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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)

DISCLOSEABLE AND CONNECTED TRANSACTIONS

ACQUISITIONS OF ASSETS AND LIABILITIES

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



A letter from the board of Directors of China Power International Development Limited is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee of China Power International Development Limited containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from CLSA Equity Capital Markets Limited containing its advice to the Independent Board Committee is set out on pages 25 to 39 of this circular.

A notice dated 7 December 2007 convening an EGM to be held on 31 December 2007 at 3:00 p.m. (or immediately after conclusion of the first Extraordinary General Meeting to be held at 2:00 p.m. on the same day, whichever is later) at Concord II and III, Renaissance Harbour Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong is set out on pages 45 to 46 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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, in such event, the relevant form of proxy shall be deemed to be revoked.

7 December 2007

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Assets as further described in section 2(A) of the Letter from the Board of this circular and the entering into the Asset Acquisition Agreement, Amendment Agreements and Land Use Right Transfer Agreement, as further described in this circular
“Adjustments”	has the meaning given to it in section 2(C)(c) of the Letter from the Board of this circular
“Amendment Agreements”	the amendment agreements which are described in section 3(A) of the Letter from the Board of this circular
“Asset Acquisition Agreement”	the conditional asset purchase agreement dated 16 November 2007 entered into by the Company and Qinghe Company relating to the Acquisition
“Associate”	has the meaning given to it by the Listing Rules
“Audited Value”	has the meaning given to it in section 2(C)(c) of the Letter from the Board of this circular
“Assets”	the assets to be acquired pursuant to the Asset Acquisition Agreement as further described in section 2(B) of the Letter from the Board of this circular
“Board”	the board of Directors of the Company
“China Power Qinghe Company”	遼寧中電清河發電有限公司 (Liaoning China Power Qinghe Electric Power Generating Company Limited*) a foreign owned enterprise to be incorporated in the PRC by the Company
“China Enterprise Appraisal Company”	北京中企華資產評估有限責任公司 (Beijing China Enterprise Assets Appraisal Company Limited*) an appraiser independent of CPI Group and its Associates
“Company”	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Stock Exchange

DEFINITIONS

“CPCE”	中國電能成套設備有限公司 (China Power Complete Equipment Co., Ltd*) which is a non-wholly owned subsidiary of CPI Group
“CPDL”	China Power Development Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of CPI Holding
“CPI Group”	中國電力投資集團公司 (China Power Investment Corporation*), a wholly State-owned enterprise established by 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
“CPI Engineering Company”	中電投電力工程有限公司 (CPI Engineering Company Limited*), formerly known as 中國電力投資集團公司工程建設管理分公司, a subsidiary of CPI Group
“Director(s)”	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 Asset Acquisition Agreement, Amendment Agreements and Land Use Right Transfer Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Incorporation Date”	the date when China Power Qinghe Company is incorporated and is set out in its business licence
“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 will be formed to advise the Independent Shareholders in respect of the terms of the Acquisition

DEFINITIONS

“Independent Financial Adviser” or “CLSA”	CLSA Equity Capital Markets Limited, an independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	shareholders of the Company other than CPI Group and its Associates
“Land Lease Agreement”	the land lease agreement entered into between CPI Group and the Company which is described in section 4(B) of the Letter from the Board of this circular
“Latest Practicable Date”	3 December 2007, 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
“Land Use Right Transfer Agreement”	the land use right transfer agreement entered into between CPI Group and the Company, which is described in section 2(F) of the Letter from the Board of this circular
“Parent Group”	CPI Group and its subsidiaries from time to time. Unless otherwise expressly stated or the context otherwise requires, references to “Parent Group” exclude the Group
“Pingwei Land Lease Amendment Agreement”	the land lease amendment agreement dated 23 May 2007 entered into between Pingwei Power Plant and CPI Group relating to the lease of the land on which Pingwei Power Plant is situated
“Pingwei Power Plant”	安徽淮南平圩發電有限責任公司 (Anhui Huainan Pingwei Electric Power Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC on 17 September 1999
“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
“Project”	the construction and installation of the Assets in Qinghe District, Tieling City, Liaoning, the PRC

DEFINITIONS

“Project Agreements”	the loan agreements, construction contracts, supply agreements, equipment procurement agreements and other agreements in relation to the Project which are described in section 3(A)(a) of the Letter from the Board of this circular
“Principal Terms for Amendment Agreement”	has the meaning given to it in section 3A(b)(2) of the Letter from the Board of this circular
“Principal Terms for Loan Amendment Agreements”	has the meaning given to it in section 3A(b)(1) of the Letter from the Board of this circular
“Qinghe Company”	遼寧清河發電有限責任公司 (Liaoning Qinghe Electric Power Generating Company Limited*), a subsidiary of CPI Holding
“RMB”	Renminbi, the lawful currency of China
“Shentou I Power Plant”	山西神頭發電有限責任公司 (Shanxi Shentou Power Generating Company Limited*), a wholly-owned subsidiary of Tianze Company which is in turn a wholly-owned subsidiary of the Company
“Shentou Land Lease Agreement”	the land lease agreement dated 9 June 2005 entered into between Tianze Company and CPI Group relating to the lease of the land on which Shentou I Power Plant is situated
“State Council”	the State Council of the PRC* (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yaomeng Land Lease Amendment Agreement”	the land lease amendment agreement dated 23 May 2007 entered into between Yaomeng Power Plant and CPI Group, as amended on 24 September 2004 relating to the lease of the land on which Yaomeng Power Plant is situated
“Yaomeng Power Plant”	平頂山姚孟發電有限責任公司 (Pingdingshan Yaomeng Electric Power Company Limited*), a wholly-owned subsidiary of the Company established as a wholly foreign-owned enterprise in the PRC on 27 August 1999

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

This circular contains translation between Renminbi amounts and Hong Kong dollars at RMB1.00 to HK\$1.03. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.

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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

Executive Directors:

Li Xiaolin (*Vice-Chairman, Chief Executive Officer*)

Hu Jiandong (*Executive Vice-President*)

Registered Office:

Suite 6301, 63/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

Non-Executive Directors:

Wang Binghua (*Chairman*)

Gao Guangfu

Independent Non-Executive Directors:

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

7 December 2007

To the shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
ACQUISITION OF ASSETS AND LIABILITIES**

1. INTRODUCTION

The Board announced that on 16 November 2007, the Company has entered into the Asset Acquisition Agreement with Qinghe Company, a wholly owned subsidiary of CPI Holding, pursuant to which the Company agrees to purchase the Assets and to assume all rights, debts and liabilities (including rights and liabilities under the Project Agreements) in relation to the Assets subject to the satisfaction (or waiver) of certain conditions. The Company will incorporate China Power Qinghe Company as a vehicle to hold and operate the Assets. After China Power Qinghe Company is incorporated, it will hold the Assets and assume all rights, debts and liabilities under the Project Agreements.

LETTER FROM THE BOARD

The total consideration for the Acquisition amounts to RMB944,628,262.68 (equivalent to approximately HK\$972,967,111). The consideration is subject to adjustments in certain specified circumstances as set out in this circular on the completion of the Acquisition.

Pursuant to the Asset Acquisition Agreement, all rights, debts and liabilities (including rights and liabilities under the Project Agreement) in relation to the Assets will be assumed by China Power Qinghe Company. To this end, the Company will on behalf of China Power Qinghe Company enter into the Amendment Agreements mentioned in the section headed "Amendment Agreements" so that China Power Qinghe Company will replace Qinghe Company as the contracting party to the Project Agreements. Pursuant to the Listing Rules, some of these Amendment Agreements are subject to reporting and announcement requirements.

On 16 November 2007, the Company has also entered into the Land Lease Agreement with CPI Group. The maximum annual rent payable by the Company to CPI Group for the first three years will be RMB2,982,400 (equivalent to approximately HK\$3,071,872).

The Asset Acquisition Agreement, Amendment Agreements and Land Lease Agreement were all entered into after trading hours of the Stock Exchange.

The Company has established an Independent Board Committee to advise the Independent Shareholders on the terms of the Acquisition. CLSA has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition.

The main purposes of this circular are to provide you with (a) details of the Acquisition; (b) a letter from the Independent Board Committee and from the Independent Financial Advisor; and (c) a notice to shareholders of the Company convening an EGM to approve the terms of the Acquisition.

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 Acquisition.

2. ASSET ACQUISITION AGREEMENT:

(A) Introduction

On 16 November 2007, the Company entered into the Asset Acquisition Agreement with Qinghe Company, a wholly owned subsidiary of CPI Holding, pursuant to which the Company agrees to purchase the Assets and to assume all rights, debts and liabilities (including rights and liabilities under the Project Agreements) in relation to the Assets subject to the satisfaction (or waiver) of certain conditions. The Company will incorporate China Power Qinghe Company as a vehicle to hold and operate the Assets. After China Power Qinghe Company is incorporated, it will hold the Assets and assume all rights, debts and liabilities under the Project Agreements.

LETTER FROM THE BOARD

(B) Information about the Assets

The Assets to be acquired mainly comprise of a power plant under construction, which are situated in Qinghe District, Tieling City, Liaoning Province, PRC. The construction of the power plant has been approved by the National Development and Reform Commission. According to the latest schedule, the construction of the power plant is expected to be completed by the end of 2008 and the power plant will by then be equipped with a 600MW super-critical coal-fired generation unit.

