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CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 2380)

CONTINUING CONNECTED TRANSACTIONS

COAL SUPPLY FRAMEWORK AGREEMENTS

**Independent financial adviser to
the Independent Board Committee and the Shareholders**



SHENYIN WANGUO CAPITAL (H.K.) LIMITED

A letter from the Board is set out on pages 4 to 11 of this circular. A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 12 to 13 of this circular. A letter from Shen Yin Wanguo containing its advice to the Independent Board Committee and the Shareholders is set out on pages 14 to 24 of this circular.

31 December 2013

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	12
LETTER FROM SHENYIN WANGUO	14
APPENDIX — GENERAL INFORMATION	25

DEFINITIONS

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

“Board”	the board of Directors of the Company;
“China Coal Energy”	China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock company incorporated in the PRC with limited liability whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange;
“China Coal Energy Coal Supply Framework Agreement”	the framework agreement for supply of the coal between the Company and China Coal Energy dated 6 December 2013;
“Coal Supply Framework Agreements”	Huainan Mining Coal Supply Framework Agreement and China Coal Energy Coal Supply Framework Agreement;
“Company”	China Power International Development Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange;
“Continuing Connected Transactions”	the respective transactions contemplated under the two Coal Supply Framework Agreements;
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CPI Holding;
“CPI Group”	China Power Investment Corporation* (中國電力投資集團公司), a wholly State-owned enterprise established by the State Council of the PRC* (中華人民共和國國務院), the ultimate controlling company of the Company;
“CPI Holding”	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the controlling company of the Company and a wholly-owned subsidiary of CPI Group;
“CP Shentou”	China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司), a company incorporated in the PRC with limited liability and a 80%-owned subsidiary of the Company;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

DEFINITIONS

“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Huainan Mining”	Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司), a wholly State-owned enterprise established by the People’s Government of Anhui Province of China (中國安徽省人民政府);
“Huainan Mining Coal Supply Framework Agreement”	the framework agreement for supply of the coal between the Company and Huainan Mining dated 6 December 2013;
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. TSUI Yiu Wa, Alec;
“Latest Practicable Date”	24 December 2013, being the latest practicable date prior to printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC” or “China”	the People’s Republic of China. Geographical reference in this circular to the PRC or China excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Proposed Annual Caps”	the respective maximum amounts payable under Huainan Mining Coal Supply Framework Agreement and China Coal Energy Coal Supply Framework Agreement for the three financial years ending 31 December 2014, 2015 and 2016;
“Purchasers”	Huanggang Dabieshan Power Company Limited* (黃岡大別山發電有限責任公司), Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司), Huainan Pingwei No. 2 Electric Power Co., Ltd. (淮南平圩第二發電有限責任公司), Huainan Pingwei No. 3 Electric Power Co., Ltd.* (淮南平圩第三發電有限責任公司), Wuhu Electric Power Generating Company Limited* (蕪湖發電有限責任公司), China Power Guorui Logistics Company Limited* (中電國瑞物流有限公司), the subsidiaries of the Company, and Jiangsu Changshu Electric Power Generating Company Limited (江蘇常熟發電有限公司), an associate of the Company, collectively the “Purchasers”;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);

DEFINITIONS

“Shareholders”	persons whose names appear on the register of members as registered holders of the shares of the Company;
“Shenyin Wanguo”	Shenyin Wanguo Capital (H.K.) Limited, the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

LETTER FROM THE BOARD



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 2380)

Executive Directors:

Ms. LI Xiaolin (*Chairman and Chief Executive Officer*)

Mr. GU Dake (*President*)

Non-executive Directors:

Mr. GUAN Qihong

Mr. WANG Zichao

Independent Non-executive Directors:

Mr. KWONG Che Keung, Gordon

Mr. LI Fang

Mr. TSUI Yiu Wa, Alec

Registered Office:

Suite 6301, 63/F., Central Plaza

18 Harbour Road

Wanchai

Hong Kong

31 December 2013

To the Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 6 December 2013 where the Company announced that the Company has separately entered into Coal Supply Framework Agreements with Huainan Mining and China Coal Energy in relation to the supply of coal to the Purchasers, the subsidiaries and an associate of the Company.

Since Huainan Mining and China Coal Energy are both substantial shareholders of certain subsidiaries of the Company, they both are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the two Coal Supply Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with further information on the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps and other information required under the Listing Rules.

LETTER FROM THE BOARD

HUAINAN MINING COAL SUPPLY FRAMEWORK AGREEMENT

Date

6 December 2013

Parties

- (i) Huainan Mining (as the supplier); and
- (ii) the Company (as the purchaser, representing its subsidiaries and an associate, collectively the “Purchasers”).

Principal terms

Pursuant to the Huainan Mining Coal Supply Framework Agreement, Huainan Mining will supply coal to the Purchasers. The term of the agreement will commence on 1 January 2014, subject to the approvals and waivers required under the Listing Rules are obtained (if necessary) and expire on 31 December 2016 (both dates inclusive).

The parties agreed that the purchase price of coal shall be determined by both parties after arm’s length negotiations with reference to the following factors:

- (1) the national industrial policy as well as industry and market conditions in the PRC;
- (2) the specified guidelines issued by the National Development and Reform Commission of China setting out the coal purchase prices (if any);
- (3) the current transacted coal prices of the local coal exchange or market in the PRC;
- (4) the quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units);
- (5) the quantity of coal; and
- (6) the estimated transportation fees based on the distance between the relevant coal mines of Huainan Mining and the Purchasers.

Pursuant to the current pricing policy of the Huainan Mining Coal Supply Framework Agreement, the coal price for each transaction will be benchmarked with the prevailing market prices of the local coal exchange or market in Anhui Province or nearby provinces as published on the website 中國煤炭市場網 (www.cctd.com.cn) organised by 中國煤炭運銷協會 (China Coal Transportation & Sale Society*) in the PRC as determined by both parties at arm’s length negotiation.

