are: executive directors Ms. Li Xiaolin and Mr. Liu Guangchi, non-executive directors Mr. Gao Guangfu and Mr. Guan Qihong and independent non-executive directors Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec.

Please note that refreshments will not be served at the Extraordinary General Meeting.