The Assets also include other related equipment, facilities and the land over which the power plant is located. The power plant is located on two pieces of land, one of which is owned by Qinghe Company and will be transferred to the Company pursuant to the Land Use Right Transfer Agreement. As CPI Group only has the right to use and does not have the ownership of the other piece of land, CPI Group will lease the land to the Company in accordance with the Land Lease Agreement. Details of the Land Use Right Transfer Agreement and Land Lease Agreement are set out in sections 2(G) and 4 respectively of the Letter from the Board of this circular.

As at 30 June 2007, the book value of the Assets as disclosed in the financial statement of Qinghe Company was RMB826,146,600 (equivalent to approximately HK\$850,930,998). Save as disclosed in this circular and the funding required for completing the Project, all the land premium in respect of the land mentioned in section 2(G) of the Letter from the Board of this circular had been paid and the Company does not have any further commitment in respect of the Project.

(C) Consideration

Subject to the Adjustments, the total consideration for the Acquisition is RMB944,628,262.68 (equivalent to approximately HK\$972,967,111). The consideration is divided into the following components:

(a) Cash component:

Subject to the Adjustments mentioned in (c) below, the Company will pay a sum of RMB180,320,362.47 (equivalent to approximately HK\$185,729,973) in cash within 30 business days after completion to Qinghe Company out of the internal resources of the Company. The amount of the cash component was determined based on various factors, including the expenses and loss suffered by Qinghe Company in obtaining the development rights for the Project.

(b) Liabilities component:

Subject to the Adjustments mentioned in (c) below, the Company, on behalf of China Power Qinghe Company, will assume liabilities amounting to RMB764,307,900.21 (equivalent to approximately HK\$787,237,137). The said sum of RMB764,307,900.21 are total debts and liabilities incurred (as at 30 June 2007) by Qinghe Company in connection with the acquisition and construction of the Assets.

LETTER FROM THE BOARD

The parties also agree that all debts and liabilities in relation to the Assets incurred on 30 June 2007 but are still outstanding on the Incorporation Date (including any refinancing of bank loans during the period from 30 June 2007 to the Incorporation Date) shall also be assumed by China Power Qinghe Company. In order to assume the debts and liabilities of the Assets, the Company will enter into amendment agreements or other appropriate arrangements with the relevant contractors, banks, suppliers and third parties in its own name and on behalf of China Power Qinghe Company so that China Power Qinghe Company will replace Qinghe Company as the contracting party to the Project Agreements. Details of the Amendment Agreements are set out in section 3 of the Letter from the Board of this circular.

(c) Adjustments:

Pursuant to the Asset Acquisition Agreement, the parties will appoint a qualified auditor (the parties intend that either the Company's auditors or the auditors of Qinghe Company will be appointed) to perform an audit on the completion accounts so as to determine the total consideration payable. In the completion accounts, the auditors will determine the value of the Assets and debts and liabilities in relation to the Assets as at the Incorporation Date (the "Audited Value"). The parties will then compare the Audited Value with the appraised value of the Assets and debts and liabilities in relation to the Assets as at 30 June 2007. If there is any difference between the two, the parties agree to adjust the total consideration payable by reference to the Audited Value.

The Asset Acquisition Agreement was negotiated and entered into on an arm's length basis and on normal commercial terms. The consideration was determined based on various factors, including the valuation report prepared by China Enterprise Appraisals Company, an asset appraiser independent from CPI Group and its Associates, the market environment, the technical and operating conditions of the Assets. According to the valuer's report issued on 31 August 2007, the total appraised value of the Assets (based on the cost method) is RMB844,628,300 (equivalent to approximately HK\$869,967,149) as at 30 June 2007. Such valuation report is valid until 31 March 2008 (i.e. nine months after 30 June 2007) for the purpose of obtaining the relevant government approval for the Acquisition in the PRC.

(D) Assumption of liabilities under employment contracts

China Power Qinghe Company will replace Qinghe Company as the employer and assume all liabilities under employment contracts in respect of the existing employees whose job duties are related to the Assets.

(E) Conditions to completion of the Acquisition

Completion of the Acquisition is conditional upon satisfaction of the following conditions:

- (a) the passing of an ordinary resolution by Independent Shareholders approving the terms of the Acquisition;

LETTER FROM THE BOARD

- (b) the obtaining of all necessary internal approvals of the Company and Qinghe Company for the Acquisition; and
- (c) the obtaining of all necessary approvals from the PRC and other relevant governmental and regulatory authorities for the Acquisition; and
- (d) the respective representations and warranties of the Company and Qinghe Company remaining true, accurate and not misleading in any material respect as at the completion of the Assets; and
- (e) Qinghe Company has complied with all the legal procedures and requirements in respect of the disposal of the Assets, including the compliance of the procedures of making creditors announcement and notification; and
- (f) there having been no material adverse change to the Assets during the period from 30 June 2007 to the completion of the Acquisition; and
- (g) the Company in its own name and on behalf of China Power Qinghe Company has reached agreements with the relevant parties in respect of assumption of liabilities in relation to the Assets; and
- (h) all legal documentations in respect of the Acquisition are satisfactory to both parties.

Completion of the Acquisition will take place following the satisfaction of the above-mentioned conditions. However, the conditions set out in paragraphs (d), (e), (f), (g) and (h) (insofar as it applies to the obligations of Qinghe Company) may be waived by the Company, and the conditions set out in paragraphs (d) and (h) (insofar as it applies to the obligations of the Company) may be waived by the Qinghe Company.

As it is time consuming to obtain the government approval in the PRC for the Acquisition, the parties agree that the long stop date is 31 December 2008. If the completion shall not take place on 31 December 2008 or such later date as the Company and Qinghe Company agree in writing, the Asset Acquisition Agreement will cease to have effect, save and except liabilities in respect of antecedent breaches. As at the date of this circular, except paragraphs (b) and (e), none of the above conditions has been fulfilled and the Company will issue an announcement upon completion of the Acquisition.

(F) Subsequent Arrangements

In addition to the development and construction of the Assets, Qinghe Company intends to obtain approval from the relevant government authorities of the PRC for the further construction of two 600 MW power generators (“Future Units”) situated in Qinghe District, Tieling City, Liaoning Province. The construction scope and the construction plan of the Future Units will depend on the approval document of the relevant government authorities. Both parties agree that subject to the approval by

LETTER FROM THE BOARD

the relevant government authorities of the PRC, Qinghe Company agrees to transfer the development right of the Future Units to the Company under appropriate way and consideration. In return, if the development of such Future Units causes a part or all of the existing units of Qinghe Company to be shut down or otherwise, the Company will compensate Qinghe Company in the following manners:

- (a) it shall compensate Qinghe Company for any damages or losses arising from the shut down of part of or all of the existing units; and
- (b) all employees of Qinghe Company relating with part of or all of the old units that are being shut down will be employed by China Power Qinghe Company.

The parties will enter into negotiations in due course so as to reach an agreement or arrangements pursuant to the above principles, which shall be subject to

- (a) all approvals of internal procedures by both parties (including approval by independent shareholders of the Company where applicable);
- (b) approval by the relevant government authorities of the PRC; and
- (c) other conditions as may be required under the applicable laws and/or agreed between the parties.

The above agreement or arrangements may constitute connected transactions for the Company, and the Company will comply with the applicable Listing Rules as and when such agreement or arrangements are entered into.

(G) Land Use Right Transfer Agreement

- (a) Introduction

As mentioned above, the power plant under construction is situated on two pieces of land, one of which is owned by Qinghe Company. Pursuant to the Asset Acquisition Agreement, the land owned by Qinghe Company (details of which are set out in this section) will be transferred to the Company in the terms set out below. In order to comply with the relevant legal requirements in the PRC, the parties will enter into the Land Use Right Transfer Agreement for the purpose of transferring the legal title of the land to the Company. The consideration mentioned in the Land Use Right Transfer Agreement has already been included in the consideration to be payable under the Asset Acquisition Agreement.

LETTER FROM THE BOARD

(b) Information about the Land Use Right Transfer Agreement

Date

16 November 2007

Parties

- (1) Transferor: Qinghe Company; and
(2) Transferee: the Company

Assets to be acquired

Qinghe Company agrees to transfer a piece of industrial land with a total area of 75,333.10 square meters situated in Houma Village, Hongqi Street, Qinghe District, Tieling, Liaoning Province to China Power Qinghe Company within six months after the completion of the Acquisition. If Qinghe Company fails to do so, Qinghe Company shall indemnify for any direct loss or damage suffered by the Company and/or China Power Qinghe Company as a result of any delay caused by Qinghe Company.

Reason for such transaction

Part of the land where the Assets are situated on is owned by Qinghe Company. Entering into the land use right transfer agreement is necessary to ensure that, following the Acquisition, the Assets can continue to operate on the land.

The consideration

The consideration is RMB13,077,826.16 (equivalent to approximately HK\$13,470,161). This consideration has already been included in the consideration to be payable under the Asset Acquisition Agreement.

Warranties

Qinghe Company warrants, amongst other things, that

- (1) the land is free from encumbrances and third party's rights; and
- (2) it has good legal title and its land use rights will expire on 12 July 2054 according to the land use rights certificate; and
- (3) it has paid all premium and tax relating to the land.