The Purchasers will settle the purchase of coal from Huainan Mining on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

LETTER FROM THE BOARD

It has also been agreed that the parties thereto will from time to time determine the price, quality, quantity, delivery and transportation methods of the coal to be supplied by Huainan Mining to the Purchasers, and subject to the parties' discussion and negotiation at arm's length basis.

Proposed Annual Caps

The aggregate annual amount of coal to be supplied by Huainan Mining is estimated to be up to (1) 9,300,000 tonnes for the financial year ending 31 December 2014, (2) 12,100,000 tonnes for the financial year ending 31 December 2015 and (3) 14,900,000 tonnes for the financial year ending 31 December 2016.

The Directors estimate that the Proposed Annual Caps for the three financial years ending 31 December 2014, 2015 and 2016 will not exceed RMB5,694,000,000, RMB7,388,000,000 and RMB9,082,000,000 (equivalent to approximately HK\$7,207,595,000, HK\$9,351,899,000 and HK\$11,496,203,000) respectively.

The Proposed Annual Caps have been determined by both parties after arm's length negotiations with reference to the following factors:

- (a) the historical figures of coal purchase from Huainan Mining. The Company's purchase of coal from Huainan Mining for the years ended 31 December 2011, 2012 and as estimated for 2013 amounted to approximately RMB4,400,000,000, RMB4,900,000,000 and RMB4,100,000,000 respectively;
- (b) the estimated amount of coal to be purchased from Huainan Mining based on the estimated amount of electricity to be generated by the Purchasers for each of the three financial years of 2014, 2015 and 2016; and
- (c) the estimated increase in the demand for electricity based on the historical average growth rate in the past few years in China and the forecasts made by China Electricity Council. The historical annual growth rates for the national electricity consumption in China were 14.56%, 11.7% and 5.5% for the years 2010, 2011 and 2012 respectively while the forecasts for the years 2013 and 2014 are expected to increase by approximately 7.0% per annum.

CHINA COAL ENERGY COAL SUPPLY FRAMEWORK AGREEMENT

Date

6 December 2013

Parties

- (i) China Coal Energy (as the supplier); and
- (ii) the Company (as the purchaser, representing its subsidiaries and an associate, collectively the "Purchasers").

LETTER FROM THE BOARD

Principal terms

Pursuant to the China Coal Energy Coal Supply Framework Agreement, China Coal Energy will supply coal to the Purchasers. The term of the agreement will commence on 1 January 2014, subject to the approvals and waivers required under the Listing Rules are obtained (if necessary) and expire on 31 December 2016 (both dates inclusive).

The parties agreed that the purchase price of coal shall be determined by both parties after arm's length negotiations with reference to the following factors:

- (1) the national industrial policy as well as industry and market conditions in the PRC;
- (2) the specified guidelines issued by the National Development and Reform Commission of China setting out the coal purchase prices (if any);
- (3) the current transacted coal prices of the local coal exchange or market in the PRC;
- (4) the quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units);
- (5) the quantity of coal; and
- (6) the estimated transportation fees based on the distance between the relevant coal mines of China Coal Energy and the Purchasers.

Pursuant to the current pricing policy of the China Coal Energy Coal Supply Framework Agreement, the coal price for each transaction will be benchmarked with the prevailing market prices of the local coal exchange or market in Bohai-rim region or nearby provinces as published on the website 中國煤炭市場網 (www.cctd.com.cn) organised by 中國煤炭運銷協會 (China Coal Transportation & Sale Society*) in the PRC as determined by both parties at arm's length negotiation.

The Purchasers will settle the purchase of coal from China Coal Energy on a monthly basis or such other payments terms as both parties will agree from time to time in contracts.

It has also been agreed that the parties thereto will from time to time determine the price, quality, quantity, delivery and transportation methods of the coal to be supplied by China Coal Energy to the Purchasers, and subject to the parties' discussion and negotiation at arm's length basis.

Proposed Annual Caps

The aggregate annual amount of coal to be supplied by China Coal Energy is estimated to be up to (1) 1,200,000 tonnes for the financial year ending 31 December 2014, (2) 1,400,000 tonnes for the financial year ending 31 December 2015 and (3) 1,400,000 tonnes for the financial year ending 31 December 2016.

LETTER FROM THE BOARD

The Directors estimate that the Proposed Annual Caps for the three financial years ending 31 December 2014, 2015 and 2016 will not exceed RMB729,000,000, RMB855,000,000 and RMB855,000,000 (equivalent to approximately HK\$922,785,000, HK\$1,082,278,000 and HK\$1,082,278,000) respectively.

The Proposed Annual Caps have been determined by both parties after arm's length negotiations with reference to the following factors:

- (a) the historical figures of coal purchase from China Coal Energy. The Company's purchase of coal from China Coal Energy (including the amounts for an associate of the Company) for the years ended 31 December 2011, 2012 and as estimated for 2013 amounted to approximately RMB500,000,000, RMB600,000,000 and RMB685,000,000 respectively;
- (b) the estimated amount of coal to be purchased from China Coal Energy based on the estimated amount of electricity to be generated by the Purchasers for each of the three financial years of 2014, 2015 and 2016; and
- (c) the estimated increase in the demand for electricity based on the historical average growth rate in the past few years in China and the forecasts made by China Electricity Council. The historical annual growth rates for the national electricity consumption in China were 14.56%, 11.7% and 5.5% for the years 2010, 2011 and 2012 respectively while the forecasts for the years 2013 and 2014 are expected to increase by approximately 7.0% per annum.

The Group will follow the terms set out in the Coal Supply Framework Agreements, the rationale for the Proposed Annual Caps and all the internal control procedures (including quotations from independent third parties) in order to maintain the fairness of the prices and terms of all coal purchases from Huainan Mining and China Coal Energy are no less favourable than those available from independent third parties.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

In order to cope with the rapid development of the Company as increasing number of high capacity coal-fired power generating plants are to commence commercial operation and the expected increase in electricity demand in the coming few years, it is the Company's strategic decision to secure greater supply of coal for meeting its operational needs.