Termination

This Land Use Right Transfer Agreement will terminate when the Asset Acquisition Agreement is terminated.

LETTER FROM THE BOARD

(H) Other Matters

The Asset Acquisition Agreement is not inter-conditional with the Land Use Right Transfer Agreement, Amendment Agreements and Land Lease Agreement. If the Asset Acquisition Agreement is terminated for whatever reasons, the Land Use Right Transfer Agreement, Amendment Agreements and Land Lease Agreement will either be terminated or become unenforceable. However, if any one of the Land Use Right Transfer Agreement, Amendment Agreements and Land Lease Agreement is terminated, the termination of such agreements will not affect the validity of the Asset Acquisition Agreement and the parties will enter into other appropriate arrangements to resolve the problems.

3. AMENDMENT AGREEMENTS

(A) Introduction

Before the Acquisition, Qinghe Company entered into certain Project Agreements in respect of financing and construction of the Assets. Pursuant to the Asset Acquisition Agreement, all rights, debts and liabilities in respect of the Assets (including rights and liabilities under the Project Agreements) will be assumed by China Power Qinghe Company. To this end, the Company will, on behalf of China Power Qinghe Company, enter into the Amendment Agreements (details of which are set out in this section) or other appropriate arrangements so that China Power Qinghe Company will replace Qinghe Company as the contracting party to such Project Agreements.

(a) Nature of the Project Agreements

The nature of the Project Agreements can broadly be divided into three categories. The first category is the loan related documents. This type of agreements mainly consists of loan agreements whereby Qinghe Company obtained funding from banks to finance the construction of the power plant and acquisition of the generation unit, equipment and related machineries. Besides the loan agreements, Qinghe Company also entered into certain security agreements pursuant to which all its interests in insurance policy, future revenue generated by the power plant, major construction and installation contracts, major supplies contracts and procurement contracts are pledged to the banks as security for the loans.

The second category of the Project Agreements is construction related contracts whereby Qinghe Company appointed project manager, construction supervision company and main contractors to manage and supervise the construction of the power plant and installation of the generation unit. This type of contracts mainly consists of construction contracts, construction supervision agreement, project management agreement and insurance policies. Pursuant to some construction contracts, some contractors agreed to procure its banks to issue performance guarantees in favour of Qinghe Company and its project manager.

The last category is the supply contracts and equipment procurement agreements whereby Qinghe Company acquires the relevant generator, transformers, tubing and other equipment and machineries from the suppliers.

LETTER FROM THE BOARD

Save as disclosed in section 3(B) below, the Directors (including the independent non-executive Directors) confirm that, to the best of their knowledge, information and belief having made all reasonable enquiry that all the parties (other than Qinghe Company) to the Project Agreements and their respective ultimate beneficial owners are third parties independent of and not connected with any Director, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.

(b) Principal Terms for the amendment agreements

Depending on the nature of the Project Agreements, the principal terms of the Amendment Agreements are set out below:

- (1) The principal terms of the amendment agreements for the loan agreements of the Project are as follows (“Principal Terms for Loan Amendment Agreement”):
 - (i) The bank confirms that all the conditions for drawing down the loan in the original loan agreement has either been satisfied by Qinghe Company or waived by the bank. Qinghe Company is entitled to draw down the full amount of loan under the original loan agreement.
 - (ii) Qinghe Company agrees that during the period commencing from the date of signing of the original loan agreement until the date of the incorporation of China Power Qinghe Company, all rights and obligations of Qinghe Company under the original loan agreement shall be vested in and assumed by Qinghe Company. Any liabilities (if any) incurred or arising from any breach of the original loan agreement by Qinghe Company during this period shall be assumed by Qinghe Company.
 - (iii) However, after the incorporation of China Power Qinghe Company and subject to paragraphs (i) and (ii) above, if the original loan agreement has not been performed completely, all rights and obligations of Qinghe Company under the original loan agreement shall be transferred to and be assumed by China Power Qinghe Company.
- (2) With respect to other Project Agreements, the principal terms of the Amendment Agreements are as follows (“Principal Terms for Amendment Agreement”):
 - (i) Qinghe Company agrees that during the period commencing from the date of signing of the original agreement until the date of the incorporation of China Power Qinghe Company, all rights and obligations of Qinghe Company under the original agreement shall be vested in and assumed by Qinghe Company. Any liabilities (if any) incurred or arising from any breach of the original agreement by Qinghe Company during this period shall be assumed by Qinghe Company.

LETTER FROM THE BOARD

- (ii) However, after the incorporation of China Power Qinghe Company and subject to paragraph (i) above, if the original agreement has not been performed completely, all rights and obligations of Qinghe Company under the original agreement shall be transferred to and be assumed by China Power Qinghe Company.

(B) Other Connected Transactions

(a) Introduction

As some of the service providers in the Project Agreements are connected persons of the Company, the entering into the Amendment Agreements sets out in this section 3(B) constitutes connected transactions of the Company.

The entering into Amendment Agreements mentioned in sections (b) and (c) is subject to the announcement, reporting but is exempt from the Independent Shareholders' approval requirements as the applicable ratios, fall below 2.5% under Rule 14A.32 of the Listing Rules.

- (b) 2x600MW Super-critical Generation Unit Construction Project Management Agreement ("Construction Project Management Agreement") Amendment Agreement

Date

16 November 2007

Parties

- (1) CPI Engineering Company, a subsidiary of CPI Group; and
- (2) Qinghe Company; and
- (3) The Company (who signs the agreement on behalf of China Power Qinghe Company).

Background

In April 2006, Qinghe Company entered into the Construction Project Management Agreement with CPI Engineering Company. Under the terms of the agreement, Qinghe Company engaged CPI Engineering Company as project manager to manage phase I and phase II of the project which involves the construction of a 600MW super-critical coal fired power generation unit during each phase in Qinghe, Liaoning Province, the PRC.

LETTER FROM THE BOARD

Pursuant to the Construction Project Management Agreement, the management fees payable to CPI Engineering Company for phase I comprise two parts, the first part being a management fee of RMB31,500,000 (equivalent to approximately HK\$32,445,000) and the second part being the information system charges of RMB5,000,000 (equivalent to approximately HK\$5,150,000) for installing, developing, purchasing and maintaining the equipment and software for the information technology system at the power plant.

The basic management fee for phase I is payable by six instalments, the first instalment of 20% is payable within one month after the signing of the agreement and the second instalment of 15% is payable upon the commencement of the excavation for the construction of the main building of the power plant for phase I. The rest of the instalments become payable as and when specific progresses have been made. The information system charges are payable as to 50% after the signing of the Construction Project Management Agreement, as to 40% after the completion of the information system and as to 10% after the completion of the “168 hours trial runs period” for phase I.

The basic management fee for phase II payable to CPI Engineering Company is RMB13,500,000 (equivalent to approximately HK\$13,905,000). The payment schedule for phase II is similar to the one for phase I. However, if the construction works for phase II do not commence within the “168 hours trial runs period” for phase I, CPI Engineering Company will incur extra costs for the delay and the parties agree that the basic management fees will be increased to RMB22,500,000 (equivalent to approximately HK\$23,175,000).

CPI Engineering Company will also be entitled to bonus management fees if it can successfully control the construction costs to certain level below the budgeted sums and such bonus management fees will be calculated with reference to the level of cost reduction but it is estimated that such bonus management fees will not exceed the amount of RMB15,000,000 (equivalent to approximately HK\$15,450,000) for both phases of the project.

Principal Terms of the Amendment Agreement

The rights and liabilities under the Construction Project Management Agreement will be transferred to China Power Qinghe Company in accordance with the Principal Terms for Amendment Agreement.

LETTER FROM THE BOARD

- (c) 600MW Super-critical Generation Unit Expansion Project Equipment Integration, Equipment Manufacture Supervision and Imported Equipment Procurement Agency Services Agreement (CPCECHT/03-CTA-04-2003) (“Equipment Agreement”) Amendment Agreement

Date

16 November 2007

Parties

- (1) CPCE, a subsidiary of the CPI Group; and
- (2) Qinghe Company; and
- (3) The Company (who signs the agreement on behalf of China Power Qinghe Company).

Background

In April 2004, Qinghe Company entered into the Equipment Agreement with CPCE. Under the terms of the agreement, Qinghe Company engaged CPCE to provide technical assistance and consultancy services relating to the purchase of the equipment and machinery required for the Project, including assistance in calling of tenders, supervision of manufacture of the equipment and machinery and acting as agent for purchasing imported equipment and parts. The total service fee payable under the Equipment Agreement is RMB6,000,000 (equivalent to approximately HK\$6,180,000) which is payable by six instalments after specific progresses have been made.

Principal Terms of the Amendment Agreement

The rights and liabilities under the Equipment Agreement will be transferred to China Power Qinghe Company in accordance with the Principal Terms for Amendment Agreement.

4. CONTINUING CONNECTED TRANSACTION EXEMPT FROM INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENT

(A) Introduction

As mentioned in section 2(B) above, the power plant under construction is situated on two pieces of land, one of which is owned by Qinghe Company. With respect to the other piece of land, CPI Group does not own the land and is only authorised by the PRC government to use, manage and operate the land. In accordance with the relevant regulations and the government permission, CPI Group is entitled to lease the land (details of which are set out below) to the Company.