The entering into the two Coal Supply Framework Agreements will help (i) obtaining continuous and stable coal supply to the coal-fired power generating units of the Group, (ii) getting favourable prices by bulk purchases, (iii) minimizing transportation costs as some of the relevant coal mines of Huainan Mining are located in the closest proximity of the Purchasers, and (iv) taking the scale advantages of centralized purchasing, improving the ability to optimize the allocation and co-ordination of internal and external resources, to better control operating costs, improve efficiency, and enhance the competitiveness of the Company.

LETTER FROM THE BOARD

INFORMATION ON HUAINAN MINING

Huainan Mining was formed in March 1998 upon restructure of 淮南礦務局 (Huainan Ministry of Mines*). It is a wholly State-owned enterprise established by the People's Government of Anhui Province of China (中國安徽省人民政府). Huainan Mining is principally engaged in various industries such as coal, electricity, real estate, logistics and finance. It is ranked one of the 14 coal bases of 100-million-ton level and one of the six large coal-electricity bases in the PRC.

Huainan Mining is a substantial shareholder of Huanggang Dabieshan Power Company Limited* (黃岡大別山發電有限責任公司) and Huainan Pingwei No. 2 Electric Power Co., Ltd. (淮南平圩第二發電有限責任公司), both are subsidiaries of the Company.

INFORMATION ON CHINA COAL ENERGY

China Coal Energy is a joint stock company incorporated in the PRC with limited liability. Its shares are listed on both the Stock Exchange and the Shanghai Stock Exchange. It is the second largest coal enterprise and the largest manufacturer of coal mining equipment in China and is mainly engaged in coal production and trade, coal chemical, power generation and coal mining equipment manufacturing.

China Coal Energy is a substantial shareholder of CP Shentou, a subsidiary of the Company.

INFORMATION ON THE COMPANY AND 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. As at the date of this announcement, CPI Group, through CPI Holding, owns approximately 63.57% of the issued share capital of the Company.

The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates high-capacity coal-fired power plants and hydro-power plants.

COMPLIANCE WITH THE LISTING RULES

Huainan Mining and China Coal Energy are both substantial shareholders of certain subsidiaries of the Company, and both are therefore connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the two Coal Supply Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in respect of the Proposed Annual Caps of the Continuing Connected Transactions under Huainan Mining Coal Supply Framework Agreement are more than 5%, they constitute non-exempt continuing connected transactions which are subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in respect of the Proposed Annual Caps of the Continuing Connected Transactions under China Coal Energy Coal Supply Framework Agreement are more than 5%, they constitute non-exempt continuing connected transactions which are subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Under Rule 14A.25 of the Listing Rules, the Company is required to aggregate the China Coal Energy Coal Supply Framework Agreement with the continuing connected transactions of a similar nature with the same connected party, China Coal Energy under the coal supply framework agreement dated 16 May 2013 (the "**First Transactions**"). As the Company had already complied with all the connected transaction requirements for the First Transaction, the Stock Exchange would not require the Company to aggregate the China Coal Energy Coal Supply Framework Agreement with the First Transactions.

None of the Directors has a material interest in the two Coal Supply Framework Agreements and none of them had abstained from voting on the relevant Board resolutions in these respect.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Shareholders in relation to the terms of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps. Shenying Wanguo has been appointed as the independent financial advisor to advise the Independent Board Committee and the Shareholders in this regard.

SHAREHOLDERS' APPROVAL

To the best knowledge, information and belief of the Directors, neither Huainan Mining, China Coal Energy nor any of their respective associates holds any shares of the Company as at the Latest Practicable Date and no Shareholder and its associates (as defined under the Listing Rules) is required to abstain from voting if the Company were to convene a general meeting for the approval of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps.

The Company has obtained two joint written shareholders' approvals in accordance with Rule 14A.43 of the Listing Rules from CPI Holding and CPDL, which held 2,074,538,546 and 1,996,500,000 shares of the Company respectively (together representing approximately 63.57% of the total issued share capital of the Company as at the Latest Practicable Date), approving each of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps.

Accordingly, the Company has made an application to the Stock Exchange for a shareholders' meeting waiver and the Stock Exchange has granted such waiver to the Company. The two joint written shareholders' approvals from CPI Holding and CPDL will therefore be relied on in lieu of holding a physical shareholders' meeting for approving each of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the view that the two Coal Supply Framework Agreements were entered into in the ordinary course of the Company's business, on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee and the letter from Shenyin Wanguo set out in this circular for further information.

GENERAL INFORMATION

Your attention is drawn to additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHINA POWER INTERNATIONAL DEVELOPMENT LIMITED

中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 2380)

Independent Board Committee

Mr. KWONG Che Keung, Gordon

Mr. LI Fang

Mr. TSUI Yiu Wa, Alec

31 December 2013

To the Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular (the “**Circular**”) dated 31 December 2013 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Shareholders as to whether, in its view, the two Coal Supply Framework Agreements have been entered into in the ordinary course of the Company’s business and that the terms of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps are on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The terms and reasons for the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps are summarised in the letter from the Board set out on pages 4 to 11 of the Circular.

We also draw your attention to the letter from Shenyin Wanguo in the Circular containing its advice in respect of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, after reviewing the terms of the two Coal Supply Framework Agreements as well as taking into account, among other things, the views of Shenyin Wanguo, the independent financial adviser to the Independent Board Committee and the Shareholders, considers that the two Coal Supply Framework Agreements have been entered into in the ordinary course of the Company's business and that the terms of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps are on normal commercial terms, fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Yours faithfully,
For and on behalf of the
Independent Board Committee
China Power International Development Limited
Mr. KWONG Che Keung, Gordon
Mr. LI Fang
Mr. TSUI Yiu Wa, Alec

LETTER FROM SHENYIN WANGUO

The following is the full text of the letter of advice from Shenyin Wanguo, the independent financial adviser to the Independent Board Committee and the Shareholders, which has been prepared for the purpose of incorporation in this circular.



Shenyin Wanguo Capital (H.K.) Limited

28th Floor, Citibank Tower

Citibank Plaza

3 Garden Road, Central

Hong Kong

31 December 2013

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

Coal Supply Framework Agreements

I. INTRODUCTION

We refer to our appointment as the independent financial adviser of the Company to advise the Independent Board Committee and the Shareholders in respect of the terms of the Continuing Connected Transactions contemplated under the Huainan Mining Coal Supply Framework Agreement with Huainan Mining dated 6 December 2013 and the China Coal Energy Coal Supply Framework Agreement with China Coal Energy dated 6 December 2013, and the Proposed Annual Caps. Details of the Continuing Connected Transactions are set out in the letter from the Board in the circular of the Company dated 31 December 2013 (the “**Letter from the Board**”) to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context herein requires otherwise.

Pursuant to the Coal Supply Framework Agreements, Huainan Mining and China Coal Energy have each agreed to supply coal to the Company (representing the Purchasers). The term of each of the Huainan Mining Coal Supply Framework Agreement and the China Coal Energy Coal Supply Framework Agreement will commence on 1 January 2014, subject to the approvals and waivers required under the Listing Rules being obtained (if necessary) and expire on 31 December 2016 (both dates inclusive).

According to the Letter from the Board, Huainan Mining and China Coal Energy are both substantial shareholders of certain subsidiaries of the Company, and both are therefore connected

LETTER FROM SHENYIN WANGUO

persons of the Company under the Listing Rules. The Continuing Connected Transactions contemplated under the two Coal Supply Framework Agreements constitute non-exempt continuing connected transactions of the Company which are subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As stated in the Letter from the Board, to the best knowledge, information and belief of the Directors, none of Huainan Mining, China Coal Energy or any of their respective associates holds any shares of the Company as at the Latest Practicable Date and no Shareholder and its associates (as defined under the Listing Rules) is required to abstain from voting if the Company were to convene a general meeting for the approval of the Coal Supply Framework Agreements, the Continuing Connected Transactions and the Proposed Annual Caps.

The Company has obtained two joint written shareholders' approvals from CPI Holding and CPDL, which held 2,074,538,546 and 1,996,500,000 shares of the Company respectively (representing approximately 63.57% of the total issued share capital of the Company as at the Latest Practicable Date), approving each of the Coal Supply Framework Agreements, their respective Continuing Connected Transactions and the Proposed Annual Caps. Accordingly, the Company has made an application to the Stock Exchange for a shareholders' meeting waiver and the Stock Exchange has granted such waiver to the Company. The two joint written shareholders' approvals from CPI Holding and CPDL will therefore be relied on in lieu of holding a physical shareholders' meeting for approving each of the Coal Supply Framework Agreements, their respective Continuing Connected Transactions and the Proposed Annual Caps.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Tsui Yiu Wa, Alec, has been established by the Company to advise the Shareholders in respect of the terms of the Coal Supply Framework Agreements, the Continuing Connected Transactions and the Proposed Annual Caps. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

II. BASIS OF OPINION

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular and those supplied or made available to us by the Directors and management of the Company for which they are solely responsible, and to their information and knowledge, were true, accurate and complete in all respects at the time they were given or made and continue to be true, accurate and valid as at the date of the Circular and can be relied upon. We have assumed that all statements and information supplied, and the opinions and representations made or provided to us by the Directors and management of the Company and those contained in the Circular have been reasonably made after due and careful enquiry.

We consider that we have reviewed all available information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and representatives of the Company to believe that material

LETTER FROM SHENYIN WANGUO

information has been withheld or omitted from the information provided to us or referred to in the available documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries or associates or future prospects of the Group.

As stated in the Circular, the Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Continuing Connected Transactions and the Proposed Annual Caps, we have taken the following factors and reasons into consideration:

1. Principal business of the Group, Huainan Mining and China Coal Energy

The Group

The Company is the listed flagship company outside the PRC of the 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. The principal business of the Group is to develop, construct, own, operate and manage large power plants in the PRC. The Company owns and operates high-capacity coal-fired power plants and hydro-power plants.

Huainan Mining

Huainan Mining was formed in March 1998 upon restructure of 淮南礦務局 (Huainan Ministry of Mines*). It is a wholly State-owned enterprise established by the People's Government of Anhui Province of China (中國安徽省人民政府). Huainan Mining is principally engaged in various industries such as coal, electricity, real estate, logistics and finance. It is ranked one of the 14 coal bases of 100-million-ton level and one of the six large coal-electricity bases in the PRC.

Huainan Mining is a substantial shareholder of 黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*) and 淮南平圩第二發電有限責任公司 (Huainan Pingwei No. 2 Electric Power Co., Ltd.), both being subsidiaries of the Company.

China Coal Energy

China Coal Energy is a joint stock company incorporated in the PRC with limited liability. It is the second largest coal enterprise and the largest manufacturer of coal mining equipment in China and is mainly engaged in coal production and trade, coal chemical, power generation and coal mining equipment manufacturing.

China Coal Energy is a substantial shareholder of CP Shentou, a subsidiary of the Company.

LETTER FROM SHENYIN WANGUO

2. Reasons for and the benefits of entering into the Coal Supply Framework Agreements

As set out in the Letter from the Board, in order to cope with the rapid development of the Company as increasing number of high capacity coal-fired power generating plants are to commence commercial operation and the expected increase in electricity demand in the coming few years, it is the Company's strategic decision to secure greater supply of coal for meeting its operational needs. The entering into the Coal Supply Framework Agreements will help the Group (i) obtaining continuous and stable coal supply to the coal-fired power generating units of the Group, (ii) getting favourable prices by bulk purchases, (iii) minimising transportation costs as some of the relevant coal mines of Huainan Mining are located in the closest proximity of the Purchasers, and (iv) taking the scale advantages of centralised purchasing, improving the ability to optimise the allocation and co-ordination of internal and external resources, to better control operating costs, improve efficiency, and enhance the competitiveness of the Company.