LETTER FROM THE BOARD

(B) Information about the Land Lease Agreement

Date

16 November 2007

Parties

- (1) CPI Group; and
- (2) The Company (who signs the agreements on behalf of China Power Qinghe Company).

Background

On 16 November 2007, the Company, on behalf of China Power Qinghe Company, entered into the Land Lease Agreement with CPI Group to lease approximately 140,020 square meters of land from CPI Group, for a term commencing from the first day of the month immediately following the month in which China Power Qinghe Company is incorporated until the occurrence of the following events (whichever is the earliest):

- (1) the expiry of CPI Group's rights to lease the land;
- (2) China Power Qinghe Company ceases to be a member of CPI Group;
- (3) the expiry of China Power Qinghe Company's business licence.

The annual rent for the first three years is fixed at RMB2,982,400 (equivalent to approximately HK\$3,071,872). The parties agree that the rental is payable quarterly in arrears by four equal instalments. The rental is subject to review by the parties on the expiration of the period of three years and independent valuation based on the prevailing market rent. The rental will also be reduced if the total areas leased is reduced.

The annual rental payable is determined by reference to market rates. CLSA, the Independent Financial Adviser will review the Land Lease Agreement and its lease term to confirm it is normal business practice for contracts of this type to be of such duration.

Reason for such transaction

As the Assets are situated on the land, entering into the Land Lease Agreement is necessary to ensure that, following the Acquisition, the Assets can continue to operate on the land.

China Power Qinghe Company will settle the rental payments payable by way of cash payments.

LETTER FROM THE BOARD

For the reasons set out in the foregoing, the Directors of the Company, are of the view that the Land Lease Agreement are on normal commercial terms that are no less favourable than independent third parties, are fair and reasonable so far as China Power Qinghe Company is concerned and are in the interests of the Company and its shareholders as a whole.

5. COMPLIANCE WITH THE LISTING RULES

(A) The Asset Acquisition Agreement

As at the Latest Practicable Date, CPDL owned approximately 55.37% of the issued share capital of the Company. CPDL is a wholly-owned subsidiary of CPI Holding, which is in turn wholly-owned by CPI Group. As CPI Holding is a substantial shareholder of the Company, Qinghe Company is a connected person of the Company within the meaning of the Listing Rules. Thus, the Acquisition constitutes connected transaction for the Company. As each of the applicable percentage ratios for the Acquisition under Rule 14.07 of the Listing Rules exceeds 5% but is below 25%, the Acquisition also constitutes a discloseable transaction for the Company. Accordingly, the Acquisition is subject to the approval of the Independent Shareholders.

(B) Amendment Agreements for Construction Project Management Agreement and Equipment Agreement

As CPI Engineering Company and CPCE are subsidiaries of CPI Group, CPI Engineering Company and CPCE are connected persons of the Company. Thus, the entering into the amendment agreements for Construction Project Management Agreement and Equipment Agreement constitute connected transactions for the Company. As the applicable percentage ratios for these transactions, fall below 2.5% under Rule 14A.32 of the Listing Rules, the Amendment Agreements for Construction Project Management Agreement and Equipment Agreement are subject to reporting and announcement requirements but exempt from the Independent Shareholders' approval. Details of the Construction Project Management Agreement and Equipment Agreement will be included in the next published annual report and accounts of the Company pursuant to Rules 14A.45 and Rule 14A.46 of the Listing Rules.

(C) Continuing Connected Transaction

Further, the maximum annual rent payable by China Power Qinghe Company to CPI Group in accordance with the Land Lease Agreement for the first three years will be RMB2,982,400 (equivalent to approximately HK\$3,071,872). As the applicable ratios for the continuing connected transaction mentioned in section 4 above, when aggregated together with the Pingwei Land Lease Amendment Agreement (the annual rental under which is RMB6,845,839.32 (equivalent to approximately HK\$7,051,214)), Yaomeng Land Lease Amendment Agreement (the annual rental under which is RMB5,275,364.70 (equivalent to approximately HK\$5,433,626)) and Shentou Land Lease Agreement (the annual rental under which is RMB4,940,000 (equivalent to approximately HK\$5,088,200)) falls below 2.5% as set out in Rule 14A.34 of the Listing Rules, the Land Lease Agreement is subject to

LETTER FROM THE BOARD

reporting and announcement requirements but exempt from the Independent Shareholders' approval. Details of the Land Lease Agreement will be included in the next published annual report and accounts of the Company pursuant to Rules 14A.45 and Rule 14A.46 of the Listing Rules.

The Directors (including independent non-executive Directors) of the Company are of the view that the Asset Acquisition Agreement, Amendment Agreements and Land Use Right Transfer Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable so far as the Group is concerned and are in the interests of the Company and its shareholders as a whole.

The Directors of the Company are also of the view that the Amendment Agreements for Construction Project Management Agreement and the Land Lease Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Company, are fair and reasonable so far as the Group is concerned and are in the interests of the Company and its shareholders as a whole.

Save as disclosed in this circular, the Group does not have any prior transactions or relationship with Qinghe Company, CPI Holding and its Associates which require aggregation under Rules 14.22 and 14A.25 of the Listing Rules.

6. REASONS FOR AND BENEFITS OF THE ACQUISITION

Active and steady expansion of asset scale through acquisition of appropriate assets from the Parent Group has been the Company's development strategy since its listing. The Acquisition will enable the Company to:

- (A) expand its operational capacity. As at 30 June 2007, the Company has installed capacity of 6,615 MW. After completion of the Acquisition, China Power Qinghe Company will have one 600 MW unit under construction, and will commence the initial preparation work for the development of another 600 MW generation unit. The third 600 MW unit under "Replacement of small units with larger" is also under planning. The Acquisition will not only enable the Company to increase its capacity under construction by 600 MW, but will also be beneficial for the Company in obtaining space for future development. In the long run, China Power Qinghe Company will become a large power generation company with installed capacity of at least 1,800 MW, which has significant supporting effect on the scale growth of the Company after 2009.
- (B) expand the operation region of the Company. Acquisition of the Assets will cause the operation of the Company to expand from central and eastern China to the northeast. Liaoning province (where the Assets are situated) has now entered into a period of active economic development. Liaoning province is a base for heavy industry, and is a region of economically most active region in the northeast part of China. Under the national policy

LETTER FROM THE BOARD

of developing the northeast region, demand for electric power has been growing rapidly, and during the Eleventh Five Year Plan period, GDP grew by 11%. The Acquisition will enable the Company to share the results of the rapid economic development in the Liaoning Province.

- (C) obtain a stable source of profit growth. After completion of construction, the Assets will be a large capacity, high parameter power generation unit, with high efficiency and low operation costs. As a result of the adoption of coal from Huolinhe as its designed coal specie, its fuel cost will be reduced, and supplies and transportation are secured which will provide a new profit growth point for the Company, and will contribute for the enhancement of shareholders' value.

7. FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition and the incorporation of China Power Qinghe Company to hold and operate the Assets, the financial results, assets and liabilities of China Power Qinghe Company as a wholly owned subsidiary of the Company will be fully consolidated into the Company's consolidated financial statements. The Directors believe that, after completion of construction and commencement of operation of the 600MW power plant, the Acquisition will have a positive impact on the future prospects of the Company.

8. PRINCIPAL BUSINESSES OF THE COMPANY, QINGHE COMPANY, CPI ENGINEERING COMPANY AND CPCE

The Company is the flagship company and only listed entity outside the PRC of CPI Group. 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. As at the date of this announcement, CPI Group, through intermediate holding companies, CPI Holding and CPDL, owns and is entitled to control approximately 55.37% 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 four high-capacity coal-fired power plants and it has an installed capacity attributable to the Company of 7,215 MW. The Company also manages five other power plants, which are situated in Liaoning, Anhui, Fujian and Jiangxi, on behalf of its controlling shareholder, CPI Holding. CPI Engineering Company, a wholly owned subsidiary of CPI Group, is principally engaged in the management of power plant construction projects. CPCE, a subsidiary of CPI Group, is principally engaged in the provision of technical assistance and other consultancy and agency services in relation to the purchase of equipment for use in the power industry. Qinghe Company is a wholly owned subsidiary of CPI Holding which owns and operates a power plant in Qinghe with a total installed capacity of 1,000MW. As Qinghe Company, CPI Engineering Company and CPCE are subsidiaries of CPI Group (controlling shareholder of the Company), they are connected persons of the Company within the meaning of the Listing Rules.

LETTER FROM THE BOARD

9. EGM

An EGM will be held on 31 December 2007 at 3:00 p.m. (or immediately after conclusion of the first Extraordinary General Meeting to be held at 2:00 p.m. on the same day, whichever is later) at Concord II and III, Renaissance Harbour Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong, during which an ordinary resolution shall be proposed to the shareholders of the Company to approve the Asset Acquisition Agreement, Amendment Agreements and Land Use Right Transfer Agreement. CPI Group and its associates, being connected persons in respect of the Acquisition, will abstain from voting on the ordinary resolution to approve the Acquisition and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the EGM shall be taken by poll.

Under the articles of association of the Company, a poll can be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three members present in person or by proxy having the right to vote on the resolution; or
- (c) a member or members present in person or by proxy representing in aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
- (d) a member or members present in person or by proxy holding shares conferring the right to attend and vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right,

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

No voting trust, other agreement, arrangement or understanding was entered into by or binding upon CPI Group and its associates in respect of their beneficial interests in the Company.