Having considered the principal business of the Group and the nature of the transactions under the Coal Supply Framework Agreements, we are of the view that the Continuing Connected Transactions contemplated under the Coal Supply Framework Agreements fall within the ordinary and usual course of business of the Group. Moreover, we note from the Letter from the Board that Huainan Mining is ranked one of the 14 coal bases of 100-million-ton level and one of the six large coal-electricity bases in the PRC, whilst China Coal Energy is the second largest coal enterprise in the PRC. In view of the respective market position and operation scale of each of Huainan Mining and China Coal Energy, we concur with the Directors that the entering into of the Huainan Mining Coal Supply Framework Agreement and the China Coal Energy Coal Supply Framework Agreement will allow the Group to ensure a stable coal supply from Huainan Mining and China Coal Energy respectively, which is required to support the operation of the coal-fired power generating units of the relevant Purchasers while aiming to minimise transportation costs and is in the interests of the Company and the Shareholders as a whole.

3. Huainan Mining Coal Supply Framework Agreement

(a) *Principal terms*

The term of the Huainan Mining Coal Supply Framework Agreement will commence on 1 January 2014, subject to the obtaining of the approvals and waivers required under the Listing Rules (if necessary), and expire on 31 December 2016 (both dates inclusive). The Company and Huainan Mining agreed that the purchase price of coal shall be determined by both parties after arm's length negotiations with reference to factors including national industrial policy as well as industry and market conditions in the PRC, the specified guidelines issued by the National Development and Reform Commission of the PRC ("NDRC") setting out the coal purchase prices (if any), the current transacted coal prices of the local coal exchange or market in the PRC, the quality and quantity of coal, as well as the relevant transportation fees. In addition, pursuant to Huainan Mining Coal Supply Framework Agreement, the Purchasers will settle the purchase of coal from Huainan Mining on a monthly basis or such other payment terms as both parties will agree from time to time in contracts.

LETTER FROM SHENYIN WANGUO

According to 《國務院辦公廳關於深化電煤市場化改革的指導意見》 (Guidance opinions of the General Office of the State Council on deepening the market-based reform on thermal coal) and 《國家發展改革委關於貫徹落實國務院辦公廳關於深化電煤市場化改革的指導意見做好產運需銜接工作的通知》 (Notice of the National Development and Reform Commission on the transition works of thermal coal production, transportation and demand in relation to the implementation of the guidance opinions of the General Office of the State Council on deepening the market-based reform on thermal coal*) published by the General Office of the State Council of the PRC and the NDRC respectively in December 2012, starting from 2013, all legally operating coal producing enterprises and electricity producing enterprises are allowed to determine the price of coal based on negotiations.

The Huainan Mining Coal Supply Framework Agreement sets out a framework of the principal terms upon which future agreements for supply and purchase of coal between the Company and Huainan Mining should adhere to during the term of the Huainan Mining Coal Supply Framework Agreement. We understand from the Company that the pricing of coal supplied by Huainan Mining is expected to be determined with reference to the prevailing market price of coal in Anhui Province. The Company has provided us with several coal purchase agreements in relation to historical purchases of coal in the year ended 31 December 2012 and the first 11 months of 2013 by the Group from Huainan Mining and five independent third party coal suppliers. As the Company has confirmed that (i) the said coal suppliers are the top five independent third party coal suppliers of the Group in 2012 and 2013 respectively; and (ii) the coal purchase agreements provided by the Company are representative of the Group's coal purchases from independent third parties during the relevant period and the terms contained in such agreements are representative of the terms of the historical coal purchases of the Group, we concur with the Directors that the coal purchase agreements provided by the Company are representative samples. As advised by the Company, the coal purchase prices of such agreements were determined after taking into account of factors, including, among others, the prevailing market prices of coal which were based on the then local market price data of coal with similar calorific value published on the website 中國煤炭市場網 (www.cctd.com.cn) organised by 中國煤炭運銷協會 (China Coal Transportation & Sale Society*) and provided to us by the Company. Based on our review of the relevant coal purchase agreements and our discussion with the Company, we note that the pricing and payment terms of the Huainan Mining Coal Supply Framework Agreement are no less favourable than those available from independent third parties as set out in the aforementioned coal purchase agreements reviewed by us.

Based on the above, we are of the view that the principal terms of the Huainan Mining Coal Supply Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned.

(b) Proposed Annual Caps

The Directors estimate the Proposed Annual Caps under the Huainan Mining Coal Supply Framework Agreement for the three years ending 31 December 2016 are RMB5,694,000,000, RMB7,388,000,000 and RMB9,082,000,000 (equivalent to approximately HK\$7,207,595,000, HK\$9,351,899,000 and HK\$11,496,203,000) respectively.

LETTER FROM SHENYIN WANGUO

Based on our review of the factors in determining the Proposed Annual Caps under the Huainan Mining Coal Supply Framework Agreement as set out in the Letter from the Board, we have taken the following into account in assessing their fairness and reasonableness:

(i) *Historical coal purchases from Huainan Mining*

As disclosed in the announcement of the Company dated 26 July 2011, the coal supply framework agreement between the Company and Huainan Mining for supplying coal to certain subsidiaries of the Company, namely 安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Company Limited*), 淮南平圩第二發電有限責任公司 (Huainan Pingwei No. 2 Electric Power Co., Ltd.) and 黃岡大別山發電有限責任公司 (Huanggang Dabieshan Power Company Limited*, “**Dabieshan Power Company**”) (collectively the “**Relevant Subsidiaries**”), will expire on 31 December 2013. The Company’s purchase of coal from Huainan Mining for the years ended 31 December 2011, 2012 and as estimated for 2013 amounted to approximately RMB4,400,000,000, RMB4,900,000,000 and RMB4,100,000,000 respectively. As it is noted that the Relevant Subsidiaries will continue to source coal under the Huainan Mining Coal Supply Framework Agreement, we consider that it is reasonable for the Company to take into account the historical amounts of coal purchase from Huainan Mining in determining the relevant Proposed Annual Caps.

(ii) *Estimated amount of coal to be purchased*

As set out in the Letter from the Board, the aggregate annual amount of coal to be supplied by Huainan Mining is estimated to be up to 9,300,000 tonnes, 12,100,000 tonnes and 14,900,000 tonnes for the three years ending 31 December 2016 respectively. We note that in addition to the Relevant Subsidiaries, the Purchasers as represented by the Company under the Huainan Mining Coal Supply Framework Agreement also include 淮南平圩第三發電有限責任公司 (Huainan Pingwei No. 3 Electric Power Co., Ltd.*), 蕪湖發電有限責任公司 (Wuhu Electric Power Generating Company Limited*, “**Wuhu Electric Power**”) and 中電國瑞物流有限公司 (China Power Guorui Logistics Company Limited*, “**Guorui Logistics**”) (collectively the “**New Purchasers**”). As advised by the Company, Guorui Logistics, a wholly-owned subsidiary of the Company providing logistics services for the Group, will source coal from Huainan Mining for supplying the Company’s subsidiaries and associates, including Wuhu Electric Power and 江蘇常熟發電有限公司 (Jiangsu Changshu Electric Power Generating Company Limited, “**Changshu Electric Power**”), for electric power generation purposes.

Accordingly, the Company estimates that the amount of coal to be purchased from Huainan Mining for each of the three years ending 31 December 2016 will increase significantly in order to satisfy the potential demand from the New Purchasers. Moreover, the Company advised us that two new coal-fired power generating units of Huainan Pingwei No. 3 Electric Power Co., Ltd. will commence commercial operation by the end of 2014 and in the first half of 2015 respectively. As a result, the Company expects that the estimated amount of coal to be purchased from Huainan Mining pursuant to the Huainan Mining Coal Supply Framework Agreement will further increase in the three years ending 31 December 2016. We have reviewed the information provided by the Company and note that the estimated amounts of coal to be purchased are determined based on the estimated amount of electricity to be generated by the coal-fired power

LETTER FROM SHENYIN WANGUO

generating units operated by each of these Purchasers (including the end users of the coal sourced by Guorui Logistics from Huainan Mining) during each of the three years ending 31 December 2016 respectively, taking into account the expected electricity output and the coal consumption rate of the relevant power generating units during the aforesaid three-year period. In view of the above, we consider that the Group's basis of estimating the quantity of coal to be purchased from Huainan Mining based on the estimated amount of electricity to be generated by the Purchasers for each of the three years ending 31 December 2016 respectively is reasonable.

(iii) *Estimated increase in the demand for electricity*

As set out in the Letter from the Board, the estimated increase in the demand for electricity is based on the historical average growth rate in the past few years in China and the forecast made by China Electricity Council. According to the statistics on electricity consumption of the PRC published by the National Energy Administration of China, the national electricity consumption in the PRC grew at a compound annual growth rate ("CAGR") of approximately 10.8% during the three-year period between 2010 and 2012. Based on the report titled 《2013年前三季度全國電力供需形勢分析預測報告》 (Report on forecast supply and demand of electricity in the PRC for the first three quarters of 2013*) published by 中國電力企業聯合會 (China Electricity Council), an electricity production industry organisation established under the permission of the State Council of the PRC in 1988, on its website (<http://www.cec.org.cn>) on 7 November 2013, electricity consumption in the PRC is estimated to increase by about 7.0% in 2013 as compared with that in 2012. Furthermore, based on an article titled 《今年全國電力供需總體平衡電力供應能力提升》 (The overall national electricity supply capacity increases in 2013 and 2014*) published by 中國電力新聞網 (www.cpnn.com.cn, a web portal organised by 中國電力傳媒集團公司 (China Power Media Group*)) in December 2013, we further note that the national electricity consumption in the PRC in 2014 is expected to increase by approximately 7.0% as compared with that in 2013. Based on the above, we concur with the Directors that the Company's estimation on the increase in demand for electricity for each of the three years ending 31 December 2016 respectively is reasonable to justify the increase in the estimated amount of coal to be purchased under the Huainan Mining Coal Supply Framework Agreement to support the expected increase in electricity generated by the relevant power plants during the same period.

We were advised by the Company that the Group expects the average price of coal shall stay at the prevailing price level in the next three years. According to available historical data of 環渤海動力煤價格指數 (Bohai-rim Steam-coal Price Index*), a benchmark coal price index which tracks power-station coal prices at six major coal ports along Bohai coast, the price index fell from RMB768 per tonne in early June 2012 to RMB626 per tonne in August 2012. Since then, the price index maintained within a range of RMB603 per tonne and RMB643 per tonne during the 10 months period from August 2012 to June 2013, then decreased over the next 3 months to a low of RMB530 per tonne in early October 2013, and followed by a subsequent rebound to RMB608 per tonne as of early December 2013. Taking into account the price trend over the past 18 months as discussed above, we concur with the Directors that it is possible that average prices of coal during the next three years may remain at similar level as the prevailing market price, and it is reasonable that the Company takes into account the expected coal price trend in determining the Proposed Annual Caps for the three years ending 31 December 2016.

LETTER FROM SHENYIN WANGUO

Based on the above, we are of the view that the Proposed Annual Caps under the Huainan Mining Coal Supply Framework Agreement are reasonably determined so far as the Company and the Shareholders are concerned.