10. RECOMMENDATION

The Directors consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and are in the interests of the Company and the shareholders as a whole. Accordingly, the Directors recommend the shareholders of the Company to vote in favour of the resolution to be proposed at the EGM to approve the transaction contemplated thereunder.

LETTER FROM THE BOARD

11. ADDITIONAL INFORMATION

Your attention is drawn to the Letter from the Independent Board Committee to the Independent Shareholders set out on pages 23 to 24 of this circular and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 25 to 39 of this circular in respect of the terms of the Acquisition, and to the information set out in the appendix of this circular.

By Order of the Board
China Power International Development Limited
Li Xiaolin
Vice 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 Hong Kong Companies Ordinance)

(Stock Code: 2380)

Independent Board Committee

Kwong Che Keung, Gordon

Li Fang

Tsui Yiu Wa, Alec

7 December 2007

To the Independent Shareholders,

Dear Sir and Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
ACQUISITIONS OF ASSETS AND LIABILITIES**

We refer to the circular (the “Circular”) dated 7 December 2007 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 other requires.

The Board announced that on 16 November 2007, the Company, in its name and on behalf of China Power Qinghe Company, entered into the Asset Acquisition Agreement, Amendment Agreements and Land Use Right Transfer Agreement with Qinghe Company, pursuant to which the Company agrees to purchase the Assets and to assume all rights, debts and liabilities (including rights and liabilities under the Project Agreements) in relation to the Assets for a total consideration of RMB944,628,262.68 (equivalent to approximately HK\$972,967,111).

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 Asset Acquisition Agreement, Amendment Agreements and Land Use Right Transfer Agreement are in the interest of the Company and its shareholders. CLSA 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 Acquisition from a financial perspective.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The terms and reasons for the Acquisition are summarised in the Letter from the Board set out on pages 5 to 22 of the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the Acquisition and the basis upon which their terms have been determined. We have also considered the key factors taken into account by CLSA in arriving at its opinion regarding the terms of the Acquisition as set out in the letter from the Independent Financial Adviser on pages 25 to 39 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, amongst other things, the views of CLSA, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, considers that the terms of the Acquisition 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 the Circular.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.



7 December 2007

To the Independent Board Committee
and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS ACQUISITION OF ASSETS AND LIABILITIES

INTRODUCTION

We refer to our engagement pursuant to which CLSA has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition, details of which are contained in the circular dated 7 December 2007 (the “**Circular**”) issued by the Company to the Shareholders, is on normal commercial terms, in the ordinary and usual course of business of the Group, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

This letter has been prepared for inclusion in the Circular. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Company announced that on 16 November 2007, the Company has entered into the Asset Acquisition Agreement with Qinghe Company, a wholly owned subsidiary of CPI Holding, pursuant to which the Company agrees to acquire the Assets and to assume all rights, debts and liabilities in relation to the Assets. The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. Further, as Qinghe Company is a connected person of the Company within the meaning of the Listing Rules, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and, pursuant to the provisions thereof, is subject to, among other things, approval by the Independent Shareholders at the EGM.

In relation to the Acquisition, the Company has also entered into (i) other connected transactions in relation to the entering into of certain Amendment Agreements to replace Qinghe Company as a contract party to the Project Agreements; and (ii) a continuing connected transaction in relation to the entering into of the Land Lease Agreement which will be exempted from the Independent Shareholders’ approval requirement under the Listing Rules. Given that the terms of the Land Lease Agreement is longer than three years, we have reviewed the arrangements in relation to the Land Lease

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement to confirm whether it is normal business practice for contracts of this type to be of such duration as requested under the Listing Rules. However, except for the continuing connected transaction relating to the Land Lease Agreement, we do not express an opinion on such other connected transactions for the purpose of our engagement.

In formulating our opinion with regard to the Acquisition, we have relied on the information, opinions and facts supplied, and representations made to us by the Directors and representatives of the Company (including those contained or referred to in the Circular). We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors and representatives of the Company, and for which they are wholly responsible, are true and accurate in all material respects. We have also relied on certain information available to the public and we have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. Further, we have relied on the representations of the Directors that they have made all reasonable inquiries, and that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement contained in the Circular untrue or misleading. We have also assumed that statements and representations made or referred to in the Circular were accurate at the time they were made and continue to be accurate at the date of dispatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the Acquisition and to justify our recommendation, relying on the accuracy of the information provided in the Circular as well as to provide a reasonable basis for our advice. It is not within our terms of reference to comment on the commercial feasibility of the Acquisition, which remains the responsibility of the Directors. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiations in respect of the terms and conditions of the Acquisition. Our opinion with regard to the terms and conditions thereof has been made on the assumption that all obligations to be performed by each of the parties to the Acquisition will be fully performed in accordance with the terms and conditions thereof. Further, we have no reason to suspect that any material facts or information have been omitted or withheld from the information supplied or opinions expressed to us nor to doubt the truth, accuracy and completeness of the information, facts and representations provided, or the reasonableness of the opinions expressed, to us by the Company, its Directors and its representatives. We have not, however, made any independent verification of the information and facts provided, representations made or opinions expressed by the Company, its Directors and its representatives, nor have we conducted any form of independent investigation into the business affairs or assets and liabilities of the Company. Accordingly, we do not warrant the accuracy or completeness of any such information.

Our opinion is necessarily based upon market, economic and other conditions as they existed and could be evaluated, and on the information publicly available to us, as of the date of this opinion. We have no obligation to update this opinion to take into account events occurring after the date that this opinion is delivered to the Independent Board Committee and the Independent Shareholders. As a result, circumstances could develop prior to completion of the Acquisition that, if known to us at the time we rendered our opinion, would have altered our opinion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, our opinion is also subject to the following qualifications:

- a) We are instructed to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition. As such, the scope of our review, and consequently, our opinion does not include any statement or opinion as to the commercial merits or strategic rationale of the Acquisition;
- b) We do not express any opinion or statement as to whether any similar terms or transactions akin to the terms proposed for the Acquisition are or might be available from any independent third parties, nor as to whether any independent third parties might offer similar transactions;
- c) It is not possible to confirm whether or not the Acquisition is in the interests of each individual Independent Shareholder and each Independent Shareholder should consider his/her/its vote on the merits or otherwise of the Acquisition in light of his/her/its own circumstances and from his/her/its own point of view having regard to all the circumstances (and not only the financial perspectives offered in this letter) as well as his/her/its own investment objectives;
- d) In preparing this letter and in giving any opinion or advice, we have only had regard to the Acquisition and necessarily circumstances thereof in connection with the Acquisition only, and not in connection with any other business plan, strategy or transaction, past or present, with regard to the Company or the Group as a whole, which falls beyond the scope of our opinion in connection with the Acquisition;
- e) We express no opinion as to whether the Acquisition will be completed nor whether it will be successful;
- f) Nothing contained in this letter should be construed as us expressing any view as to the trading price or market trends of any securities of the Company at any particular time;
- g) Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any securities of the Company; and
- h) We were not requested to and did not provide advice concerning the structure, the specific amount of consideration, the timing, pricing, size, feasibility, or any other aspects of the Acquisition.

This letter is for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition and, except for its inclusion in the Circular and for references thereto in the letter from the Independent Board Committee set out in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CLSA is licensed by the Hong Kong Securities and Futures Commission to undertake Types 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO and we, together with our affiliates, provide a full range of investment banking and brokerage services, which, in the course of normal trading activities, may from time to time effect transactions and hold securities, including derivative securities, of the Company, its subsidiaries or its substantial shareholder (as defined in the Listing Rules) for our own account and the accounts of customers. CLSA will receive a fee from the Company for rendering this opinion. The Company has also agreed to indemnify CLSA and certain related persons against liabilities and expenses in connection with this engagement.

PRINCIPAL FACTORS AND REASONS

In arriving at our opinion, we have taken into consideration, inter alia, each of the following principal factors and reasons set out below. Our conclusions are based on the results of all analyses taken as a whole.

1. The Acquisition

The Company announced on 16 November 2007 that it has entered into the Asset Acquisition Agreement with Qinghe Company, pursuant to which the Company agrees to purchase the Assets and to assume all rights, debts and liabilities (including rights and liabilities under the Project Agreements) in relation to the Assets at a total consideration of RMB 944,628,262.68 (subject to certain adjustments and equivalent to approximately HK\$ 972,967,111), which includes a cash component of RMB 180,320,362.47 (equivalent to approximately HK\$ 185,729,973) ; and (ii) the liabilities component of RMB 764,307,900.21 (equivalent to approximately HK\$ 787,237,137) (the “**Consideration**”) subject to the satisfaction (or waiver) of certain conditions. The Company will incorporate China Power Qinghe Company as a vehicle to hold and operate the Assets. After China Power Qinghe Company is incorporated, it will hold the Assets and assume all rights, debts and liabilities in relation to the Assets.

Please refer to the Letter from the Board contained in the Circular for further details in relation to the Asset Acquisition Agreement.