4. China Coal Energy Coal Supply Framework Agreement

(a) *Principal terms*

The term of the China Coal Energy Coal Supply Framework Agreement will commence on 1 January 2014, subject to the obtaining of the approvals and waivers required under the Listing Rules (if necessary), and expire on 31 December 2016 (both dates inclusive). The Company and China Coal Energy agreed that the purchase price of coal shall be determined by both parties after arm's length negotiations with reference to factors including national industry policy as well as industry and market conditions in the PRC, the specified guidelines issued by the NDRC setting out the coal purchase prices (if any), the current transacted coal prices of the local coal exchange or market in the PRC, the quality and quantity of coal, as well as the relevant transportation fees. In addition, pursuant to China Coal Energy Coal Supply Framework Agreement, the Purchasers will settle the purchase of coal from China Coal Energy on a monthly basis or such other payment terms as both parties will agree from time to time in contracts.

As discussed above in the paragraph headed "Principal terms" under the section headed "Huainan Mining Coal Supply Framework Agreement", pursuant to the relevant guidance opinion and notice published by the General Office of the State Council and the NDRC, starting from 2013, all legally operating coal producing enterprises and electricity producing enterprises are allowed to determine the price of coal based on negotiations.

The China Coal Energy Coal Supply Framework Agreement sets out a framework of the principal terms upon which future agreements for the supply and purchase of coal between the Company and China Coal Energy should adhere to during the term of the China Coal Energy Coal Supply Framework Agreement. We understand from the Company that the source of coal supplied by China Coal Energy would be seaborne coal around the Bohai-rim region, and the pricing of coal is expected to be based primarily on Bohai-rim Steam-coal Price Index. The Company has provided us with several coal purchase agreements in relation to historical purchases of coal in the year ended 31 December 2012 and the first 11 months of 2013 by the Group from China Coal Energy and five independent third party coal suppliers. As the Company has confirmed that (i) the said coal suppliers are the top five independent third party coal suppliers of the Group in 2012 and 2013 respectively; and (ii) the coal purchase agreements provided by the Company are representative of the Group's coal purchases from independent third parties during the relevant period and the terms contained in such agreements are representative of the terms of the historical coal purchases of the Group, we concur with the Directors that the coal purchase agreements provided by the Company are representative samples. As advised by the Company, the coal purchase prices of such agreements were determined taking into account factors, including, among others, the prevailing market prices of coal which were based on the then local market price data of coal with similar calorific value published on the website 中國煤炭市場網 (www.cctd.com.cn) organised by China Coal Transportation & Sale Society as provided by the Company. Based on our review of the relevant coal purchase agreements and our discussion with the Company, we note that the pricing and payment terms of the China Coal Energy Coal Supply

LETTER FROM SHENYIN WANGUO

Framework Agreement are no less favourable than those available from independent third parties as set out in the aforementioned coal purchase agreements reviewed by us.

Based on the above, we are of the view that the principal terms of the China Coal Energy Coal Supply Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned.

(b) *Proposed Annual Caps*

The Directors estimate the Proposed Annual Caps under the China Coal Energy Coal Supply Framework Agreement for the three years ending 31 December 2016 will not exceed RMB729,000,000, RMB855,000,000 and RMB855,000,000 (equivalent to approximately HK\$922,785,000, HK\$1,082,278,000 and HK\$1,082,278,000) respectively.

Based on our review of the factors in determining the Proposed Annual Caps as set out in the Letter from the Board, we have taken the following into account in assessing the fairness and reasonableness of the Proposed Annual Caps:

(i) Historical coal purchases from China Coal Energy

As advised by the Company, a subsidiary and an associate of the Company, namely Wuhu Electric Power and Changshu Electric Power, have purchased coal from China Coal Energy for the years ended 31 December 2011, 2012 and as estimated for 2013 amounting to approximately RMB461,970,000, RMB556,860,000 and RMB571,400,000 respectively. As the aforesaid subsidiary and associate of the Company will continue to source coal under the China Coal Energy Coal Supply Framework Agreement, we consider that it is reasonable for the Company to take into account the historical amounts of coal purchase from China Coal Energy in determining the relevant Proposed Annual Caps.

(ii) Estimated amount of coal to be purchased

As set out in the letter from the Board, the aggregate annual amount of coal to be supplied by China Coal Energy is estimated to be up to 1,200,000 tonnes, 1,400,000 tonnes and 1,400,000 tonnes for the three years ending 31 December 2016 respectively. As advised by the Company, the quality, specification and calorific value of coal shall conform to the design and technical specification of coal-fired power generating units operated by the relevant Purchasers, namely Wuhu Electric Power, Changshu Electric Power and Dabieshan Power Company (which may source the coal from China Coal Energy via Guorui Logistics). We understand from the Company that the Proposed Annual Cap in 2014 will increase as compared to the historical purchase in 2013 having considered (a) the quantity of coal sourced by Wuhu Electric Power from China Coal Energy is expected to increase in 2014; and (b) Dabieshan Power Company shall begin sourcing coal from China Coal Energy from 2014 onwards. Furthermore, the Company expects the quantity of coal sourced by Dabieshan Power Company from China Coal Energy shall further increase in 2015 and maintain at a similar level in 2016. We have reviewed the information

LETTER FROM SHENYIN WANGUO

provided by the Company and note that the estimated amounts of coal to be purchased are determined based on the estimated amount of electricity to be generated by the coal-fired power generating units operated by the relevant Purchasers during each of the three years ending 31 December 2016 respectively, taking into account the expected electricity output and the coal consumption rate of the relevant power generating units during the aforesaid three-year period. In view of the above, we consider that the Group's basis of estimating the quantity of coal to be purchased from China Coal Energy based on the estimated amount of electricity to be generated by the relevant Purchasers for each of the three years ending 31 December 2016 is reasonable.