2. Information in relation to the Assets

2.1. Information relating to Qinghe Company:

We note that Qinghe Company is located in Liaoning Province, and currently consists of four 100 mega watts (“**MW**”) and four 200 MW coal-fired power generating units and one 600 MW power generating unit that is currently under construction. It purchases its coal supply primarily from producers located in Heilongjiang Province, Liaoning Province and Inner Mongolia Autonomous Region and sells all of its electricity to the 遼寧省電力公司 (Liaoning Electric Power Company). The

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

following table summarises the key operational data of Qinghe Company as at the Latest Practicable Date:

Qinghe Company		Fuel Type	Total Installed Capacity (MW)
Power plants in-service date	Unit 1: 1970	Coal	4 x 100
	Unit 2: 1971		4 x 200
	Units 3 and 4: 1974		
	Units 5, 6 and 7: 1977		
	Unit 8: 1984		
Power plant under construction (to be acquired pursuant to the Acquisition)	Expected to commence commercial operation by the end of 2008	Coal	1 x 600

We are advised by the Directors that the construction of the 600 MW power plant (i.e. the subject matter of the Acquisition) was approved by the National Development and Reform Committee (“NDRC”) to replace some of the existing installed capacities following the Chinese government’s initiative to “Replace Small Units with Large Ones”. As such, Qinghe Company has to shut down four existing power plants of 100 MW each (being Units 1, 2, 3 and 4) before the completion of construction of the 600 MW power plant.

We are further advised by the Directors that, Qinghe Company has entered into a Decommission and Demolition of Power Plant Agreement on 6 July 2007 with parties such as the Liaoning Provincial Development and Reform Committee, the local government and Liaoning Electric Power Company. We further understand that Qinghe Company has decommissioned Units 1 and 2 in September pursuant to the agreement and will further decommission Units 3 and 4 shortly.

2.2. *Information relating to the Assets:*

The Assets relate to a 600 MW coal-fired power plant that is currently under construction, which is situated in Qinghe District of Tieling City, Liaoning Province, the PRC. The construction of the power plant is expected to be completed by the end of 2008 and the power plant will by then be equipped with a 600 MW super-critical coal-fired generation unit.

The Assets include all the assets that are related to the construction in progress of the 600 MW power plant, including the other related equipment, facilities and the land on which the power plant is located. The power plant is located on two pieces of land, one of which is owned by Qinghe Company and will be transferred to the Company pursuant to the Land Use Right Transfer Agreement; and the other one of which will be leased to the Company in accordance with the Land Lease Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The book value of the Assets as included in the audited financial statements of Qinghe Company (as audited in accordance with the generally accepted accounting principles in the PRC) amounted to RMB 826,146,600 (equivalent to approximately HK\$ 850,930,998) as at 30 June 2007. According to the asset valuation report issued by China Enterprises Appraisal Company using the cost method, the appraised value of the Assets amounted to RMB 844,628,300 (equivalent to approximately HK\$ 869,967,149), representing a slight appreciation of approximately RMB 18.48 million over the audited book value of the Assets. China Enterprises Appraisal Company is a qualified independent PRC valuer appointed by the Company and the valuation of the Assets was conducted in accordance with the relevant requirements for asset appraisal in the PRC.

In accordance with the approval document dated 30 March 2005 issued by the NDRC, the total investment in relation to the construction of the 600 MW generation unit was expected to be approximately RMB 2,540 million. By 30 June 2007, a total investment of RMB 826,146,600 (equivalent to approximately HK\$ 850,930,998), representing the book value of the Assets, has been invested. We are advised by the Directors that, based on their experience in developing and constructing similar power plants in China as well as their discussions with the management of Qinghe Company, an additional investment of approximately RMB 1,620 million will be required between 1 July 2007 and the completion of construction of the power plant.

3. Rationale and background for the Acquisition

In relation to the rationale for the Company to enter into the Acquisition, we note the following:

- (i) The Acquisition is in line with the Company's development strategy of active and steady expansion of asset scale through acquisition of appropriate assets from the Parent Group since its listing in 2004.
- (ii) The Directors believe that the Acquisition represents a strategic opportunity for the Company to enter into an attractive power market. The Company has been managing Qinghe power plant as entrusted by CPI Holding and CPI Group pursuant to a management agreement entered into between the Company, CPI Holding and CPI Group since 1 July 2004. We are advised by the Directors that, based on its experience in managing Qinghe power plant, the Company had an opportunity to gain first-hand knowledge of the local power market and believe that Liaoning Province represents a new and promising market with expected strong demand for electricity, and the Acquisition will thus represent an opportunity to capture this market.
- (iii) The Acquisition will extend the Company's geographical coverage to the Northeastern region of China and diversify its service coverage to supply electricity to the Northeastern power grid of China. At present, the Company's self-owned power plants are located in Anhui, Henan, Jiangsu and Shanxi Province, and the Company also participates in the Shanghai power market through its investment in Shanghai Power. The Acquisition is expected to open up a new market for the Company and diversify its asset portfolio and market exposure.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) The Acquisition is also expected to enlarge the Company's operating scale. We are advised by the Directors that, the total installed capacity attributable to the Company's ownership amounted to approximately 7,215 MW as at the Latest Practicable Date. Upon completion of the Acquisition and the construction of the 600 MW generation unit, the Company's attributable installed capacity will increase by an additional 600 MW. Also, the Directors advised that, subject to obtaining necessary government approvals, such as the approvals from NDRC, the Company intends to construct two additional power generating units of 600 MW each in Qinghe District. Such plan, if successfully implemented, will further increase the Company's attributable installed capacity by another 1,200 MW.
- (v) The Company has established a successful track record in developing, constructing and managing large capacity power plants nationwide, in particular in relation to 600 MW coal-fired power plants that are similar to the Assets. In particular, the Company has accumulated relevant experience in the project management of building 600 MW super critical power plants in China, including one 640 MW power generating unit belonging to Pingwei Power Plant II and two 600 MW power generating units belonging to Pingwei Power Plant II and Yaomeng Power Plant II respectively that recently commenced commercial operation as well as three additional 600 MW power generating units at Yaomeng Power Plant II and Dabieshan Power Plant that are expected to be put into service within the next 12 months. Leveraging the Company's financial strengths and its experience in developing and constructing similar power projects, the Directors believe the Company would add value to the Assets after completion of the Acquisition, including the ability to exercise more efficient control of construction costs, to provide more effective supervision of the construction quality and to accelerate the construction timetable so as to ensure the 600 MW power plant may commence commercial operation by the end of 2008.

Given the above, we consider that the Acquisition is reasonable and in the normal course of business of the Company.

4. Funding of the Acquisition

The Consideration for the Acquisition amounts to RMB 944,628,262.68 (equivalent to approximately HK\$ 972,967,111), which comprises two components, namely (i) the cash component of RMB 180,320,362.47 (equivalent to approximately HK\$ 185,729,973); and (ii) the liabilities component of RMB 764,307,900.21 (equivalent to approximately HK\$ 787,237,137), being assumption by the Company of liabilities that are directly related to the Assets.

Pursuant to the Asset Acquisition Agreement, the Consideration is subject to certain adjustments upon completion of the Acquisition. We are advised by the Directors that, given the nature of the Assets being related to a construction-in-progress project, the value of the Assets is expected to increase as further construction made on the Assets, and consequently the Consideration is expected to be subject to certain upward adjustments at completion of the Acquisition. However, based on the Directors' discussion with the management of Qinghe Company, the source of funding for further construction between 1 July 2007 (being the date immediately following the date of the valuation report prepared by China Enterprise Appraisal Company) and completion of the Acquisition is likely to be financed through additional borrowings by Qinghe Company, and therefore the cash component of the Consideration is not expected to be significantly different from RMB 180,320,362.47 (equivalent to approximately HK\$ 185,729,973).

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We understand from the Directors that the cash component of the Consideration will be funded by the Company's internal resources and out of its existing cash balance. As disclosed in the Company's interim report for the six months ended 30 June 2007, the Company had cash and cash equivalents of approximately RMB 1,139.25 million.

In addition, in relation to the Acquisition, the Company intends to incorporate China Power Qinghe Company as a holding vehicle with respect to the ownership and operation of the Assets. As advised by the Directors, the registered capital and total investment of China Power Qinghe Company are currently proposed to be RMB 520 million and RMB 2,600 million respectively. We further understand from the Directors that the registered capital of China Power Qinghe Company will be paid in instalments, with the first instalment, being RMB 78 million or representing 15% of the registered capital, becoming payable within three months after the issue of the relevant company's business license, and the remaining registered capital of China Power Qinghe Company to be injected over a 12 month period following the issue of the company's business license, subject to the stage of construction of the power plant and the needs of China Power Qinghe Company. The first instalment of the registered capital of China Power Qinghe Company will be contributed partly in kind (representing the net value of the Assets for the purpose of capital verification to be conducted in relation to the incorporation of China Power Qinghe Company) and partly in cash. The Directors confirmed that the Company would have sufficient resources to (i) satisfy the payment of registered capital of China Power Qinghe Company, which is to be incorporated in relation to the Acquisition; and; (ii) continue the remaining construction of the 600 MW power plant till completion.

5. Financial impact of the Acquisition

We understand from the Directors that, upon completion of the Acquisition and the incorporation of China Power Qinghe Company to hold and operate the Assets, the financial results, assets and liabilities of China Power Qinghe Company as a wholly owned subsidiary of the Company will be consolidated into the Company's consolidated financial statements.

The Directors believe that, after completion of construction and commencement of operation of the 600 MW power plant, the Acquisition will have a positive impact on the future prospects of the Company.

Pursuant to the Acquisition, the Company, either in its own name or in the name of China Power Qinghe Company, is to assume additional liabilities for the total amount of RMB 764,307,900.21 (equivalent to approximately HK\$ 787,237,137), which includes borrowings of approximately RMB 722 million and trade payables of approximately RMB 42.31 million. As disclosed in the Company's unaudited interim report for the six months ended 30 June 2007, the Company's gearing ratio, calculated as a percentage of total borrowings to shareholders equity, was 90.57%. Had the Company's total borrowings been increased by RMB 722 million as at 30 June 2007 as a result of the Acquisition, the Company's gearing ratio would have increased slightly from 90.57% to 98.72%. In addition, we noted that the other large Chinese power generation companies listed on the Stock Exchange, such as Huaneng International, Huadian International, Datang International and China Resources Power were operating with gearing ratios in a range of about 110.38% to 240.57%. As (i) the increase in gearing

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ratio of the Company as a result of the Acquisition will be less than 10%; and (ii) the gearing ratio of the Company after the Acquisition is still below the low-end of the range of the other large Chinese power generation companies, the assumption of additional liabilities pursuant to the Acquisition should not have a material adverse impact on the Company's financial position.

6. Consideration and valuation

As stated in the Letter from the Board, subject to the Adjustments, the Consideration of RMB 944,628,262.68 (equivalent to approximately HK\$ 972,967,111) comprises two components, namely (i) the cash component of RMB 180,320,362.47 (equivalent to approximately HK\$ 185,729,973); and (ii) the liabilities component of RMB 764,307,900.21 (equivalent to approximately HK\$ 787,237,137), and was determined with reference to various factors including, the valuation report prepared by China Enterprise Appraisals Company, an asset appraiser that is qualified in the PRC to conduct asset valuation and independent from CPI Group and its Associate, and the market environment, the technical and operating conditions of the Assets and the Asset's earnings potential.

a) *Basis of the Consideration*

The Consideration of RMB 944,628,262.68 (equivalent to approximately HK\$ 972,967,111) represents a premium of RMB 100 million (equivalent to approximately 11.84%) (the "**Consideration Premium**") to the appraised value of RMB 844,628,300 (equivalent to approximately HK\$ 869,967,149), and a premium of RMB 118.48 million (equivalent to approximately 14.34%) to the audited book value of the Assets of RMB 826,146,600 (equivalent to approximately HK\$ 850,930,998).

The Directors confirm that the Consideration was arrived at after arms length negotiations between the parties and took into account, among other things, the time and efforts made by Qinghe Company in bringing the Assets to the current state and conditions. We further understand from the Directors that the Consideration Premium has been fixed at RMB 100 million and will not change regardless of the Audited Value, which is expected to increase as construction proceeds. As the source of funding for further construction between 1 July 2007 and completion of the Acquisition will more likely to be through additional borrowings by Qinghe Company, any increase in value will first of all be reflected in a higher book value of the Assets and secondly in a higher amount of liabilities to be assumed by China Power Qinghe Company. In other words, there should be no real increase in the Consideration if completion of the Acquisition occurred on 30 June 2007 and the Company and/or China Power Qinghe Company had to carry on the construction of the power plant by themselves.

We are further advised by the Directors that, the Consideration Premium was negotiated after taking into consideration the following:

- (i) efforts made and works conducted by Qinghe Company in obtaining necessary government approvals with respect to the construction of the 600 MW power plant as well as in managing the construction project thereafter; and

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- (ii) losses incurred by Qinghe Company in relation to the decommission of the four existing generation units of 100 MW each. As mentioned above, in relation to the construction of the 600 MW power plant, NDRC approval was obtained pursuant to the Chinese government's initiative to "Replace Small Units with Large Ones". Consequently, Qinghe Company has to decommission some of its existing installed capacities (i.e. Units 1 to 4 of Qinghe Company). In doing so, Qinghe Company expects to incur a loss of over RMB 200 million in connection with its profit & loss accounts.

Further, in order to evaluate whether the premium of RMB 118.48 million over the audited book value of the Assets is reasonable, we have reviewed acquisition transactions involved acquisitions of controlling interests in the Chinese coal-fired electric power generation sector which took place since 2005 where relevant information is publicly available. In selecting the comparable transactions, we have focused on material transactions where the total attributable installed capacity involved in the relevant acquisition was 600 MW or greater. The following table sets out our findings:

Announcement date	Acquirer	Seller	Interest acquired	Basis for determining the value of total assets of the acquired business	Premium of total consideration over the total asset value
3-Jul-07 ⁽ⁱ⁾	China Resources Power	Polloon Electric Power Corporation	100%	Unaudited	76.06%
10-Jun-05 ⁽ⁱⁱ⁾	The Company	China Power Development Limited	100%	PRC appraisal and HK GAAP	9.90%
14-Jun-05 ⁽ⁱⁱⁱ⁾	Huadian International	China Huadian Corporation	97%	PRC appraisal	-1.11%
14-Jun-05 ^(iv)	Huadian International	China Huadian Corporation	90%	PRC appraisal	-1.08%
Average					20.94%
The Acquisition	The Company	Qinghe Company	100%	PRC GAAP	14.34%

Notes:

- (i) China Resources Power acquired from Polloon Electric Power Corporation the entire equity interest in an investment holding company that holds a 55% interests in 錦州東港電力有限公司 (Jinzhou Eastern Power Co., Ltd.) ("**Jinzhou Company**") and acquired from Liaoning Province Power Company Limited the remaining 45% in Jinzhou Company. Jinzhou Company owns and operates six 200 MW power generating units with the expansion potential to construct four 600 MW generation units.
- (ii) The Company acquired from China Power Development Limited the entire issued share capital of an investment holding company that owns 100% of the power generating assets and operations of Shanxi Shentou I Power Plant, which is located in Shanxi Province and owns and operates six 200 MW coal-fired power generating units.

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- (iii) Huadian International entered into an agreement to acquire a 97% equity interest in 安徽華電宿州發電有限公司 (Anhui Huadian Suzhou Power Generation Company Limited), which has two 600 MW coal-fired power generating units that were under construction at the time of the transaction and were expected to commence operation in 2007.
- (iv) Huadian International entered into an agreement to acquire a 90% equity interest in 華電新鄉發電有限公司 (Anhui Huadian Xinxiang Power Generation Company Limited), which is located in Henan Province of the PRC and has two 660 MW generation units and two 300 MW generation units that were under construction at the time of the transaction and were expected to commence operation in 2006 and 2007, respectively.

The Acquisition involves purchasing the Assets and assuming related debts and liabilities. In accordance with information disclosed in Qinghe Company's audited financial statements, the Assets are financed as to RMB 764.31 million (which represented approximately 92.5% of the total assets) by liabilities and as to RMB 61.84 million by Qinghe Company's contribution, we believe such capital structure or high level of financial leverage would not normally be expected for a power generating company that is operated as an independent legal entity. Given that (i) all the comparable transactions in the above analysis involved acquisition of equity interests in the target companies where more normalised capital structures were found; (ii) the Assets were funded primarily by debts; and (iii) the Consideration was determined with reference to, among others, the liability component and the appraised asset value of the Asset, we consider that a total consideration to total asset value analysis is more applicable than a price to net asset value analysis. For the purpose of this analysis, we have adopted the following:

- in relation to the comparable transactions, total consideration represents the aggregate of (i) the consideration paid by the relevant acquirer with respect to the equity interest in the respective target company; and (ii) the proportional liabilities of the respective target company that are deemed to be assumed by the acquirer; and
- in relation to the Acquisition, total consideration refers to the Consideration.

Based on the above, we note that the Consideration, as a premium to the audited total asset value of the Asset, is lower than, and therefore compares favorably to, the average premium in relation to the comparable transactions.

b) *Comparable transactions*

As the Assets represent only construction in progress and therefore there is no financial data in the form of sales or net profits in relation to the Assets with which we can make comparison to the Consideration. In the circumstance, we have reviewed announced transactions of other large Chinese power generation companies listed on the Stock Exchange involving the acquisition or construction of power plants with generation capacity of about 600 MW (as the construction costs for power generating units with different generation capacities may have different cost structures, we have included only power generating units with generation capacities of about 600 MW for our analysis)

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from 2005 to 2007 and compared the acquisition or construction costs in the form of total investment to the generation capacity in MW to arrive at a total investment to MW ratio. We set out below the results of our analysis:

Company Name	Announcement Date	Transaction Details	Attributable total investment (RMB million)	Attributable Generation Capacity (MW)	Total investment/ MW (RMB million)
Datang International	09-Jan-07	Establishment of a 40% joint venture holding interest in four 600 MW generation units	4,077.41 (note 1)	960.00	4.25
Huaneng International	28-Sep-06	Acquisition of a 5% equity interest in two 600 MW generation units	221.85 (note 2)	60.00	3.70
China Resources Power	27-Jul-06	Acquisition of a 55% equity interest in two 640 MW generation units	2,200.00 (note 1)	704.00	3.13
Datang International	04-Jul-06	Establishment of a 40% joint venture holding interest in two 600 MW generation units	2,168.00 (note 1)	480.00	4.52
Datang International	10-Jan-06	Establishment of a 70% joint venture holding interest in two 600 MW generation units	4,158.00 (note 1)	840.00	4.95
Huadian International	14-Jun-05	Acquisition of a 97% equity interest in two construction in progress 600 MW generation units	4,850.00 (note 1)	1,164.00	4.17
Minimum					3.13
Average					4.12
Median					4.21
Maximum					4.95
The Company			2,564.63 (note 3)	600.00	4.27

Notes:

- Total investment refers to the estimated total investment cost of the relevant assets based on publicly available information.