(iii) *Estimated increase in the demand for electricity*

We understand from the Company that the expected electricity output by each of the relevant Purchasers for each of the three years ending 31 December 2016 shall remain at similar levels as their current production. As set out in paragraph headed "Proposed Annual Caps" under the section headed "China Coal Energy Coal Supply Framework Agreement" in the Letter from the Board, the estimated increase in the demand for electricity by the Company is based on the historical average growth rate in the past few years in China and the forecast made by China Electricity Council. According to the statistics on electricity consumption of the PRC published by the National Energy Administration of China, the national electricity consumption in the PRC grew at a CAGR of approximately 10.8% during the three-year period between 2010 and 2012. We also note that the growth rate of electricity consumption in the PRC is estimated to be 7.0% in each of 2013 and 2014 as discussed above. Based on the above, we concur with the Directors that given the overall growth of electricity consumption in the PRC, the expected electricity output by each of the relevant Purchasers for each of the three years ending 31 December 2016 may be maintained, and accordingly, it is reasonable for the Company to estimate that the amount of coal to be purchased under the China Coal Energy Coal Supply Framework Agreement may remain stable during the same period.

As discussed in paragraph headed "Proposed Annual Caps" under the section headed "Huainan Mining Coal Supply Framework Agreement" above in this letter, after taking into account the price trend of coal from August 2012 to early December 2013, we concur with the Directors that it is possible that average prices of coal during the next three years may remain at similar level as the prevailing market price, and it is reasonable that the Company takes into account the expected coal price trend in determining the Proposed Annual Caps for the three years ending 31 December 2016.

Based on the above, we are of the view that the Proposed Annual Caps in respect of the China Coal Energy Coal Supply Framework Agreement are reasonably determined so far as the Company and the Shareholders are concerned.

LETTER FROM SHENYIN WANGUO

IV. RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Continuing Connected Transactions are carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Continuing Connected Transactions contemplated under the Coal Supply Framework Agreements are on normal commercial terms, and are fair and reasonable so far as the Company and the Shareholders are concerned; (iii) the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and (iv) the basis of determining the Proposed Annual Caps is fair and reasonable.

Yours faithfully,

For and on behalf of

Shenyin Wanguo Capital (H.K.) Limited

Tanny Chau

Managing Director

Fu Xing Yi

Director

* *denotes English translation for illustrative purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or the circular misleading.

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

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 interests required to be 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, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of 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 other member of the Group were as follows:

Name of Shareholder	Capacity	Number of shares in which interested other than under equity derivatives ⁽³⁾	Percentage of issued share capital of the Company (%)	Long/Short position
CPDL	Beneficial owner	1,996,500,000	31.18	Long
CPI Holding ⁽¹⁾	Interest of a controlled corporation	1,996,500,000	31.18	Long
	Beneficial owner	2,074,538,546	32.39	Long
CPI Group ⁽²⁾	Interest of a controlled corporation	4,071,038,546	63.57	Long

Notes:

- (1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the shares of the Company owned by CPDL for the purposes of the SFO.
- (2) CPI Group is the beneficial owner of CPI Holding and therefore CPI Group is deemed to be interested in the shares of the Company owned by CPI Holding for the purposes of the SFO.
- (3) CPI Group, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than a Director or chief executive of the Company) who had any interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register of interests 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 other member of the Group.

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executive of the Company had 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 has been 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 were 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 of interests referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Name of Directors	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	0.068	Long
GU Dake	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,949,300	0.046	Long
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0062	Long
WANG Zichao	Beneficial owner	the Company	18 September 2004, 4 April 2007 and 2 July 2008	2,044,000	0.032	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 the share option scheme by the Company.
- (2) None of the above Directors has interests in the securities of the Company (except for interests held under equity derivatives disclosed above).

4. DIRECTORS' INTERESTS IN CONTRACTS

The Directors confirmed that there is no contract or arrangement subsisting at the date of this circular in which any of them is materially interested and which is significant in relation to the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contract, nor was there any proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of 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 competing interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Position(s) with the Company	Other interests
LI Xiaolin	Chairman, Executive Director and Chief Executive Officer	Deputy general manager of CPI Group; chairman of CPI Holding; chairman of China Power New Energy Development Limited and director of Companhia de Electricidade de Macau
GU Dake	Executive Director and President	Executive director and general manager of CPI Holding
GUAN Qihong	Non-executive Director	Director of CPI Holding, director of China Power International Financial Co., Ltd.* (中電投財務有限公司) and supervisor of the Capital Market and Equity Management Department of CPI Group
WANG Zichao	Non-executive Director	General manager of the branch company of CPI Group in Hunan and the chairman of Wu Ling Power Corporation* (五凌電力有限公司), a 63%-owned subsidiary of the Company

Although the Directors mentioned above 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 Company and the Shareholders 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 QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualification
Shenyin Wanguo	A corporation licensed under the SFO to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities (as defined in the SFO)

As at the Latest Practicable Date, Shenyin Wanguo had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and the references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Shenyin Wanguo did not have any shareholding in any member of the Group or any rights (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

As at the Latest Practicable Date, none of the Directors or Shenyin Wanguo had any interest, direct or indirect, in any asset which had been or were proposed to be, acquired or disposed of by or leased to any member of the Group, since 31 December 2012, 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 2012, being the date to which the latest published audited financial statements of the Group were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection 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 15 January 2014 (both dates inclusive):

- (a) the Huainan Mining Coal Supply Framework Agreement;
- (b) the China Coal Energy Coal Supply Framework Agreement;
- (c) the letter of recommendation from the Independent Board Committee dated 31 December 2013;
- (d) the letter of advice issued by Shenyin Wanguo to the Independent Board Committee and the Shareholders dated 31 December 2013;
- (e) the two joint written shareholders' approvals from CPI Holding and CPDL approving each of the two Coal Supply Framework Agreements, and their respective Continuing Connected Transactions and Proposed Annual Caps; and
- (f) the written consent given by Shenyin Wanguo as referred to in the paragraph headed "EXPERT QUALIFICATION AND CONSENT" of this appendix.

11. GENERAL

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.