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2. Total investment refers to the sum of the equity consideration paid in connection with the acquisition and the proportional net debt of the target power plants based on publicly available information.
3. In calculating the total investment of the Acquisition, the Consideration of RMB 944,628,262.68 (equivalent to approximately HK\$ 972,967,111) was aggregated together with the expected additional investment of approximately RMB 1,620 million, which is to be invested between 1 July 2007 and completion of construction (please refer to section 2.2 entitled "Information relating to the Assets").

With reference to the table above, the total investment to MW ratio in relation to the Asset Acquisition Agreement is about RMB 4.27 million per MW and is within the range of the total investment to MW ratio of the comparable transactions, which ranges between about RMB 3.13 million per MW to about RMB 4.95 million per MW, and only represents a small premium of about 3.64% to the average total investment to MW ratio of about RMB 4.12 million per MW or a small premium of about 1.43% to the median total investment to MW ratio of about RMB 4.21 million per MW.

7. Continuing connected transaction

On 16 November 2007, the Company (who signs the agreements on behalf of China Power Qinghe Company) entered into the Land Lease Agreement with CPI Group to lease approximately 140,020 square meters of land from CPI Group, for a term commencing from the first day of the month immediately following the month in which China Power Qinghe Company is incorporated until the occurrence of the following events (whichever is the earliest):

1. the expiry of CPI Group's rights to lease the land;
2. China Power Qinghe Company ceases to be a member of CPI Group; and
3. the expiry of China Power Qinghe Company's business licence.

As required under the Listing Rule 14A.35(1), we, as the Independent Financial Adviser, have reviewed the Land Lease Agreement for its term and noted that the other large Chinese power generation Companies listed on the Stock Exchange have similar long term leases either with their parents or the local government, and confirm that it is normal business practice for contracts of this type to have a long lease duration.

SUMMARY

Having considered the above principal factors and reasons, we draw your attention to the following in arriving at our conclusion:

- (i) the Acquisition is in line with the development strategy of the Company and is expected to bring other benefits to the Company's business development, such as (i) it will allow the Company to capture the market opportunity; and (ii) extend the Company's geographical coverage and enlarge the Company's operating scale. In addition, the Company expects to add value to the construction of the power plant after completion of the Acquisition;

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- (ii) the Company is expected to have sufficient resources to (i) fund the Acquisition; (ii) satisfy the payment of registered capital of China Power Qinghe Company, which is to be incorporated in relation to the Acquisition; and (iii) to continue the remaining construction of the 600 MW power plant to completion;
- (iii) the Directors expect that the Acquisition will have a positive impact on the future prospects of the Company and the Acquisition, in particular the assumption of additional liabilities pursuant to the Acquisition, should not have a material adverse impact on the Company's financial position;
- (iv) the Directors represent that the Consideration was arrived at after arms' length negotiations between the parties and the Consideration Premium was determined after taking into account (i) efforts made and works conducted by Qinghe Company with respect to the Assets; and (ii) loss incurred by Qinghe Company in order to proceed with the construction of the project, including the decommission of the four existing generation units of 100 MW each; and
- (v) the analysis of (i) the total consideration to total asset analysis of comparable transactions involving acquisitions of controlling interests in coal-fired power generating units; and (ii) the total investment to MW valuation multiples of comparable transactions involving acquisitions or constructions of 600 MW power plants in China as set out in section 6 entitled "Consideration and valuation" in this letter.

RECOMMENDATION

Having considered all the above principal factors and reasons, we consider as the date hereof that:

- a) the terms of the Acquisition are on normal commercial terms;
- b) the Acquisition is entered into in the ordinary and usual course of business of the Company; and
- c) the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Acquisition at the EGM to be convened on 31 December 2007, at 3:00 p.m. (or immediately after conclusion of the first Extraordinary General Meeting to be held at 2:00 p.m. on the same day, whichever is later) at Concord II and III, Renaissance Harbour Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong.

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This letter is provided to the Independent Board Committee and the Independent Shareholders in connection with and for the purposes of their evaluation of the Acquisition. In the event of inconsistency, the English text of this letter shall prevail over the Chinese text. This letter may not be disclosed, referred to, or communicated (in whole or part) to any third party for any purpose whatsoever except with our prior written approval. This letter may be reproduced in full in the Circular but may not otherwise be disclosed publicly in any manner without our prior written approval.

Yours faithfully,
For and on behalf of
CLSA Equity Capital Markets Limited
William Yeung
Managing Director of Investment Banking

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

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the shares or underlying shares 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 was, directly or indirectly, interested in 10 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Number of shares	Percentage of shares held (%)
CPDL	1,996,500,000(L)	55.37
CPI Holding	1,996,500,000(L)	55.37
CPI Group	1,996,500,000(L)	55.37
Mondrain Investment Partners Ltd.	219,258,000(L)	6.08
The Bank of New York Mellon Corporation	181,588,022(L)	5.04

Notes:

- (a) Because of the fact that CPI Holding and CPI Group directly or indirectly control all the voting rights of the issued share capital of CPDL, in accordance with the SFO, the interests of CPDL are deemed to be and have therefore been included in, the interests of CPI Holding and CPI Group.
- (b) The letter "L" denotes long position in the shares or underlying shares of the Company.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no person (not being a Director and chief executive of the Company) had an interest or short position in the shares or underlying shares 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 was, directly or indirectly, interested in 10 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, save as the options granted to our 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 will 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	Exercise period		Number of Shares subject to the option	Exercise price (HK\$)
	from	to		
Wang Binghua	18 September 2005	17 September 2014	1,495,400	2.53
	4 April 2008	3 April 2017	921,000	4.07
Li Xiaolin	18 September 2005	17 September 2014	1,661,500	2.53
	4 April 2008	3 April 2017	1,905,000	4.07
Hu Jiandong	18 September 2005	17 September 2014	996,900	2.53
	4 April 2008	3 April 2017	1,377,000	4.07
Gao Guangfu	18 September 2005	17 September 2014	207,700	2.53
	4 April 2008	3 April 2017	667,000	4.07

4. DIRECTORS' INTERESTS IN CONTRACTS

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 with is not expiring or may not be terminated by the Company 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:

Name	Position with Company	Other Interests
Wang Binghua	Chairman and Non-executive director	Chairman of CPI Holding
Li Xiaolin	Vice-chairman, Executive Director and chief executive officer	Vice-president of CPI Group; executive director and General Manager of CPI Holding; Chairman of China Power New Energy Development Limited
Hu Jiandong	Executive Director and Executive Vice-president	Executive Director and Vice-president of CPI Holding
Gao Guangfu	Non-executive Director	Manager of the Department of Finance and Asset Management of CPI Group

7. EXPERT AND CONSENT

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

Name	Qualifications
CLSA	CLSA Equity Capital Markets Limited, a licensed corporation under the SFO, licensed to undertake Types 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders

As at the Latest Practicable Date, CLSA had given and had not withdrawn its written consent to the issue of this circular with the inclusions of its statement and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, CLSA was not interested in the share capital of any members of the Group nor has any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities in any members 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 2006, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited accounts of the Company 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. 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 qualified accountant of the Company is Mr. Hui Ka Chun, who is a fellow member of the Association of Chartered Certified Accountants and is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (d) The head office of the Company is 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (e) 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.
- (f) 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.

12. 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 28 December 2007 (both dates inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the Asset Acquisition Agreement;
- (c) the Land Use Right Transfer Agreement;
- (d) the Amendment Agreements;
- (e) the Land Lease Agreement;
- (f) the written consent of the Independent Financial Adviser referred to in paragraph headed "Expert and Consent" in this Appendix;
- (g) the letter dated 7 December 2007 from the Independent Financial Adviser, the text of which is set out on pages 25 to 39 of this circular; and
- (h) the letter dated 7 December 2007 from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this circular.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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 Concord II and III, Renaissance Harbour Hotel Hong Kong, 1 Harbour Road, Wan Chai, Hong Kong on 31 December 2007 at 3:00 p.m. (or immediately after conclusion of the first Extraordinary General Meeting to be held at 2:00 p.m. on the same day, whichever is later), 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

1. **“THAT** the Asset Acquisition Agreement, the Amendment Agreements, the Land Use Right Transfer Agreement, as set out in sections 2 and 3 in the Letter from the Board in the circular of the Company dated 7 December 2007 and the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, confirmed and ratified and that the directors of the Company are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of Asset Acquisition Agreement, the Amendment Agreements, the Land Use Right Transfer Agreement.”

By order of the Board

China Power International Development Limited

Li Xiaolin

Vice Chairman

Hong Kong, 7 December 2007

Notes:

1. A shareholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more but (not exceeding two) proxies to attend and, on a poll, vote on his behalf. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, any one such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders is present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

3. In order to be valid, a form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or at any adjournment thereof. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or at any adjourned meeting should the shareholder so wishes.